

# What science can do

AstraZeneca Annual Report and Form 20-F Information 2019



# Corporate Governance

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## Chairman's Introduction

Good corporate governance is a prerequisite for a well-run company and this Corporate Governance Report reflects the new regulations which encourage transparency in governance reporting and enhance understanding of how AstraZeneca is managed.



“Transparency is another essential element in any well-run company. It is integral to the way AstraZeneca operates.”

### An engaged Board

If good corporate governance is at the heart of a well-run company, it requires talented and committed Directors, like those we have at AstraZeneca, to bring it to life in the way they carry out their responsibilities. We were therefore delighted when Michel Demaré joined the Board as a Director in September. He has a great deal of industrial, financial and board-level experience across a range of sectors, including science and technology, that is enabling him to contribute well to the work of our Board and Audit Committee.

Earlier in the year, Rudy Markham retired at our AGM after ten years on the Board. He had been an exceptional Director, latterly acting as our senior independent Non-Executive Director and chairing the Audit Committee. Graham Chipchase took over as senior independent Non-Executive Director at the start of 2019, while Philip Broadley succeeded Rudy as Chairman of the Audit Committee. I am grateful to them both, and to Nazneen Rahman who chairs the Science Committee, for taking on and discharging so ably these important additional responsibilities.

### Greater transparency

Transparency is another essential element in any well-run company. It is integral to the way AstraZeneca operates – including the operation of the Board and its sub-committees. I would therefore urge you to explore the sections in this Corporate Governance Report that describe how the Board operates in a manner that encourages open and frank discussion, as well as how we engage with and consider the views of stakeholders and, in particular, how we engage with our talented workforce.

### Collaboration with Daiichi Sankyo and share placing

In March 2019, we announced that we had entered into a global development and commercialisation collaboration agreement with Daiichi Sankyo for *Enhertu*. *Enhertu* is a proprietary antibody-drug conjugate which, in December, received accelerated approval in the US for the treatment of adult patients with HER2-positive breast cancer. We believe it could become a transformative new medicine in a number of other cancers.

In April 2019, to fund the upfront payment and near-term milestone payments under the transaction, repay a bond that was falling due, as well as for other corporate purposes, we raised approximately \$3.5 billion through a placing of new Ordinary Shares in the Company. Our decision to fund the transaction with equity is in line with our capital allocation priorities which are to invest in the business, maintain a progressive dividend and retain a strong investment grade credit rating. It is also in line with our strategy of investing in assets with growth potential.

### Appreciation

In closing, I would like to thank all the Directors for their contribution to the Board's deliberations and, more broadly, thank Pascal, Marc and the entire AstraZeneca team for their efforts which resulted in a year of innovation for patients in 2019, with the promise of more to come.

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

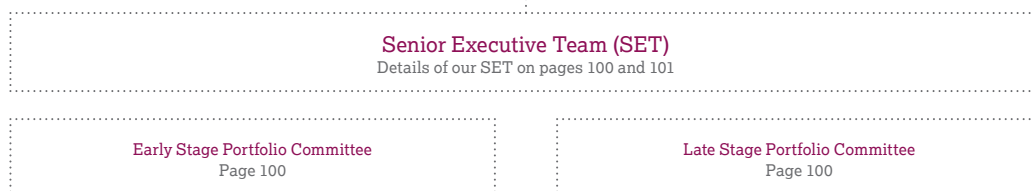
stakeholders. The Board conducts an annual review of the Group's overall strategy. The CEO, CFO and Senior Executive Team (SET) take the lead in developing our strategy, which is then reviewed, constructively challenged and approved by the Board.

## 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:



## Attendance in 2019

### Board Committee membership and meeting attendance in 2019

● Board or Committee Chairman

The Board held seven meetings in 2019, including its usual annual strategy review. Five took place in London, UK; one was held at AstraZeneca's facilities in Shanghai and Wuxi, China; and one was held as a teleconference/ videoconference call.

The Board is currently scheduled to meet six times in 2020 and will meet at such other times as may be required to conduct business.

Name	Board	Audit	Remuneration	Nomination and Governance	Science
Geneviève Berger	5(7)				2(2)
Philip Broadley	7(7)	● 6(6)	5(5)	4(4)	
Graham Chipchase	7(7)		● 5(5)	5(5)	
Michel Demaré – appointed 1 September 2019	3(3)	2(2)			
Deborah DiSanzo	7(7)	6(6)			
Marc Dunoyer	7(7)				
Leif Johansson	● 7(7)		5(5)	● 5(5)	
Rudy Markham – retired 26 April 2019	3(3)	● 3(3)	1(1)	3(3)	
Sheri McCoy	7(7)	6(6)	5(5)		
Tony Mok	7(7)				2(2)
Nazneen Rahman	7(7)			5(5)	● 2(2)
Pascal Soriot	7(7)				
Marcus Wallenberg	6(7)				2(2)

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

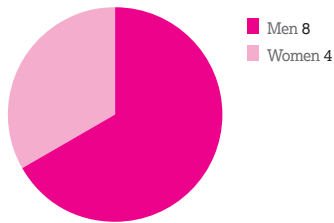
□ For more information, see Changes to the composition of the Board and its Committees for the year ended 31 December 2019 on page 98.

□ For more information on attendance at Board and Committee meetings, see Role of Non-Executive Directors on page 110.

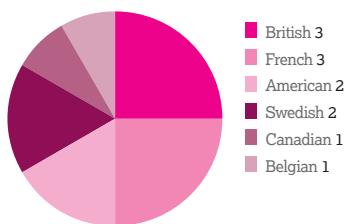
# Board of Directors as at 31 December 2019

## Board composition as at 31 December 2019

### Gender split of Directors



### Directors' nationalities



### Length of tenure of Non-Executive Directors

#### <3 years

**6**  
Philip Broadley  
Michel Demaré  
Deborah DiSanzo  
Sheri McCoy  
Tony Mok  
Nazneen Rahman

#### 6-9 years

**3**  
Leif Johansson  
Geneviève Berger  
Graham Chipchase

#### 3-6 years

**0**

#### >9 years

**1**  
Marcus Wallenberg

### Changes to the composition of the Board and its Committees for the year ended 31 December 2019

**Philip Broadley**  
Appointed as Chairman of the Audit Committee and became a member of the Nomination and Governance Committee on 1 March 2019.

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

**Michel Demaré**  
Appointed as a Non-Executive Director and became a member of the Audit Committee on 1 September 2019.

**Tony Mok**  
Appointed as a Non-Executive Director and became a member of the Science Committee on 1 January 2019.

**Rudy Markham**  
Stepped down as Chairman of the Audit Committee on 1 March 2019 and as senior independent Non-Executive Director on 1 January 2019. Retired from the Board on 26 April 2019 after 10 years of service.

### 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.

**Other appointments:** Pascal is a Director of Viela Bio, Inc.



### 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 is a Director of Orchard Therapeutics Plc.



### 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 brand. 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 Oriol College, Oxford.

**Other appointments:** Chief Executive Officer of Brambles Limited.



### 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 an initial term of four years. This appointment was renewed for a further four-year term in May 2019. She is currently Chief Research Officer at Firmenich SA, Geneva, Switzerland.



### Philip Broadley A R NG

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. Philip was also previously a board member and Chairman of the Audit Committee of Stallergenes Greer plc. 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. Until March 2019, Philip was a member of the Oxford University Audit Committee.

**Other appointments:** Philip chairs the Audit Committee of Legal & General Group plc. He is Treasurer of the London Library and Chairman of the Board of Governors of Eastbourne College.



### Michel Demaré A

Non-Executive Director  
(September 2019\*)

**Skills and experience:** Michel was previously Vice-Chairman of UBS Group AG (2010 to 2019), Chairman of Syngenta and the Syngenta Foundation for Sustainable Agriculture (2013 to 2017) and Chairman of SwissHoldings (2013 to 2015). Between 2005 and 2013, Michel was CFO of ABB Ltd and also acting interim CEO during 2008. He joined ABB from Baxter International Inc., where he was CFO Europe from 2002 to 2005. Prior to that, he spent 18 years at The Dow Chemical Company, in several international finance functions, including the CFO of Dow's Global Polyolefins and Elastomers division between 1997 and 2002. He began his career as a banking officer at Continental Illinois' Belgian subsidiary. Michel graduated with an MBA from the Katholieke Universiteit Leuven, Belgium, and holds a degree in applied economics from the Université Catholique de Louvain, Belgium.

**Other appointments:** Michel is a Non-Executive Director of Vodafone Group Plc, Chairman of IMD Business School in Lausanne and Deputy Chairman of Louis Dreyfus Company Holdings BV. He is also a member of the University of Zurich's Advisory Board of the Department of Banking and Finance.



### Deborah DiSanzo A

Non-Executive Director  
(December 2017\*)

**Skills and experience:** Deborah previously served as General Manager for IBM Watson Health, the business unit founded to advance AI in health. Prior to joining IBM, she was CEO of Philips Healthcare, having previously held management roles at Agilent and Hewlett-Packard. Deborah has a distinguished career working at the intersection of healthcare and technology, and is a sought-after speaker on topics ranging from the future of healthcare to women in technology. A dedicated community leader, Deborah is focused on domestic and global programmes with organisations including Aspen Health Strategy Group, Project Hope and the American Heart Association. Deborah has been honoured by multiple organisations as a top health influencer including Health Data Management, Modern Healthcare and Xconomy. Babson College recognised Deborah's impact as one of the institution's 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 and a Director of Novanta, Inc.



### Sheri McCoy A R

Non-Executive Director  
(October 2017\*)

**Skills and experience:** Until February 2018, Sheri was Chief Executive Officer and a Director of Avon Products, Inc. Prior to joining them in 2012, she had a distinguished 30-year career at Johnson & Johnson, latterly serving as Vice Chairman of the Executive Committee, responsible for the Pharmaceuticals and Consumer business segments. Sheri joined Johnson & Johnson as an R&D scientist and subsequently managed businesses in every major product sector, 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, in connection with which she chairs Certara, and serves on the boards of Aldevron and Galderma. Sheri is a trustee for Stonehill College, Easton, Massachusetts.



### 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.



### Nazneen Rahman S NG

Non-Executive Director  
(June 2017\*)

**Skills and experience:** Nazneen has significant scientific, medical and data analysis experience. Her research 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 recognition of her contribution to medical sciences.

**Other appointments:** Nazneen is an adviser in the field of genetics to US venture capital company, Foresite Capital.



### Marcus Wallenberg S

Non-Executive Director  
(April 1999\*)

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

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

# Senior Executive Team (SET) as at 31 December 2019



**Pascal Soriot**  
CEO

See page 98.

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

## Early Stage Portfolio Committee (ESPC)

The ESPC is a senior-level, cross-functional governance body with accountability for oversight of our early-stage small molecule and biologics portfolio across all therapy areas, from candidate drug investment decisions to Phase IIb. It is co-chaired by the EVP, Oncology R&D and the EVP, BioPharmaceuticals R&D.

The ESPC seeks to deliver a flow of products for Phase III development through to launch. The ESPC also seeks 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 ESPC has responsibility for the following:

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



**Marc Dunoyer**  
CFO

See page 98.

## Late Stage Portfolio Committee (LSPC)

The LSPC is also a senior-level governance body, accountable for the quality of the portfolio post-Phase III investment decision. It is chaired by the CEO and co-chaired by the EVP, Oncology R&D and the EVP, Oncology Business Unit, and by the EVP, BioPharmaceuticals R&D and the EVP, BioPharmaceuticals Business Unit.

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
- > decisions to invest in Phase III development based on commercial opportunity and our plans to develop the medicine
- > evaluations of the outcomes of development programmes and decisions to proceed to regulatory filing
- > decisions to invest in life-cycle management activities for the late-stage assets
- > decisions to invest in late-stage business development opportunities



**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.



**José Baselga**  
Executive Vice-President, Oncology R&D

José joined AstraZeneca in January 2019 as Executive Vice-President, Oncology R&D 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 and Professor of Medicine at Weill Cornell Medical College. Previously, he led the Division of Oncology at the Massachusetts General Hospital and was Professor of Medicine at Harvard Medical School, as well as the founding Director of the Vall d'Hebron Institute of Oncology. José is an international thought leader on innovation in cancer care and research. His work has led to the approval of life-saving cancer therapies and the creation of several biopharmaceutical companies. He is a past President of ESMO and AACR, 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 has received multiple awards including the ESMO Lifetime Achievement Award, the Sergio Lombrosso Award, the Rey Jaime I Award and the AACR Rosenthal Award.



**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. 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 and, in particular, making sure AstraZeneca achieves its ambition to be a Great Place to Work. Fiona's responsibilities are focused on attracting and retaining people with the right skills who share the AstraZeneca Values; stewarding a culture which is high performing, vibrant and collaborative; and providing the opportunity to AstraZeneca employees to learn and develop in an inclusive and diverse environment which nurtures creativity and innovation in order to deliver life-changing medicines to patients across the world. Fiona started her career at General Electric, where she held a number of human resources roles in GE Oil and Gas. She then joined Cisco, where she had responsibility for Southern Europe and Employee Relations for Europe, Middle East and Africa. Subsequently, she joined Roche where she had a number of human resources roles and, prior to joining AstraZeneca, was responsible for Pharma Technical Operations.



### Ruud Dobber

Executive Vice-President,  
BioPharmaceuticals Business Unit

Ruud was appointed Executive Vice-President, BioPharmaceuticals Business Unit in January 2019 and is responsible for product strategy and commercial delivery for CVRM and Respiratory, including immunology. 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 Astra 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 the European, Middle East and Africa 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 Unit

Dave was appointed Executive Vice-President, Oncology Business Unit in October 2017 and is responsible for driving growth and maximising the commercial performance of the AstraZeneca global Oncology portfolio. He has global accountability for marketing, sales, medical affairs and market access in Oncology and plays a critical leadership role in setting the Oncology portfolio and product strategy. Previously, Dave served as President of AstraZeneca K.K. in Japan, and Vice-President, Specialty Care in the US. While in Japan, Dave also served as Vice Chairman of the European Federation of Pharmaceutical Industries and Associations Japan and was a Director of the Japan Pharmaceutical Manufacturers Association. Before joining AstraZeneca, Dave worked at Roche/Genentech, where he served in several functions and leadership positions, including Oncology Business Unit Manager in Spain, and strategy, marketing and sales roles in the US. Prior to this, Dave worked at the Monitor Group, LLC (now Monitor Deloitte Group, LLC), a global strategy consultancy. Dave is a graduate of Georgetown University in Washington DC.



### Menelas Pangalos

Executive Vice-President,  
BioPharmaceuticals R&D

Mene was appointed as Executive Vice-President, BioPharmaceuticals R&D in January 2019 and is responsible for R&D from discovery through to late-stage development across CVRM, Respiratory, neuroscience and infection. 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 the transformation of our R&D. Mene previously held senior R&D roles at Pfizer, Wyeth and GSK. Mene 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. He is on the Boards of The Francis Crick Institute, The Judge Business School and Dizal Pharma. Mene has been awarded honorary doctorates from Glasgow University and Imperial College London, was recently awarded with a 2019 Prix Galien Medal, Greece and a knighthood from The Queen. Mene also oversees the creation of AstraZeneca's new Global R&D Centre in Cambridge.



### 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  
and Canada

Iskra was appointed Executive Vice-President, Europe and Canada in February 2019 and is responsible for our BioPharmaceuticals sales, marketing and commercial operations across our businesses in 30 European countries and Canada. 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. In 2012, she joined AstraZeneca Russia as Marketing Director. She was appointed General Manager in 2014 and, under her leadership, AstraZeneca achieved a leading share in its three main therapy areas and, during this period, became a top-seven prescription medicine pharmaceutical company. Iskra's responsibilities were expanded in 2016 to cover both Russia and the Eurasia Area where she drove strong performance from a 1,500-strong team in a complex and dynamic region. Iskra was appointed EVP, Europe in April 2017. 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 third largest market worldwide, and AstraZeneca has become the second largest and the third 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.



Principal matters considered by the Board in 2019

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. 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 principal matters considered by the Board during 2019 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 108.

Key

-  Deliver Growth and Therapy Area Leadership
-  Accelerate Innovative Science
-  Be a Great Place to Work
-  Achieve Group Financial Targets

Area of focus	Strategic priority
<b>Strategic matters</b>	> The Group's strategy, including its long-range plan, annual budget, strategic options and the overall state of the pharmaceuticals industry 
	> The Group's capital structure, including financing needs, credit rating and capital strategy, as well as the £2.69 billion placing of new Ordinary Shares completed in April 2019 
	> Requests for approval of business development transactions of a size requiring Board approval, including the co-development and co-commercialisation agreement with Daiichi Sankyo for <i>Enhertu</i> 
	> Dividend decisions 
<b>Operational matters</b>	> Executive management reports, including business performance reports, R&D pipeline updates, the results of key clinical trials, a review of the formation of the dedicated Oncology R&D organisation and new BioPharmaceuticals R&D and commercial units; and a review of the Group's R&D capabilities in China 
	> 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 
<b>Stakeholders</b>	> Investor perceptions 
	> Employee gender data 
	> Sustainability and philanthropic matters 
	> Review of the Board's Inclusion and Diversity Policy 
	> Visits to Commercial and Operations sites in China and a review of the Group's Chinese business 
	> Participation in employee 'town hall' meetings and informal meetings with groups of 'high-potential' employees 
<b>Governance, assurance and risk management</b>	> Reports from Board Committees 
	> Routine succession planning for SET and Board-level roles 
	> Review of the Group's approach to tackling sexual harassment and bullying 
	> Review of the first workforce culture and employee engagement report 
	> Year-end governance and assurance reports 
	> The Group's viability, risk appetite and Modern Slavery Act 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

### 2019 Overview

During the year, the Board conducted the annual evaluation of its own performance and that of its Committees and individual Directors. The 2019 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 or any individual Directors. 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 January 2020 and was also used by the Chairman as the basis for individual conversations with each Board member prior to the full Board discussion.

As part of each Director's individual discussion with the Chairman during the Board evaluation, 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.

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 late 2020.

As part of the Board performance evaluation, Directors are asked to consider the composition and diversity of the Board, as well as how effectively members are working together.

The Nomination and Governance Committee also reviews the composition of the Board, to ensure that it has the appropriate expertise while also recognising the importance of diversity. For more information on the Nomination and Governance Committee's work, see the Nomination and Governance Committee Report from page 114.

The outcomes of the 2019 evaluation are set out in the table.

### 2019 Outcomes

Main areas covered	Main conclusions and recommendations
<ul style="list-style-type: none"> <li>&gt; Board composition and dynamics</li> <li>&gt; Stakeholder oversight</li> <li>&gt; Board meeting management and support</li> <li>&gt; Board Committees</li> <li>&gt; Board oversight</li> <li>&gt; Risk management and internal control</li> <li>&gt; Succession planning and human resource management</li> <li>&gt; Priorities for change</li> </ul>	<ul style="list-style-type: none"> <li>&gt; The Board operates effectively and in a manner that encourages open and frank discussion where all Board members feel free to express their views.</li> <li>&gt; The Board actively discussed its composition and the varied skills and experience of Directors.</li> <li>&gt; The Board's relationship with management was positive with a good balance between support and challenge.</li> <li>&gt; An appropriate focus on structured succession planning for the most senior Board roles was being maintained.</li> <li>&gt; Areas for improvement identified included considering ways to reduce the length of Board meeting papers, such as making more use of executive summaries, while ensuring the Board received all the information it needed, and further focus in 2020 on sustainability and aspects of digital technology such as AI.</li> <li>&gt; The reviews of the Board's Committees did not raise any significant problems and concluded that the Committees are operating effectively.</li> <li>&gt; In respect of the 2019 annual performance evaluation, it was concluded that each Director continues to perform effectively and to demonstrate commitment to his or her role.</li> </ul>

### Chairman evaluation

Process	Overall conclusion
The 2019 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.	The Chairman continued to perform very well in all aspects of his role. His leadership of the Board and management of its meetings was effective, inclusive and undertaken in a way that drove decisions. He was a good listener and facilitated open and informed debate at Board meetings. His relationship with the Executive Directors, especially the CEO, as well as other senior executive management was strong. He was visible to employees, approachable and willingly participated in internal Company meetings, such as the annual senior leaders' meeting and Gaithersburg science festival. He drew on his deep industry experience in performing the role of Chairman and invested significant time between Board meetings on the Group's affairs. His time commitment to the role included several overseas visits on behalf of the Company to represent its interests across a broad range of topics at senior government levels and with other stakeholders in numerous countries. The senior independent Non-Executive Director provided feedback to the Chairman after the review of his performance. This included a minor suggestion about how he might more effectively manage Board discussions on scientific topics.

### Actions against prior year recommendations

2018 evaluation	2019 actions taken
Improve the Board's understanding of our competitors' strategies and performance	During the Board's visit to China and at two Board meetings held in London, the Board received presentations from external speakers about the state of the pharmaceutical industry and the Company's competitive position versus its peers. After the annual strategy review, the Board guided management as to additional information that might be included in future reviews relating to our competitors' strategies.
Improve management of the late stages of the recruitment process for new Non-Executive Directors	Two new Non-Executive Directors were appointed – Tony Mok and Michel Demaré. The recruitment processes ran smoothly.
Develop and refine the role of the Science Committee to ensure it meets the needs of the Board	Nazneen Rahman, Chairman of the Science Committee led a review of the Committee's overall purpose, meeting format, agendas and the way it supports the work of the Board and its Committees. Some limited changes in these areas were endorsed by the Board and implemented.
Continue to develop a deep understanding of digital technology and its application in the pharmaceutical industry	Several Board presentations and discussions during the year focused on or included topics relating to digital technology and its application to many aspects of the Company's business, including various parts of the annual strategy review, for example the digital transformation in R&D; adopting patient-centric business models; transformative technologies and science; Operations of the future; and Be a Great Place to Work. The Board also visited the Company's China Commercial Innovation Centre in Wuxi, which included insights into digital technology.

# Corporate Governance Report

## Connecting with our stakeholders

When making decisions, the Directors of AstraZeneca PLC act in the way they consider is most likely to promote the success of the Company, for the benefit of its members as a whole, while also considering the broad range of stakeholders who interact with the business.

### How we engage as a Company

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 as a result we have a number of key stakeholder groups.

Considering the interests of our stakeholders is fundamental to the way in which the Group operates. 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 identifies our key stakeholders, as well as summarising the engagement that has been undertaken across the business during 2019. In addition, the Board's engagement with our workforce is set out on page 107. How the Board understands the interests of stakeholders, and how the Board considers stakeholders' interests in decision making, including examples of principal decisions made in 2019 are summarised on page 106.

□ The s.172(1) statement is set out on page 94.

□ For more information about our Code of Ethics, see page 35.

□ A full list of our stakeholders can be found in our 2019 Sustainability Report at [www.astrazeneca.com/sustainability](http://www.astrazeneca.com/sustainability).

	Shareholders, Investors & Analysts	Patients
<p><b>Overview</b> Significance of the stakeholder to the business</p>	<p>The Board and management maintain a regular and constructive dialogue with investors to communicate the Company's strategy and performance to promote investor confidence and ensure continued access to capital.</p>	<p>We see every patient as a person first and put them at the core of what we do. We do this by walking in their shoes, listening to their experiences, embedding their insights and co-creating with them. By doing this we believe we can deliver advances along the entire patient experience.</p>
<p><b>Interests</b> Issues and factors which are most important to the stakeholder group</p>	<ul style="list-style-type: none"> <li>&gt; Exposure to macro-economic risk</li> <li>&gt; Strategy, commercial operations and financial performance</li> <li>&gt; R&amp;D productivity and successful pipeline development</li> <li>&gt; Culture, values and behaviours</li> <li>&gt; Climate and sustainability matters</li> </ul>	<ul style="list-style-type: none"> <li>&gt; Customised support and their input included throughout the entire patient experience</li> <li>&gt; Commitment to affordable access to our medicines</li> <li>&gt; Designing clinical trials that reflect real-world clinical practice, are minimally burdensome to patients, and measure outcomes they care about</li> <li>&gt; Information provided is easy to understand, accessible, reliable and transparent</li> <li>&gt; Ensuring the safety and efficacy of our medicines</li> </ul>
<p><b>Engagement</b> Examples of engagement in 2019</p>	<ul style="list-style-type: none"> <li>&gt; Annual General Meeting in April 2019</li> <li>&gt; Directors met investors, analysts and investor bodies</li> <li>&gt; Quarterly financial results webcasts</li> <li>&gt; One-to-one meetings with analysts and institutional investors</li> <li>&gt; Extensive investor outreach programme including regular roadshows and site visits; attending conferences and events</li> <li>&gt; Topical investor science conference calls where important pipeline data are presented</li> </ul>	<ul style="list-style-type: none"> <li>&gt; Engaged patients in our development and clinical trial programmes</li> <li>&gt; Collaboration with patient advocacy groups and establishment of patient advisory boards</li> <li>&gt; Established patient support and affordability programmes</li> <li>&gt; Grew our Patient Partnership Programme across 11 diseases</li> <li>&gt; Co-created patient-centric materials with patients</li> <li>&gt; Engaged in key steps of product research and development</li> </ul>
<p><b>Outcomes</b> Any actions which resulted</p>	<ul style="list-style-type: none"> <li>&gt; Periodic focus on R&amp;D productivity and pipeline development within our investor materials</li> <li>&gt; Increased focus on climate and sustainability matters within our quarterly results announcements</li> </ul>	<ul style="list-style-type: none"> <li>&gt; Expanding patient insight into work, including strategy development, digital technologies and clinical trials</li> <li>&gt; Introduced Group-wide initiative to evolve, enhance and embed our commitment to patient centricity</li> <li>&gt; Increased number of programmes to support patients throughout their experience</li> <li>&gt; Changed corporate materials, including training, new hire and development programmes, key marketing, commercial and medical planning materials</li> </ul>



	Healthcare Practitioners (HCPs)	Suppliers	Government and payers	Communities
<b>Overview</b>	HCPs positively influence our business to enhance the lives of patients. HCPs are essential partners in clinical research, as advisers and study investigators. We provide HCPs with information about our medicines to support rational prescribing, and they provide insights that improve our medicines for patients.	In 2019, we spent approximately \$14 billion with suppliers on goods or services critical to the effective operation of our entire value chain – from discovery to development, manufacturing and supply of our medicines to patients. Our business-critical operations are delivered and managed with the support of our suppliers.	Government policy can impact the business operating environment. Health technology assessment agencies, national and regional healthcare insurance funds and government bodies appraise the clinical and economic value of our medicines following successful regulatory approval.	We aim to make a positive impact on the communities in which we operate, as well as those which our medicines reach. Communities expect us to support the initiatives that intersect with our business. Communities have a direct influence on the health of patients, caregivers and families.
<b>Interests</b>	<ul style="list-style-type: none"> <li>&gt; Development of medicines for unmet clinical needs</li> <li>&gt; Education and information on advances in medical science</li> <li>&gt; Accurate and balanced information on licenced medicines, including up-to-date safety data</li> <li>&gt; Uninterrupted supply of quality medicines</li> <li>&gt; Ethical and transparent interactions with industry</li> </ul>	<ul style="list-style-type: none"> <li>&gt; Understanding of AstraZeneca's strategy and how the supplier can best create value through innovative and new opportunities</li> <li>&gt; Creating a collaborative and trusting environment between the supplier and AstraZeneca</li> <li>&gt; That AstraZeneca acts ethically, lawfully, protects the environment and benefits society and its partners</li> </ul>	<ul style="list-style-type: none"> <li>&gt; Attracting business investment</li> <li>&gt; Investment in research and scientific collaborations</li> <li>&gt; Access to innovative medicines</li> <li>&gt; Pricing of medicines, including breakthrough therapies, and the impact on public budgets</li> <li>&gt; Containment of reimbursement expenditure</li> <li>&gt; The safety and efficacy of drugs</li> </ul>	<ul style="list-style-type: none"> <li>&gt; How our activities and plans impact on local communities</li> <li>&gt; Raising awareness of healthcare</li> <li>&gt; Promotion of science-based education and careers</li> <li>&gt; Investment in local infrastructure and capacity-building initiatives</li> <li>&gt; Support for programmes, platforms and policies that make healthcare accessible</li> </ul>
<b>Engagement</b>	<ul style="list-style-type: none"> <li>&gt; Established HCP advisory boards</li> <li>&gt; Engaged HCPs in clinical trials and supported HCP-led externally sponsored research studies</li> <li>&gt; Responded to more than 80,000 HCP enquiries and processed 18,000 adverse event reports from HCPs</li> <li>&gt; Provided and supported HCP educational events including independent events and congresses</li> </ul>	<ul style="list-style-type: none"> <li>&gt; Engaged with suppliers via summits and workshops, to partner on procuring sustainable goods and services</li> <li>&gt; Enabled 1st- and 2nd-tier small and diverse suppliers access to business opportunities through our participation in outreach events, collaborations, and memberships with various industry groups and diversity councils</li> <li>&gt; Prioritised supplier collaboration and innovation activities with key suppliers</li> </ul>	<ul style="list-style-type: none"> <li>&gt; Discussions with governments and policy makers to increase understanding of supporting investment in life sciences, regulation of the pharmaceutical industry and improve access to new medicines</li> <li>&gt; Engaged in discussions on evolving the current reimbursement system for medicines in the US</li> <li>&gt; Hosted site visits and tours at our manufacturing and R&amp;D facilities for international and local politicians</li> </ul>	<ul style="list-style-type: none"> <li>&gt; Reached nearly one million young people through the Young Health Programme</li> <li>&gt; AstraZeneca HealthCare Foundation provided \$775,000 in continuation grants to prevent and reduce CV disease</li> <li>&gt; Donated more than \$801 million of medicines to patient assistance programmes globally</li> <li>&gt; Delivered \$151,000 in grants via Step Up! Young Health Global Grants Programme to support early innovation work</li> </ul>
<b>Outcomes</b>	<ul style="list-style-type: none"> <li>&gt; Advisory boards helped shape our clinical research, products and services</li> <li>&gt; Clinical study data has driven new product licences, providing new treatment alternatives for patients</li> <li>&gt; Exchange of information and safety data with HCPs and HCP education all to improve patient care</li> <li>&gt; HCP feedback is used to improve standards for our interactions with HCPs</li> </ul>	<ul style="list-style-type: none"> <li>&gt; Expanded our supply base bringing innovative solutions to deliver more medicines to more patients, through extending the supplier diversity programme to more countries, establishing a distributor alliance programme, and enriching our supply base with smaller, niche vendors</li> <li>&gt; Collaborated with suppliers to establish a robust disaster recovery plan for high-risk regions to mitigate force majeure risks and enable sustainable operation (e.g. Puerto Rico and Maihara, Japan)</li> </ul>	<ul style="list-style-type: none"> <li>&gt; Established working relationships with key government stakeholders</li> <li>&gt; Regular meetings, roundtables and events have been organised to increase understanding about how governments can support life sciences investment and improve patient access to new medicines</li> </ul>	<ul style="list-style-type: none"> <li>&gt; Expansion of disease prevention programming in connection with government and NGO partnerships in Asia and Latin America</li> <li>&gt; Increased investment in public-private partnerships as a mechanism to address global and local health issues</li> <li>&gt; Recognition as UK Business of the Year for our Philanthropic activities by Third Sector Business Charity Awards</li> </ul>

# Corporate Governance Report

## Connecting with our stakeholders

### *continued*

#### How our Board understands the interests of our stakeholders

To promote and facilitate Directors' understanding of the interests of our stakeholders, the Board is able to review the stakeholder matrix, which sets out management's engagement with stakeholders and highlights the most significant issues to each group. This provides assurance to the Board that management has engaged with stakeholders and allows the Board to consider stakeholder impact, as well as other factors, when making decisions. The stakeholder matrix is refreshed annually to ensure that stakeholders and methods of engagement remain relevant to the business.

In addition, during 2019, the Board periodically received updates on sustainability matters, including access to healthcare programmes. These updates provided the Directors with an understanding of the various initiatives that the Group leads, and the relationship between the Group and the communities in which it operates.

Throughout 2019, Directors also had direct engagement with various stakeholders, including the workforce, to understand the issues that concern and impact them most. Examples of workforce engagement are set out on page 107. The CEO, CFO, Chairman and Remuneration Committee Chairman all met with investors throughout the year to understand their views on a range of issues.

#### Understanding in action

In October 2019, Board members met a group of Young Health Programme (YHP) peer educators visiting London from Kenya and Indonesia, and participated in a peer education session. The peer educators took the Board through a typical education session on the importance of physical activity, using the same approach and questions they would use in their home country. How can you exercise when there are no open spaces or the environment is not safe? What can you do to be more physically active and live a healthier life? Together, the young peer educators brought YHP to life for the Board.

□□ For more information on the Young Health Programme, see page 50.

#### How our Board considers stakeholders' interests in decision making

Throughout the year, Directors recognised their responsibility to act in good faith to promote the success of the Company for the benefit of shareholders, while also considering the impact of their decisions on wider stakeholders and other factors relevant to the decision being made. Clear communication and proactive engagement to understand the issues and factors which are most important to stakeholders is fundamental to this.

The Board acknowledges that every decision made will not necessarily result in a positive outcome for all stakeholders. By considering our Purpose and Values, together with our strategic priorities, the Board aims to ensure that the decisions made are consistent and intended to promote the Company's long-term success.

In addition to the stakeholder considerations set out on pages 104 to 107, the Board has also had regard to other factors such as environmental factors and community interests. For more information on the environmental factors considered by the business, see pages 38 and 39, Next Move Zero carbon emissions on page 53 and the CEO review from page 5. For more information on the community factors considered by the business, see from page 49.

The table to the right provides examples of how key stakeholders were considered in Principal Decisions made by the Board during 2019.

□□ For the s.172(1) statement, see page 94.

#### Principal decisions in 2019

##### Overview

We define 'Principal Decisions' as decisions and discussions, which are material or strategic to the Group, and also those that are significant to any of our stakeholder groups. We consider the following items to be examples of Principal Decisions made by the Board during 2019.

##### Principal Decisions

During 2019, the Board discussed the continuing success of the relocation of the Group's global corporate headquarters to Cambridge, UK. At the end of 2019, approximately 2,800 employees were based in Cambridge and the construction of the new strategic R&D centre continued to progress. The Board considered the Group's increased presence in Cambridge and the impact on the local community, noting that the Group continued to work with local authorities and other service providers to ensure further development of the surrounding infrastructure and amenities, such as improvements to local transportation. The Board also discussed the scientific and strategic partnerships, which the Group's presence in Cambridge had facilitated. Such collaborations were focused on training the next generation of scientists and entrepreneurs; health research; and data science and digital, all of which benefited the local community while also assisting the long-term delivery of the Group's science-led innovation.

□□ For more information on the Group's presence in Cambridge, including details of the construction and the sustainability considerations of the new R&D centre, see page 29.

During 2019, the Group entered a Commercialisation Collaboration Agreement (the Agreement) with Daiichi Sankyo for *Enhertu*, a potential new targeted medicine for cancer treatment. A number of factors were taken into account in reaching this decision. The Board discussed the opportunity *Enhertu* presented and the unmet medical need that the drug might be able to address, while also considering patient safety. It was concluded that the entry into the Agreement was most likely to promote the long-term success of the Company and, if successful, could help transform the treatment of patients. The Group's capital allocation priorities and the balance between the interests of the business, shareholders and financial creditors, as well as achieving the Group's financial targets were also considered. After careful consideration of these factors, it was decided that it was in the best interests of the Company to proceed with a share placing, which among other things helped fund entry into the Agreement.

□□ For more information, see Business development from page 40, and the Oncology Therapy Area Review from page 54. For information on the placing, see the Directors' report from page 263.

Throughout 2019, the Board continued to consider pricing of medicines, which remains an area of focus for governments and payers globally. The Board discussed the Group's innovative value strategies (IVS), which are intended to reduce clinical or financial uncertainty for the payer, while enabling patient access. The Group continued to work with governments and payers to shape policies and promote the implementation of IVS, which link the cost of the medicine to its real-world clinical performance, creating a sustainable and fair approach to pricing. The Board was supportive of management's efforts to date and noted that efforts should continue to be progressed. In addition to addressing stakeholders' concerns, a fair and transparent approach to pricing is an important factor in maintaining the Company's reputation for high standards of business conduct.

□□ For more information, see Pricing and delivering value on page 32 and Improving patient access on page 36.

### Engaging with our workforce

AstraZeneca is committed to being a great place to work. Engagement with employees is an important element in fostering this and ensuring an environment in which all employees are respected, and where openness is valued, diversity celebrated and every voice heard. We rely on our global workforce and their commitment to uphold our Values, deliver our strategic priorities and make the changes necessary to sustain and improve short- and long-term performance. For AstraZeneca, 'global workforce' includes all AstraZeneca's full-time and part-time employees, fixed-term workers and external contractors working full- or part-time, regardless of their geographical location.

In 2019, in response to the provision in the 2018 UK Corporate Governance Code prescribing certain methods that the Board could use to engage with the workforce, the Board reviewed the various mechanisms already in place across the Group that enable and facilitate such engagement. The Directors believe that the Board as a whole should continue to take responsibility for gathering the views of the workforce. Consequently, the Board chose not to implement any of the three methods set out in the 2018 Code. Instead, the multiple, long-standing channels of engagement which already exist in the organisation are being developed and enhanced to ensure that the Board continues to understand the global workforce's views

on a wide variety of topics. The methods of engagement are set out below. In addition, further information on the Audit Committee's engagement can be found from page 117.

The Board believes that this alternative approach is the best model of engagement for the Group. The channels outlined below ensure that the Board has access to the views of the workforce, regardless of their location, and provide meaningful information and data that the Board can use when considering the impact of the strategic decisions on employees. Additionally, the chosen mechanisms allow all Directors to engage directly with a wider cross-section of the global workforce and provide opportunity for meaningful dialogue. The Board considers these views and the potential impacts on the workforce when it makes key decisions.

□ For more information, see A great place to work: Employees, from page 44.

### Investing in and rewarding our workforce

The Remuneration Committee considers remuneration arrangements for our global workforce, aiming to ensure the global total reward offering is competitive, compelling and aligned to our business performance; while supporting a culture where everyone feels valued and included.

□ For more information, see the Directors' Remuneration Report from page 125.

### Workforce culture

During 2019 the Board reviewed a new workforce trends report, which demonstrated how our Values and behaviours are embedded throughout all levels of the workforce. Within the report, there is a summary metrics dashboard, which is divided into five categories reflecting various key aspects of AstraZeneca's culture (Performance and Development, Integrity, Engagement, Reputation and Sustainability). The dashboard is compiled from data across the global workforce including scores from the Pulse surveys and promotion and resignation rates. Directors also receive information on compliance issues and grievance cases. The Board monitors the data for trends and to ensure that a culture consistent with our Values is being fostered. The report also contains a list of approximately 10 further analyses that reference culture and workforce engagement and help the Board to judge our culture and whether it reflects our Values. This information is made available to Directors via the Board portal.

The workforce trends report is reviewed by the Board twice per annum. Where the Board has concerns that the culture does not reflect our Values, the Board seeks assurances from management that remedial action has been taken, and where necessary, requests senior management's attendance at Board meetings to discuss corrective actions.

□ For more information on how individual Committees monitor culture, see the Audit Committee Report from page 116.

### 'High potential' employees and local leadership team meetings

The Board, its Committees and individual Directors have held meetings and hosted lunches/dinners as part of visits to provide exposure to talent and leadership, and provide opportunity for dialogue.

>10

more than 10 meetings with 'high potential' employees and leadership teams

### 'Town hall' meetings

Both Non-Executive Directors (including the Chairman) and Executive Directors regularly participate in 'town hall' style meetings across the world – either virtually or in person. These enable direct engagement between the Board and employees, including Q&A sessions.

>10

more than 10 'town hall' meetings held

### Site visits

Directors have visited various Group sites across the world including those in China, India, Brazil, Sweden, Mexico, the UK, the US and Russia. These enabled direct insights and understanding into business operations and engagement between the Board and employees.

>15

more than 15 site visits

### Workforce trends report and Annual Global Remuneration Overview

The Board was provided with information outlining progress against a range of metrics related to workforce culture and engagement. This information is provided biannually to enable Directors to monitor trends and, if required, take action. The Remuneration Overview provides evidence of how the workforce is rewarded in line with our principles.

94%

of employees stated they believe strongly in AstraZeneca's future direction and key priorities in the December 2019 Pulse survey

### Employee opinion surveys (Pulse)

Twice a year the workforce are invited to take part in an employee opinion survey, which seeks employees' views of the business. The results are reviewed by management and trends are monitored. The results are shared with the Board, which enables them to understand the views and sentiments of the workforce.

90%

of employees took part in the December 2019 Pulse survey

### Actions and outcomes

The Board considered the workforce throughout its Principal Decisions in 2019. Directors ensured that, where required, queries raised during engagements, were fed-back to management or discussed by the wider Board. In 2019, the Board discussed the formation of a dedicated Oncology R&D organisation and the new BioPharmaceuticals R&D and commercial units. The Board received regular updates on how the workforce had been considered and supported during the reorganisation. The Board also discussed the Group's transformation in learning, which forms one pillar of the People strategy, and the use of modern technology across all aspects of learning.

# Corporate Governance Report

## Compliance with the UK Corporate Governance Code

### How we have complied with the UK Corporate Governance Code

We have prepared this Annual Report with reference to the UK Corporate Governance Code published by the UK Financial Reporting Council (FRC) in July 2018.

Our statement of compliance (together with the wider 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](http://www.frc.org.uk).

### Board Leadership and Company Purpose

#### A. Board's role

The Board is comprised of skilled individuals from a diverse range of nationalities and professional backgrounds, as set out in their biographies on pages 98 and 99 and the skills matrix on page 115. It is this diversity of experience and ability to exercise independent and objective judgement which helps the Board to operate effectively and establish a governance framework to assist the Group in the delivery of its strategy.

The Board discharges its responsibilities as set out in the Corporate Governance Overview on page 97 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.

For information on the Principal matters considered by the Board in 2019, see page 102.

#### B. Our Purpose, Values and culture

The Board believes that our Purpose, to push the boundaries of science to deliver life-changing medicines, positions AstraZeneca for long-term, sustainable success. Our strategy, which was refreshed in 2019, remains relevant for the current status of our business and the evolving external environment. Our Values, and the behaviours that align with these Values, support a culture in which our people are empowered and inspired to make a difference to patients, society and our company, and makes AstraZeneca a great place to work.

The Board reviews a workforce culture and employee engagement report twice per year. For more information, see page 107. Individual Committees also monitor culture throughout the year.

The Audit Committee received quarterly updates from the Internal Audit Services (IA) and Compliance functions. These updates, which included reports on whistleblowing and compliance issues as well as the results of internal audits, provided insight into the culture both within the Group, and within individual areas of the business. The Committee reviewed the steps taken by senior management to address weaknesses identified. Where concerns remained, the Committee ensured further action was taken, including requesting further information monitoring, follow-up audits and, if required, management's attendance at Committee meetings.

As part of its considerations, the Remuneration Committee also reviewed the Company's approach to rewarding the workforce. For more information, see page 145.

#### C. Resources and controls

The Board ensures that necessary resources are in place to help the Company to meet objectives and measure performance.

Global Compliance provides direct assurance to the Audit Committee on compliance matters, including an analysis of compliance breaches and associated disciplinary actions, as well as commentary on the most serious breaches.

Complementing this, IA carries out a range of audits that include compliance-related audits and periodically reviews the assurance activities of other Group assurance functions. The results from these activities are reported to the Audit Committee. Global Compliance and IA work with specialist compliance functions throughout our organisation to share outcomes and to coordinate reporting on compliance matters.

The Board has a formal system in place for Directors to declare a conflict, or potential conflict of interest.

For more information, see Conflicts of interest on page 259.

#### D. Engagement

##### Shareholder engagement

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 reporting to shareholders and other interested parties, we aim to present a balanced and understandable assessment of our strategy, financial position and prospects. Our corporate website, [www.astrazeneca.com](http://www.astrazeneca.com), contains a wide range of data of interest to institutional and private investors.

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.

All Board members ordinarily attend the AGM to answer questions raised by shareholders, including private investors. 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 2019 AGM was held in London, UK on 26 April 2019. The Company's 2020 AGM will be held on 29 April 2020 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, at least one month in advance.

##### Wider stakeholder engagement

The Directors recognise the fundamental importance of promoting the success of the Company for the long term. Clear communication and proactive engagement to understand the issues and factors which are most important to stakeholders are fundamental to this.

A summary of our approach to stakeholder engagement and impact on decision making is set out on pages 104 and 105. Our s.172(1) statement is set out on page 94.

## Board Leadership and Company Purpose *continued*

<p><b>D. Engagement</b> <i>continued</i></p>	<p>Our Investor Relations team act as the main point of contact for investors throughout the year. We have frequent discussions with current and potential shareholders on a range of issues, including in response to individual ad hoc requests from shareholders and analysts. We also hold meetings to seek shareholders' views. Directors including the CEO, CFO, and the Chairman, as well as certain members of SET, also attended investor roadshows throughout the year in various locations to discuss the business performance, strategy and governance of the Group.</p> <p>During 2019, the Chairman of the Remuneration Committee consulted major institutional shareholders to discuss and understand their views on remuneration matters, including the updated Remuneration Policy. Details of this engagement are set out in the Remuneration Report from page 125.</p>	<p><b>Workforce engagement</b></p> <p>We rely on our global workforce and their commitment to uphold our Values, deliver our strategic priorities and make the changes necessary to sustain and improve short- and long-term performance. Engagement with the workforce is key to ensuring that the Board understands the employee voice.</p> <p>The Board chose not to implement one of the three methods set out in the UK Corporate Governance Code and has instead adopted a different approach, choosing to gather the views of the workforce through a series of formal and informal channels. For more information see page 107.</p>
<p><b>E. Our workforce policies</b></p>	<p>Our Code of Ethics (the Code) is based on our Values, expected behaviours and key policy principles. The Board is given access to the Code training undertaken by employees. The Code recommends that employees report possible violations to their line managers or to their local Human Resources, Legal, or Compliance partners.</p>	<p>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.</p> <p>□□ For more information, see Code of Ethics on page 112.</p>

## Division of responsibilities

<p><b>F. The role of the Chairman</b></p>	<p>Leif Johansson, our Non-Executive Chairman, is responsible for leadership of the Board and promoting a culture of openness and constructive debate.</p>	<p>He was considered to be independent upon his appointment as Chairman.</p>
<p><b>G. Composition of the Board</b></p>	<p>The Board comprises 10 Non-Executive Directors, including the Chairman, and two Executive Directors – the CEO, Pascal Soriot, and the CFO, Marc Dunoyer. Its responsibilities are set out in the Corporate Governance Overview on page 97.</p> <p>The roles of the Board, Board Committees, Chairman and CEO are documented, as are the Board's reserved powers and delegated authorities. The CEO is responsible to the Board for the management, development and performance of our business for those matters for which he has been delegated authority from the Board. Although the CEO retains full responsibility for the authority delegated to him by the Board, he has established, and chairs, the SET, which is the vehicle through which he exercises that authority in respect of our business.</p> <p>During 2019, the Board considered the independence of each Non-Executive Director for the purposes of the UK Corporate Governance Code and the corporate governance listing standards of the NYSE (Listing Standards). Except for Marcus Wallenberg, the Board considers that all the Non-Executive Directors are independent.</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 3.93% interest in the issued share capital of the Company as at 14 February 2020.</p> <p>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&amp;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&amp;D are important determinants of success.</p> <p>□□ The membership of the Board as at 31 December 2019 and information about individual Directors is contained in Board of Directors on pages 98 and 99.</p>



# Corporate Governance Report

## Compliance with the UK Corporate Governance Code *continued*

### Division of responsibilities *continued*

#### H. Role of the Non-Executive Directors

The role of the Non-Executive Directors is to provide constructive challenge, strategic guidance, offer specialist advice and hold management to account. 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.

##### Time commitment

Our expectation is that Non-Executive Directors should be prepared to commit 15 days a year, as an absolute minimum, to the Group's business. In practice, Board members' time commitment exceeds this minimum expectation when all the work that they undertake for the Group is considered, particularly in the case of the Chairman of the Board and the 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.

On occasions when a Director is unavoidably absent from a Board or Board Committee meeting, 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.

Subject to specific Board approval, 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.

##### Senior independent Non-Executive Director

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.

For more information, see Board Committee membership and meeting attendance in 2019 on page 97.

#### I. The Company Secretary

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.

### Composition, Succession and Evaluation

#### J. Appointments to the Board and succession planning

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

The Nomination and Governance Committee's role is to recommend to the Board any new Board appointments and to consider, more broadly, succession plans to both senior executive management and Board-level positions. As part of their consideration, the Nomination and Governance Committee evaluates the balance of skills, knowledge, experience and diversity on the Board. 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.

During 2019, the Board appointed two new Non-Executive Directors, Tony Mok and Michel Demaré. During 2019, the Committee engaged search firms MWM Consulting and Spencer Stuart. For information on the appointments and Director inductions, please see the Nomination and Governance Committee Report from page 114.

##### Re-election of Directors

In accordance with Article 66 of the Articles, all Directors retire at each AGM and may offer themselves for re-election by shareholders. Accordingly, all the Directors will retire at the AGM in April 2020. The Notice of AGM will give details of those Directors seeking election or re-election.

For more information, see the Nomination and Governance Report from page 114.

#### K. Skills, experience and knowledge of the Board

As part of its role, the Nomination and Governance Committee is responsible for reviewing the composition of the Board, to ensure that it has the appropriate expertise while also recognising the importance of diversity.

The Committee 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.

#### L. Board evaluation

In 2019, the Board undertook an internal evaluation. The Board expects to commission the next externally-facilitated review in late 2020, in line with the UK Corporate Governance Code guidance that the evaluation should be externally facilitated at least every three years.

For more information, see Board performance evaluation on page 103.

## Audit, Risk and Internal Control

<b>M. Internal and external audit</b>	<p>The Audit Committee reviews the Company's relationship with its external auditors, PricewaterhouseCoopers LLP (PwC), including the independence of the external auditors. The Committee maintains a policy (the Audit and Non-Audit Services Policy) for the pre-approval of all audit services and permitted non-audit services undertaken by the external auditor. The principal purpose is to ensure that the independence of the auditor is not impaired.</p>	<p>The Audit Committee also reviews the independence and effectiveness of Internal Audit Services.</p> <p>☐ For more information, see Risk Management and Controls on page 112.</p>
<b>N. Fair, balanced and understandable assessment</b>	<p>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.</p> <p>☐ For more information about the Disclosure Committee, see page 112.</p>	<p>The Board considers this Annual Report, taken as a whole, to be fair, balanced and understandable, and provides the information necessary for shareholders to assess AstraZeneca's position and performance, business model and strategy.</p>
<b>O. Risk management and internal controls</b>	<p>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 2019, the Directors continued to review the effectiveness of our system of controls, risk management (including a robust assessment of the emerging and principal risks) 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. These were supported by management assurance of the maintenance of controls reports from IA, as well as the external auditor on matters identified in the course of its statutory audit work.</p>	<p>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.</p> <p>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'.</p> <p>☐ For more information about the ways in which we manage our business risks, our procedures for identifying our emerging risks, how we describe our principal risks and uncertainties and our Viability statement, see the Risk Overview from page 74 and Risk from page 246.</p>
<h2>Remuneration</h2>		
<b>P. Policies and practices</b>	<p>The Remuneration Committee is responsible for determining, approving and reviewing the Company's global remuneration principles and frameworks, to ensure they support the strategy of the Company and are designed to promote long-term success.</p>	<p>☐ For more information on the Remuneration Committee's work during 2019, see the Director's Remuneration Report from page 125.</p>
<b>Q. Procedure for developing remuneration policy</b>	<p>During 2019, the Remuneration Committee reviewed the Directors' Remuneration Policy to ensure it continues to: align with corporate governance best practice; support the Company's ability to recruit and retain executive talent to deliver against its strategy; and promote the delivery of long-term strategy. As part of the process for developing the Directors' Remuneration Policy, the Chairman of the Remuneration Committee consulted major institutional shareholders on the Committee's proposals.</p> <p>Details of this engagement are set out in the Directors' Remuneration Report from page 125.</p>	<p>☐ The Directors' Remuneration Policy, which is to be put to shareholders for approval at the 2020 AGM, can be found from page 149.</p>
<b>R. Exercising independent judgement</b>	<p>The Remuneration Committee exercises independent judgement when determining remuneration outcomes. The Committee takes into account factors such as wider business and individual performance during the year, including achievements across the enterprise, such as advancing our Great Place to Work priorities and environmental, social and governance (ESG) goals.</p>	<p>☐ For more information on 2019 Remuneration Outcomes, see the Directors' Remuneration Report from page 125.</p>

# Corporate Governance Report

## Other Governance information

### Risk Management and Controls 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 core members of the Disclosure Committee in 2019 were: the CFO, who chaired the Disclosure Committee; the General Counsel; the Vice-President, Corporate Affairs; the Head of Investor Relations; and the Vice-President Finance, Group Controller. The EVP, BioPharmaceuticals R&D and the EVP, BioPharmaceuticals were members of the Disclosure Committee for BioPharmaceuticals-related matters. The EVP, Oncology R&D and the EVP, Oncology were members of the Disclosure Committee for Oncology-related matters. Other personnel 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.

### 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 a globally-aligned approach to compliance that addresses key risk areas across the business, including risks relating to third parties and anti-bribery/anti-corruption. Our priorities include reinforcing and strengthening compliant behaviours through effective policies, training, advice and communications; monitoring adherence to 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.

We take all alleged compliance breaches and concerns extremely seriously, including appropriate investigation, as well as disciplinary action, and other remediation to address misconduct and prevent reoccurrence. 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. 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 compliance matters, including an analysis of compliance breaches and associated disciplinary actions, as well as commentary on the most serious breaches. Complementing this, IA carries out a range of audits that include compliance-related audits and periodically reviews the assurance activities of other Group assurance functions.

The results from these activities are reported to the Audit Committee. Global Compliance and IA work with specialist compliance functions throughout our organisation to share outcomes and to coordinate reporting on compliance matters.

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.

Among others, internal control objectives considered by IA include:

- > compliance with significant policies, plans, procedures, laws and regulations
- > consistency of operations or programmes with established objectives and goals and effective performance
- > 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) is based on our values, expected behaviours and key policy principles. 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 approximately 40 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 has updated the AZethics webpages in all languages to provide enhanced dialling information and to highlight the alternate 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 2019 Code training. In addition, in 2019, 556 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 2018 there were 428 reports.

### External auditor

A resolution will be proposed at the AGM on 29 April 2020 for the reappointment of PricewaterhouseCoopers LLP (PwC) as auditor of the Company. During 2019, PwC undertook various non-audit services. More information about this work and the audit and non-audit fees that we have paid are set out in Note 30 to the Financial Statements on page 225. 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 124, 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 2019.

### 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.



“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 2019

- > R&D new structure and organisation
- > Cambridge R&D centre progress
- > Gothenburg scientific leadership through strategic collaborations and partnerships
- > Corporate scorecard achievements and targets

#### 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 2019, the members of the Science Committee, all of whom have a knowledge of, or an interest in, life sciences, were Nazneen Rahman (Chair), Geneviève Berger, Marcus Wallenberg and the newest member Tony Mok. As usual, the EVP, Oncology R&D and the EVP, BioPharmaceuticals R&D participated in meetings of the Science Committee as co-opted members in 2019. The Vice-President, Chief Operating Officer acts as secretary to the Science Committee.

#### Activities during 2019

The Science Committee met twice in person in 2019, in London, UK and Cambridge, UK.

Key areas of focus for the Science Committee in 2019 included:

- > **R&D Structure & Strategy reviews:** the new AstraZeneca R&D organisational structure, leadership, operating model, key pipeline assets and strategy.
- > **AstraZeneca Gothenburg:** how AstraZeneca Gothenburg is leading in science and impacting the R&D pipeline through creation of a thriving ecosystem of collaborations and partnerships and transformation to a ‘Health Innovation’ campus.
- > **AstraZeneca Cambridge:** how the new R&D centre is progressing and its potential impact on science and collaboration.
- > **Biologics device differentiation:** how the current market and technology landscape is influencing our product portfolio and development strategies.
- > **Corporate scorecard outturn and goal setting:** providing insight and feedback to the Remuneration Committee in support of 2019 achievements and 2020 goal setting.
- > **Daiichi Sankyo collaboration:** providing a review to the Board of the scientific case supporting the development and commercialisation agreement with Daiichi Sankyo for *Enhertu*.

**Nazneen Rahman**  
Chairman of the Science Committee

The Science Committee’s terms of reference are available on our website, [www.astrazeneca.com](http://www.astrazeneca.com).

# Nomination and Governance Committee Report



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

## Our focus during 2019

- > Composition of the Board
- > Inclusion and Diversity
- > Inductions and training
- > Succession planning for the Board
- > Developments in Corporate Governance

## Composition of the Board

As part of its role, the Nomination and Governance Committee is responsible for reviewing the composition of the Board, to ensure that it has the appropriate expertise while also recognising the importance of diversity. The Committee 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 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.

## Inclusion and Diversity

Diversity is integrated across our Code of Ethics and associated workforce policy, and we promote a culture of diversity, respect and equal opportunity, where individual success depends only on personal ability and contribution. We strive to treat our employees with fairness, integrity, honesty, courtesy, consideration, respect and dignity, regardless of gender, race, nationality, age, sexual orientation or other forms of diversity. The Board is provided each year with a comprehensive overview of the AstraZeneca workforce, covering a wide range of metrics and measures (including trends around gender diversity, leadership ethnic diversity and age profile). In November 2019, the Hampton-Alexander Review named AstraZeneca PLC as one of the top ten best performers in the FTSE 100 for representation of women on the combined executive committee and their direct reports. For the year ended 31 December 2019, women represented 39.2% of senior management and their direct reports.

The Board views gender, nationality and cultural diversity among Board members as important considerations when reviewing its composition. Considering diversity in a wider sense, the Board aims to maintain a balance in terms of the range of experience and skills of individual Board members, which includes relevant international business, pharmaceutical industry and financial experience, as well as appropriate scientific and regulatory knowledge. The biographies of Board members set out on pages 98 and 99 give more information about current Directors in this respect.


The Board has adopted an Inclusion and Diversity policy (the Policy), 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. While 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.

## Non-Executive Directors' experience, as at 31 December 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	●	●	●			●	●	●					
Michel Demaré	●	●	●			●	●				●		
Deborah DiSanzo	●		●	●	●	●	●		●		●		
Sheri McCoy	●		●	●		●			●		●		
Tony Mok	●					●		●	●			●	●
Nazneen Rahman					●		●		●			●	●
Marcus Wallenberg	●	●	●				●	●			●		

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](http://www.astrazeneca.com).

Information about our approach to diversity in the organisation below Board level can be found in Employees from page 46.

### Inductions and training

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. During 2019, two independent Non-Executive Directors, Tony Mok and Michel Demaré, were appointed and provided with ongoing induction programmes intended to quickly provide an understanding of the Group, as well as their duties as a Director of a listed company. While elements of their inductions were adjusted for their existing expertise and Committee membership, key areas of their inductions during 2019 included:

- > meetings with members of the Board, SET and other senior management
- > meeting with external legal advisers
- > meeting with the external auditors
- > visits to various sites including R&D centres, commercial sites and operations facilities in China, Sweden, the UK and the US
- > access to a reading room which provides information on the Group, including financial performance, pipeline information, policies including the AstraZeneca Securities Dealing Code and rules relating to inside information, investor and analyst reports, and media updates. In addition, the reading room contains guidance on directors' duties and listed company requirements.

### Ongoing training and development

AstraZeneca is committed to developing a culture of lifelong learning, including for Directors. 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. In addition, Directors are encouraged to attend site visits during the year. During these visits, Directors meet with local management and have tours of both AstraZeneca sites and facilities, as well as those of our strategic partners. These site visits further Directors' understanding of the Group's business and operations, as well as providing an insight into the particular challenges faced in those regions. Additionally, such visits provide Directors with an opportunity to engage with key stakeholders.

### Succession planning

The Nomination and Governance Committee considers both planned and unplanned (unanticipated) succession scenarios and met five times in 2019. The Committee split 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. The search firms MWM Consulting and Spencer Stuart were engaged to assist the Committee with its work. Spencer Stuart periodically undertakes executive search assignments for the Company.

### Corporate governance

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

During the year, the Committee received regular updates on corporate governance requirements and how these would impact AstraZeneca. These included updates on the revised UK Corporate Governance Code, which was updated in July 2018 and was applicable to AstraZeneca for the financial year beginning 1 January 2019. As part of its considerations, the Committee reviewed the methods used by the Board to monitor the culture of the Group and how this was embedded throughout the organisation. The Committee also reviewed the Board's channels of engagement with the workforce.


### Membership of the Committee

During 2019, the members of the Nomination and Governance Committee were Leif Johansson (Chairman of the Committee), Graham Chipchase and Nazneen Rahman. Philip Broadley joined the Committee on 1 March 2019. Rudy Markham was a member of the Committee until he retired from the Board at the Company's AGM in April 2019. Each member is a Non-Executive Director and considered independent by the Board; all other members are 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 97. 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.



Leif Johansson  
Chairman

 The Nomination and Governance Committee's terms of reference are available on our website, [www.astrazeneca.com](http://www.astrazeneca.com).



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

## Our focus during 2019

- > Financial reporting, internal controls, and the quality and effectiveness of the external audit
- > Risk management, including the identification, mitigation, monitoring and reporting of risks, and lines of management accountability
- > Compliance matters, including continued work on fostering a ‘Speak Up’ culture, and on anti-bullying and anti-harassment
- > Cybersecurity and information governance
- > Business continuity planning and resilience

This Report describes the work of the Audit Committee (the Committee) and the significant issues it considered in 2019. 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 experienced judgement by the Committee and the Board. At least once per quarter, the Committee reviewed the Group’s significant accounting matters, including contingent liabilities and provisions, revenue recognition, impairment triggers for intangible assets, and deferred tax. Where appropriate, the Committee challenged management’s decisions before approving the proposed accounting treatment. During 2019, 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 reviewed the Group’s approach to operating segment accounting. The Committee also reviewed the renaming and redefinition of Externalisation Revenue to Collaboration Revenue in AstraZeneca’s Consolidated Statement of Comprehensive Income. For more information on Collaboration Revenue, please refer to the Financial Review from page 82.

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 April 2019, serving for the third 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.

In August 2019, the Company received a letter from the Corporate Reporting Review Team (the CRRT) of the Financial Reporting Council (the FRC), as part of its regular review and assessment of the quality of corporate reporting in the UK, requesting further information in relation to the Company’s 2018 Annual Report and Accounts<sup>1</sup>. The letter focused on the clarity of disclosures of Critical Accounting Judgements and Significant Estimates. The CRRT sought information regarding how the Company’s description of these matters satisfied the disclosure requirements of IAS 1 ‘Presentation of Financial Statements’ in respect of a key judgement or a significant estimate. The letter also asked about the Group-specific nature of the judgements that were made and how they were concluded on.

We responded to the CRRT's questions providing clarifying information and proposing specific enhancements to AstraZeneca's 2019 Annual Report and Accounts. On this basis, the CRRT subsequently confirmed in writing that it had closed its enquiries.

All the proposed specific enhancements to the 2019 Annual Report and Accounts have been applied in this Annual Report and 20-F Information.

### Risk identification and management

During the year, the Committee continued its regular reviews of the Group's approach to risk management, the operation of its risk reporting framework and risk mitigation. The Committee has further strengthened its links with the Company's Science Committee, with Nazneen Rahman (Science Committee Chair) attending three meetings of the Committee, allowing it to deepen its understanding of the clinical compliance risk facing the Group.

When identifying risks, the Committee considers the total landscape of risks which are long-standing and business-as-usual in nature: enduring risks. We then consider more specific and current risks which are challenging our business presently: key active risks. Finally, we scan the horizon and identify risks which may challenge us in the future: emerging risks. This framework provided the context for the 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 these scenarios assumes that the significant risks modelled in the planning process will crystallise and that management will take mitigating actions against those risks. The Committee considered in detail the validity of each scenario. This included obtaining additional analysis from management as to the indirect or unintended consequences of its proposed mitigating actions, including, for example, assessing the likely response of a broader range of stakeholders. The Committee also assessed whether the proposed mitigations were viable.

For more information on the Viability statement, see Risk Overview from page 74.

The Committee's consideration of risk management was supported by regular information security and information technology updates and 'deep dive' reviews of key activities, including:

- > manufacturing and supply activities, including product security, capacity management, inventory management, and technology trends
- > the implementation, and impact, of the reorganisation of the business into Oncology and BioPharmaceuticals R&D and Business Units announced in January 2019
- > material litigation matters
- > Good practice (GxP) risk management, including regulatory inspection and quality assurance audit.

For further information on the deep dive reviews can be found in the Business updates section on page 120.

As discussed below, members of the Committee also visited a number of the Group's sites and engaged with Group personnel to enhance their understanding of risks arising in key markets and internal controls.

For more information on the Group's Principal Risks, see Risk Overview from page 74.

### Compliance with the Code of Ethics

The Committee's priorities continue to include overseeing compliance with AstraZeneca's Code of Ethics, and ensuring high ethical standards, and that we operate within the law in all countries where we operate. 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 continued to monitor and review 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. The Committee also monitored and reviewed the impact of the implementation of our new Global Standards of behaviour on 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.

For more information on our Code of Ethics, see the Business Review on page 35 and the Corporate Governance Report on page 112.

### 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. Over the course of 2019, members of the Committee visited a wide range of the Group's sites, including:

- > in April, Rudy Markham visited the Group's marketing company headquarters in Shanghai, China and I visited the Group's offices in Cambridge, UK
- > in August, members of the Committee visited the Group's sites in Mexico: its marketing company headquarters in Mexico City, its operations site in Lomas Verdes and its global technology centre in Guadalajara. We also visited the National Institute of Respiratory Diseases and met physicians involved in the treatment of COPD and other respiratory conditions
- > in September, I visited the Group's offices in Wilmington, DE, Gaithersburg, MD and Washington, DC and our Biologics Manufacturing Center in Frederick, MD
- > in October, I visited the Group's marketing company headquarters in Moscow, Russia, its manufacturing site in Vorsino, Russia, and its marketing and global hub site in Warsaw, Poland.

These visits provided the Committee with valuable insights from local management about the key local and global issues and challenges relating to, and current and emerging risks associated with, our activities in these countries. They also enabled AstraZeneca personnel from all parts of the business to meet Committee members and share their perspectives on the Group and the work they do. In Mexico, Moscow and Warsaw, I took part in town hall events with employees at which I described the work of the Board and the Committee and participated in question and answer sessions with the audiences.

Members of the Committee also met informally with employees from the Finance, Operations and Legal teams.

During 2019, the Committee monitored the Group's engagements with external stakeholders relevant to the Committee's areas of oversight, including the following UK-based stakeholders: the Competition and Markets Authority; HMRC; the FRC; and the Department for Business, Energy & Industrial Strategy.



# Audit Committee Report *continued*

## Changes to the membership of the Committee

I succeeded Rudy Markham as Chair of the Committee following Rudy's retirement from the Board at the Company's AGM in April 2019. I had the benefit of working with Rudy as a member of the Committee for two years before becoming Chair, and I thank him for his leadership, wise counsel and significant contribution to the Committee's work. In preparation for chairing the Committee, I also had the benefit of an extensive induction programme.

We welcomed Michel Demaré as a member of the Committee in September 2019. Michel brings significant international business and financial experience from his senior executive, chief financial officer and non-executive director roles at large international businesses to assist the Committee with its work.

There have been no other changes to the Committee's membership during the year. 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 Report.



**Philip Broadley**  
Chairman of the Audit Committee

<sup>1</sup> When reviewing the Company's 2018 Annual Report and Accounts, the FRC made clear to the Company the limitations of its review as follows:

- > Its review is based on the 2018 Annual Report and Accounts only and does not benefit from a detailed knowledge of the Group's business or an understanding of the underlying transactions entered into.
- > Communications from the FRC provide no assurance that the Company's 2018 Annual Report and Accounts are correct in all material respects and are made on the basis that the FRC (and its officers, employees and agents) accepts no liability for reliance on them by the Company or any third party, including but not limited to investors and shareholders.
- > The FRC's role is not to verify information provided but to consider compliance with reporting requirements.

## 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 Philip Broadley (Committee Chairman), Michel Demaré, Deborah DiSanzo and Sheri McCoy.

In December 2019, 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 Philip Broadley and Michel Demaré 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 Philip Broadley has served as a Non-Executive Director of the Company since April 2017, Michel Demaré has experience of working in an innovation and science-driven environment from his role as Chairman of Syngenta, Deborah DiSanzo has healthcare sector experience from her role at IBM Watson Health, and Sheri McCoy has had a 30-year career in the pharmaceutical industry. The Board of Directors' biographies on pages 98 and 99 contain details of each Committee member's skills and experience.

The Committee held six meetings in 2019 and the Committee members' attendance is set out in the table on page 97.

### Role and operation of the Committee

The Committee's terms of reference are available on our website, [www.astrazeneca.com](http://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 and estimates contained within them
- > monitoring the work of the Disclosure Committee which manages the Company's other public disclosures
- > ensuring the Company's Annual Report and Accounts presents 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 and its Compliance function
- > reviewing the effectiveness of 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 IA function or the Group Compliance function. 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 when required by the Committee.

In addition, the Committee, and separately the Committee Chair, 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 2019.

## Principal activities focused on by the Committee in 2019

During 2019 and in January 2020, 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, judgements and estimates' (with a focus on accounting issues relevant to revenue recognition, litigation and taxation matters, goodwill and intangible asset impairment) from page 91.
- > Monitoring the accounting for Collaboration Revenue in the Group's Consolidated Statement of Comprehensive Income arising from externalisation and/or collaboration activities, including the collaboration with Daiichi Sankyo announced in March 2019.
- > The Company's issue of additional shares in April 2019.
- > 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 173.
- > The preparation of the Directors' viability statement and the adequacy of the analysis supporting the assurance provided by that statement.
- > Adoption of IFRS 16 'Leases' in the Group's 2019 Financial Statements; adoption of IFRIC 23 'Uncertainty over Income Tax Treatments'; the anticipated amendment to IFRS 3 on the definition of business combinations; iXBRL tagging requirements; and developments in payment practice reports.
- > 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 94.

### 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.
- > 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.
- > 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.

□ Further information about the Principal Risks faced by the Group is set out in the Risk Overview section from page 74.

# Audit Committee Report *continued*

## Principal activities focused on by the Committee in 2019 *continued*

<b>External audit</b>	<ul style="list-style-type: none"> <li>&gt; Monitoring the effectiveness and quality of the external audit process through: examination and review 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.</li> </ul>	<ul style="list-style-type: none"> <li>&gt; Reviewing quarterly reports from the external auditor over key audit and accounting matters, and business processes, internal controls and IT systems.</li> <li>&gt; 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 on page 124.</li> </ul>
<p><input type="checkbox"/> Further information about the audit and non-audit fees for 2019 is disclosed in Note 30 to the Financial Statements on page 225.</p>		
<b>Performance assessment</b>	<ul style="list-style-type: none"> <li>&gt; An effectiveness review of IA by considering its performance against the internal audit plan and key activities. 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 noted IA's continued contributions in supporting and delivering value to the business and the Committee during the year. The Committee supports IA's continued efforts to deploy its resources in line with the shape and size of the overall organisation.</li> </ul>	<ul style="list-style-type: none"> <li>&gt; 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 of the Committee was rated highly overall. The amount of time devoted by the Committee to its responsibilities was noteworthy. It was thought that the Committee had achieved a good balance of time devoted to controls, risk and accounting. It was recommended that there continued to be more targeted deep dives on specific areas of focus. It was felt that there continued to be opportunities to enhance working with the Science Committee on risk and governance matters with respect to medical or R&amp;D activities outside of financial controls.</li> </ul>
<b>Business updates</b>	<ul style="list-style-type: none"> <li>&gt; An overview of the Group's manufacturing and supply activities, including product security, capacity management, inventory management, and technology trends.</li> <li>&gt; Assessing the implementation impact of the Group's organisational changes announced in January 2019 on the Group and its financial systems.</li> <li>&gt; An overview of the Group's approach to managing material intellectual property and product liability litigation matters.</li> </ul>	<ul style="list-style-type: none"> <li>&gt; An overview of the Group's GxP risk management, including outcomes of regulatory inspections, GxP risk management processes and oversight, key active and emerging risk areas, the Quality Assurance (QA) Audit programme, and the evolution of the role of QA.</li> <li>&gt; 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 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 liability.</li> </ul>

## Significant financial reporting issues considered by the Committee in 2019

Reporting issue	Rationale	Committee response	Committee conclusion/ actions taken
<b>Revenue recognition</b>  <input type="checkbox"/> Financial Review from page 78 and Note 1 to the Financial Statements from page 180.	<p>The US is our largest single market and sales accounted for 33% of our Product Sales in 2019. Revenue recognition, particularly in the US, is affected by rebates, chargebacks, returns, other revenue accruals and cash discounts.</p>	<p>The Committee pays 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.</p>	<p>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.</p> <p>The Committee recognised the close monitoring and control by management to maintain the accuracy in forecasting for managed market rebates and excise fees and the stabilisation of the overall gross-to-net deductions.</p>
<b>Collaboration Revenue</b>  <input type="checkbox"/> Financial Review from page 78 and Note 1 to the Financial Statements from page 180.	<p>As a result of the growing importance of collaborations to AstraZeneca, an update to the presentation of Total Revenue within its Statement of Comprehensive Income was announced in March 2019. Effective from 1 January 2019, Total Revenue includes the updated category of Collaboration Revenue, which replaces the category of Externalisation Revenue. Collaboration Revenue comprises upfronts, milestone receipts and royalties and other income arising from transactions involving AstraZeneca's medicines or transactions where AstraZeneca has acquired an interest in a medicine and entered into an active collaboration with the seller. Externalisation Revenue only included income arising from transactions involving AstraZeneca's medicines.</p>	<p>The Committee considered the proposed new presentation of revenue and discussed the proposed changes in detail with management. The Committee noted the presentation of equivalent income by AstraZeneca's peer organisations.</p>	<p>The Committee was satisfied with the accounting and reporting assessment performed by management and was satisfied with the adoption of this new policy.</p>
<b>Daiichi Sankyo collaboration accounting</b>	<p>The Daiichi Sankyo collaboration required a judgement on whether the collaboration resulted in a business combination or whether it should be accounted for as an asset acquisition. Management had concluded that the collaboration was an asset acquisition.</p>	<p>The Committee discussed the components that would constitute a business, and therefore a business combination under IFRS 3.</p>	<p>The Committee considered and supported the conclusion reached by management that the collaboration was an asset acquisition rather than a business combination, and accounted for accordingly.</p>
<b>Operating Segments</b>  <input type="checkbox"/> Financial Review from page 78 and Note 6 to the Financial Statements from page 185.	<p>In January 2019 the Group announced key changes to the way the commercial and R&amp;D organisations were structured driving a reassessment of the Group's Operating Segment reporting requirements. Management concluded that the business continued to operate as one Operating Segment.</p>	<p>The Committee discussed and understood the key changes to the Group structure along with the resulting changes made to internal reporting used by the Chief Operating Decision Maker on which to base key strategic and resource allocation decisions.</p>	<p>The Committee considered the factors presented and was satisfied that they supported the conclusion that there should be no change to management's determination that the business continued to operate as one Operating Segment following the reorganisation.</p>

# Audit Committee Report *continued*

## Significant financial reporting issues considered by the Committee in 2019 *continued*

Reporting issue	Rationale	Committee response	Committee conclusion/ actions taken
<p><b>Valuation of intangible assets</b></p> <p>□ Financial Review from page 78 and Note 10 to the Financial Statements from page 190.</p>	<p>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 reports on 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>	<p>The Committee considered the impairment reviews of the Group's intangible assets. Significant reviews included the full impairment of the value of <i>Epanova</i> following the decision to close the Phase III STRENGTH trial, and the partial impairments of <i>Bydureon</i>, <i>Qtern</i>, <i>Eklira/Tudorza</i> and <i>Flumist</i>.</p>	<p>The Committee assured 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.</p>
<p><b>Litigation and contingent liabilities</b></p> <p>□ Note 29 to the Financial Statements from page 220.</p>	<p>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.</p>	<p>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>	<p>Of the matters the Committee considered in 2019, the more significant included: the favourable resolution of the <i>Calquence</i> IP litigation and the continued defence of the <i>Nexium</i> and <i>Prilosec</i> product liability litigation in the US. The Group continues to defend the allegations arising from the <i>Seroquel</i> Antitrust, Iraq DOJ, Array, and Amplimmune litigations, and to manage patent challenges to <i>Symbicort</i>, <i>Tagrisso</i> and <i>Farxiga</i> in the US, <i>Faslodex</i> in Europe and <i>Brilinta</i> in China.</p> <p>The Committee was satisfied that the Group was effectively managing its litigation risks including seeking appropriate remedies and continuing to vigorously defend its IP rights.</p>
<p><b>Tax charges and liabilities</b></p> <p>□ AstraZeneca's 'Approach to Taxation', which was published in December 2019 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, <a href="http://www.astrazeneca.com">www.astrazeneca.com</a>.</p> <p>□ Note 4 to the Financial Statements from page 183.</p>	<p>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.</p>	<p>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.</p>	<p>The Committee was satisfied with the Group's practices regarding tax liabilities, including, most notably, the tax accounting impact of collaboration and divestment activity.</p>

Significant financial reporting issues considered by the Committee in 2019 *continued*

Reporting issue	Rationale	Committee response	Committee conclusion/ actions taken
<p><b>Retirement benefits</b></p> <p>□ Financial Review from page 78 and Note 22 to the Financial Statements from page 201.</p>	<p>Accounting for defined benefit pension and other retirement benefits is an important area of focus, recognising both the present value of the Group's pension fund liabilities and the sensitivity of this amount to small changes in interest rates, and the wider regulatory environment.</p>	<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 and the funding requirements in each case.</p> <p>The Committee reviews the Group's global funding objective and principles on an annual basis, the level of engagement with local fiduciary bodies, and comparisons of funding solvency relative to the wider market. In addition, the Committee reviews the reasonableness of the key actuarial assumptions used to determine the value of the Group's liabilities.</p>	<p>The Committee was reassured by the sustained improvement in the US pension scheme funding position, and the Group's engaged and balanced approach to managing the risks associated with the funding of the UK and Swedish pension funds.</p> <p>The Committee is cognisant of the need to adhere to local funding regulations and best practice and to the security provided by the Group which underwrites obligations to members.</p> <p>The Committee was satisfied that the Group's contribution policy and actuarial assumptions used were appropriate during the year.</p>

**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 111.

# Audit Committee Report *continued*

## Internal controls

The Committee receives a report of the matters considered by the Disclosure Committee during each quarter. At the January 2020 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 2019. 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 Audit, Risk and Internal Control section in the Corporate Governance Report on page 111.

## 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 April 2019, PwC were reappointed as the Company's auditor for the financial year ending 31 December 2019. Richard Hughes continues to be 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 policy is significantly restricted such that no tax services are pre-approved under the policy, and no tax services were performed for the year ended 31 December 2019, with the exception of tax audits and tax regulatory certificates issued by the external auditor. 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.

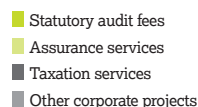
The CFO (supported by the Vice-President Finance, Group Controller), monitors the status of all services being provided by the external auditor. Authority to approve work exceeding the pre-agreed annual fee limits and for any individual service above the clearly trivial threshold is delegated to the 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, require approval by the Committee on a case-by-case basis. Given the nature of the Group's non-audit services, no services required approval by the Committee. In 2019, PwC provided non-audit services including an interim review of the results of the Group for the six months ended 30 June 2019, and audit-related assurance services in respect of the Group's debt issuance activities, including its US shelf registration prospectus renewal.

Fees for non-audit services amounted to 7% of the fees paid to PwC for audit, audit-related and other services in 2019 (2018: 13%).

## Audit/non-audit services

Year	Total Fees
2019	\$14.9m
2018	\$17.4m



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 Audit and 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 30 to the Financial Statements on page 225.

## 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 PwC's effectiveness principally against four key factors, namely: judgement; mindset and culture; skills, character and knowledge; and quality control. As part of that assessment, it also took account of the views of senior management within the Finance function and regular Committee attendees.

The Committee concluded that the PwC audit was effective for the financial year ended 31 December 2019.

In January 2020, the Committee recommended to the Board the reappointment of PwC as the Company's auditor for the financial year ending 31 December 2020. Accordingly, a resolution to reappoint PwC as auditors will be put to shareholders at the Company's AGM in April 2020.

“We have sought to be clear and transparent in how we link remuneration of our executives to successful delivery of our strategy and shareholder returns.”



“The stretching targets set in 2019 incentivised strong performance, resulting in total shareholder return over the year of 26%.”

### Changes to our Remuneration Reporting

We have made a number of changes to the Directors' Remuneration Report this year to enhance transparency. We are also proposing a new Directors' Remuneration Policy for shareholder approval at our 2020 AGM.

The Directors' Remuneration Report now contains the following sections:

- > Chairman's letter, page 125
- > Remuneration at a glance, page 129
- > How our performance measures for 2020 support the delivery of our strategy, page 130
- > How the Remuneration Committee ensures targets are stretching, page 131
- > Annual Report on Remuneration, page 132
- > Directors' Remuneration Policy, page 149

As Chairman of the Remuneration Committee (the Committee), I am pleased to present AstraZeneca's Directors' Remuneration Report for the year ended 31 December 2019. 2019 has been another very successful year.

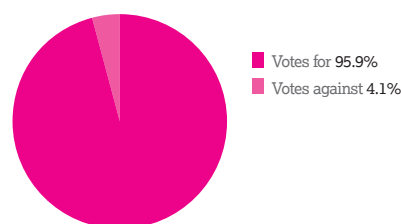
Our focus on our pipeline has resulted in continued positive growth in Product Sales. Our Revenue has created sufficient cash flow to fund future research and innovation, ensuring sustainable results for our patients, our employees and our shareholders.

For executive remuneration, the Committee focuses on a balanced delivery of financial growth, research innovation and shareholder return. We are confident that this approach has been instrumental in focusing our leaders to deliver the results we have achieved. We have sought to be clear and transparent in how we link remuneration of our executives to successful delivery of our strategy and shareholder returns.

In response to feedback from shareholders, we provided more details in our 2018 Remuneration Report to explain the context in which the Committee makes decisions. Our shareholders appreciated this improvement in disclosure and we were pleased to receive a vote of 95.9% in favour of our 2018 Remuneration Report at the 2019 AGM.

### 2019 AGM voting outcome

Directors' Remuneration Report



At the 2020 AGM, we will be seeking shareholder approval for a renewed Directors' Remuneration Policy (the Policy). The current Policy expires at the 2020 AGM and, although we believe it has served us well, we have taken this opportunity to review all elements of the Policy. This has enabled us to consider the new requirements of the 2018 UK Corporate Governance Code and practice in the global pharmaceutical talent market.

We have also taken into account the perspectives of shareholders, gathered from an extensive consultation undertaken during 2019. I met 16 of AstraZeneca's top shareholders over the course of three months to discuss our proposals and was pleased with the level of engagement, feedback and support received. I have summarised the new proposals later in this letter, and our new Policy can be found on pages 149 to 159.



# Directors' Remuneration Report *continued*

Alongside considering the Policy, during 2019, as has been our practice for several years, the Committee reviewed broader workforce trends and analyses to assess the effectiveness of rewarding for performance in line with our principles. This included assessing an annual workforce remuneration review, demonstrating how variable pay is differentiated to reward performance and potential, the increasing representation of women at senior levels within the organisation (as at 31 December 2019, 45.4% of our employees at senior career levels are female), retention and higher promotion rates of high performers, the CEO pay ratio analysis and our gender pay gap analysis. Our approach to reward for the wider workforce is covered in more detail on page 145.

## 2019 performance highlights

2019 was a year of strong performance, with Product Sales growing by 12%. New Medicines delivered \$9,906 million of sales in 2019, a growth of 59% representing 42% of Product Sales. Core earnings per share increased to \$3.50 (\$3.46 at budget exchange rates) with net cash flow from operating activities improving by \$351 million compared to the prior year.

I would like to take this opportunity to highlight how our executives and employees have delivered against the 2019 Group scorecard. The stretching targets set in 2019 incentivised strong performance resulting in total shareholder return over the year of 26%. This was significantly ahead of the vast majority of our competitors and the broader FTSE 100 index in 2019, and higher than the value returned to shareholders in 2018 (24%).

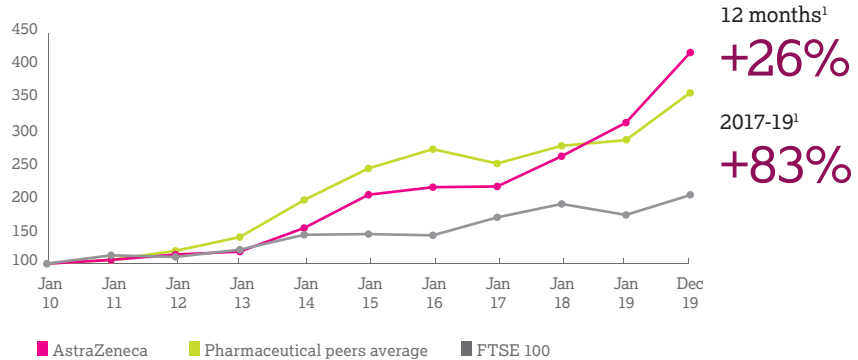
AstraZeneca's delivery of Phase III investment decisions, regulatory submissions and approvals has also been consistently strong relative to our peers and our investment. To assist the Committee in this consideration of performance, the Science Committee considers a range of data to assess AstraZeneca's performance relative to peers and then informs the Committee.

While the Committee has taken into account some disappointments, such as the impact on 2019 Core earnings and the intangible impairment charge arising from the decision to close the Phase III STRENGTH trial for *Epanova* in early 2020, on balance the positives have far outweighed the negatives. As outlined from page 54, our commercial and scientific progress in 2019 has been strong across all our therapy areas, but I would like to highlight some key achievements.

Oncology: 114,000 new patients in 70 countries have been treated with a new AstraZeneca oncology medicine in 2019, with *Imfinzi* and *Lynparza* achieving blockbuster status, with each now generating more than \$1 billion in sales in the year.

## How we have performed in 2019

### Total shareholder return (TSR)



<sup>1</sup> 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 – 2019 Group scorecard performance<sup>2</sup>

	Target	2019 outcome
<b>Deliver Growth and Therapy Area Leadership</b>		
Product Sales from growth platforms	\$20,232m	\$21,004m
<b>Accelerate Innovative Science</b>		
Pipeline progression events	17	17
Regulatory events	28	37
<b>Achieve Group Financial Targets</b>		
Cash flow	\$3.9bn	\$4.2bn
Core EPS	\$3.50	\$3.46
Total Product Sales	\$22.8bn	\$23.8bn

<sup>2</sup> For reconciliation with KPIs disclosed from page 20 of this Annual Report and a description of performance measures, see page 135.

We also made a strong start to our collaboration with Daiichi Sankyo on *Enherthu*, achieving a regulatory approval in the US in December.

BioPharmaceuticals: in Respiratory, launches of *Fasenra* continued, now having benefitted some 50,000 patients with severe asthma. In CVRM, the positive outcome of the DAPA-HF trial meant that *Farxiga* became the first in its class to demonstrate efficacy and safety data for the treatment of patients with heart failure, with and without type-2 diabetes, on top of standard of care.

We have sustained our strong growth trajectory across Emerging Markets, most notably in China, delivering approvals and launches for our New Medicines and accelerating our performance in all therapy areas in this important market. This progress has been supported by another year of excellent execution by our Operations team. Their work led to the successful outcome of 31 regulatory inspections with zero critical observations last year. Our inspection record builds trust amongst regulatory authorities globally and enhances our already high reputation in this space. Further detail can be found in the Strategic Report from page 37.

## 2019 remuneration outcomes

The Committee always seeks to ensure that the remuneration of our Executive Directors reflects the underlying performance of the business. When approving outcomes, we therefore considered the Group scorecard along with wider business and individual performance over 2019, including other achievements across the enterprise, such as advancing our Great Place to Work priorities and environmental, social and governance (ESG) goals. In that context, we believe that the payments outlined below fairly reflect performance.

### Annual bonus – 83.3% of maximum

When determining bonus outturns, the Committee considered the formulaic outcome from the Group scorecard along with wider business and individual impact and performance in 2019, including ESG achievements. The Committee exercised its judgement and awarded annual bonuses equivalent to 83.3% of maximum (150% of salary) and 83.3% of maximum (125% of salary) to Mr Soriot and Mr Dunoyer respectively. Details of the factors considered to determine the bonuses are provided on pages 134 to 136.

One third of each Executive Director's bonus for 2019 will be deferred into AstraZeneca shares for three years to ensure further alignment with shareholders. This will increase to 50% deferral for the 2020 performance year under the new Policy.

### Long-term incentives

#### 2017 PSP – 97% of maximum

The three-year performance period for Performance Share Plan (PSP) awards granted to Executive Directors in 2017 ended on 31 December 2019. Awards will vest at 97% of maximum, as shown on page 138. This is in part driven by our strong TSR performance of 83% over the performance period, ranking second (upper quartile) in our comparator group of pharmaceutical peers.

#### 2016 AZIP – 50% of maximum

The final award under the AstraZeneca Investment Plan (AZIP) was granted in 2016. The two performance tests (progressive dividend and 1.5 times dividend cover) attached to this award were both met in two of the four years in the performance period ended 31 December 2019. This will result in 50% of this AZIP award vesting. The shares are subject to a further four-year holding period.

### Policy review and remuneration in 2020

The Directors' Remuneration Policy is due for renewal and shareholders are being asked to approve a new version of the Policy at the Company's AGM on 29 April 2020. The new Policy is intended to remain in effect for three years from the date of the AGM. During 2019, the Committee reviewed the Policy to ensure that it continues to:

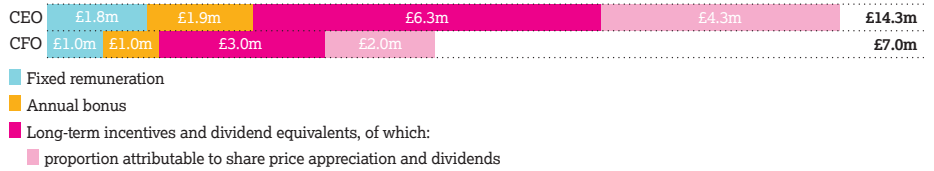
- > be aligned with corporate governance best practice
- > support the Company's ability to recruit and retain executive talent to deliver against its strategy; and
- > promote the delivery of long-term shareholder value.

The Committee took shareholders' feedback into account on the proposed changes to the Policy, and we would like to take this opportunity to thank all those who took part for their constructive engagement.

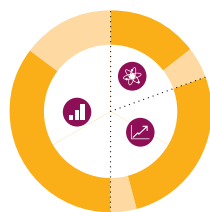
Our consultation focused on a number of key areas: simplification and alignment to strategy, ensuring flexibility to meet the challenges of a highly competitive global talent market, and improved shareholder alignment. In developing our proposals, the Committee has been mindful of the broader context and the need to create an environment where orderly succession of key individuals over the coming years can be planned.

## 2019 remuneration outcomes

### Single total figure of remuneration



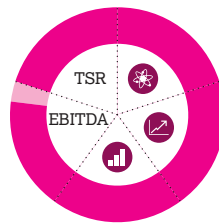
### 2019 Annual bonus scorecard performance



	Achieved	Lapsed
Accelerate Innovative Science	75%	25%
Deliver Growth and Therapy Area Leadership	88%	12%
Achieve Group Financial Targets	71%	29%

Legend: ■ Achieved ■ Lapsed

### 2017 PSP performance



	Achieved	Lapsed
Achieve Scientific Leadership	100%	0%
Return to Growth	100%	0%
Achieve Group Financial Targets – Cash flow	100%	0%
EBITDA	85%	15%
Relative TSR	100%	0%

Legend: ■ Achieved ■ Lapsed

The Committee's considerations included the market positioning of our CEO's remuneration opportunity against our FTSE 30 and global pharmaceutical comparator groups and we recognise that our CEO's total compensation opportunity has fallen behind that of his peers in the global pharmaceutical talent market. This is illustrated in the chart on the following page, showing Mr Soriot's on-target opportunity relative to these comparator groups. The importance of retaining our talented and successful CEO has been a key theme in consultation discussions with our shareholders.

Changes to the Policy and how it will be implemented are summarised on the following page and in more detail on page 149. The Policy is set out from page 150.

There will be no base salary increase for the two Executive Directors, effective 1 January 2020. The UK all-employee salary increase budget for 2020 is 3%.

Target annual bonus opportunity for Mr Soriot and Mr Dunoyer in 2020 remains unchanged at 100% and 90% of base salary respectively. We have sought to bring the approach for the Executive Directors in line with the wider workforce, such that maximum bonus equals 200% of target. Therefore, the maximum bonus opportunity has been changed to 200% of salary for Mr Soriot and to 180% of salary for Mr Dunoyer. Half (previously one third) of any earned bonus will be deferred into shares.

Awards under the PSP will be unchanged for Mr Dunoyer at 400% of base salary, and increased to 550% of base salary (from 500%) for Mr Soriot, subject to shareholder approval of our revised Policy and amended rules of the PSP at the AGM.

# Directors' Remuneration Report *continued*

The Committee is mindful of the spectrum of views amongst investors in terms of timescale to reduce executive directors' contractual pension contributions to the average of the wider workforce. Our approach, making a very significant reduction to our CEO's pension now, and capping the contribution going forward, was supported by the vast majority of our shareholders during consultation. We will continue to listen to our shareholders' views on this subject as we consider implementation of the Policy over the coming years.

## ESG metrics

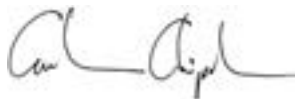
AstraZeneca recognises the importance of ESG factors in operating a sustainable business, and has made a number of clear commitments in this area – for example, Ambition Zero Carbon, our strategy to eliminate emissions by 2025 and be carbon negative by 2030.

Currently, the Committee considers ESG achievements when determining bonus outturns in the round, beyond the formulaic scorecard. Looking ahead, the Committee will be seeking to include one or more ESG metrics into executive incentive arrangements for the 2021 performance year, to underline the importance we place on these issues.

## Next steps

I hope that you find this Remuneration Report clear in explaining the implementation of our Remuneration Policy during 2019. We trust that we have provided the information you need to be able to support the resolution to be put to shareholders on the new Policy and this Remuneration Report at the Company's AGM in April 2020.

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



**Graham Chipchase**

Chairman of the Remuneration Committee

## 2020 Remuneration Policy

### Pension alignment with wider workforce

- > Pension level for CEO has been significantly reduced from 30% of salary to 20%
- > Monetary values of current Executive Directors' pensions have been fixed, so that they reduce further as a percentage of salary overtime towards wider workforce level
- > Pension for any newly appointed Executive Directors will be in line with the applicable wider workforce level

### Simplified and strengthened link to strategy, with stretching targets

- > We conducted a thorough review of the performance measures to ensure continued alignment with strategy
- > The annual bonus and PSP have been simplified by reducing the number of performance measures from five to four in each and moving our focus from growth platforms to Total Revenue
- > The Committee has, and will continue to, rigorously assess performance targets under each measure to ensure goals are sufficiently stretching

### Responding to competitive pressure of global pharmaceutical talent market

We recognise that our CEO's total compensation opportunity has fallen behind that of his peers in the global pharmaceutical talent market. Given the importance of retaining our talented and successful CEO, while recognising the need to align pay to performance and investor experience, the renewed Policy and its implementation for 2020 will be as follows:

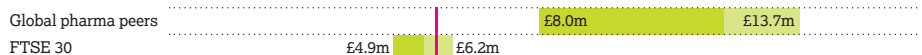
- > No change to annual bonus Policy maximum
- > For 2020, CEO maximum bonus opportunity will be below the Policy maximum at 200% of salary (2019: 180%) and the proportion of bonus deferred will be increased (see below)
- > Increased maximum limit under PSP from 500% to 550% of salary. The PSP awards will be subject to appropriately stretching targets
- > In the context of the above changes, we are proposing no salary increase for 2020

### Improved shareholder alignment

- > Increased mandatory bonus deferral into shares from 33% to 50% of any bonus earned from performance year 2020 onwards
- > Increased shareholding guidelines to align with the respective Executive Director's annual PSP opportunity

## Market positioning of CEO on-target remuneration for 2019

### CEO



- Lower quartile to median
- Median to upper quartile
- | Current position

Remuneration includes base salary, target annual bonus and the expected value of Long-term Incentives (LTI) awards. For Mr Soriot in 2019, target annual bonus was 100% of base salary and the expected value of LTI awards was 250% of base salary. Benchmarking data has been provided by the Committee's independent adviser.

# Remuneration at a glance

## What our Executive Directors earned

### 2019 outcomes

Fixed remuneration	Annual bonus	PSP	AZIP
CEO salary: £1,288,530 Benefits fund Pension: 30% salary	The bonus outcome was 83.3% of maximum, equating to 150% of salary for the CEO and 125% of salary for the CFO	The PSP outcome was 97% of maximum	The AZIP outcome was 50% of maximum
CFO salary: £765,290 Benefits fund Pension: 24% salary			
Salaries increased 3%, effective 1 January 2019			

### Looking ahead

#### Executive Directors' remuneration for 2020

	Fixed remuneration	Annual bonus	Long-term incentives	Shareholding guideline	Post-cessation guideline
Pascal Soriot (CEO)	Salary: £1,288,530 Benefits fund Pension: £257,706 (equivalent to 20% of 2019 salary)	Max: 200% salary Target: 100% salary Deferred: 50% for three years	Max: 550% salary Performance period: three years Holding period: two years	Holding requirement: 550% salary	Holding requirement: shares up to 550% salary for two years post-cessation
Marc Dunoyer (CFO)	Salary: £765,290 Benefits fund Pension: £183,670 (equivalent to 24% of 2019 salary)	Max: 180% salary Target: 90% salary Deferred: 50% for three years	Max: 400% salary Performance period: three years Holding period: two years	Holding requirement: 400% salary	Holding requirement: shares up to 400% salary for two years post-cessation
Change from 2019	No change to salaries  Benefits in line with 2019  CEO pension reduced  Pensions frozen at fixed monetary values	Policy maximum unchanged  Maximum opportunities increased  Target opportunities unchanged  Proportion deferred increased  Moved from five to four measures – simplification and focus on most important metrics	Policy maximum increased  PSP maximum for CEO increased  Moved from five to four measures – simplification and focus on most important metrics	Shareholding guideline increased to mirror PSP award value	Post-cessation guideline was introduced in 2019

# How our performance measures for 2020 support the delivery of our strategy

As part of our consultations with major shareholders during 2019, we discussed which performance measures should be used for the annual bonus and PSP awards in 2020.

AstraZeneca aims to continue to deliver great medicines to patients while maintaining cost discipline and a flexible cost base, driving operating leverage and increased cash generation. To incentivise and reward delivery of great performance over the short and longer term, the Committee carefully considered the balance of science and financial measures between the annual bonus

and PSP. Our focus on incentivising innovative science aligns with our patient-centric culture, as we strive to push the boundaries of science to deliver life-changing medicines to patients. This is reflected in a greater weighting for science measures across both plans in 2020. The mix of financial measures between the annual bonus scorecard and PSP reflects the focus required on near-term cost discipline and longer-term cash generation and creation of sustainable value for our shareholders. The 2020 performance measures are closely aligned with our strategic priorities, as shown below.

Read more about our strategic priorities from page 17.

Read more about the 2020 performance measures on pages 137 and 141.

## Key

● Annual bonus

● PSP

○ KPI

### Strategic pillar



**Accelerate Innovative Science**

#### Remuneration performance measures

#### Science indices ●●○

Our science measures incentivise the development of new molecular entities (NMEs) and the maximisation of the potential of existing medicines.

Bonus performance is assessed on pipeline progressions through Phase II and Phase III clinical trials. These reflect the outcome of nearer-term strategic investment decisions, whereas in contrast PSP performance is assessed on the volume of NMEs in Phase III and the registration stage which reflects the outcome of longer-term strategic investment decisions.

Additionally, we measure regulatory submissions and approvals for bonus and regulatory approvals for PSP to drive the conversion of scientific progress into commercial revenue over the short term (bonus) and the longer term (PSP).

Together, these science measures incentivise innovation and sustainable success along the length and breadth of the pipeline, leading to commercial growth.

### Strategic pillar



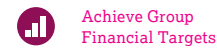
**Deliver Growth and Therapy Area Leadership**

#### Remuneration performance measure

#### Total Revenue ●●○

In 2020, a Total Revenue measure is included in the bonus and the PSP, reflecting the importance of incentivising focus on both the short and longer term for our growth to be sustainable. These measures incentivise revenue performance in line with the 2023 trajectory described at the time of the Pfizer bid in 2014.

### Financial targets



**Achieve Group Financial Targets**

#### Remuneration performance measures

#### Cash flow ●●○

Extremely important for the phase of strategy our business has now entered, as we aim to sustain investment in our pipeline and therapy areas while at the same time meeting our capital allocation priorities. Cash flow is included in both the bonus and the PSP, so as to motivate a focus on the importance of both short and longer term cash flow generation and balance sheet strength.

#### Core EPS ●○

Incentivises operational efficiency and cost discipline, remains a key measure of our profitability and is a key focus of our investors.

#### Total shareholder return (TSR) ●

Assessed relative to our peer group of companies, the measure rewards positive performance that our shareholders also directly benefit from. This measure incentivises outperformance versus our peer group, and promotes the delivery of long-term sustainable returns for our shareholders.

### Strategic pillar



**Be a Great Place to Work ●**

Being a Great Place to Work is critical to delivering our ambition. Assessment of performance against this pillar is captured through a holistic review of each Executive Director's individual performance as part of the final determination of annual bonus, including consideration of our progress against our ESG aspirations through:

- > Contribution to the enterprise – their achievement of embedding a culture of life-long learning and development, and performing as an enterprise team, as well as advancement of our inclusion and diversity strategy; and
- > Contribution to society – their delivery across access to healthcare, environmental protection, ethics and transparency to lead in sustainability.

During 2020, the Committee intends to develop one or more ESG metrics to be introduced into executive remuneration arrangements in the 2021 performance year, to assess AstraZeneca's performance against its sustainability goals.

# How the Remuneration Committee ensures targets are stretching

We set stretching targets which incentivise our leaders to deliver exceptional performance, to drive sustainable results for our patients, our employees and our shareholders. We take the following robust process to setting annual bonus and PSP targets:

<p><b>Stage 1 – Target setting</b></p>	<p>Science targets are based on a cohort of scientific opportunities specified at the start of the performance period. Opportunities represent potential achievements through 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. Stretch of proposed targets is reviewed by the Science Committee taking into account factors such as past performance, the external regulatory environment and internal resourcing and efficiencies. Targets for realisation of these opportunities are ambitious.</p>	<p>Deliver Growth and Therapy Area Leadership and Achieve Group Financial Targets metrics align with the business's Long Range Plan (LRP), which sets out the financial framework for delivering our ambitious strategy over the short, medium and long term. The LRP process includes detailed business reviews during which plans and efficiencies of each unit are challenged, leading to a proposed LRP for the Board to review and challenge. The Committee sets targets based on the Board-approved LRP, considering consensus expectations, independent analytics and anticipated challenges and opportunities. This range of data is used by the Committee to ensure the stretching nature of performance targets is robustly tested. Additionally, the PSP TSR measure is designed to reward strong performance relative to our peers.</p>
<p><b>Stage 2 – Committee review and approval of targets</b></p>	<p>The Committee thoroughly reviews and challenges initial targets proposed by management, before final targets are agreed and approved. Draft targets are reviewed in December, with final target setting and approval in January, once the prior year's final results are available to inform decisions.</p> <p>The Committee is provided with considerable supporting material for each metric. 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>Committee members participate in the full Board discussions on the strategy, LRP and budget which form the basis for the targets. The Committee considers how proposed financial targets align 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. Statistical analysis conducted by the Committee's independent adviser is also used to assess the proposals. This includes an assessment of historic levels of performance volatility.</p>
<p><b>Stage 3 – Performance assessment</b></p>	<p>The Committee tracks projected outcomes throughout the performance period. At the end of the period, final performance against each metric is assessed. Outcomes are calculated based on performance against each weighted metric. Each performance measure is assessed on a standalone basis, so that underperformance against one measure cannot be compensated for by overperformance against another.</p>	<p>The Science Committee independently considers and informs the Committee whether science achievements represent a fair and balanced outcome, reflecting genuine achievements and pipeline progression. Apart from Cash flow, which is set at actual rates of exchange, 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. The Committee is, however, provided with data to allow it to conduct year-on-year analyses.</p>
<p><b>Stage 4 – Determination of Executive Directors' bonuses</b></p>	<p>For annual bonus, the fairness of the formulaic Group scorecard outcome is considered in the context of overall business performance and the experience of shareholders. Such considerations include TSR performance and each Executive Director's personal impact on the delivery of the strategy, ESG performance and other organisational achievements, such as inclusion and diversity targets and the realisation of technology-based milestones. Each year there are important individual deliverables beyond the scorecard metrics which are taken 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>

**“We set stretching targets which incentivise our leaders to deliver exceptional performance, to drive sustainable results for our patients, our employees and our shareholders.”**

## 2020 targets

- > The 2020 Group scorecard and PSP targets require growth above prior year outturns
- > Financial performance goals would require growth in excess of the average expected of the industry
- > The Committee has reviewed the proposed targets against internal and external forecasts including market consensus and is comfortable that the level of stretch promotes exceptional performance

# 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 2020

Content contained within a grey box indicates planned implementation for 2020.

## Executive Directors' remuneration

This section of the Remuneration Report sets out the Executive Directors' remuneration for the year ended 31 December 2019 alongside the remuneration that will be paid to Executive Directors during 2020.

### Executive Directors' single total figure of remuneration for 2019

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 2019, alongside comparator figures from the prior year.

£'000		Base salary	Taxable benefits	Pension	Total fixed	Annual bonus	Long-term incentives <sup>1</sup>	Total variable	Other	Single total figure
Pascal Soriot	2019	1,289	124	387	1,800	1,933	10,487	12,420	110	14,330
	2018	1,251	122	375	1,748	1,858	9,180	11,038	82	12,868
Marc Dunoyer	2019	765	63	184	1,012	957	4,935	5,892	56	6,960
	2018	743	74	178	995	919	3,851	4,770	59	5,824

<sup>1</sup> Long-term incentive values disclosed in 2018 have been recalculated using the average closing share price for the three months ended 31 December 2019, see page 138.

£3,283,450 of Pascal Soriot's 2019 single total figure of remuneration is attributable to share price appreciation on Long-term incentive awards during the relevant performance periods. £1,539,949 of Marc Dunoyer's 2019 single total figure of remuneration is attributable to share price appreciation on Long-term incentive awards during the relevant performance periods. The Committee did not exercise any discretion in relation to the Long-term incentive outcomes.

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 from page 133 and the Long-term incentives section from page 138. Information about the Executive Directors' remuneration arrangements for the coming year, ending 31 December 2020, is highlighted in grey boxes.

## Fixed remuneration

Audited

### Base salary

When awarding salary increases, the Committee considers, among other factors, salary increases applied across the UK employee population. The Executive Directors' salaries for 2020 remain the same as their 2019 salaries. The UK all-employee salary increase budget for 2020 is 3%.

£'000	Increase from 2018	2019	2020
		Base salary	Base salary
Pascal Soriot	3%	1,289	1,289
Marc Dunoyer	3%	765	765

Audited

### 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 2019, 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.

£'000	Taken in benefits	Taken as cash	2019	2020
			Total taxable benefits	Taxable benefits
Pascal Soriot	15	109	124	in line with 2019
Marc Dunoyer	6	57	63	in line with 2019

## Fixed remuneration *continued*

Audited

### Pension

The Executive Directors receive a pension allowance calculated as a percentage of base salary. During 2019, 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. Pension arrangements for 2020 are described on page 151.

£'000	2019			2020
	Pensionable salary	Pension allowance	Cash in lieu of pension	Fixed pension allowance
Pascal Soriot	1,289	30% salary	387	258
Marc Dunoyer	765	24% salary	184	184

### 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 2015) were released during 2019 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.

£'000	Dividend equivalents received on DBP awards released in year	Total Other items in the nature of remuneration
Pascal Soriot	110	110
Marc Dunoyer	56	56

### Annual bonus

Audited

#### 2019 Annual bonus

Annual bonuses earned in respect of performance during 2019 are included in the single total figure table. Detailed information on the Committee's approach to target setting and assessment of performance is set out on page 131.

Under the DBP a proportion of each Executive Director's pre-tax bonus is compulsorily deferred into Ordinary Shares which are released three years from the date of deferral, ordinarily subject to continued employment. The proportion of the 2019 bonus deferred is one third. Under the Directors' Remuneration Policy proposed for approval at the 2020 AGM, one half of any bonus awarded in respect of performance during 2020 will be deferred. Bonuses are not pensionable.

£'000	Annual bonus in respect of performance during 2019				
	Bonus potential as % of salary		Bonus payable in cash <sup>1</sup>	Bonus deferred into shares	Total bonus awarded
	Target	Maximum			
Pascal Soriot	100%	180%	1,289	644	1,933 83.3% max
Marc Dunoyer	90%	150%	638	319	957 83.3% max

<sup>1</sup> Mr Soriot elected to waive £7,984 of the cash portion of his bonus in order to make a personal contribution to pension.  
Mr Dunoyer elected to waive £17,201 of the cash portion of his bonus in order to make a personal contribution to pension.



# Annual Report on Remuneration *continued*

## Annual bonus *continued*

### 2019 Group scorecard assessment

Audited

Performance against the 2019 Group scorecard is set out below. As explained on page 130, 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 the following page.

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 pay out range. Performance below the specified threshold level for a metric will result in 0% payout for that metric. 100% of target bonus will payout for on-target performance. For employees, 200% of target bonus will payout for the maximum level of performance. Maximum bonus payouts for the CEO and CFO for 2019 were capped at 180% and 150% of salary respectively (equivalent to 180% and 167% of target bonus respectively). The pay out 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. The table below shows the scorecard formulaic outcomes for the CEO and CFO as a percentage of target bonus, taking into account their respective target and maximum profiles.

2019 Group scorecard performance measures and metrics	Weighting	Threshold for payout	Target	Maximum	Outcome <sup>1</sup>	Formulaic outcomes (% of target bonus)	
						CEO	CFO
<b>Science measures</b>							
<b>Accelerate Innovative Science</b>							
○ Pipeline progression events	10%	8	17	26	17	10%	10%
○ Regulatory events	10%	20	28	37	37	18%	17%
Subtotal – Science measures	20%					28%	27%
<b>Financial measures</b>							
<b>Deliver Growth and Therapy Area Leadership</b>							
○ Product Sales from growth platforms (\$m)	30%	19,221	20,232	21,244	21,004	48%	45%
<b>Achieve Group Financial Targets</b>							
○ Cash flow (\$bn)	20%	3.5	3.9	4.2	4.2	35%	33%
○ Core EPS (\$)	20%	3.40	3.50	3.60	3.46	12%	12%
○ Total Product Sales (\$bn)	10%	22.1	22.8	23.5	23.8	18%	17%
Subtotal – Financial measures	80%					114%	107%
Total <sup>2</sup>	100%					142%	133%

Key: ■ Bar charts are indicative of 2019 performance; scales do not start from zero.

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

<sup>2</sup> Due to rounding, the total formulaic outcome differs from the arithmetic total of the individual metric outcomes disclosed above.

Pipeline progression events include Phase II starts and progressions and NME and life-cycle management positive Phase III investment decisions. Regulatory events include NME and major life-cycle management regional submissions and approvals. Further detail on our Accelerate Innovative Science performance and these events is included from page 25 of this Annual Report.

A number of further scientific achievements during 2019 have not been taken into account in the formulaic Group scorecard outcome, as they were additional to the cohort set at the start of the year. These have instead been considered and reflected in the Committee's final bonus determination.

## Annual bonus continued

In 2019, Deliver Growth and Therapy Area Leadership measured Product Sales from the Oncology, New CVRM, Respiratory, Japan and Emerging Markets sales platforms, previously referred to as growth platforms. This target was 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 Deliver Growth and Therapy Area Leadership scorecard measure excludes certain medicines that are included in Product Sales reported elsewhere in this Annual Report, due to differences in definitions. The difference for 2019 primarily arose as the scorecard measure included only New Medicines within the Oncology sales platform. The Cash flow measure is set and evaluated at the actual exchange rate and is evaluated by reference to net cash flow from operating activities less capital expenditure adding back proceeds from disposal of intangible assets, to be fully transparent with all elements easily derived from the Group IFRS cash flow statement. 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 from page 20	Exchange rate impact	Product Sales excluded	Capital expenditure	Movement in profit-participation liability	Proceeds from disposal of intangible assets
Deliver Growth and Therapy Area Leadership	\$21,004m	\$21,894m	\$134m	\$(1,024m)			
Cash flow	\$4.2bn	\$3.0bn			\$(1.0bn)	\$0.2bn	\$2.0bn
Core EPS	\$3.46	\$3.50	\$(0.04)				
Total Product Sales	\$23.8bn	\$23.6bn	\$0.2bn				

## Overall assessment

During 2019, the Executive Directors' individual performance was assessed in the following key areas which align with the Company's objectives.

### Pascal Soriot

2019 was a transformative and remarkable year for AstraZeneca under Mr Soriot's leadership. We are proud of Mr Soriot's inclusion on the Harvard Business Review 2019 CEO 100 List, reflecting a measure of external recognition for his work. In addition to delivery of the financial and scientific performance described from page 20, including scientific achievements beyond the Group scorecard, the Committee considered Mr Soriot's strong performance against his personal objectives.

<b>Leading in Environmental, Social and Governance (ESG) performance</b>	<p>Under Mr Soriot's leadership, throughout 2019, AstraZeneca received external recognition as one of the leading companies demonstrating ESG practice. Highlights include: maintaining our score in the Dow Jones Sustainability Indices; receiving 56th ranking in the Corporate Knights Global 100 (an overview of the global 100 most sustainable corporations in the world); and being one of three companies worldwide to achieve double "A" listing for Climate Change and Water Security for four consecutive years in the Carbon Disclosure Project (CDP) rankings as well as being ranked in the top 3% on the CDP Leader Board for Supplier Engagement.</p> <p>Further evidence of Mr Soriot's commitment to building a sustainable future was reflected through signing up to the United Nations (UN) Global Compact 'Our Only Future' campaign; continued investment in Healthy Heart Africa, with the extension into a fourth country (Ghana) where we will continue to conduct blood pressure screenings; and a new five-year funding plan to drive the Young Health Programme further which, in 2019, saw continued expansion, including a launch in Mexico.</p>
<b>Demonstrating leadership to support developments in the global life sciences industry</b>	<p>Throughout 2019, Mr Soriot continued to extend his influence with senior external stakeholders on the key issues in healthcare. He attended more than 60 meetings with senior-level Government officials around the world including in China, Russia, Australia, Brazil, France, Germany, Japan and the US. These interactions continue to shape the external environment and materially contribute to AstraZeneca's continued success around the world.</p>
<b>Successful delivery of the organisational transformation</b>	<p>In 2019, the enterprise transitioned to a strategy of growth through innovation and our new, therapy area aligned, organisational structure. The new organisation was announced on 7 January 2019 and the reorganisation completed within four months, without impacting continued scientific delivery and commercial growth.</p>
<b>Launch and embed our refreshed growth through innovation strategy</b>	<p>While some core components of our growth through innovation strategy translated directly into AstraZeneca's performance in 2019, several aspects of progress in 2019 laid the foundations for success in future years. These encompass, among other things, the development of our patient-centricity plans, investment in future science, value-based reimbursement, and our work in the digital, data science and artificial intelligence space.</p>
<b>Making AstraZeneca a Great Place to Work – achieve demonstrable advances in inclusion, diversity and employee engagement</b>	<p>In 2019 our Global Inclusion and Diversity (I&amp;D) Council was established. As Chair of the Council, Mr Soriot has continued to oversee and drive accountability for our I&amp;D strategy throughout the organisation. In 2019, Mr Soriot personally sponsored AstraZeneca becoming a signatory to the UN Empowerment Principles for Women and the UN Free &amp; Equal Standards of Conduct for Business (supporting LGBT+ individuals). By the end of 2019, our internal KPIs were exceeded with 45.4% of senior roles held by women. We were also pleased that AstraZeneca was included in the 2019 Hampton-Alexander Review (sixth 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 the 61,000 respondents stated they believe strongly in AstraZeneca's future direction and strategic priorities and 86% would recommend AstraZeneca as a great place to work (compared with the global pharmaceutical norms of 87% and 80% respectively).</p>

# Annual Report on Remuneration *continued*

## Annual bonus *continued*

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### Marc Dunoyer

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<b>Leading in Environmental, Social and Governance (ESG) performance</b>	In 2019, Mr Dunoyer continued to act as Champion and Executive Sponsor of our award-winning, global philanthropy initiative the Young Health Programme (YHP). Mr Dunoyer continued to act as a visible champion internally and externally for this programme, visiting the community-based team and spending time with the young peer educators. YHP reached almost one million young people with health information in 2019, with 18 countries across six continents delivering this programme.
<b>Launch and embed our refreshed growth through innovation strategy</b>	Throughout 2019, Mr Dunoyer has driven the enterprise focus on operating leverage, enabled by his focus on balancing capital allocation priorities with investment in innovative science. Mr Dunoyer also delivered the successful completion of the acquisition of <i>Enherthu</i> (a medicine with great potential for the treatment of HER2-positive cancers) through a capital increase, the first in 20 years. This transaction was handled exceptionally smoothly in the context of the anticipated Brexit timetable and the accompanying challenge of increased volatility in currency exchange rates.
<b>Deliver simplification</b>	Under Mr Dunoyer's leadership in 2019, significant simplification has been introduced to the Group's finance systems and processes. In the context of the 2019 organisational transformation, the creation of one source of trusted financial data and a streamlined master data structure to deliver improved financial insights enabled immediate re-alignment of all underlying finance and reporting systems to the new organisation within two months.
<b>Japan</b>	Mr Dunoyer's additional responsibilities include leading AstraZeneca in Japan, which delivered a strong performance in 2019, exceeding its performance target overall. Mr Dunoyer continues to play a critical leadership role in Japan, playing an active part in a range of engagements, from Government officials through to national wholesalers, in support of delivering our strategy. Significant approvals were obtained in the year for <i>Lynparza</i> in BRCA-mutated ovarian cancer, <i>Bevespi Aerosphere</i> to relieve symptoms of chronic obstructive pulmonary disease (COPD) and, notably, the first ever global approval for <i>Breztri Aerosphere</i> , a triple-combination therapy, also for COPD patients.
<b>Creating an enterprise-wide impact through Global Business Services (GBS)</b>	In addition to his responsibilities as CFO, Mr Dunoyer continues to lead the 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, in 2019, GBS's content centre and production has delivered efficiencies of \$26 million with services expanding across 50 markets. Adoption of robotic process automation resulted in the annualised value of over 100 bots increasing by 500%. A focus on artificial intelligence is delivering significant value opportunities across predictive modelling, automated reporting using natural language generation and process mining.

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### Final determination of Executive Directors' bonuses

Having taken into account the Executive Directors' personal leadership and achievements during the year and considered the formulaic Group scorecard outcome in the context of overall business performance and shareholder experience, the Committee considered, in its judgement, that the bonus outturn for each of the Executive Directors should be 83.3% of maximum. This payout is slightly above the Group scorecard outcome as a percentage of maximum but below the scorecard as a percentage of target, due to the cap on maximum payment for each Executive Director.

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## Annual bonus continued

### Deferred Bonus Plan

A proportion of each Executive Director's pre-tax annual bonus is compulsorily deferred under the Deferred Bonus Plan (DBP). In respect of the bonus deferred, the Executive Director is granted a conditional award over shares. 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. One third of the bonus earned in respect of performance during 2018 was deferred and details of the consequent DBP awards granted in 2019 are shown below. One third of the bonus earned in respect of performance during 2019 has been deferred and the consequent DBP awards are expected to be granted in March 2020. Under the Directors' Remuneration Policy proposed for approval at the 2020 AGM, one half of any bonus awarded in respect of performance during 2020 will be deferred.

	Ordinary Shares granted	Grant date	Grant price (pence per share) <sup>1</sup>	Audited	
				2019 Grant Face value £'000	2020 Grant 2019 Bonus deferred £'000
Pascal Soriot	9,849	8 March 2019	6287	619	644
Marc Dunoyer	4,874	8 March 2019	6287	306	319

<sup>1</sup> The grant price is the average closing share price over the three dealing days preceding grant.

### 2020 Annual bonus performance measures and operation

The Group scorecard measures and weightings for 2020 differ from the 2019 Group scorecard as follows:

- > To reflect the importance of continuing to build and maintain a long-term sustainable pipeline the weighting of the Accelerate Innovative Science indices has been increased from 20% to 30%.
- > Given the proportion of Product Sales now represented by the Oncology, New CVRM, Respiratory, Japan and Emerging Markets sales platforms (previously known as growth platforms), the 'Deliver Growth and Therapy Area Leadership' metric will instead measure Total Revenue, as reported in our accounts. This also ensures that this metric reflects the economics of deals entered into with collaboration partners.
- > Under Achieve Group Financial Targets, with the consolidation of all sales under Total Revenue within Deliver Growth and Therapy Area Leadership, the Total Product Sales measure has been removed. The Cash flow and Core EPS measures and weightings remain unchanged.

2020 Group scorecard performance measures and metrics					
	Measure weighting	Underlying metrics (if applicable)	Metric weighting	2020 target	
Accelerate Innovative Science	30%	Pipeline progression events	15%	↑	C
		Regulatory events	15%	↑	C
Deliver Growth and Therapy Area Leadership (Total Revenue)	30%			N	C
Achieve Group Financial Targets	40%	Cash flow	20%	↑	C
		Core EPS	20%	↑	C

Key    ↑ Target increased vs 2019 target    ↓ Target decreased vs 2019 target    ↔ Target constant    N New measure    C Commercially sensitive

We intend to disclose the 2020 Group scorecard outcome, and details of the performance hurdles and targets, in the 2020 Directors' 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.

# Annual Report on Remuneration *continued*

## Long-term incentives

### Long-term incentives included in single total figure: 2017 PSP and 2016 AZIP

Audited

The Executive Directors' 2019 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 2019. 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 2019 (7287.88 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 2019

		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 <sup>1</sup> £'000	Value due to share price appreciation <sup>2</sup> £'000			
Pascal Soriot	2017 PSP	125,009	97%	5,917	2,920	771	9,608	10,487
	2016 AZIP	21,618	50%	424	364	91	878	
Marc Dunoyer	2017 PSP	59,439	97%	2,814	1,388	367	4,569	4,935
	2016 AZIP	9,016	50%	177	152	38	366	

<sup>1</sup> Calculated using the grant price of 4880 pence for 2017 PSP awards and the grant price of 3923 pence for 2016 AZIP awards.

<sup>2</sup> Calculated using the difference between the grant price and the average closing share price over the three-month period ended 31 December 2019.




The 2017 PSP awards granted on 24 March 2017 are due to vest and be released on 24 March 2022 on completion of a further two-year holding period. Performance over the period from 1 January 2017 to 31 December 2019 will result in 97% of the award vesting, based on the following assessment of performance.

The Return to Growth target (measuring aggregate revenue of the Oncology, New CVRM, Respiratory, Japan and Emerging Markets sales platforms, previously referred to as growth platforms) and EBITDA target are set at budget exchange rates at the beginning of the performance period and evaluated at those rates at the end of the performance period, so that any 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 assessed using cumulative net cash flow from operating activities less capital expenditure adding back proceeds from disposal of intangible assets.


AstraZeneca ranked second within the TSR peer group, in the upper quartile.

2017 PSP performance measures and metrics	Weighting	Threshold (20% vesting)	Maximum (100% vesting)	Outcome	Payout
 Achieve Scientific Leadership					
NME approvals	6.7%	2	6	8	100%
Major life-cycle management approvals	6.7%	6	12	22	100%
NME Phase III/registrational volume	6.7%	4	8	11	100%
Subtotal – Achieve Scientific Leadership <sup>1</sup>	20%				100%
 Return to Growth (aggregate revenue of growth platforms) (\$bn)	20%	16.5	19.5	21.5	100%
 Cash flow (\$bn)	20%	8.5	12.0	12.0	100%
EBITDA (\$bn)	20%	12.0	18.0	16.5	85%
Total shareholder return	20%	Median	UQ <sup>2</sup>	2nd	100%
Total <sup>1</sup>	100%				97%

**Key:**  Bar charts are indicative of 2017 PSP performance; scales do not start from zero.

<sup>1</sup> The subtotal and total reflect the weightings of the individual metrics.

<sup>2</sup> UQ = Upper Quartile.

 For more information about the TSR performance of the Company and the TSR comparator group, see page 147.

## Long-term incentives *continued*

Audited

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

The 2016 AZIP awards granted on 24 March 2016 are due to vest and be released on 1 January 2024 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 2016 to 31 December 2019 will result in 50% of the 2016 AZIP vesting, as the dividend cover target was not met in 2018 and 2019.

2016 AZIP performance measures	2016	2017	2018	2019
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	1.54	1.53	1.24	1.25

PSP and AZIP award values included in the 2018 single total figure of remuneration have been recalculated using the average closing share price over the three-month period ended 31 December 2019 (7287.88 pence). In the 2018 Directors' Remuneration Report these figures were calculated using the average closing share price over the three-month period ended 31 December 2018 (5980.11 pence).

### PSP awards granted during 2019

During 2019 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 2019 to 31 December 2021 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	102,475	8 March 2019	6287	6,443	31 December 2021	8 March 2024
Marc Dunoyer	48,690	8 March 2019	6287	3,061	31 December 2021	8 March 2024

The 2019 PSP performance measures focus on scientific, commercial and financial performance over the three-year performance period. The five performance measures attached to the 2019 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) (20% of award)

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. The peer group set at grant was the same as that attached to PSP awards granted in 2017, as set out on page 147.

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

# Annual Report on Remuneration *continued*

## Long-term incentives *continued*

Audited

### EBITDA (20% of award)

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
\$17.5bn	20% (threshold for payout)
Between \$17.5bn and \$20.5bn	Pro rata
\$20.5bn	75%
Between \$20.5bn and \$22.5bn	Pro rata
\$22.5bn	100%

### Cash flow (20% of award)

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
\$10bn	20% (threshold for payout)
Between \$10bn and \$12bn	Pro rata
\$12bn	75%
Between \$12bn and \$14bn	Pro rata
\$14bn and above	100%

### Deliver Growth and Therapy Area Leadership (20% of award)

For PSP awards granted in 2019 Deliver Growth and Therapy Area Leadership measured Total Product Sales from the Oncology, New CVRM, Respiratory, Japan and Emerging Markets sales platforms (previously referred to as growth platforms). Given the proportion of AstraZeneca's revenue that is now represented by these sales platforms, disclosing the threshold and maximum hurdles for this 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. This measure is evaluated by reference to budget exchange rates.

### Accelerate Innovative Science (20% of award)

Performance is assessed using dual indices which measure regulatory and pipeline progression events, allowing disclosure of targets at the beginning of the performance period.

Regulatory events index score (12% of award)	% of award that vests	Pipeline progression events index score (8% of award)	% of award that vests
10	20% (threshold for payout)	5	20% (threshold for payout)
Between 10 and 15	Pro rata	Between 5 and 8	Pro rata
15	75%	8	75%
Between 15 and 19	Pro rata	Between 8 and 10	Pro rata
19	100%	10	100%

## Long-term incentives *continued*

### PSP performance measures for 2020 grant

The 2020 PSP measures differ from the 2019 PSP measures as follows:

- > The weighting of the Accelerate Innovative Science indices has been increased from 20% to 30%, to reflect the importance of continuing to build and maintain a long-term sustainable pipeline.
- > Given the proportion of Product Sales now represented by the Oncology, New CVRM, Respiratory, Japan and Emerging Markets sales platforms (previously known as growth platforms), the Deliver Growth and Therapy Area Leadership metric will instead measure Total Revenue, as reported in our accounts. This also ensures that this metric reflects the economics of deals entered into with collaboration partners. The weighting for this measure has been increased from 20% to 25%.
- > To further reduce the number of measures, the EBITDA measure has been removed and the weighting for the Cash flow measure has been increased to 25%.
- > The Relative TSR measure and weighting remains unchanged.

PSP performance measure	Measure weighting	Underlying metrics (if applicable)	Metric weighting	Threshold (20% vesting)	Maximum (100% vesting)
Accelerate Innovative Science	30%	NME Phase III/registrational volume	12%	8	15
		Regulatory events	18%	11	22
Deliver Growth and Therapy Area Leadership (Total Revenue)	25%			Commercially sensitive until end of performance period	
Cash flow	25%			\$12.5bn	\$17.5bn
Relative TSR	20%			Median	Upper quartile

Regulatory events measure NME and major life-cycle management approvals (taking into account the first approval over the performance period). NME Phase III/registrational volume measures the total NME pipeline volume at the end of the performance period. These two items ensure that management are assessed on both R&D late-stage delivery (approvals) and also future pipeline sustainability (volume).

Disclosing the threshold and maximum hurdles for the Deliver Growth and Therapy Area Leadership (Total Revenue) measure could be construed to constitute financial guidance, which is not the Company's intention. The Total Revenue measure is thus considered to be commercially sensitive and will be disclosed following the end of the performance period.

The Total Revenue measure is 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 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 147.

As described on page 131, the Committee 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. The Committee will take consensus into account when determining the appropriate level of stretch.

PSP awards are expected to be granted to the Executive Directors in March 2020. The PSP award to be granted to Mr Soriot will be equivalent to 500% of base salary. Subject to the approval of the Directors' Remuneration Policy and amended rules of the PSP at the Company's AGM on 29 April 2020, a further PSP award will be granted to Mr Soriot equivalent to 50% of base salary, bringing Mr Soriot's total PSP award for 2020 in line with the maximum opportunity under the Policy.



# Annual Report on Remuneration *continued*

## Non-Executive Directors' remuneration

### Non-Executive Directors' single total figure of remuneration for 2019

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 2019, alongside comparative figures for the prior year.

	2019 Fees £'000	2018 Fees £'000	2019 Other £'000	2018 Other £'000	2019 Total £'000	2018 Total £'000
Leif Johansson	625	625	72	65	697	690
Geneviève Berger	110	110	–	–	110	110
Philip Broadley	144	108	–	–	144	108
Graham Chipchase	158	128	–	–	158	128
Michel Demaré – appointed 1 September 2019	36	–	–	–	36	–
Deborah DiSanzo	108	73	–	–	108	73
Sheri McCoy	123	96	–	–	123	96
Tony Mok – appointed 1 January 2019	103	–	–	–	103	–
Nazneen Rahman	118	110	–	–	118	110
Marcus Wallenberg	103	103	–	–	103	103
<b>Former Non-Executive Directors</b>						
Rudy Markham – retired 26 April 2019	44	178	–	–	44	178
Shriti Vadera – retired 31 December 2018	–	113	–	–	–	113
<b>Total</b>	<b>1,672</b>	<b>1,644</b>	<b>72</b>	<b>65</b>	<b>1,744</b>	<b>1,709</b>

The Chairman's single total figure includes office costs (invoiced in Swedish krona) of £72,000 for 2019 and £65,000 for 2018.

#### Payments to former Directors

During 2019, no payments were made to former Directors.

#### Payments for loss of office

During 2019, no payments were made to Directors for loss of office.

### Non-Executive Directors' fee structure

The Non-Executive Directors' fee structure that applied during 2019 is set out below, alongside the structure that will be in place during 2020. No changes have been made to fees for 2020. Further information on the Non-Executive Directors' fee structure can be found within the Remuneration Policy on page 159.

Non-Executive Director fees	2020 £'000	2019 £'000
Chairman's fee <sup>1</sup>	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 <sup>2</sup>	25	25
Member of the Science Committee	15	15
Chairman of the Science Committee <sup>2</sup>	15	15
Non-Executive Director responsible for overseeing sustainability matters on behalf of the Board	7.5	7.5

<sup>1</sup> The Chairman does not receive any additional fees for chairing, or being a member of, a committee.

<sup>2</sup> This fee is in addition to the fee for membership of the relevant committee.

### Fees in respect of Executive Directors' external appointments

Marc Dunoyer is a non-executive director of Orchard Therapeutics. During 2019, Mr Dunoyer received a gross fee of £36,000 from Orchard Therapeutics, which he retained in full.

## Directors' shareholdings

Audited

### Minimum shareholding requirements

The CEO and CFO are each required to build a shareholding to satisfy their respective minimum shareholding requirements, each within five years of their dates of appointment. During 2019, the minimum shareholding requirements for the CEO and CFO were set at 300% and 200% of base salary respectively. 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 2019, Mr Soriot and Mr Dunoyer held shares worth 1,265% and 2,028% of base salary respectively and had fulfilled their minimum shareholding requirements.

A further post-employment shareholding requirement applies to 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 <sup>1</sup>	
Pascal Soriot	45,353	337,847	377,991	1,265%	<p>Key: ■ 2019 MSR ■ Shares counted towards MSR</p>
Marc Dunoyer	145,581	116,858	178,385	2,028%	

<sup>1</sup> 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 2019.

It is proposed that the minimum shareholding requirements for the CEO and CFO be increased to 550% and 400% of base salary respectively on approval of the proposed Directors' Remuneration Policy at the 2020 AGM.

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 2019) or, in the case of the Chairman, approximately equivalent to his basic annual fee (£625,000 during 2019). All Non-Executive Directors who had served for a period of three years or more as at 31 December 2019 held sufficient shares to fulfil this expectation.

### Directors' interests as at 31 December 2019

The following table shows the beneficial interests of the Directors (including the interests of their connected persons) in Ordinary Shares as at 31 December 2019.

	Beneficial interest in Ordinary Shares at 31 December 2019	Beneficial interest in Ordinary Shares at 31 December 2018
<b>Executive Directors</b>		
Pascal Soriot	45,353	12,498
Marc Dunoyer	145,581	132,243
<b>Non-Executive Directors</b>		
Leif Johansson	39,009	39,009
Geneviève Berger	2,090	2,090
Philip Broadley	5,735	5,215
Graham Chipchase	3,000	3,000
Michel Demaré <sup>1</sup>	–	n/a
Deborah DiSanzo	1,000	500
Sheri McCoy	1,736	500
Tony Mok <sup>2</sup>	–	n/a
Nazneen Rahman	500	500
Marcus Wallenberg <sup>3</sup>	60,028	63,646

<sup>1</sup> Michel Demaré was appointed on 1 September 2019.

<sup>2</sup> Tony Mok was appointed on 1 January 2019

<sup>3</sup> Marcus Wallenberg's shareholding at 31 December 2019 is lower than the holding at 31 December 2018 due to the disaggregation of a connected person's holding during the year.

# 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 2019	Grant price (pence)	Shares granted in year	Shares released in year	Shares lapsed in year	Shares outstanding at 31 December 2019		Performance period end	Vesting and release date
							Shares subject to performance	Shares in holding period		
DBP	24/03/2016	17,352	3923	–	17,352	–	n/a	–	n/a	24/03/2019 <sup>1</sup>
	24/03/2017	7,968	4880	–	–	–	n/a	7,968	n/a	24/03/2020
	23/03/2018	13,157	4853	–	–	–	n/a	13,157	n/a	23/03/2021
	08/03/2019	–	6287	9,849	–	–	n/a	9,849	n/a	08/03/2022 <sup>2</sup>
PSP	27/03/2015	80,668	4762	–	–	–	–	80,668	31/12/2017	27/03/2020
	24/03/2016	129,713	3923	–	–	27,240	–	102,473	31/12/2018	24/03/2021 <sup>3</sup>
	24/03/2017	125,009	4880	–	–	–	125,009	–	31/12/2019	24/03/2022
	23/03/2018	128,889	4853	–	–	–	128,889	–	31/12/2020	23/03/2023
	08/03/2019	–	6287	102,475	–	–	102,475	–	31/12/2021	08/03/2024 <sup>4</sup>
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
	27/03/2015	17,460	4762	–	–	4,365	–	13,095	31/12/2018	01/01/2023 <sup>5</sup>
	24/03/2016	21,618	3923	–	–	–	21,618	–	31/12/2019	01/01/2024
<b>Total</b>		<b>652,471</b>		<b>112,324</b>	<b>17,352</b>	<b>31,605</b>	<b>377,991</b>	<b>337,847</b>		

#### Marc Dunoyer

Share scheme interests	Grant date	Shares outstanding at 1 January 2019	Grant price (pence)	Shares granted in year	Shares released in year	Shares lapsed in year	Shares outstanding at 31 December 2019		Performance period end	Vesting and release date
							Shares subject to performance	Shares in holding period		
DBP	24/03/2016	8,798	3923	–	8,798	–	n/a	–	n/a	24/03/2019 <sup>1</sup>
	24/03/2017	4,262	4880	–	–	–	n/a	4,262	n/a	24/03/2020
	23/03/2018	7,037	4853	–	–	–	n/a	7,037	n/a	23/03/2021
	08/03/2019	–	6287	4,874	–	–	n/a	4,874	n/a	08/03/2022 <sup>2</sup>
PSP	27/03/2015	35,327	4762	–	–	–	–	35,327	31/12/2017	27/03/2020
	24/03/2016	54,101	3923	–	–	11,362	–	42,739	31/12/2018	24/03/2021 <sup>3</sup>
	24/03/2017	59,439	4880	–	–	–	59,439	–	31/12/2019	24/03/2022
	23/03/2018	61,240	4853	–	–	–	61,240	–	31/12/2020	23/03/2023
	08/03/2019	–	6287	48,690	–	–	48,690	–	31/12/2021	08/03/2024 <sup>4</sup>
AZIP	01/08/2013	8,176	3302	–	–	–	–	8,176	31/12/2016	01/01/2021
	28/03/2014	8,709	3904	–	–	–	–	8,709	31/12/2017	01/01/2022
	27/03/2015	7,646	4762	–	–	1,912	–	5,734	31/12/2018	01/01/2023 <sup>5</sup>
	24/03/2016	9,016	3923	–	–	–	9,016	–	31/12/2019	01/01/2024
<b>Total</b>		<b>263,751</b>		<b>53,564</b>	<b>8,798</b>	<b>13,274</b>	<b>178,385</b>	<b>116,858</b>		

<sup>1</sup> Market price on 29 March 2019, the actual date of release was 6135 pence.

<sup>2</sup> Award granted following deferral of one third of the annual bonus earned in respect of performance during 2018, further detail on page 137.

<sup>3</sup> 79% of the shares entered the holding period, following assessment of performance over the period to 31 December 2018. The remaining shares lapsed.

<sup>4</sup> Details of PSP awards granted during 2019 are shown from page 139.

<sup>5</sup> 75% of the shares entered the holding period, following assessment of performance over the period to 31 December 2018.

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 2019 and 14 February 2020, there was no change in the interests in Ordinary Shares shown in the tables on pages 143 and 144.

## Remuneration in the wider context

In our Corporate Governance Report on page 107, we explain in detail how the Board has chosen to engage with AstraZeneca's workforce, and how important engagement with our employees is if we are to be a great place to work and continue to deliver outstanding performance. The Directors believe that the Board as a whole should continue to take responsibility for gathering the views of the workforce. Consequently, instead of implementing one of the three methods for workforce engagement prescribed in the 2018 UK Corporate Governance Code, the Board has chosen to further enhance and develop the long-standing channels of engagement which already exist in the organisation to ensure that the Board continues to understand the global workforce's views on a wide variety of topics, including matters relating to remuneration.

For example, Directors (including members of the Remuneration Committee) have participated in hosting 'town hall' style meetings for employees and visiting AstraZeneca sites across the world during 2019, enabling direct engagement with employees. Remuneration Committee members review wide ranging data focusing on employee reward, as well as broader information on workforce trends and culture which is provided to the full Board. Decisions of the Remuneration Committee affecting employees, such as annual Group scorecard outcomes, are communicated to employees through internal communications as well as through the Remuneration Report. In the event that more significant changes to remuneration are proposed, active engagement with employee representative groups provides feedback to help the Committee understand the impact upon the broader workforce.

When considering executive remuneration and setting the Directors' Remuneration Policy, the Committee takes into consideration our global workforce, looking to ensure the global total reward offering is competitive, compelling and aligned to our business performance; while supporting a culture where everyone feels valued and included, as outlined in the table below. Being a great place to work is one of our three strategic priorities. We explain in our Business Review from page 44 the role that reward plays in developing a diverse culture that encourages and rewards innovation, entrepreneurship and high performance.

### Summary of remuneration structure for employees below the Board

Element	Policy features for the wider workforce	Comparison with Executive Director and Senior Executive Team (SET) remuneration
<b>Salary</b>	<p>Our salary is the basis for a competitive total reward package for all employees, and we review base pay annually. This review takes account of relevant market comparators, the skills, capabilities, knowledge and experience of each individual, relative to peers within the Company and individual performance.</p> <p>In setting the budget each year, we consider affordability as well as assessing how employee pay is currently positioned relative to market rates, forecasts of any further market increases and turnover.</p>	<p>The salaries of our Executive Directors and SET form the basis of their total remuneration, and we review their base pay annually.</p> <p>The primary purpose of the review is to ensure salary remains competitive and reflects the value of the individual to the organisation.</p>
<b>Pensions and benefits</b>	<p>We offer market-aligned benefit packages reflecting market practice in each country in which we operate.</p> <p>Where appropriate, we offer elements of personal benefit choice to our employees.</p>	<p>The benefit packages of our Executive Directors and SET are broadly aligned with the wider workforce of the country in which they are employed. Pension contributions for our Executive Directors will be reduced under our new Directors' Remuneration Policy.</p>
<b>Annual bonus</b>	<p>With the exception of our sales representatives receiving sales related incentives, our global workforce participates in the same annual cash bonus plan as the Executive Directors and SET, with the same Group scorecard performance measures outlined on pages 130 and 134. Achievement against the scorecard creates a bonus pool from which all awards are made.</p> <p>For employees within our commercial organisation, the country-level share of the global bonus pool also takes into account country performance against KPIs.</p> <p>Individual outcomes are based on manager assessment of performance against individual objectives and peers. Awards are based on a 0-200% target range.</p>	<p>The bonus ranges for our Executive Directors are described on page 149. The ranges for the SET align with the wider workforce at 0-200% of target. One third of any award to an Executive Director under the plan is subject to a three-year holding period (changing to 50% deferral for the 2020 performance year onwards). One sixth of any award to SET under the plan is subject to a three-year holding period.</p>
<b>Long-term incentives</b>	<p>The PSP is operated with a three-year performance period for employees at Vice-President and Senior Vice-President level, with the same performance measures that apply to Executive Director and SET PSP awards (outlined on pages 130 and 138).</p> <p>A proportion of our workforce below Vice-President level are eligible to be considered for other long-term incentive awards, such as restricted stock awards.</p>	<p>PSP awards to Executive Directors and SET are granted under the same plan as PSP awards granted to employees. PSP awards to Executive Directors and SET are subject to a two-year holding period following the three-year performance period.</p>

# Annual Report on Remuneration *continued*

## Remuneration in the wider context *continued*

### 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 (2018 to 2019). The comparator group includes employees in the UK, US and Sweden who represent approximately 29% 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 2018 and 2019 figures, allowing a meaningful comparison of salary increases.

	Percentage change for CEO against 2018	Average percentage change for employees against 2018
Salary	3.0%	5.5%
Taxable benefits	2.6%	5.5%
Annual bonus	4.0%	4.3%

### 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 fulltime equivalent basis). The ratios have been calculated in accordance with the Companies (Miscellaneous Reporting) Requirements 2018 (the Regulations).

Year	Method	25th percentile pay ratio	50th percentile pay ratio	75th percentile pay ratio
2019	Option A	280:1	190:1	123:1
2018 <sup>1</sup>	Option A	230:1	160:1	103:1

Pay data (£'000)	CEO				UK employees			
			25th percentile		50th percentile		75th percentile	
	Base salary	Total pay	Base salary	Total pay	Base salary	Total pay	Base salary	Total pay
2019	1,289	14,330	38	51	53	75	71	117
2018 <sup>1</sup>	1,251	11,356	36	49	50	71	70	110

<sup>1</sup> 2018 figures are those disclosed in our 2018 Annual Report and have not been restated for subsequent share price changes (as shown in the CEO single total figure of remuneration table on page 132).

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 (LTI). The CEO pay is as shown in the single total figure of remuneration table, on page 132. For UK employees, quartile data has been determined as at 31 December 2019, with calculations based on actual pay data for January to November 2019. Estimates have been used for December 2019 pay, annual bonus outcomes and LTI dividend equivalent payments, based on forecast December 2019 pay, the 2019 bonus budget and anticipated dividend equivalent payments on LTI awards, respectively.

The 2019 CEO pay ratio is higher than the 2018 CEO pay ratio, increasing from 160:1 to 190:1 at the 50th percentile. The Committee reviewed extensive analysis to explore the reasons behind the change, which was driven by a significant increase in AstraZeneca's share price during 2019, alongside a higher level of LTI vesting for Mr Soriot in the 2019 single total figure of remuneration. Given varied annual bonus and PSP outcomes and share price movements, the ratios may vary significantly year-on-year. When removing LTI, the ratio of CEO pay versus the median UK employee pay is 51:1, which remains unchanged from 2018. Assuming the implementation of the proposed change to the Directors' Remuneration Policy, the Committee expects the ratio excluding LTI to fall in 2020.

The Committee is mindful of debate on executive pay and seeks to ensure that when determining the remuneration of the CEO it finds the right balance between rewarding performance in a highly competitive global executive talent market, and pay across the Group. The stability of the ratio at the 50th percentile in 2018 and 2019, when calculated to exclude the variability of LTIs, is consistent with the pay and progression policies for UK employees.

### Relative importance of spend on pay

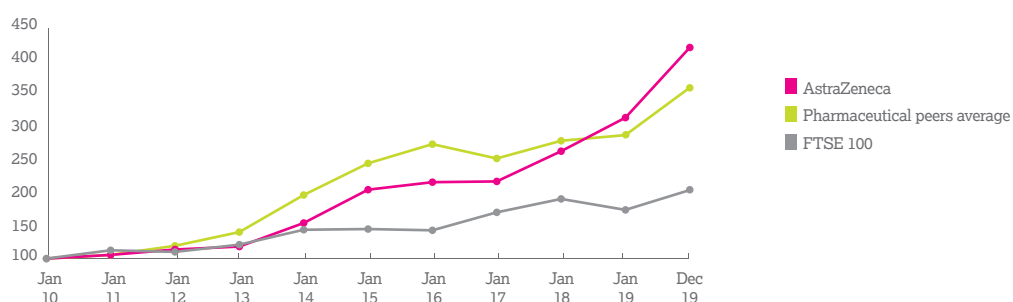
The table below shows the remuneration paid to all employees in the Group, including the Executive Directors, and expenditure on shareholder distributions through dividends. The figures have been calculated in accordance with the Group Accounting Policies and drawn from either the Company's Consolidated Statement of Comprehensive Income on page 168, or its Consolidated Statement of Cash Flows on page 171. Further information on the Group's Accounting Policies can be found from page 172.

	2019 \$m	2018 \$m	Difference in spend between years \$m	Difference in spend between years %
Total employee remuneration	7,568	6,970	598	8.6
Distributions to shareholders: dividends paid	3,592	3,484	108	3.1

## Total shareholder return (TSR)

The graph below compares the TSR performance of the Company over the past ten years with the TSR of the FTSE 100 Index. This graph is re-based to 100 at the start of the relevant period. As a constituent of the FTSE 100, this index represents an appropriate reference point for the Company. To provide shareholders with additional context we have also included a 'Pharmaceutical peers average', reflecting the TSR of the comparator group adopted in 2017 which is used to assess relative TSR performance for PSP awards granted in 2017. It consists of AbbVie, Amgen, Astellas, BMS, Celgene, Daiichi Sankyo, Gilead, GSK, Johnson & Johnson, Lilly, MSD, Novartis, Novo Nordisk, Pfizer, Roche, Sanofi, Shire and Takeda. Where a comparator company delisted during the 2017 PSP performance period, as the result of an acquisition, TSR performance has been assessed up unto the point of de-listing. The TSR comparator group for PSP awards to be granted in 2020 consists of AbbVie, Amgen, Astellas, BMS, Daiichi Sankyo, Gilead, GSK, Johnson & Johnson, Lilly, MSD, Novartis, Novo Nordisk, Pfizer, Roche, Sanofi 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 %
2019	Pascal Soriot	14,330 <sup>1</sup>	83	90
2018	Pascal Soriot	12,868 <sup>2</sup>	83	79
2017	Pascal Soriot	10,429	87	81
2016	Pascal Soriot	14,342 <sup>3</sup>	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 <sup>4</sup>	68	–
2012	Simon Lowth – acted as interim CEO from June to September 2012 inclusive	3,289	86	38 <sup>5</sup>
2012	David Brennan – ceased to be a Director on 1 June 2012	4,147 <sup>6</sup>	7	38
2011	David Brennan	7,863	74	62
2010	David Brennan	9,690	90	100

<sup>1</sup> The 2019 single total figure of remuneration table is shown on page 132.

<sup>2</sup> This figure has been revised using the average closing share price over the three-month period to 31 December 2019, as explained on page 139.

<sup>3</sup> 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.

<sup>4</sup> 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.

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

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

<sup>7</sup> 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 2019, the Committee members were Graham Chipchase (Chairman of the Committee), Leif Johansson, Sheri McCoy, Philip Broadley and Rudy Markham. Rudy Markham retired as a Director of AstraZeneca on 26 April 2019. The Deputy Company Secretary acts as secretary to the Committee. The Committee met five times in 2019 and members' attendance records are set out on page 97. 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 Inclusion; the Senior Director Executive Reward; 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](http://www.astrazeneca.com). The Committee reviewed its terms of reference during 2019 and did not recommend any changes, having recommended certain changes in 2018 to reflect the 2018 UK Corporate Governance Code. Those changes were approved by the Board.

# Annual Report on Remuneration *continued*

## Independent adviser to the Committee

In 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 during 2019 was provided on a time-spend basis at a cost to the Company of £184,325, excluding VAT. During 2019, 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. WTW have no other connection with the Company or individual Directors. The Committee reviewed the potential for conflicts of interest and judged that there were no conflicts. WTW is a member of the Remuneration Consultants' Group, which is responsible for the stewardship and development of the voluntary code of conduct in relation to executive remuneration consulting in the UK. The principles on which the code is based are transparency, integrity, objectivity, competence, due care and confidentiality. WTW adheres to the code.

## Principal activities focused on by the Committee during 2019

<b>Shareholder consultation and Policy renewal</b>	Review of Directors' Remuneration Policy approved at 2017 AGM Consultation meetings with investors and proxy voting advisory bodies on proposed changes to Policy Drafting and approval of updated Policy to be presented for shareholder approval at 2020 AGM
<b>Annual bonus</b>	Approval of the 2018 Group scorecard outcome and determination of Executive Directors' annual bonus awards for 2018 Review of bonuses granted to executives below SET level Approval of Group scorecard targets used to assess 2019 annual bonus performance
<b>Share plans</b>	Approval of 2016 PSP and 2015 AZIP performance outcomes Approval of LTI grants Approval of performance measures to be attached to PSP awards granted in 2019 Review of projected outcomes for outstanding PSP and AZIP awards Updates to rules of the PSP to align with Policy, to be presented for shareholder approval at 2020 AGM
<b>Other matters</b>	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 2019 Review of AstraZeneca's compensation strategy Consideration of AstraZeneca's UK gender pay gap data Review of CEO pay ratios vs lower, median and upper quartile UK employees 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 adviser's independence Consideration of methods of engagement by the Committee with employees

## Shareholder voting at the AGM

At the Company's AGM on 26 April 2019, shareholders voted in favour of a resolution to approve the Annual Report on Remuneration for the year ended 31 December 2018. The Directors' Remuneration Policy was approved by shareholders at the Company's AGM on 27 April 2017.

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 2018 (2019 AGM)	947,606,599	95.86	40,895,170	4.14	988,501,769	75.36	16,392,056

## Directors' service contracts and letters of appointment

The notice periods and unexpired terms of Executive Directors' service contracts at 31 December 2019 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 2019	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 2018 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 (as amended) (the Regulations). As required by the Regulations, a resolution to approve the Annual Report on Remuneration will be proposed at the AGM on 29 April 2020.

On behalf of the Board

A C N Kemp  
Company Secretary  
14 February 2020

# Remuneration Policy

## Changes to Remuneration Policy and its implementation

The table below summarises the main proposed changes to the Directors' Remuneration Policy (the Policy), the intended changes to implementation of the Policy in 2020 and the rationale for each change.

The full Policy that shareholders will be asked to approve is set out from page 150.

### 2020 Remuneration Policy Summary

Element	Proposed change to Policy	Implementation in 2020	Rationale for change
<b>Base salary</b>	No change	No increase for CEO or CFO	
<b>Pension</b>	<p>Pension for new Executive Directors will be in line with applicable wider workforce levels</p> <p><b>Reduce current CEO pension from 30% of base salary to 20% of 2019 base salary</b></p> <p>Thereafter, current CEO and CFO pensions to be capped at specified monetary values</p>	<p>Current CEO and CFO pensions capped and reduced to bring levels in line with the applicable wider workforce over time:</p> <ul style="list-style-type: none"> <li>&gt; CEO capped at 20% of 2019 salary (£257,706)</li> <li>&gt; CFO capped at 24% of 2019 salary (£183,670)</li> </ul>	<p>Significant reduction to pension for incumbent CEO in response to investor feedback and 2018 UK Corporate Governance Code</p> <p>Aligns Executive Director pension contributions with those of applicable wider workforce over time</p>
<b>Annual bonus</b>	<p>Increase mandatory deferral into shares from 33% to 50% of total bonus earned</p> <p><b>No change to Policy maximum of 250% of base salary</b></p>	<p>Bonus will be below Policy maximum for 2020, as follows:</p> <p>CEO bonus:</p> <ul style="list-style-type: none"> <li>&gt; Target: 100% of base salary</li> <li>&gt; Max: 200% of base salary (2019: 180%)</li> </ul> <p>CFO bonus:</p> <ul style="list-style-type: none"> <li>&gt; Target: 90% of base salary</li> <li>&gt; Max: 180% of base salary (2019: 150%)</li> </ul> <p>Simplify from five performance measures to four</p>	<p>0 – 200% range brings the calculation of bonus for CEO in line with the scorecard for our wider workforce</p> <p>Deferral reduces annual cash compensation and strengthens alignment with long-term interests of shareholders</p> <p>Reduced number of performance measures simplifies performance assessment. Performance measures continue to be rigorously tested to ensure stretching performance targets are set for each measure</p>
<b>Performance Share Plan (PSP)</b>	Increase maximum opportunity from 500% to 550% of base salary	<p>Increase CEO PSP award from 500% to 550% of base salary</p> <p>CFO PSP award of 400% of base salary</p> <p>Simplify from five performance measures to four</p>	<p>Closing the gap to market pay levels within the competitive global pharmaceutical talent pool</p> <p>Increase weighting on long-term performance</p> <p>Reduced number of performance measures simplifies performance assessment. Performance measures continue to be rigorously tested to ensure stretching performance targets are set for each measure</p>
<b>Shareholding requirements</b>		<p>Increase shareholding requirements to mirror annual PSP opportunity:</p> <ul style="list-style-type: none"> <li>&gt; Shareholding requirement for CEO increases from 300% to 550% of base salary</li> <li>&gt; Shareholding requirement for CFO increases from 200% to 400% of base salary</li> </ul> <p>Executive Directors required to hold up to 100% of their shareholding requirement for two years after leaving office</p>	Ensures further alignment with shareholders during and post-employment and complies with the 2018 UK Corporate Governance Code



# Remuneration Policy

## *continued*

### Remuneration Policy

This section sets out the Directors' Remuneration Policy (the Policy) proposed for approval by shareholders at the Company's AGM on 29 April 2020. Subject to shareholder approval, the Policy is intended to remain in effect for three years from the 2020 AGM. The previous page summarises how the Policy differs from the policy which was approved by shareholders at the 2017 AGM.

#### Setting the Policy

The Remuneration Committee (the Committee) is responsible for setting overall remuneration policy and makes decisions about specific remuneration arrangements in the broader context of employee remuneration throughout the Group. The Committee reviews Group remuneration data annually, including ratios of average pay to senior executive pay; bonus data; and gender and geographical data in relation to base salaries and variable compensation. This includes a workforce remuneration review to understand the ways in which reward is differentiated by performance across the population.

Remuneration for all roles within the organisation is benchmarked against that for comparable roles in similar organisations and in the employee's local market. Executive Directors' remuneration is benchmarked against a global pharmaceutical peer group and the FTSE30. In reviewing the base salaries of Executive Directors, the Committee considers the overall level of any salary increases being awarded to employees in the Executive Director's local market in the relevant year. In setting, reviewing and implementing the Policy, the Committee seeks independent advice and ensures that no Director makes decisions relating to their own remuneration. The Committee connects with the Audit Committee to ensure that the Group's remuneration policies and practices achieve the right balance between appropriate incentives to reward good performance, management of risk, and the pursuit of the Company's business objectives.

The Board as a whole takes responsibility for gathering the views of AstraZeneca's workforce, and does so through multiple channels of engagement. While the Committee does not consult employees specifically when setting the Executive Directors' remuneration policy, the Company engages with employees, either on a Group-wide basis or in the context of smaller focus groups, to solicit feedback generally on a wide range of matters, including pay. Many employees are also shareholders in the Company and therefore have the opportunity to vote on the Policy at the 2020 AGM.

In all aspects of its work, the Committee considers both the external environment in which the Company operates and the guidance issued by organisations representing institutional shareholders. It consults the Company's major investors on general and specific remuneration matters and provides opportunities for representatives of those investors to meet the Chairman of the Committee and other Committee and Board members. It is the Company's policy to seek input from major shareholders on an *ad hoc* basis when significant changes to remuneration arrangements are proposed. A thorough consultation process was undertaken as this Policy was developed, with investors' feedback on the Committee's proposals influencing the final Policy. The Company's shareholders are encouraged to attend the AGM and any views expressed will be considered by Committee members.

#### Legacy arrangements

The Committee may approve remuneration payments and payments for loss of office on terms that differ to the terms in the Policy where the terms of the payment were agreed before the Policy came into effect or were agreed at a time when the relevant individual was not a Director of the Company (provided that, in the opinion of the Committee, the agreement was not entered into in consideration for the individual becoming a Director of the Company). This includes the exercise of any discretion available to the Committee in connection with such payments. For these purposes, payments include the Committee satisfying awards of variable remuneration, including share awards, in line with the terms agreed at the time the award was granted.

#### Minor amendments

The Committee may make minor amendments to the arrangements for Directors described in the Policy without shareholder approval for regulatory, exchange control, tax or administrative purposes or to take account of a change in legislation.

## Remuneration Policy for Executive Directors

### Fixed elements of remuneration: base salary, benefits and pension

#### Base salary

Purpose and link to strategy	Operation	Maximum opportunity
<b>Intended to be sufficient to attract, retain and develop high-calibre individuals.</b>	<p>When setting base salary, the Committee gives consideration to a number of factors, including (but not limited to):</p> <ul style="list-style-type: none"> <li>&gt; recognition of the value of an individual's personal performance and contribution to the business</li> <li>&gt; the individual's skills and experience</li> <li>&gt; internal relativities</li> <li>&gt; conditions in the relevant external market</li> </ul> <p>Base salaries are normally reviewed annually with any change usually taking effect from 1 January.</p>	<p>While there is no formal maximum, any increases in base salary will normally be in line with the percentage increases awarded to the employee population within the individual's country location.</p> <p>Higher increases may be made if the Committee considers it appropriate, for example to reflect:</p> <ul style="list-style-type: none"> <li>&gt; an increase in the scope and/or responsibility of the individual's role; or</li> <li>&gt; development of the individual within the role.</li> </ul>

#### Benefits

Purpose and link to strategy	Operation	Maximum opportunity
<b>Intended to provide a market competitive benefits package sufficient to attract, retain and develop high-calibre individuals.</b>	<p>UK Executive Directors are provided with a fund, the value of which is based on a range of benefits, including private medical provision for partner and children; life assurance; permanent health provision; company car; additional holidays and other additional benefits made available by the Company from time to time that the Committee considers appropriate based on the Executive Director's circumstances.</p> <p>A Director may choose to take a proportion of, or the entire, fund as cash.</p> <p>Non-UK-based Executive Directors will receive a range of benefits (or a fund of equivalent value) comparable to those typically offered in their local market. Depending on local market practices, they may be able to elect to take the fund as cash or elect to take one or more of these benefits and take the balance as cash.</p> <p>At its discretion, the Committee may consider support towards reasonable costs associated with relocation and/or provide an allowance towards reasonable fees for professional services such as legal, tax, property and financial advice. The Company may also fund the cost of a driver and car for Executive Directors and any expenses deemed to be taxable which are reasonably incurred in the course of the Company's business, together with any taxes thereon.</p> <p>The Company provides directors' and officers' liability insurance and an indemnity to the fullest extent permitted by law and the Company's Articles.</p>	<p>The maximum value of the benefits available will be equivalent to the cost to the Company of the suite of benefits available in the local market at the time.</p> <p>The value of the support towards the costs of relocation, professional fees and other costs will be the reasonable costs associated with the Executive Director's particular circumstances.</p> <p>The maximum value of the directors' and officers' liability insurance and third-party indemnity insurance is the cost at the relevant time.</p> <p>While the Committee has not set an overall level of benefit provision, the Committee keeps the benefit policy and benefit levels under review.</p>

#### Pension

Purpose and link to strategy	Operation	Maximum opportunity
<b>Provision of retirement benefits to attract, retain and develop high-calibre individuals.</b>	<p>UK-based Executive Directors receive a pension allowance based on a percentage of base salary, which the Director may elect to pay into a pension scheme (or an equivalent arrangement) or take as cash.</p> <p>Non-UK-based Executive Directors will receive an allowance for the purpose of providing retirement benefits in line with local market practice. A non-UK-based Executive Director may be offered the opportunity to elect to take some or all of the allowance as cash.</p>	<p>The maximum pension allowance that may be provided to UK-based Executive Directors appointed after 1 January 2019 shall be capped at a level in line with the pension arrangements of other UK employees.</p> <p>The maximum value that may be provided to non-UK-based Executive Directors will be aligned with employees in the relevant local market.</p> <p>Pension arrangements for Pascal Soriot and Marc Dunoyer have been frozen at fixed monetary values. These are equivalent to 20% of 2019 base salary for Pascal Soriot (£257,706) and equivalent to 24% of 2019 base salary for Marc Dunoyer (£183,670).</p>

# Remuneration Policy

## *continued*

### Remuneration Policy for Executive Directors *continued*

#### Variable elements of remuneration: annual bonus and long-term incentive

##### Annual bonus and Deferred Bonus Plan (DBP)

Purpose and link to strategy	Operation	Maximum opportunity
<p><b>The annual bonus incentivises and rewards short-term performance against Group targets and individual objectives that are closely aligned to the Company's strategy.</b></p> <p><b>The deferred share element of the annual bonus is designed to align Executive Directors' interests with those of shareholders.</b></p>	<p>Annual bonus awards are conditional on performance. Performance is measured over one year and the bonus, if awarded, is paid after the year end. Normally half of the bonus is delivered in cash and half is delivered in shares, which are deferred for three years under the DBP. DBP awards may consist of Ordinary Shares or American Depositary Shares (ADSs) depending on the country in which the Director is based. In line with the approach for other employees, a Director may be offered the opportunity to elect to defer part of their cash bonus into pension.</p> <p>Stretching Group targets are set annually by the Committee based on the key strategic priorities for the year. The performance targets form a Group scorecard, which is closely aligned to the Company's strategy, and are designed to reward scientific, commercial and financial success. Performance is assessed in relation to each performance target on a standalone basis. A threshold level of performance is specified; if performance falls below this level, there will be no payout for that proportion of the award.</p> <p>Payout levels are determined by the Committee after the year end, based on performance against the Group scorecard targets as well as each Executive Director's individual performance. The Committee may use its discretion to ensure that a fair and balanced outcome is achieved, taking into account the overall performance of the Company and the experience of shareholders.</p> <p>On vesting of the deferred shares, shares equivalent in value to the dividends that would have been paid during the deferral period will be awarded to the Director.</p> <p>The Committee has discretion to claw-back from individuals some or all of the cash bonus award in certain circumstances including (i) serious misconduct by the individual (for up to six years from the payment date); (ii) material misstatement or restatement of the results of the Group (for up to two years from the payment date); or (iii) significant reputational damage to the Group (for up to two years from the payment date).</p> <p>For shares under the DBP, the Committee has discretion to reduce or cancel any portion of an unvested deferred bonus share award in certain circumstances (malus) including (i) serious misconduct by the individual; (ii) material misstatement or restatement of the results of the Group; or (iii) significant reputational damage to the Group. The Committee also has discretion to claw-back from individuals some or all of the deferred bonus share award in certain circumstances, including (i) serious misconduct by the individual (for up to six years from the vesting date); (ii) material misstatement or restatement of the results of the Group (for up to two years from the vesting date); or (iii) significant reputational damage to the Group (for up to two years from the vesting date).</p>	<p>The maximum annual bonus amount that can be awarded is equivalent to 250% of base salary.</p> <p>If the Committee believed it to be in the interests of shareholders to award an annual bonus exceeding the equivalent of 200% of base salary, it would consult major shareholders in advance.</p>

## Long-term incentive (LTI): Performance Share Plan (PSP)

Purpose and link to strategy	Operation	Maximum opportunity
<p><b>The PSP is designed to align the variable pay of Executive Directors with the successful execution of the Company's strategy.</b></p>	<p>PSP awards are conditional awards and may be granted over Ordinary Shares or American Depositary Shares (ADSs) depending on the country in which the Director is based. Vesting is dependent on the achievement of stretching performance targets and continued employment, as further described in the Treatment of LTI and Deferred Bonus Plan awards on cessation of employment section on page 158.</p> <p>Stretching performance targets are set by the Committee at the beginning of the relevant performance period. Performance measures are closely aligned to the Company's strategy and are designed to reward scientific, commercial and financial success. The Committee will consult with major shareholders in advance if it proposes any material changes to the PSP performance measures.</p> <p>When selecting the performance measures for each award, the Committee weights the performance measures as it considers appropriate, taking into account strategic priorities. The Committee's intention is to exercise appropriate judgement both when setting performance targets and assessing outcomes, in particular so that the experience of shareholders over time is taken into account.</p> <p>Performance is normally assessed over a three-year period commencing on 1 January in the year of grant. Shares are subject to a two-year holding period following the performance period, so vesting takes place on the fifth anniversary of grant. During the holding period, no further performance measures apply.</p> <p>Typically, 20% of the proportion of a PSP award linked to a performance measure will vest on achievement of the threshold level of performance and 100% will vest if the maximum level of performance is achieved in full. For relative measures (such as relative total shareholder return (TSR)) the threshold performance will be performance at or above median, and maximum performance will usually be set as achievement of performance at the upper quartile level of the peer group. Where a performance measure permits, there will be further vesting points between threshold and maximum vesting levels.</p> <p>The Committee may (acting fairly and reasonably) adjust or waive a performance target if an event occurs that causes it to believe that the performance target is no longer appropriate.</p> <p>On vesting, shares equivalent in value to the dividends that would have been paid on the vesting shares during the performance and holding periods will be awarded to the Director.</p> <p>The Committee has discretion to reduce or cancel any portion of an unvested award in certain circumstances (malus), including (i) serious misconduct by the individual; (ii) material misstatement or restatement of the results of the Group; or (iii) significant reputational damage to the Group. The Committee also has discretion to claw-back from individuals some or all of the award in certain circumstances, including (i) serious misconduct by the individual (for up to six years from the third anniversary of the date of grant); (ii) material misstatement or restatement of the results of the Group (for up to two years from the third anniversary of the date of grant); and (iii) significant reputational damage to the Group (for up to two years from the third anniversary of the date of grant).</p>	<p>The maximum market value of shares that may be awarded under the PSP in any year is equivalent to 550% of the participant's annual base salary at the date of grant.</p>

# Remuneration Policy

## *continued*

### Remuneration Policy for Executive Directors *continued*

#### UK Employee Share Plans

Share Incentive Plan (SIP)		
Purpose and link to strategy	Operation	Maximum opportunity
<b>Encouraging employee share ownership</b>	The Company operates an HM Revenue & Customs (HMRC)-approved SIP whereby UK employees, including Executive Directors, may elect to save a regular amount to be used to purchase shares. The Company currently grants one matching share in respect of every four shares purchased by the participant.	Participants may contribute up to £150 per month from pre-tax pay or such other maximum amount as determined by the Company within the parameters of applicable legislation.
Save As You Earn Share Option Scheme (SAYE)		
Purpose and link to strategy	Operation	Maximum opportunity
<b>Encouraging employee share ownership</b>	The Company operates an HMRC-approved SAYE whereby UK employees, including Executive Directors, may save a regular amount over three or five years and are granted options to purchase shares at the end of the saving period. A maximum discount of 20% to the market price prevailing at the date of the commencement of the scheme applies to the option price.	Participants may save up to £500 per month from post-tax pay or such other maximum amount as determined by the Company within the parameters of applicable legislation.  The maximum opportunity available to participants in a non-UK-based all-employee share scheme will be determined by the Company within the parameters of applicable legislation.

#### Historical LTI: AstraZeneca Investment Plan (AZIP)

The final grant under the AZIP took place in 2016. All extant AZIP awards have completed the relevant performance period and are now subject to a holding period before vesting. The AZIP holding period lasts for four years following the performance period, so that vesting takes place on the eighth anniversary of the start of the performance period. The holding period attached to the 2016 AZIP award will end on 31 December 2023. During the holding period, no further performance measures apply. Payout of an award is subject to continued employment as further described in the Treatment of LTI and Deferred Bonus Plan awards on cessation of employment section on page 158. On vesting, the shares equivalent in value to the dividends that would have been paid on the vesting shares during the performance and holding periods will be awarded to the Director.

The Committee has discretion to reduce or cancel any portion of an unvested award in certain circumstances (malus), including (i) material misstatement or restatement of the results of the Group; (ii) significant reputational damage to the Group; or (iii) serious misconduct by the individual. The Committee has discretion to claw-back from individuals some or all of the award in certain circumstances, including (i) serious misconduct by the individual (for up to six years from the end of the performance period); (ii) material misstatement or restatement of the results of the Group (for up to two years from the end of the performance period); or (iii) significant reputational damage to the Group (for up to two years from the end of the performance period).

#### Differences in remuneration policy for other employees

The Company's approach to determining and reviewing the salaries of the Executive Directors and the employee population as a whole is the same. On an annual basis the salaries for individual roles are reviewed in the context of the external market. AstraZeneca participates in annual global compensation surveys, which provide benchmarking data for all roles within the organisation, ensuring a robust salary review process for all roles. Employee salaries are reviewed through our annual review process. The Company seeks to provide an appropriate range of competitive benefits, including healthcare and pension, to all employees (including Executive Directors) in the context of their local market.

Employees globally may be eligible for LTI awards in the form of the PSP and/or restricted stock units depending on their level and market. The occupants of senior roles in the Company are currently eligible for PSP awards – these are the leaders who have the ability to directly influence the execution of the Company's strategic goals. A proportion of each Senior Executive Team (SET) member's annual bonus is deferred into shares under the DBP. An LTI award may be used for the same purpose as described above on the recruitment of employees, or, for employees other than Directors, for retention.

## Remuneration scenarios for Executive Directors

The charts below illustrate how much the current Executive Directors could receive under different performance scenarios in 2020. To compile the charts, the following assumptions have been made. Dividend equivalents payable in respect of PSP awards are not included in the scenarios.

### Minimum remuneration

- > base salary is that applicable in 2020
- > taxable benefits are those included in the Executive Directors' single total figure of remuneration for 2019, as set out in the table on page 132
- > pension values are fixed at monetary values equivalent to 20% of 2019 base salary for Pascal Soriot and equivalent to 24% of 2019 base salary for Marc Dunoyer

	Base salary £'000	Taxable benefits £'000	Pension £'000	Total £'000
Pascal Soriot (CEO)	1,289	124	258	1,671
Marc Dunoyer (CFO)	765	63	184	1,012

### Remuneration for performance in line with the Company's expectations

- > annual bonus payout is equivalent to 100% of 2020 base salary for Pascal Soriot and 90% of 2020 base salary for Marc Dunoyer
- > PSP share award vesting at 275% of 2020 base salary for Pascal Soriot and 200% of 2020 base salary for Marc Dunoyer (representing 50% of the face value of the PSP award)

### Maximum remuneration

- > annual bonus payout equivalent to 200% of 2020 base salary for Pascal Soriot and 180% of 2020 base salary for Marc Dunoyer
- > PSP share award vesting at 550% of 2020 base salary for Pascal Soriot and 400% of 2020 base salary for Marc Dunoyer (representing 100% of the face value of the PSP award)

### Share price appreciation

- > the potential impact of share price appreciation on PSP award values in the maximum remuneration scenario is illustrated, assuming a 50% increase on the share price at grant

#### Pascal Soriot

Minimum	100%				£1.7m
In line	26%	20%	54%		£6.5m
Maximum	15%	23%	62%		£11.3m
Share price appreciation	11%	17%	48%	24%	£14.9m

■ Fixed remuneration 
 ■ Annual bonus 
 ■ Long-term incentive 
 ■ Share price appreciation

#### Marc Dunoyer

Minimum	100%				£1.0m
In line	31%	21%	48%		£3.2m
Maximum	19%	25%	56%		£5.5m
Share price appreciation	14%	20%	44%	22%	£7.0m

■ Fixed remuneration 
 ■ Annual bonus 
 ■ Long-term incentive 
 ■ Share price appreciation

## Approach to recruitment remuneration for Executive Directors

On the recruitment of a new Executive Director, the Committee seeks to pay no more than is necessary to attract and retain the best candidate available, within the limits of our approved Remuneration Policy. The Committee will offer a remuneration package that it considers appropriate in the particular circumstances of the recruitment, giving due regard to the interests of the Company's shareholders and taking into account factors such as typical market practice, existing arrangements for the other Executive Directors, internal relativities and market positioning.

The pharmaceutical industry is global and future Executive Directors might be recruited from organisations with pay structures and practices that differ from AstraZeneca's usual remuneration policy. The Committee believes that it is in the interests of shareholders for it to retain an element of flexibility in its approach to recruitment to enable it to attract the best candidates; however, this flexibility is limited.

The Committee may find it necessary to compensate a new recruit for forfeiture of entitlements as a consequence of the recruit leaving his or her previous employment to join AstraZeneca. There is no limit to the value of such buy-out award, however the Committee will rigorously consider the appropriate value so as not to pay more than the compensation being forfeited. The Committee will seek to offer a package weighted towards equity in the Company, and will usually seek to use the PSP as the primary vehicle for buy-out awards where possible; however, the precise nature of the compensation arrangement will depend on the type of entitlement being forfeited. The arrangement might therefore comprise a combination of cash, share awards granted under the PSP (subject to the Policy maximum), and other restricted shares. The Committee may introduce a one-off arrangement as permitted under Listing Rule 9.4.2 in order to deliver a restricted share award. Malus and claw-back provisions would normally apply to buy-out awards, for the same reasons as detailed under the DBP and PSP.

Restricted share awards will only be granted as part of recruitment arrangements to compensate for loss of remuneration opportunities suffered on leaving previous employment.

The Committee considers whether the lost incentives were subject to performance targets and their probability of vesting. The normal approach is to seek broadly to mirror the timing of vesting and application of performance targets of the compensation being forfeited. For example, a buy-out award may be granted without performance conditions where the foregone compensation was not subject to performance testing, however the Committee may apply appropriate performance measures if it considers it appropriate.

The Committee may allow a restricted share award to vest in tranches at different points. If no performance targets are attached to a compensatory award, it will vest in full if the individual remains in employment on the vesting date. On vesting, shares equivalent in value to the dividends that would have been paid during the vesting period will be awarded to the Director.

# Remuneration Policy

## *continued*

### Remuneration Policy for Executive Directors *continued*

All other aspects of a new recruit's compensation opportunity will be subject to the maxima stated in the Policy. In the case of Group employees who are promoted internally to the position of Executive Director, the Committee intends to honour all remuneration arrangements entered into before the promotion.

The Company may reimburse the costs of financial planning, legal and tax advice and reasonable costs incurred on recruitment, including relocation support.

#### Service contracts for Executive Directors

Save as noted below, it is not intended that service contracts for new Executive Directors will contain terms that are materially different from those summarised below or contained in the Policy as set out in this Remuneration Policy Report. The contractual obligations below are applicable to each of the current Executive Directors unless stated otherwise. Copies of the Executive Directors' service contracts can be inspected at the Company's Registered Office.

<b>Notice period</b>	The service contracts of Executive Directors do not have a fixed term but the Company may terminate employment by giving not less than 12 months' written notice. The Company may agree on appointment that any notice given by the Company will not expire prior to the second anniversary of the commencement date of the Executive Director's appointment. Executive Directors may terminate their employment on 12 months' written notice.
<b>Payments in lieu of notice</b>	The Company may terminate an Executive Director's contract at any time with immediate effect and pay a sum in lieu of notice. This sum will consist of (i) the base salary that they would have been entitled to receive during the notice period and (ii) the cost to the Company of funding the benefit arrangements for this period, including the Company's contribution in respect of pension.
<b>Garden leave</b>	The Company has the right to place the Executive Director on 'garden leave'.
<b>Summary termination</b>	The Company may terminate employment summarily in particular defined circumstances such as gross misconduct, with no further payment.
<b>Payments in lieu of holiday</b>	If, on termination, the Executive Director has exceeded their accrued holiday entitlement, the value of this excess may be deducted by the Company from any sums payable. If the Executive Director has unused holiday entitlement, the Committee has discretion to require the Executive Director to take such unused holiday during any notice period or make a payment in lieu of it calculated in the same way as the value of any excess holiday.
<b>Directors' and officers' liability insurance</b>	Directors' and officers' liability insurance and an indemnity to the fullest extent permitted by law and the Company's Articles is provided for the duration of an Executive Director's employment and for a minimum of five years following termination.
<b>Deemed treatment under AZIP</b>	In respect of awards made to compensate Mr Soriot for loss of remuneration opportunity at his previous employer, if Mr Soriot gives notice of termination of his employment after the end of the performance period under the AZIP but before the end of the holding period, the award under the AZIP will vest on the earlier of the end of the holding period and the end of the period of 24 months from the date of cessation of employment, unless the Committee determines otherwise.

#### Principles of payment for loss of office for Executive Directors

The Company does not make additional payments for loss of office, other than, as appropriate, payments in lieu of notice as described above or payments in respect of damages if the Company terminates an Executive Director's service contract in breach of contract (taking into account, as appropriate, the Director's responsibility to mitigate any losses). The Committee has discretion to award payments in certain circumstances, as set out on the following page, depending on the nature of the termination and the Executive Director's performance. The LTI plans are governed by plan rules, which define how individual awards under those plans should be treated upon termination of employment and corporate activity, including sale of a business outside the Group. The treatment of awards in these circumstances will be determined according to the rules and subject to Committee discretion. Aside from the reasons relating to corporate activity, generally, awards under LTI plans will only be allowed to vest for those Executive Directors who leave the Company in circumstances such as ill-health, injury, disability, redundancy or retirement, or any other reason the Committee considers appropriate, or where employment terminates by reason of the Executive Director's death (see the table on page 158 for further information). Awards that are allowed to vest will typically be pro-rated for time, subject to the Committee's discretion. In addition to any payment in lieu of notice, the individual components of remuneration and other payments which may be payable on loss of office are set out on the following pages, subject to the terms of any applicable bonus rules or share plan rules. No awards will vest where an individual has been dismissed for cause.

### Annual bonus

At the discretion of the Committee, an Executive Director may receive a bonus for the performance year in which they leave the Company. Typically, this sum will reflect a bonus pro-rated for the part of the year in which they worked. This will depend on the circumstances, including an assessment of performance against the scorecard and the Executive Director's performance in the relevant period and the circumstances of their departure, and may be in such proportion of cash and/or shares as the Committee will determine. The deferred share element of previous bonuses granted, and any deferred share element of the bonus awarded in respect of the departing year, may still vest for the benefit of the departing Executive Director at the end of the period of deferral. The Committee has the discretion to accelerate and/or retain the deferral period and allow shares to vest for the benefit of the Executive Director on their departure and/or in accordance with the vesting schedule as the case may be.

### LTI plans

The LTI plan rules envisage circumstances under which some, all or none of the shares held under LTI plans will vest in connection with departure. The exact timing and number of shares vesting will depend on the circumstances, including the reason for leaving (as set out in the table on page 158) and may be subject to Committee discretion, depending on what it considers to be fair and reasonable in the circumstances.

### Restricted share awards

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

### Non-statutory redundancy payment

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

### Pension contributions and other benefits

Pension contributions and other benefits for Executive Directors will be payable up to the termination date or as part of a payment in lieu of notice as described on page 156.

### Payments in relation to statutory rights

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

### Payments required by law

The Committee reserves the right to make any other payments in connection with an Executive Director's cessation of office or employment where the payments are made in good faith in discharge of an existing legal obligation (or by way of damages for breach of such an obligation) or by way of settlement of any claim arising in connection with the cessation of an Executive Director's office or employment.

### Mitigation

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

### Professional fees

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



# Remuneration Policy

## *continued*

### Remuneration Policy for Executive Directors *continued*

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

Plan	Termination by mutual agreement (broadly in circumstances of ill-health, injury, disability, redundancy or retirement and in the case of death and certain corporate events e.g. sale of a business outside the Group)	Other leaver scenarios
<b>Deferred Bonus Plan (Annual bonus)</b>	Awards will vest at the end of the relevant deferral period, unless the Committee decides otherwise.	Ordinarily awards will lapse unless the Committee exercises its discretion to apply the treatment for leavers by mutual agreement.
<b>PSP</b>	<p>Where cessation of employment occurs within three years of the date of grant, awards will vest, pro rata, to the time elapsed between the date of grant of the award and the date of cessation of employment, after the end of the performance period, to the extent that the performance target(s) measured over the performance period has been met.</p> <p>However, the Committee has discretion to permit the award to vest immediately on cessation of employment to the extent that the performance target(s) has, in the opinion of the Committee, been satisfied from the date of grant to the date of cessation of employment.</p> <p>However, if the Committee believes that exceptional circumstances warrant this, it may exercise its discretion to vest the award on another basis.</p> <p>Where cessation of employment occurs during any holding period, the award will vest in respect of all the shares that continue to be subject to the award as soon as practicable following the cessation of employment. However, the Committee has discretion to require the award to vest only at the end of the holding period.</p>	<p>Other than during a holding period, ordinarily awards will lapse unless the Committee exercises its discretion to preserve all or part of an award and apply the default treatment for leavers by mutual agreement as described in this table.</p> <p>This discretion will not be exercised in the case of dismissal for gross misconduct.</p>
<b>AZIP</b>	<p>The final grant under the AZIP took place in 2016. All extant AZIP awards have completed the relevant performance period and are now subject to a holding period before vesting.</p> <p>Death, ill-health, injury or disability:</p> <ul style="list-style-type: none"> <li>&gt; in the holding period: the award will vest in respect of all the shares that continue to be subject to the award as soon as practicable following the cessation of employment.</li> </ul> <p>Redundancy, retirement or certain corporate events (e.g. sale of a business outside the Group):</p> <ul style="list-style-type: none"> <li>&gt; in the holding period: the award will vest in respect of all shares that continue to be subject to the award at the earlier of the end of the holding period and the end of the period of 24 months from the date of cessation of employment. Where the Committee terminates an Executive Director's employment (other than for gross misconduct) during the holding period, the awards will vest on the same basis.</li> </ul> <p>In each case described above, the Committee has discretion to vest the award or part of the award on a different basis.</p>	Ordinarily awards will lapse unless the Committee exercises its discretion to apply the default treatment for leavers by reason of redundancy or retirement described in this table.
<b>Restricted shares</b>	In relation to awards granted at the time of the Executive Director's recruitment to the Company in compensation for any awards or bonuses forfeited at his or her previous employer, the award will vest on the date his or her employment ceases. The Committee will, in its discretion, determine the proportion of shares which vests, and (unless exceptional circumstances apply) take into account the period elapsed between the date of grant and the date of cessation of employment.	Ordinarily awards will lapse unless the Committee exercises its discretion to preserve all or part of an award.

## Remuneration Policy for Non-Executive Directors

Non-Executive Directors, including the Chairman, receive annual Board fees. With the exception of the Chairman, Non-Executive Directors receive additional fees for membership and chairmanship of Board Committees and for holding the position of senior independent Non-Executive Director. Non-Executive Directors are not eligible for performance-related bonuses or to participate in any of the Company's share-based incentive plans. No pension contributions are made on their behalf. The annual Board fees applicable to Non-Executive Directors are set out in the Annual Report on Remuneration. Changes to these fees in future years will be set out in the corresponding year's Annual Report on Remuneration. The remuneration of Non-Executive Directors (excluding the Chairman) is determined by the Chairman and the Executive Directors. The remuneration of the Chairman is determined by the other members of the Committee and the senior independent Non-Executive Director.

### Annual Board fees

Purpose and link to strategy	Operation	Maximum opportunity
<b>The annual fees are intended to be sufficient to attract, retain and develop high-calibre individuals.</b>	<p>Board fees for Non-Executive Directors are subject to periodic review and may be increased in the future to ensure that they remain sufficient to attract high-calibre individuals while remaining fair and proportionate. Although Non-Executive Directors currently receive their fees in cash, the Company may pay part or all of their fees in the form of shares.</p> <p>Non-Executive Directors are eligible to receive a base fee and additional fees where appropriate to reflect any additional time commitment or duties (e.g. being the chairman of a committee). The fee structure is set out in the Annual Report on Remuneration.</p>	<p>The aggregate ordinary remuneration of the Non-Executive Directors shall not exceed the maximum specified in Articles 88 and 89 of the Company's Articles, as approved by the Company's shareholders.</p> <p>As at the date of this Policy, the maximum aggregate remuneration is £2,250,000 per annum and any Non-Executive Director who serves on any Board committee may be paid such extra remuneration as the Board may determine.</p>

### Benefits

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

### Other costs and expenses

Purpose and link to strategy	Operation	Maximum opportunity
<b>Intended to reimburse individuals for legitimately incurred costs and expenses.</b>	<p>In addition to the Chairman's fee, the office costs of the Chairman may be reimbursed. In 2019, this amounted to £72,000. The amount of office costs to be reimbursed each year will be determined at the discretion of the Committee, based on an assessment of the reasonable requirements of the Chairman. The Committee has the discretion to approve contributions by the Company to office costs of other Non-Executive Directors in circumstances where such payments are deemed proportionate and reasonable.</p> <p>The Company will pay for all travel (including travel to the Company's offices), hotel and other expenses reasonably incurred by Non-Executive Directors (and any associated tax thereon) in the course of the Company's business, for example, professional fees such as secretarial support, and reimbursement for domestic security arrangements such as lights and alarms following a security assessment.</p> <p>There are no contractual provisions for claw-back or malus of other costs and expenses.</p>	The maximum amounts payable in respect of these costs and expenses will be the reimbursement of the Directors' costs and expenses grossed up for any tax payable by the individual.

### Letters of appointment

None of the Non-Executive Directors has a service contract but each has a letter of appointment. The terms and conditions of appointment of Non-Executive Directors may be viewed on the Governance page of the AstraZeneca website, at [www.astrazeneca.com](http://www.astrazeneca.com). 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 2018 UK Corporate Governance Code and, in this regard, a Non-Executive Director's overall tenure will not normally exceed nine years. The Chairman 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 letter of appointment giving them a right to compensation upon early termination of appointment.

On behalf of the Board

**A C N Kemp**  
Company Secretary  
14 February 2020