What science can do

AstraZeneca Annual Report and Form 20-F Information 2016

Chairman's Statement

"AstraZeneca's Directors take very seriously their responsibility to have a robust governance structure in place."

In 2016, your Board of Directors continued to focus on implementing the strategy upon which we embarked in 2013, as well as ensuring that our progress was underpinned by good governance.

Strategic progress
As reported by Pascal Soriot, our Chief Executive Officer, we made good progress in delivering our strategic priorities in 2016. During the year, we brought a sharper focus to our three main therapy areas and boosted pipeline productivity further. As is to be expected, we encountered some setbacks on the way but our underlying business is growing and a new AstraZeneca is emerging, driven by our competitive franchises and our businesses in Emerging Markets.

As Marc Dunoyer, our Chief Financial Officer, outlines, our financial results for 2016 were in line with expectations and reflected the ongoing transition of our Company. The fall in Product Sales revenue was primarily due to the entry of generic competition to *Crestor* in the US. We now look ahead to the impact of our recent launches as well as the future launches that are to come from our late-stage pipeline.

Each year the Board reviews our strategy. Our review in 2016 confirmed our belief that 2017 has the potential to be a defining year for AstraZeneca as we bring new medicines to patients across the globe. We have the opportunity to launch several life-changing medicines for cancer, respiratory and metabolic diseases.

An uncertain world
Our performance in 2016 and in the year ahead takes place in an uncertain world. The economic recovery following the global financial crisis is still precarious and is fuelling calls for restrictions on trade and immigration. In the UK, following the vote for 'Brexit', we expect increased uncertainty both in the UK and the Eurozone. In the US, we expect the increased focus on pharmaceutical prices and their impact on healthcare costs to continue, while there remains uncertainty over the future of the Affordable Care Act and what might replace it.

On the other hand, and against this uncertain background, we believe the demand for healthcare will continue to increase with a growing and ageing world population. Access to our range of innovative medicines also continues to improve. Of course, challenges will always remain in what is a very competitive marketplace. These include the continuing, and planned for, cycle of expiring patents that lie at the heart of our business model, as well as competition from and the growing use of generic medicines. We need to obtain regulatory approval for new medicines, secure reimbursement for those medicines, and achieve pricing and sales sufficient to generate revenue and sustain the cycle of innovation. We need to work hard to continue to improve R&D productivity by carefully selecting those therapy areas and projects in which we invest, as well as controlling costs.

Returns to shareholders and outlook
In 2016, Reported earnings per share (EPS) of $2.77 for the year represented an increase of 9%, including a gain of $0.76 on the revaluation of acquisition-related liabilities. Core EPS in the year declined by 5% to $4.31, driven by the decline in Total Revenue. Both Reported and Core EPS for the year included a non-recurring benefit of $0.36, following agreements between the Canadian tax authority and the UK and Swedish tax authorities.

Given this performance, the Board was able to declare a second interim dividend of $1.90 per share (150.2 pence, 16.57 SEK) bringing the dividend per share for the full year to $2.80 (218.9 pence, 24.38 SEK). At the same time, the Board reaffirmed its commitment to the Company's progressive dividend policy.

Sound governance
AstraZeneca's Directors take very seriously their responsibility to have a robust governance structure in place to ensure that we are able properly to discharge our responsibilities in setting our strategy, as well as monitoring and reviewing progress as it is implemented, and ensuring that we manage our risks and carry out business responsibly.

We are also very conscious that, as Directors, we are accountable to our shareholders and must have regard to

Compliance with the UK Corporate Governance Code

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

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

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

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other stakeholders such as employees, customers, suppliers, the communities in which we do business and the environment. We welcome the opportunity at our Annual General Meeting to meet and answer shareholders' questions. We also maintain an active dialogue with shareholders throughout the year and listen to views of representatives of investors and financial institutions. The views of other stakeholders are also important.

We maintain an active dialogue with shareholders about executive remuneration. Our pay structure is intended to be sufficient to attract and retain high-calibre individuals in order to deliver the Company's strategy. In setting individual pay levels, we consider the individual's skills and experience, internal relativities and conditions in the local external market. Over the course of 2016, we have reviewed our Remuneration Policy and in his introduction to this year's Directors' Remuneration Report on page 103, Graham Chipchase, Chairman of the Remuneration Committee, gives more details about the changes we are proposing and why. We are grateful to those who contributed to the review and the Board commends the revised Remuneration Policy to shareholders for approval.

Board changes

I am grateful to Graham and all the Directors for their contribution during 2016, especially those of my other colleagues who have the added responsibility of chairing Board Committees: Rudy Markham, our Senior independent Non-Executive Director, who chairs the Audit Committee and Bruce Burlington who chairs the Science Committee.

During the year we said farewell to two members of the Board. Jean-Philippe Courtois stood down from the Board on 1 December. He was approaching nine years' tenure and had recently taken on new responsibilities at Microsoft. We will miss his business acumen, extensive experience of the global technology industry, common sense and collegiality. We wish him all the best for his future endeavours.

Earlier in the year, Dr Cornelia (Cori) Bargmann, also stood down from the Board after accepting a new position as President of Chan Zuckerberg Science, part of the Chan Zuckerberg Initiative. We congratulate Cori on her new appointment and thank her for her contribution to AstraZeneca.

Searches for new Non-Executive Directors are continuing and succession plans will be announced during 2017.

A sustainable business

As we look ahead and plan for the sustainable growth of AstraZeneca, *how* we operate is as important as *what* we do. It is therefore particularly gratifying to see increasing external recognition of our efforts to operate in a sustainable way and in a way that recognises the interconnection between business growth, the needs of society, and the limitations of our planet. This means delivering our business strategy so that access to our medicines is broadened, the environmental footprint of our products and processes is minimised, and ethics and transparency underpin everything we do.

In the annual Dow Jones Sustainability Index, we improved our score compared with 2015 and came second in the 'Pharmaceuticals, Biotechnology and Life Sciences' industry group. We also achieved an A-list ranking for climate change, supplier climate change and water stewardship by investor benchmarking organisation CDP.

In the biennial Access to Medicine Index, our efforts to improve access to our innovative medicines and to healthcare more generally was recognised in AstraZeneca being the biggest riser in the Index since the last survey. We moved to 7th place in 2016 from 15th in 2014 and were recognised for multiple best practices and innovations.

Life-changing medicines

In 2016, we made good progress pushing the boundaries of science to deliver medicines to patients. Your Board of Directors remains focused on ensuring that more patients are able to benefit from our expanding portfolio of innovative medicines that meet unmet medical need and change lives.

Leif Johansson
Chairman

Corporate Governance Overview

How our governance supports the delivery of our strategy.

Board

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

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

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

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

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

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

Corporate Governance Report from page 90

Audit Committee

Chairman: Rudy Markham

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

Audit Committee Report from page 98

Remuneration Committee

Chairman: Graham Chipchase

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

Directors' Remuneration Report from page 103

Board Committee membership and meeting attendance in 2016

Name	Board	Audit	Remuneration	Nomination and Governance	Science	Independent[1]
Cori Bargmann[2]	✓ 8(9)				✓ 3(3)	✓
Geneviève Berger	✓ 11(11)				✓ 4(4)	✓
Bruce Burlington	✓ 10(11)	✓ 5(5)		✓ 4(4)	Chairman 4(4)	✓
Ann Cairns	✓ 8(11)	✓ 4(5)				✓
Graham Chipchase	✓ 11(11)		Chairman 5(5)	✓ 4(4)		✓
Jean-Philippe Courtois[3]	✓ 8(10)	✓ 4(4)				✓
Marc Dunoyer	✓ 11(11)					N/A
Leif Johansson	Chairman 11(11)		✓ 4(5)	Chairman 4(4)		N/A[4]
Rudy Markham	✓ 11(11)	Chairman 5(5)	✓ 4(5)	✓ 4(4)		✓
Pascal Soriot	✓ 11(11)					N/A
Shriti Vadera	✓ 11(11)	✓ 5(5)	✓ 5(5)			✓
Marcus Wallenberg	✓ 9(11)				✓ 4(4)	

Note: number in brackets denotes number of meetings during the year that Board members were entitled to attend.
1 As determined by the Board for the purposes of the UK Corporate Governance Code.
2 Cori Bargmann stepped down from the Board and as a member of the Science Committee with effect from 1 October 2016.
3 Jean-Philippe Courtois stepped down from the Board and as a member of the Audit Committee with effect from 1 December 2016.
4 Leif Johansson was considered by the Board to be independent upon his appointment as Chairman. In accordance with the UK Corporate Governance Code, the test of independence is not appropriate in relation to the Chairman after his appointment.

Nomination and Governance Committee

Chairman: Leif Johansson

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

Nomination and Governance Committee from page 93

Science Committee

Chairman: Bruce Burlington

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

Science Committee from page 93

Senior Executive Team

The members of the SET are:

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

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

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

Key governance roles

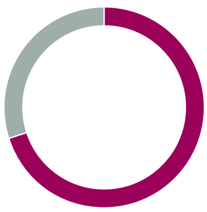
Chairman:
Leadership, operation and governance of the Board, ensuring Board effectiveness

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

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

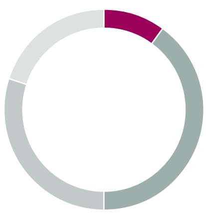
Gender split of Directors as at 31 December 2016

- Male **7**
- Female **3**



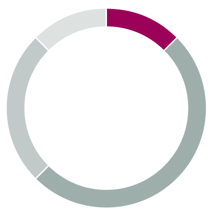
Directors' nationalities as at 31 December 2016

- American **1**
- British **4**
- French **3**
- Swedish **2**



Length of tenure of Non-Executive Directors

- Under 3 years **1**
  Ann Cairns
- 3–6 years **4**
  Leif Johansson
  Geneviève Berger
  Graham Chipchase
  Shriti Vadera
- 6–9 years **2**
  Bruce Burlington
  Rudy Markham
- 9+ years **1**
  Marcus Wallenberg



Board of Directors
as at 31 December 2016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1 Leif Johansson (65)
Non-Executive Chairman of the Board (April 2012*)

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

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

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

2 Pascal Soriot (57)
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.

3 Marc Dunoyer (64)
Executive Director and CFO (November 2013)

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

4 Rudy Markham (70)

Senior independent Non-Executive Director (April 2015. Member of the Board since September 2008)

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

Skills and experience Rudy has significant international business and financial experience, having formerly held various senior commercial and financial positions with Unilever, culminating in his appointment as its Chief Financial Officer. He also served as a Non-Executive Director of the UK Financial Reporting Council from 2007 to 2012 and formerly as Chairman and a Non-Executive Director of Moorfields Eye Hospital NHS Foundation Trust.

Other appointments Rudy is a non-executive member of the Boards of United Parcel Services Inc. and Legal & General plc. He is also Vice Chairman of the Supervisory Board of Corbion NV (formerly CSM NV), a Fellow of the Chartered Institute of Management Accountants and a Fellow of the Association of Corporate Treasurers.

5 Geneviève Berger (61)

Non-Executive Director (April 2012)

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

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

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

6 Bruce Burlington (68)

Non-Executive Director (August 2010)

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

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

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

7 Ann Cairns (59)

Non-Executive Director (April 2014)

Committee membership Member of the Audit Committee

Skills and experience Ann has more than 20 years' experience as a senior leader, having held management positions across Europe and the US, and has previously run global retail, commercial and investment banking operations. As president of International Markets at MasterCard, Ann is responsible for the management, growth and expansion of all markets and customer-related activities outside of North America. Prior to MasterCard, in 2011, Ann oversaw the European liquidation of Lehman Brothers Holdings International and was the Chief Executive, Transaction Banking at ABN AMRO. In 2017, Ann will join the board of directors of Intercontinental Exchange, Inc., a company listed on the New York Stock Exchange. Ann holds a Pure Mathematics degree from Sheffield University and an MSc from Newcastle University. Among her many accomplishments, Ann has been an award-winning research engineer and was the first woman qualified to go offshore in Britain. Ann is a champion of inclusion – digital, financial and gender – and is also a member of the World Food Programme investment committee.

8 Graham Chipchase (53)

Non-Executive Director (April 2012)

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

Skills and experience Graham served as Chief Executive Officer of global consumer packaging company, Rexam PLC from 2010 to 2016 after serving at Rexam as Group Director, Plastic Packaging and Group Finance Director. Previously, he was Finance Director of Aerospace Services at the global engineering group GKN PLC from 2001 to 2003. After starting his career with Coopers & Lybrand Deloitte, he held various finance roles in the industrial gases company The BOC Group PLC (now part of The Linde Group). He is a Fellow of the Institute of Chartered Accountants in England and Wales and holds an MA (Hons) in chemistry from Oriel College, Oxford.

Other appointments In January 2017, Graham joined Brambles Limited, the Sydney-listed supply chain logistics company, as CEO designate, and will become CEO from 20 February 2017.

9 Shriti Vadera (54)

Non-Executive Director (January 2011)

Committee membership Member of the Audit Committee and the Remuneration Committee

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

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

10 Marcus Wallenberg (60)

Non-Executive Director (April 1999)

Committee membership Member of the Science Committee

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

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

* Date of appointment.

Senior Executive Team
as at 31 December 2016


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1 Pascal Soriot
CEO

See page 86.

2 Marc Dunoyer
CFO

See page 86.

3 Katarina Ageborg
Chief Compliance Officer

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

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

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

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

Pam joined AstraZeneca in June 2015 after having spent 14 years in Global Manufacturing and Supply Chain roles at Merck/MSD. Pam was the Head of Global Supply Chain Management & Logistics for Merck from 2006 to 2011 and led the transformation of Merck supply chains across the global supply network. More recently, Pam was President of MSD China, responsible for MSD's entire business in China. Prior to joining Merck, Pam held various engineering and project management positions at Universal Oil Products, Union Carbide Corporation and GAF Chemicals. Pam holds Bachelor's and Master's degrees in chemical engineering from Stevens Institute of Technology in New Jersey and an MBA in marketing from Pace University in New York. She has been a member of the Board of Directors for Codexis Inc. (CDXS) since 2014.

6 Fiona Cicconi
Executive Vice-President, Human Resources

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

7 Dr Ruud Dobber
Executive Vice-President, North America

Ruud was appointed Executive Vice-President, North America in August 2016 and is responsible for driving growth and maximising the contribution of the commercial operations in North America to AstraZeneca's global business. Ruud joined AstraZeneca in 1997 and has held various senior commercial and leadership roles. Most recently, Ruud was Executive Vice-President, Europe and oversaw business functions in the 28 EU member states. Ruud was also responsible for the development of our late-stage, small molecule antibiotic pipeline as well as its global commercialisation. Prior to that, Ruud was Regional Vice-President of AstraZeneca's European, Middle East and African division, Regional Vice-President for the Asia Pacific region and Interim Executive Vice-President, GPPS. Ruud was a member of the Board and Executive Committee of the European Federation of Pharmaceutical Industries and Associations (EFPIA) and was previously Chairman of the Asia division of Pharmaceutical Research and Manufacturers of America. Holding a doctorate in immunology from the University of Leiden in the Netherlands, Ruud began his career as a scientist, researching in the field of immunology and ageing.

8 Dr Bahija Jallal
Executive Vice-President, MedImmune

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

9 Mark Mallon
Executive Vice-President, Global Product and Portfolio Strategy, Global Medical Affairs & Corporate Affairs
Executive Vice-President, International West

Mark was appointed Executive Vice-President, Global Product and Portfolio Strategy, Global Medical Affairs & Corporate Affairs in August 2016, leading AstraZeneca's global marketing and commercial portfolio strategy as well as the medical affairs and corporate affairs functions. Prior to this, Mark was EVP for the International region with responsibility for the growth and performance of AstraZeneca's commercial businesses in various parts of the world, including Asia Pacific, Russia, Latin America, the Middle East and Africa. He retains responsibility for these International businesses excluding Asia Pacific for which a new SET position was created in early 2017. Since joining AstraZeneca in 1994, Mark has held a number of senior sales and marketing roles, including Regional Vice-President for Asia Pacific, President of AstraZeneca's Chinese and Italian subsidiaries, Chief Operating Officer of AstraZeneca's Japanese subsidiary and Vice-President of AstraZeneca's US gastrointestinal and respiratory businesses. He has served as a member of the Board of Directors for Christiana Care, the largest hospital system in Delaware. He has also been an Executive Committee Member for R&D-based Pharmaceutical Association Committee, the China industry association for innovative pharmaceutical companies. Mark began his career in the pharmaceutical industry in management consulting. He holds a degree in chemical engineering from the University of Pennsylvania and an MBA in marketing and finance from the Wharton School of Business.

10 Dr Menelas Pangalos
Executive Vice-President, IMED Biotech Unit and Global Business Development

Menelas (Mene) was appointed Executive Vice-President, IMED Biotech Unit in January 2013 and leads AstraZeneca's small molecule research and early development activities. In 2016, Mene was also made Global Head of Business Development. Mene joined AstraZeneca from Pfizer, where he was Senior Vice-President and Chief Scientific Officer of Neuroscience Research. Previously, he held senior discovery and neuroscience roles at Wyeth and GSK. He completed his undergraduate degree in biochemistry at the Imperial College of Science and Technology, London and earned a doctorate in neurochemistry from the University of London. He is a Visiting Professor of Neuroscience at King's College London and is a Fellow of Clare Hall at the University of Cambridge. Mene is a Fellow of the Academy of Medical Sciences and the Royal Society of Biology. In the UK, Mene serves on the Medical Research Council, is on the Board of the British Pharmaceutical Group and a Non-Executive Director of the UK Precision Medicine Catapult.

11 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.

12 Leon Wang
Executive Vice-President, Asia Pacific

Leon was appointed Executive Vice-President, Asia Pacific in January 2017. This is a region of great importance for the future of the Group and Leon is responsible for the overall strategy and the promotion of the sustainable growth of our activities in China and Hong Kong, Asia Area, Australia and New Zealand. He joined AstraZeneca China in 2013 as a Vice-President and became President in 2014. Under his leadership China became AstraZeneca's second-largest market worldwide. Leon has 20 years of experience in the pharmaceutical industry, including a series of positions of increasing responsibility in marketing and business leadership at Roche where he was a Business Unit Vice President before joining AstraZeneca. He is Council Vice Chairman of the Shanghai Association of Foreign Investment, Executive Committee Member responsible for Pricing of the R&D-based Pharmaceutical Association Committee under the China Association of Enterprises with Foreign Investment and Corporate Advisory Board Member of China Europe International Business School. He holds a Bachelor of Arts from Shanghai International Studies University and an EMBA from China Europe International Business School.

Note: The position of Executive Vice-President, Europe is vacant at the date of this report with recruitment activity underway. From September 2016 until January 2017, the position was held by Luke Miels (who prior to that led GPPS, AstraZeneca's global marketing, business development and commercial portfolio strategy operations). It was announced in January 2017 that Mr Miels would leave AstraZeneca to take up a senior position with a main competitor. As a result, Mr Miels was placed on garden leave pending agreement of his start date.

Corporate Governance Report

Board composition
The membership of the Board at 31 December 2016 and information about individual Directors is contained in the Board of Directors section on pages 86 and 87.

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

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

Leadership and responsibilities
The roles of Chairman and CEO are split. Leif Johansson, our Non-Executive Chairman, is responsible for leadership of the Board. Our CEO, Pascal Soriot, leads the SET and has executive responsibility for running our business. The Board comprises 10 Non-Executive Directors, including the Chairman, and two Executive Directors – the CEO, Pascal Soriot, and the CFO, Marc Dunoyer. Its responsibilities are set out in the Corporate Governance Overview on pages 84 and 85. As at 31 December 2016, two Non-Executive Director positions were vacant and work is continuing to identify and secure the services of new Board members, as described in the Nomination and Governance Committee section on page 93.

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

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

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

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

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

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

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

The Board held 11 meetings in 2016, including its usual annual strategy review. Five took place in London, UK; one in Cambridge, UK; one at the offices of AstraZeneca's subsidiary in Japan; and four by telephone conference call. The Board is currently scheduled to meet six times in 2017 and will meet at such other times as may be required to conduct business.

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

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

The Board aims to maintain a balance in terms of the range of experience and skills of individual Board members, which includes relevant international business, pharmaceutical industry and financial experience, as well as appropriate scientific and regulatory knowledge. The biographies of Board members set out on pages 86 and

87 give more information about current Directors in this respect. The Board views gender, nationality and cultural diversity among Board members as important considerations when reviewing the composition of the Board. The Board recognises, in particular, the importance of gender diversity. Currently, 37% of the Company's Non-Executive Directors are women and women make up 30% of the full Board. Although it has not set any specific measurable objectives, the Board intends to continue with its current approach to diversity in all its aspects, while at the same time seeking Board members of the highest calibre, and with the necessary experience and skills to meet the needs of the Company and its shareholders. Information about our approach to diversity in the organisation below Board level can be found in Employees from page 54.

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

> Cornelia (Cori) Bargmann stepped down from the Board and as a member of the Science Committee with effect from 1 October 2016 after she accepted a new position as President of Chan Zuckerberg Science, part of the Chan Zuckerberg Initiative.
> Jean-Philippe Courtois stepped down from the Board and as a member of the Audit Committee with effect from 1 December 2016. Mr Courtois was appointed as a Non-Executive Director in 2008. The Nomination and Governance Committee started succession planning earlier in 2016 in anticipation of Mr Courtois reaching nine years' tenure as a Board member in 2017.

Independence of the Non-Executive Directors

During 2016, the Board considered the independence of each Non-Executive Director for the purposes of the UK Corporate Governance Code and the corporate governance listing standards of the NYSE (Listing Standards). With the exception of Marcus Wallenberg, the Board considers that all of the Non-Executive Directors are independent. Leif Johansson was considered by the Board to be independent upon his appointment as Chairman. In accordance with the UK Corporate Governance Code, the test of independence is not appropriate in relation to the Chairman after his appointment.

Marcus Wallenberg was appointed as a Director of Astra in May 1989 and subsequently became a Director of the Company in 1999. He is a Non-Executive Director of Investor AB, which has a 4.1% interest in the issued share capital of the Company as at 2 February 2017. Mr Wallenberg, Investor AB and a number of Wallenberg charitable foundations are connected. For these reasons, the Board does not believe that he can be determined independent under the UK Corporate Governance Code. However, the Board believes that he has brought, and continues to bring, considerable business experience and makes a valuable contribution to the work of the Board. In April 2010, he was appointed as a member of the Science Committee, reflecting his interest in innovation and R&D, knowledge of the history of the Company and its scientific heritage and culture, and his broad experience of other industries and businesses in which innovation and R&D are important determinants of success.

Conflicts of interest

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

Appointments to the Board

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

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

Time commitment

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

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

Information and support

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

Corporate Governance Report continued

The Company maintained Directors' and Officers' Liability Insurance cover throughout 2016. The Directors are also able to obtain independent legal advice at the expense of the Company, as necessary, in their capacity as Directors.

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

Performance evaluation

During the year, the Board conducted the annual evaluation of its own performance and that of its Committees and individual Directors. The 2016 evaluation involved each Board member responding to a web-based questionnaire covering a wide range of topics prepared by Lintstock Ltd (Lintstock), a London-based corporate advisory firm that provides objective and independent counsel to leading European companies. Lintstock supplies software and services to the Company Secretary's team for Board evaluation questionnaires and for the management of insider lists but has no other commercial relationship with the Company.

Feedback from the questionnaire was discussed by the Board at its meeting in January 2017 and was also used by the Chairman as the basis for individual conversations with each Board member prior to the full Board discussion. In respect of the 2016 evaluation, overall it was concluded that the Board continues to operate effectively and in an open manner and no significant problems were raised. The questionnaire feedback and both the individual and the full Board discussions included suggestions about providing more strategic, competitive and financial context for Board members in respect of their reviews of the Company's very early-stage science and development programmes; maintaining and further improving the diversity of the Board; maintaining and further improving full Board oversight of succession planning for Board-level roles; providing more opportunities for Board members to meet senior employees having the potential to progress to the most senior executive roles in the Company; and how best to maintain the right balance of Board time for R&D matters on the one hand, and commercial and operations matters on the other.

As part of each Director's individual discussion with the Chairman, his or her contribution to the work of the Board and personal development needs were considered. Directors' training needs are met by a combination of internal presentations and updates and external speaker presentations as part of Board and Board Committee meetings; specific training sessions on particular topics, where required; and the opportunity for Directors to attend external courses at the Company's cost, should they wish to do so. In respect of the 2016 annual performance evaluation it was concluded that each Director continues to perform effectively and to demonstrate commitment to his or her role.

The 2016 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 review covered how Board meetings were managed and chaired; the Chairman's broader activities for the Company (for example, his interactions with employees in various parts of the business); his relationship with shareholders and other external stakeholders in various parts of the world, such as governments and senior regulatory authority officials; his relationship with executive management; and suggestions as to areas that the Board might prioritise for its work in 2017. It was concluded that overall the Chairman continues to perform very effectively, both in respect of Board matters and in relation to other aspects of his chairmanship role, and that he continues to devote significant time to promoting the interests of the Company for the long-term benefit of shareholders and other stakeholders.

The reviews of the Board's Committees did not raise any significant problems and concluded that the Committees are operating effectively.

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

Re-election of Directors

In accordance with Article 66 of the Articles, all Directors retire at each AGM and may offer themselves for re-election by shareholders. Accordingly, all of the Directors will retire at the AGM in April 2017. The Notice of AGM will give details of those Directors seeking re-election.

Accountability

Risk management and internal control

The Board has overall responsibility for our system of internal controls and risk management policies and has an ongoing responsibility for reviewing their effectiveness. During 2016, the Directors continued to review the effectiveness of our system of controls, risk management and high level internal control processes. These reviews included an assessment of internal controls and, in particular, financial, operational and compliance controls, and risk management and their effectiveness, supported by management assurance of the maintenance of controls reports from IA, as well as the external auditor on matters identified in the course of its statutory audit work. The system is designed to manage rather than eliminate the risk of failure to achieve business objectives and can only provide reasonable (not necessarily absolute) assurance of effective operation and compliance with laws and regulations.

The internal control framework was in operation throughout 2016 and continues to operate up to the date of the approval of this Annual Report. The Directors believe that the Group maintains an effective, embedded system of internal controls and complies with the FRC's guidance entitled 'Guidance on Risk Management, Internal Control and Related Financial and Business Reporting' and, in the view of the Directors, no significant deficiencies have been identified in the system.

More information about the ways in which we manage our business risks and describe our principal risks and uncertainties is set out in the Risk overview from page 20 and Risk from page 214.

Remuneration

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

Policy on external appointments and retention of fees

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

Relations with shareholders

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

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

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

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

Nomination and Governance Committee

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

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

During 2016, the members of the Nomination and Governance Committee were Leif Johansson (Chairman of the Committee), Rudy Markham, Bruce Burlington and Graham Chipchase. Each member is a Non-Executive Director and considered independent by the Board. The Company Secretary acts as secretary to the Nomination and Governance Committee.

The Nomination and Governance Committee considers both planned and unplanned (unanticipated) succession scenarios and met four times in 2016, spending the majority of its time on succession planning for Non-Executive Directors with the assistance of the search firms MWM Consulting, Spencer Stuart and Korn Ferry and continued routine succession planning (internal and external) for the roles of CEO and CFO, with the assistance of Spencer Stuart. Korn Ferry and Spencer Stuart periodically undertake executive search assignments for the Company.

The attendance record of the Nomination and Governance Committee's members is set out on page 84.

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

Science Committee

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

Corporate Governance Report continued

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

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

During 2016, the members of the Science Committee, all of whom have a knowledge of, or an interest in, life sciences, were Bruce Burlington (Chairman of the Committee), Cori Bargmann until she stepped down from the Board with effect from 1 October 2016, Geneviève Berger and Marcus Wallenberg. As usual, the EVP, GMD; the EVP, IMED; and the EVP, MedImmune, participated in meetings of the Science Committee as co-opted members in 2016. The Vice-President, IMED Operations acts as secretary to the Science Committee.

The Science Committee met twice in person in 2016, in Gothenburg, Sweden and Gaithersburg, US and held two other meetings, both of which were by telephone, to review specific business development or acquisition proposals and aspects of the Group scorecard in relation to 'Achieve scientific leadership' targets.

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

US corporate governance requirements

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

The Directors' assessment of the effectiveness of internal control over financial reporting is set out in Directors' Responsibilities for, and Report on, Internal Control over Financial Reporting in the Financial Statements on page 133.

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

Business organisation

Early Stage Product Committees (ESPCs)

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

Specifically, the ESPCs have responsibility for the following:

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

Late Stage Product Committee (LSPC)

The LSPC is also a senior level governance body, accountable for the quality of the portfolio post-Phase III investment decision. Jointly chaired by the EVPs of GMD and GPPS, members include, as appropriate, members of the SET, including the CEO and CFO, and members of the GMD and GPPS leadership teams.

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

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

Disclosure Committee

Our disclosure policy provides a framework for the handling and disclosure of inside information and other information of interest to shareholders and the investment community. It also defines the role of the Disclosure Committee. The members of the Disclosure Committee in 2016 were: the CFO, who chaired the Disclosure Committee; the EVP, GMD (who is also the Company's Chief Medical Officer); the EVP, GPPS, Global Medical Affairs & Corporate Affairs; the General Counsel; the Vice-President, Corporate Affairs; the Vice-

President, Investor Relations; and the Vice-President Finance, Group Controller. Other senior executives attend its meetings on an agenda-driven basis. The Deputy Company Secretary acted as secretary to the Disclosure Committee. The Disclosure Committee meets regularly to assist and inform the decisions of the CEO concerning inside information and its disclosure. Periodically, it reviews our disclosure controls and procedures and its own operation as part of work carried out to enable management and the Board to assure themselves that appropriate processes are operating for both our planned disclosures, such as our quarterly results announcements and scheduled investor relations events, and our unplanned disclosures in response to unforeseen events or circumstances. During 2016, we implemented the requirements of the EU Market Abuse Regulation, which involved making some changes to our disclosure controls and procedures.

Disclosure of information to auditors

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

Global Compliance and Internal Audit Services (IA)

The role of the Global Compliance function is to help the Group achieve its strategic priorities by doing business the right way, with integrity and high ethical standards. Global Compliance continues to focus on ensuring the delivery of an aligned approach to compliance that addresses key risk areas across the business, including risks relating to external parties and anti-bribery/anti-corruption. Our priorities include improving compliance behaviours through effective training and communication; monitoring compliance with our Code of Conduct, Global Policies and supporting requirements; conducting appropriate risk assessments and due diligence on third parties whom we engage for services; and ensuring that employees and external parties can raise any concerns. Global Compliance and IA work with various specialist compliance functions throughout our organisation to coordinate compliance activities.

We take all alleged compliance breaches and concerns extremely seriously, and investigate them and report the outcome of such investigations to the Audit Committee, as appropriate. Internal investigations are undertaken by staff from our Global Compliance, Human Resources and/or Legal functions. When necessary, external advisers are engaged to conduct and/or advise on investigations. Serious breaches are raised with the Audit Committee. Where a significant breach has occurred, management, in consultation with our Legal function, will consider whether the Group needs to disclose and/or report the findings to a regulatory or governmental authority.

Risk from page 214

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

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

Internal control objectives considered by IA include:

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

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

Code of Conduct

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

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

Compliance with the Code is mandatory and every employee receives annual training on it which they are required to complete. The Code is reviewed periodically and updated to take account of changing legal and regulatory obligations. Our Global Policies, as well as local and functional procedures, support the Code and provide clear guidance in key risk areas.

The Code contains information on how to report possible violations through our Helpline, which includes the AZethics telephone lines, the AZethics website, and the Global Compliance email and postal

Corporate Governance Report continued

addresses described in the Code. The externally-operated website is available in 38 languages, and the phone lines are operable in 96 countries, to facilitate reporting. Our reporting channels are available to both employees and to external parties to report any concerns. Reports can be made anonymously where desired and where permitted by local law. Anyone who raises a potential breach in good faith is fully supported by management.

In 2016, 320 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 2015 there were 326 reports. 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, local Human Resources, Legal or Compliance, as recommended in the Code and reinforced in the 2016 Code training.

Other matters

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

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

> major shareholdings
> Articles.

Shareholder Information from page 232 and Corporate Information on page 237

Subsidiaries and principal activities

The Company is the holding company for a group of subsidiaries whose principal activities are described in this Annual Report. The Group's principal subsidiaries and their locations are given in Group Subsidiaries and Holdings in the Financial Statements on page 193.

Branches and countries in which the Group conducts business

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

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

Distributions to shareholders – dividends for 2016

Details of our distribution policy are set out in the Financial Review from page 76 and Notes 22 and 23 to the Financial Statements on page 172.

The Company's dividend for 2016 of $2.80 (218.9 pence, SEK 24.38) per Ordinary Share amount to, in aggregate, a total dividend payment to shareholders of $3,542 million. An employee share trust, AstraZeneca Share Trust Limited, waived its right to a dividend on the Ordinary Shares that it holds and instead received a nominal dividend.

A shareholders' resolution was passed at the 2016 AGM authorising the Company to purchase its own shares. The Company did not repurchase any of its own shares in 2016. On 31 December 2016, the Company did not hold any shares in treasury.

Going concern accounting basis

Information on the business environment in which AstraZeneca operates, including the factors underpinning the industry's future growth prospects, is included in the Strategic Report. Details of the product portfolio of the Group are contained in both the Strategic Report (in the Therapy Area Review from page 23) and the Directors' Report. Information on patent expiry dates for key marketed products is included in Patent Expiries of Key Marketed Products from page 211. Our approach to product development and our development pipeline are also covered in detail with additional information by therapy area in the Strategic Report.

The financial position of the Group, its cash flows, liquidity position and borrowing facilities are described in the Financial Review from page 62. In addition, Note 26 to the Financial Statements from page 177 includes the Group's objectives, policies and processes for managing capital; financial risk management objectives; details of its financial instruments and hedging activities; and its exposures to credit, market and liquidity risk. Further details of the Group's cash balances and borrowings are included in Notes 16 and 17 to the Financial Statements from page 162.

The Group has considerable financial resources available. As at 31 December 2016 the Group had $5.7 billion in financial resources (cash balances of $5.0 billion and undrawn committed bank facilities of $3.0 billion which are available until April 2020, with only $2.3 billion of debt due within one year). The Group's revenues are largely derived from sales of products which are covered by patents which provide a relatively high level of resilience and predictability to cash inflows, although our revenue is expected to continue to be significantly impacted by the expiry of patents over the medium term. In addition, government price interventions in response to budgetary constraints are expected to continue to adversely affect revenues in many of our mature markets. However, we anticipate new revenue streams from both recently launched medicines and products in development, and the Group has a wide diversity of customers and suppliers across different geographic areas. Consequently, the Directors believe that, overall, the Group is well placed to manage its business risks successfully.

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

Changes in share capital

Changes in the Company's Ordinary Share capital during 2016, including details of the allotment of new shares under the Company's share plans, are given in Note 22 to the Financial Statements on page 172.

Directors' shareholdings

The Articles require each Director to be the beneficial owner of Ordinary Shares in the Company with an aggregate nominal value of $125 (which currently represents at least 500 shares because each Ordinary Share has a nominal value of $0.25). Such holding must be obtained within two months of the date of the Director's appointment. At 31 December 2016, all of the Directors complied with this requirement and full details of each Director's interests in shares of the Company are set out in Directors' interests in shares on pages 114 and 115. Information about the shareholding expectations of the Remuneration Committee (in respect of Executive Directors and SET members) and the Board (in respect of Non-Executive Directors) is also set out in Directors' interests in shares on pages 114 and 115.

Political donations

Neither the Company nor its subsidiaries made any EU political donations or incurred any EU political expenditure in 2016 and they do not intend to do so in the future in respect of which shareholder authority is required, or for which disclosure in this Annual Report is required, under the Companies Act 2006. However, to enable the Company and its subsidiaries to continue to support interest groups or lobbying organisations concerned with the review of government policy or law reform without inadvertently breaching the Companies Act 2006, which defines political donations and other political expenditure in broad terms, a resolution will be put to shareholders at the 2017 AGM, similar to that passed at the 2016 AGM, to authorise the Company and its subsidiaries to:

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

Corporate political contributions in the US are permitted in defined circumstances under the First Amendment of the US Constitution and are subject to both federal and state laws and regulations. In 2016, the Group's US legal entities made contributions amounting in aggregate to $1,568,250 (2015: $1,224,550) to national political organisations, state-level political party committees and to campaign committees of various state candidates. No corporate donations were made at the federal level and all contributions were made only where allowed by US federal and state law. We publicly disclose details of our corporate US political contributions, which can be found on our website, www.astrazeneca-us.com/sustainability/corporate-transparency.html. The annual corporate contributions budget is reviewed and approved by the US Vice-President, Corporate Affairs and the President of our US business to ensure robust governance and oversight. US citizens or individuals holding valid green cards exercised decision making over the contributions and the funds were not provided or reimbursed by any non-US legal entity. Such contributions do not constitute political donations or political expenditure for the purposes of the Companies Act 2006 and were made without any involvement of persons or entities outside the US.

Significant agreements

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

Use of financial instruments

The Notes to the Financial Statements, including Note 26 from page 177, include further information on our use of financial instruments.

Annual General Meeting

The Company's AGM will be held on 27 April 2017. The meeting place will be in London, UK. A Notice of AGM will be sent to all registered holders of Ordinary Shares and, where requested, to the beneficial holders of shares.

External auditor

A resolution will be proposed at the AGM on 27 April 2017 for the appointment of PricewaterhouseCoopers LLP (PwC) as auditor of the Company. The external auditor during 2016 was KPMG LLP. The proposed change of auditor follows a recommendation by the Audit Committee to the Board in 2015 based on a formal tender in line with best practice. During 2016, KPMG 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 192. 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 98, the Audit Committee has established pre-approval policies and procedures for audit and non-audit work permitted to be carried out by the external auditor and has carefully monitored the objectivity and independence of the external auditor throughout 2016.

Directors' Report

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

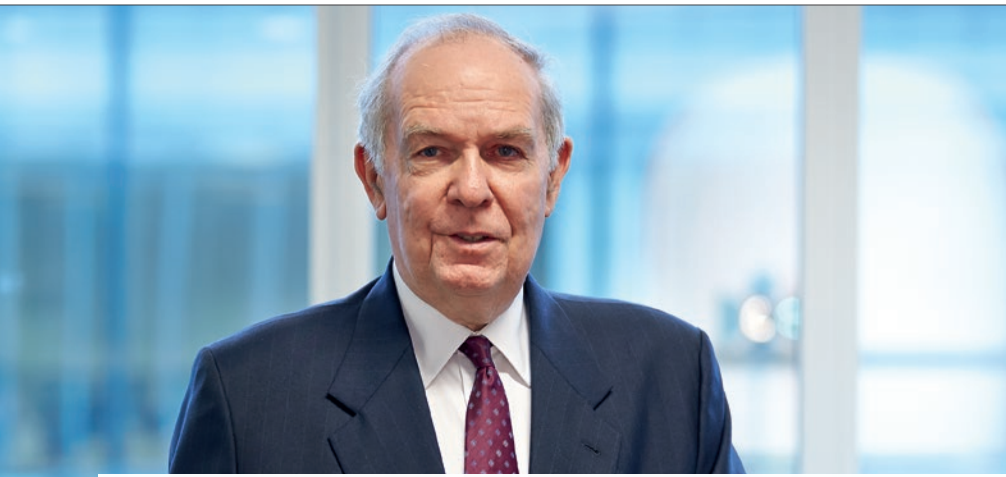
> Chief Executive Officer's Review
> Therapy Area Review
> Business Review
> Resources Review, including Employees
> Financial Review: Financial risk management
> Corporate Governance: including the Audit Committee Report and Corporate Governance Report
> Directors' Responsibility Statement
> Development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

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

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

A C N Kemp
Company Secretary
2 February 2017

Audit Committee Report



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

In this Report we describe the work of the Audit Committee and the significant issues it considered in 2016. Our main priorities were to receive assurance on the soundness of financial reporting, effective risk identification and management, and compliance with the AstraZeneca Code of Conduct and relevant legislation.

Financial reporting

The quality of AstraZeneca's financial reporting is underpinned by effective internal controls, appropriate accounting practices and policies, and the exercise of good judgement. The Committee reviewed, at least quarterly, the Company's significant accounting matters and, where appropriate, challenged management's decisions before approving the accounting policies applied.

During 2016, the Committee reviewed aspects of the Group's significant restructuring programmes initiated from 2013 onwards, including accounting for restructuring charges, control over capital expenditure and arrangements for monitoring the effective implementation of these programmes. The Committee continued to monitor the inclusion of Externalisation Revenue in AstraZeneca's Statement of Comprehensive Income. For more information on Externalisation Revenue, please refer to the Financial Review from page 62.

The Committee looked closely at intangible asset impairment reviews, including reviews of our *FluMist* and Ardea intangible assets; legal provisions and other related charges, to ensure that items are appropriately accounted for in 'Reported' and 'Core' results.

Following the competitive tender of the Company's external audit services in 2015 and the Board's decision to recommend the appointment of PwC to shareholders at the Company's 2017 AGM, the Committee has monitored the transition planning to ensure the Company is well prepared for a change of external auditors should this be approved by shareholders.

In December 2015, the FRC announced that it would conduct a thematic review of companies' tax reporting to encourage more transparent recording of the relationship between the tax charges and accounting profit. The FRC Corporate Reporting Review Team subsequently conducted a review of the tax disclosures in the Company's financial statements for the year ended 31 December 2015 and in 2016 confirmed that they had no substantive issues to raise. The Committee took note of and was satisfied with relevant reports from the regulators that exercise routine oversight over the Company's external auditors, the FRC and the Public Company Accounting Oversight Board.

Risk management

During the year, the Committee regularly reviewed the Company's approach to risk management, its risk reporting framework and risk mitigation. These discussions also provided the context for the Committee's consideration of the Directors' viability statement and the analysis that underpins the assurance provided by that statement. For more details on the viability statement, please refer to the Risk overview from page 20. The Committee's consideration of risk management was supported by 'deep dive' reviews of key activities such as: supply chain responsiveness; improvements to IS/IT infrastructure and the adequacy of cybersecurity; commercial operations in China and the US; and pricing, reimbursement and market access. Further information on the Company's Principal Risks are on pages 20 to 21. The Committee visited the Company's US Commercial head office in Wilmington and the MedImmune leadership team in Gaithersburg to gain further insight into emerging risks as the Company's strategy develops in a dynamic external environment.

Compliance with the Code of Conduct

The Committee's priorities continue to include: maintaining compliance with the Company's Code of Conduct; high ethical standards; and operating within the law in all countries where we conduct business or have interactions. In 2015, the Company had met all of its obligations under its five-year Corporate Integrity Agreement in the US, which terminated in April 2015. During a visit to the Company's US Commercial head office in Wilmington, the Committee heard about how the US Compliance Programme has evolved, after completion of the Corporate Integrity

Agreement, to maintain strong focus and remain relevant, proactively addressing key compliance risks. Throughout 2016, the Committee monitored and reviewed compliance with our Code of Conduct, including the effectiveness of our anti-bribery and anti-corruption controls, across the Group. The Committee prioritised its focus on countries where we have significant operations and countries in which doing business is generally considered to pose a higher corruption or general compliance risk such as the US, the UK, China, Japan, Nigeria and India.

Engagement with senior leaders

The Committee considers it important to interact with members of management below the SET. In July, members of the Committee visited the Company's US Commercial and MedImmune leadership teams in Wilmington and Gaithersburg respectively. We talked to senior leaders about the opportunities and challenges the Company faces, and the current and emerging risks arising from the development and successful delivery to patients of medicines from our rapidly evolving pipeline. The Committee also met informally with senior leaders from the Operations IS/IT, Finance, Legal and Global Payer Evidence & Pricing teams. In June 2016, I participated in a discussion at the Company's Internal Audit Services (IA) team conference on the role of the Board and Audit Committee generally and at AstraZeneca, and I shared my perspective on the importance of the work of IA in providing assurance on AstraZeneca's risk management, controls and governance generally.

Finally, I would like to offer thanks from the Committee to Jean-Philippe Courtois, who retired from the Committee on 1 December 2016, for his valued contribution to the Committee and its work.

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

Yours sincerely

Rudy Markham
Chairman of the Audit Committee

Audit Committee membership and attendance

All Committee members are Non-Executive Directors and considered by the Board to be independent under the UK Corporate Governance Code. The Committee's members are Rudy Markham (Committee Chairman), Bruce Burlington, Ann Cairns and Shriti Vadera. Jean-Philippe Courtois was a member of the Committee until he stepped down from the Board on 1 December 2016.

In December 2016, the Board determined that, for the purposes of the UK Corporate Governance Code, at least one Audit Committee member has recent and relevant financial experience and that Rudy Markham and Ann Cairns are financial experts for the purposes of the Sarbanes-Oxley Act. The Board of Directors' biographies on pages 86 and 87 contain details of each Audit Committee member's skills and experience.

The Audit Committee held five meetings in 2016 and Committee members' attendance is set out in the table on page 84.

Role and operation of the Audit Committee

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

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

> monitoring the integrity of the Company's financial reporting and formal announcements relating to its financial performance, and reviewing significant financial reporting judgements contained within them
> ensuring the Company's Annual Report and Accounts present a fair, balanced and understandable assessment of the Company's position and prospects
> 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 Conduct
> monitoring and reviewing the role, resources and effectiveness of the Company's Internal Audit function, its Compliance function, the external audit process and the Company's relationship with its external auditor
> monitoring and reviewing the external auditor's independence and objectivity
> ensuring the provision of non-audit services by the external auditor are appropriate and in accordance with policy approved by the Committee
> making recommendations to the Board for 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.

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

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

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

Audit Committee Report continued

Activities of the Audit Committee in 2016

During 2016 and in January 2017, the Audit Committee considered and discussed the following standing items:

> key elements of the Financial Statements and the estimates and judgements contained in the Company's financial disclosures. Accounting matters considered included the areas described in the Financial Review under 'Critical accounting policies and estimates' (with a focus on accounting issues relevant to revenue recognition, litigation and taxation matters, goodwill and intangible asset impairment) from page 77 and other important matters such as monitoring the accounting for Externalisation Revenue in the Group's Consolidated Statement of Comprehensive Income. The Committee reviewed the Company's definition of Externalisation Revenue against market practice, and individual judgements on items falling within that definition. Discussion of these matters was supported by papers prepared by management and the external auditor, and input from the Science Committee (as appropriate)

> 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

> quarterly reports of work carried out by IA, Global Compliance and Finance including the status of follow-up actions with management

> the Company's principal, enduring and emerging risks, including the Company's risk management approach, risk reporting framework and risk mitigation. More information about the principal risks faced by the Company is set out in the Risk overview section from page 20

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

> data from reports made by employees via the AZethics helpline, online facilities and other routes regarding potential breaches of the Code of Conduct, together with the results of enquiries into those matters

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

> 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 142

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

> quarterly reports from the General Counsel on the status of significant litigation matters and governmental investigations

> audit and non-audit fees of the external auditor during 2016, including the objectivity and independence of the external auditor through the application of the Non-Audit Services Policy as described further below. Further information about the audit and non-audit fees for 2016 is disclosed in Note 30 to the Financial Statements on page 192

> the Audit Committee conducted the annual evaluation of its own performance with each Committee member responding to a web-based questionnaire prepared by an external third party. The effectiveness review of the Audit Committee was assessed as high performing with a good balance struck between the necessary rigour and a holistic understanding of issues under consideration, quality engagement with the business outside formal meetings, and appropriate attention given to the external auditor transition

> effectiveness review of Internal Audit, which noted an external assessment of IA observed that the function is well respected and trusted, providing assurance that is aligned to the Company's risk profile and well-coordinated with the other risk and assurance functions. IA continues to build its capabilities seeking opportunities for continuous improvement.

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

> significant capital expenditure and the execution of restructuring programmes, including the construction of the new strategic bioscience site and corporate head office in Cambridge, UK and review of historic restructuring programmes

> the level of assurance regarding the effective integration of recently acquired entities and their compliance with Group policies and governance arrangements

> regular updates from the IT team with particular attention to cybersecurity and the progress of the Group's IT infrastructure transformation, including the set-up of the global technology centre in Chennai, India and related business continuity arrangements, noting a new global technology centre in Guadalajara, Mexico has become operational

> supply chain responsiveness for launches of new products, in particular biologics, including critical capabilities and robust processes that will support delivery of the evolving pipeline

> opportunities, challenges, compliance and risk management discussed with the US commercial business leadership team and MedImmune leadership team during the Committee's visit to the Company's Wilmington and Gaithersburg sites

> key compliance risks arising from our activities in China, including the effectiveness of controls, noting senior leadership's continued focus on a strong compliance and ethics culture as the China business grows

> consideration of major trends regarding pricing, reimbursement and market access for biopharmaceuticals, and the key external and internal risks the Company faces

> monitoring the external audit transition process to ensure an effective transition of the Group's external auditors in 2017, subject to shareholders' approval to appoint the new external auditor at the Company's AGM in April 2017

> the Group's approach to taxation noting that AstraZeneca aims to comply with tax laws in the countries in which it does business and is committed to transparent and constructive relationships with all relevant tax authorities

- relevance to the Company of new Compliance and Disclosure Interpretations issued by the SEC on the use of non-GAAP measures, in particular the disclosure of and prominence given to non-GAAP measures and the appropriateness of items removed from GAAP numbers in arriving at non-GAAP measures
- proposals for the Directors' Slavery and Human Trafficking Statement and the adequacy of the arrangements supporting the assurance provided by that statement, and preparation for compliance with the Market Abuse Regulation before it came into force on 3 July 2016
- monitoring the resource requirements of key control functions (Finance, IA, Compliance) with particular reference to succession planning and the potential impact of ongoing restructuring on the effectiveness of risk and control processes.

Significant financial reporting issues considered by the Audit Committee in 2016

Revenue recognition

The US is our largest single market and sales accounted for 35% of our Product Sales in 2016. Revenue recognition, particularly in the US, is impacted by rebates, chargebacks, cash discounts and returns (for more information, please see the Financial Review from page 62). The Audit Committee pays particular attention to management's estimates of these items, its analysis of any unusual movements and their impact on revenue recognition informed by commentary from the external auditor.

Valuation and possible impairment of intangible assets

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

In 2016, the Audit Committee considered specific impairment review papers and supporting information on the Group's *FluMist* and Ardea intangible assets. The *FluMist* impairment review included detailed consideration of the impact of the announcement in June 2016 by the Advisory Committee on Immunization Practices of the Center for Disease Control and Prevention of an interim recommendation on the use of *FluMist* Quadrivalent in the US during the 2016/2017 influenza season. The Ardea intangible asset impairment review included considerations in both the gout indication as well as indications in the CVMD therapy area. The Audit Committee obtained valuable input from the Science Committee for this review. The Audit Committee agreed with the conclusion that no impairment was required.

In 2016, there were no significant impairments of intangible assets.

Litigation and contingent liabilities

The Audit Committee was regularly informed by the General Counsel and external auditor about IP litigation, product liability actions and governmental investigations that might result in fines or damages against the Company, to assess whether provisions should be taken and, if so, when and in what amount. Of the matters the Committee considered in 2016, the most significant included: FCPA investigation (US); *Nexium* anti-trust litigation (US); *Pulmicort Respules* patent litigation (US); *Faslodex* patent litigation (US and Europe); and *Crestor* damages claims (Australia). The US FCPA investigation was resolved in 2016 following a civil settlement agreed with the SEC; the DOJ closed its investigation without taking action against the Company. Notwithstanding the Company's success defending the claims in the *Nexium* anti-trust case, the plaintiffs continue to seek opportunities to assert their claims. *Faslodex* patent litigation continues in the US and Europe. Settlements have been reached with lead litigants in the US. Further information about the Company's litigation and contingent liabilities is set out in Note 28 to the Financial Statements from page 185.

Tax accounting

The Audit Committee reviewed the Company's approach to tax including governance, risk management and compliance, tax planning, dealings with tax authorities and the level of tax risk the Company is prepared to accept. The full statement, which was published in November 2016, can be found at www.astrazeneca.com. In 2016, following a review by the FRC designed to encourage more transparent recording of the relationship between the tax charges and accounting profit, the FRC confirmed that they had no substantive issues to raise in respect of the tax disclosures in the Company's 2015 accounts. The FRC has noted that their review does not provide assurance that our report and accounts are correct in all material respects and that the FRC's role is not to verify the information provided but to consider compliance with reporting requirements.

Retirement benefits

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

Internal controls

The Audit Committee receives a report of the matters considered by the Disclosure Committee during each quarter. At the January 2017 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 2016. Based on their evaluation, the CEO and the CFO concluded that, as at that date, we maintained an effective system of disclosure controls and procedures.

Audit Committee Report continued

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

Appointing the auditor

As we reported in 2012, the Audit Committee determined that the audit would be put out to tender by 2018 in accordance with the UK Corporate Governance Code and guidance issued by the FRC. KPMG was first appointed as sole external auditor to Zeneca Group PLC in 1993 and to AstraZeneca PLC in 2001 following a competitive tender. Anthony Cates is the current lead audit partner at KPMG following lead partner rotation in 2013.

Having concluded the competitive tender process in December 2015, the Audit Committee recommended to the Board that PwC be appointed as the Group's statutory auditor for the 2017 financial year. The Audit Committee confirmed in September 2016 that PwC is independent under SEC and UK independence regulations. A resolution to approve the appointment of PwC will be put to shareholders at the Company's AGM in 2017.

The Audit Committee considers that the Company has complied with the Competition and Markets Authority's Statutory Audit Services for Large Companies Market Investigation (Mandatory Use of Competitive Tender Processes and Audit Committee Responsibilities) Order 2014 in respect of its financial year commencing 1 January 2016.

Non-audit services and safeguards

The Audit 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 policies define the type of work that falls within each of these categories and the non-audit services that the external auditor is prohibited from performing under the rules of the SEC and other relevant UK and US professional and regulatory requirements. The pre-approval procedures permit certain audit, audit-related and tax services to be performed by the external auditor during the year, subject to fee limits agreed with the Audit Committee in advance. The Audit 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 in excess of the pre-agreed fee limits is delegated to the Chairman of the Audit Committee together with one other Audit Committee member in the first instance. A standing agenda item at Audit Committee meetings covers the operation of the pre-approval procedures and regular reports are provided to the full Audit Committee.

In 2016, non-audit services provided to the Company by KPMG included the audit of a product line required as part of the disposal of this asset, audit services in relation to employee benefit funds such as the audit of subsidiary company pension funds and, tax compliance services. KPMG was considered better placed to provide these services, in terms of skills, capability and efficiency, than any alternative audit firm. All such services were either within the scope of the pre-approved services set out in the Non-Audit Services Policy or were presented to Audit Committee members for pre-approval.

Fees paid to the auditor for audit, audit-related and other services are analysed in Note 30 to the Financial Statements on page 192. Fees for non-audit services amounted to 29% of the fees paid to KPMG for audit, audit-related and other services in 2016.

Assessing external audit effectiveness

In accordance with its normal practice, the Audit Committee considered the performance of KPMG and its compliance with the independence criteria under the relevant statutory, regulatory and ethical standards applicable to auditors. Having considered all these factors (Judgement, Mind-set & Culture, Skills, Character & Knowledge and Quality Control) and changes in audit approach in response to finding and comments in the Audit Quality Review report performed by the FRC issued in May 2016. The Audit Committee concluded that the KPMG audit was effective for the financial year commencing 1 January 2016.

Directors' Remuneration Report

As Chairman of the Remuneration Committee (the Committee), I am pleased to present AstraZeneca's 2016 Directors' Remuneration Report. Our updated Remuneration Policy, which will be proposed for approval by shareholders at the 2017 AGM, is set out from page 122.

Contents

"We remain committed to ensuring that our remuneration arrangements support our strategy and deliver sustainable value to our shareholders."

As AstraZeneca's pipeline-driven transformation continues, the Committee has taken care to ensure that the Company's remuneration arrangements remain aligned to its strategy with strong links between long-term performance and our shareholders' experience.

As our 2014 Policy comes to the end of its three-year life-cycle, we are required to put a new Remuneration Policy forward to a shareholder vote at the 2017 AGM. During 2016, we consulted our major shareholders and their representatives extensively on executive remuneration and we would like to thank those who took part in this process. The feedback we received has informed the Committee's approach to executive remuneration in 2017.

The Committee's intention is to give shareholders assurance that:

> the CEO's remuneration opportunity overall will not increase as a percentage of base salary
> LTI arrangements will be simplified
> our incentives will continue to reward good long-term decisions aligned with the Company's strategy
> the transparency of performance measures and targets will be increased further
> if discretion is used, it will be well balanced and justified.

Taking into account shareholder feedback, two substantive changes to our Remuneration Policy are proposed, namely: (i) a reduction in the level of LTI vesting at threshold performance under the PSP from 25% to 20% of maximum; and (ii) that no new awards will be made under the AZIP. From 2017, LTI awards for Executive

Directors' Remuneration Report continued

Directors will only be made under the PSP. We have also taken the opportunity to simplify the proposed Remuneration Policy which we hope shareholders will find helpful.

2016 performance

We delivered a strong pipeline performance in 2016 as AstraZeneca's transformation continues and we implement our strategy to achieve scientific leadership, return to growth and achieve our Group financial targets. The majority of the elements of our performance-related pay are directly aligned to the business plan based on these three strategic pillars with the intention of driving performance that promotes the long-term success of the Company.

We continued to make strong progress towards achieving scientific leadership and our ability to deliver innovation to the market. A number of significant opportunities, not expected to be achieved in 2016, have been successfully accelerated. For example, the FDA's acceptance of the Company's first Biologics License Application for durvalumab in urothelial bladder cancer is an important milestone demonstrating the advance of our immuno-oncology medicines. The US and European regulatory submission acceptances for *Tagrisso* in lung cancer and fast track review in China further demonstrate AstraZeneca's commitment to prioritise the progression of our new oncology pipeline.

Overall, our 2016 financial performance was in line with expectations as AstraZeneca's pipeline-driven transformation continues. While 2016 Product Sales declined by 10% (8% at CER), driven by the entry of multiple *Crestor* generic medicines in the US, our six Growth Platforms grew by 4% (5% at CER) representing 63% of our Total Revenue. We have completed a number of strategic business development transactions this year, such as the sale of the Company's small molecule antibiotics business to Pfizer and the agreement with Aspen Pharma for the commercialisation rights to the Company's global anaesthetics portfolio outside the US. The 7% decline (5% at CER) in Total Revenue reflects the loss of *Crestor* exclusivity. Core EPS increased by 1% (5% decline at CER). Our leadership team has taken care to manage costs and continue investment in the long-term success of the Company. Good progress was made on R&D cost control despite the absorption of Acerta Pharma and ZS Pharma R&D costs. Core SG&A expenses declined by 12% (9% at CER).

2016 remuneration outcomes

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

When considering business performance together with the Executive Directors' individual performance, annual bonus awards of 98% and 88.2% of base salary were awarded to Mr Soriot and Mr Dunoyer, respectively, reflecting the Group scorecard outcome. Following the end of 2016, performance was tested for the three-year performance period for the 2014 PSP awards. As a result of our performance over the past three years, the 2014 PSP award will vest at 92% of maximum.

The two performance tests (progressive dividend and 1.5 times dividend cover) for the AZIP granted in 2013 were met in each year of the four-year performance period ending 31 December 2016, meaning that the award vests in full. Awards are subject to a further four-year holding period and they will be released on 31 December 2020.

We have reported Mr Soriot's single total figure remuneration for 2016 on page 107. In addition to the regular 2013 AZIP award, this figure includes the previously reported one-off AZIP award granted to buyout LTIs from Mr Soriot's previous employment, which he forfeited in order to join AstraZeneca. To enable a like-for-like comparison to be made between Mr Soriot's 2015 and 2016 remuneration we have included columns with and without the one-off buyout award in the single figure table. The one-off AZIP award is subject to a further four-year holding period before the award pays out.

Shareholder engagement

We received approximately 90% shareholder support for our 2015 Directors' Remuneration Report. We have consulted with our major shareholders in developing our proposals for executive remuneration for 2017.

Overall our major shareholders responded positively to the proposals we discussed and they encouraged further simplification of the Company's executive remuneration arrangements in the future where possible. In light of the positive feedback received, the Committee decided to proceed with the changes it proposed, which I have summarised below.

Remuneration in 2017

Overall executive pay opportunity

Executive Directors will receive salary increases of 2.5%, effective from 1 January 2017, in line with those for the wider UK employee population. There will be no increase in the CEO's maximum pay opportunity as a percentage of base salary, and LTI awards in excess of 500% base salary (at face value) will cease to be available under the proposed Directors' Remuneration Policy as only a single LTI plan will be operated. Mr Soriot's and Mr Dunoyer's target LTI awards are unchanged at 250% and 200% of base salary respectively. The level of LTI vesting at threshold performance under the PSP will be reduced from 25% to 20% of maximum.

From 2017 onwards no awards will be made under the AZIP. LTI awards for Executive Directors will be made under the PSP only. Since the AZIP was first introduced in 2010, AstraZeneca has undergone significant change and the AZIP is no longer closely aligned to the delivery of the Company's strategy. The Company's pipeline of potential innovative medicines has been transformed and the Company's efforts need to be sharply focused on delivering value from the late-stage pipeline through the successful approval and launch of its new medicines.

In addition, shareholder concern that the AZIP has the potential to incentivise short-termism in decision making rather than delivering sustainable value for shareholders is addressed through ceasing awards under this plan. Awards under the PSP have an expected value of 50%, whereas the expected value that has been used when making AZIP awards has been 100%. A consequence of awarding shares entirely under the PSP is that the value that could potentially be delivered to the CFO for maximum performance under the LTI plan has increased from 350% of base salary to 400% (face value). There is no increase in Mr Soriot's maximum remuneration opportunity under the LTI plan, which remains at 500%.

2017 PSP simplification, transparency and alignment to strategy

Building on the simplification of the PSP last year, in 2017 we will reduce the five Achieve scientific leadership measures to three: NME approvals, major life-cycle management approvals, and Phase III registration/NME approvals. These three measures focus on the successful delivery of the late-stage pipeline in alignment with the Return to growth phase of the Company's strategy.

To ensure the link between executive reward and the achievement of operating profit is maintained, when we stop awarding shares under the AZIP, a new PSP measure will be adopted: Reported EBITDA (excluding non-cash movements on fair value of contingent consideration on business combinations). In selecting 'Reported' EBITDA, the Committee has addressed a general concern about the pharmaceutical industry's use of 'core' earnings for incentive purposes. Further, in line with our aim to increase transparency and accountability in our reporting, we have disclosed the targets for this measure at the start of the performance period.

During the year, the Committee also reviewed the TSR peer group used for the PSP and has decided to increase the number of companies that form the group from 10 to 18. The new peer group provides a better comparison in terms of revenue, innovation portfolio and geographical presence. Twenty percent of the award will vest for median performance and 100% for upper quartile performance. TSR ranking within the new peer group is expected to reward consistent strong performance and mitigate market volatility.

The adjustment and significant simplification of our LTI arrangements outlined above will support a sharp focus on critical decisions as the executive management continues to execute AstraZeneca's strategy and deliver value for shareholders from its late-stage pipeline.

Legacy AZIP awards

Although no new awards will be made under the AZIP, awards made under this plan in the past will continue in operation until the end of 2019, which is the final performance year of the AZIP awards granted in 2016. The AZIP targets (progressive dividend and 1.5 times dividend cover) will remain unchanged for all outstanding AZIP awards.

As originally operated, if an AZIP performance test was not achieved in any one of the four performance years, all outstanding AZIP awards would fail, which meant that the incentive to meet either target for the remaining years was rendered completely ineffective. Some of our shareholders have told us that they are concerned that the AZIP may incentivise too great a focus on short-term earnings rather than the investment needed to deliver the value of the Company's late-stage pipeline.

The Committee considered a number of different ways to address this concern. For example, the volatility of exchange rates can have a significant impact on EPS with the consequence that the AZIP dividend cover target can become unachievable. Missing the dividend cover target for this reason would not be a fair reflection of the underlying business performance. However, making adjustments over the long term to balance the impact of exchange rate volatility across multiple markets, both in cases where the impact is positive for the Company as well as negative, would introduce significant complexity to the operation of the AZIP.

Another way to mitigate the risk of incentivising a focus on delivering short-term earnings would be to lower the AZIP's targets. However, the Committee considered it inappropriate to reduce the performance targets set at the time the award was originally granted. The Committee is satisfied that the current dividend level and cover targets remain stretching and appropriate for the three years left to run under the existing AZIP awards.

The Committee also considered whether changes should be made to other elements of executive remuneration in order to mitigate the impact of the AZIP cliff-edge vesting but concluded that maintaining the stretch of the original AZIP targets was important. The Committee concluded that since the AZIP cliff-edge vesting was the root cause of shareholder concern, adjusting this is the most effective way to mitigate the risk that the AZIP could drive sub-optimal decision making.

Ultimately, the Committee decided to operate a simple *pro rata* sliding scale for future performance years of the remaining awards. If a performance target is missed in any one year, instead of every outstanding AZIP award failing, only 25% will fail reflecting the fact that only one of the four performance years has failed. The Committee believes that this sliding scale directly addresses shareholder concern and will provide a good balance between challenging and achievable targets.

Next steps

We remain committed to ensuring that our remuneration arrangements support our strategy and deliver sustainable value to our shareholders. As such I hope that you find this report explains clearly how we intend to achieve this and that it gives you the information you need to be able to support the two remuneration resolutions that will be put forward to a shareholder vote at the 2017 AGM (the new Remuneration Policy and the Annual Report on Remuneration for the year ending 31 December 2016). Our ongoing dialogue with shareholders is valued greatly and, as always, we welcome your feedback on this Directors' Remuneration Report.

Yours sincerely

Graham Chipchase
Chairman of the Remuneration Committee
2 February 2017

Directors' Remuneration Report continued

At a glance summary of Executive Directors' remuneration

Looking ahead to 2017 – our remuneration framework

Element	Structure	Opportunity	Change from 2016
Salary	Base salary, paid monthly	CEO – £1,220,000	2.5% increase
		CFO – £725,000	2.5% increase
Pension	Allowance taken as cash in lieu of pension participation	CEO – 30% of base salary	No change
		CFO – 24% of base salary	No change
Annual bonus	Quantum determined by one-year performance against financial, non-financial and individual performance targets. One-third of bonus deferred into Ordinary Shares or ADSs, which will vest after three years	CEO – maximum 180% of base salary	No change
		CFO – maximum 150% of base salary	No change
LTI	Delivered under the PSP	CEO – maximum 500% of base salary	No change
	Proportion vesting determined by three-year performance against five equally-weighted measures: > Relative TSR > Reported EBITDA > Cash flow > Return to growth > Achieve scientific leadership (3 individual measures) Two-year holding period follows performance period	CFO – maximum 400% of base salary	14.3% increase as a consequence of awarding shares entirely under the PSP Awards only made under the PSP going forward Reported EBITDA has been introduced as a measure and the Achieve scientific leadership measure has been reduced from five to three individual measures For further information on these changes see the Implementation of Remuneration Policy in 2017 section from page 117

Our variable remuneration – 2016

2016 Annual bonus (see page 107 for further details)

Measure	Target (one-year)	Weighting	Performance	Level of award[1]
Achieve Group financial targets	Cash flow Core EPS Revenue	10% 20% 10%	Exceeded target Below target Below threshold	CEO – 54.4% of maximum (98% of salary) CFO – 58.8% of maximum (88.2% of salary)
Achieve scientific leadership	5 measures	6% each	Exceeded target	
Return to growth	6 measures	5% each	Below target	

[1] Includes assessment of Executive Director's performance against individual objectives.

2014-2016 PSP (see page 108 for further details)

Measure	Target (three-year)	Weighting	Performance	Level of award
Relative TSR	TSR performance relative to peer group	25% each	85% of maximum	92% of maximum
Cash flow	Cumulative free cash flow		100% of maximum	
Achieve scientific leadership	5 measures		100% of maximum	
Return to growth	5 measures		82% of maximum	

2013-2016 AZIP (see page 109 for further details)

Measure	Target (four-year)	Weighting	Performance	Level of award
Dividend level	Annual dividend per share of $2.80 or more	Both targets must be achieved for the award to vest	100% of maximum	100% of maximum
Dividend cover	At least 1.5 calculated on the basis of Core EPS		100% of maximum	

Annual Report on Remuneration

What did we pay our Directors?

Executive Directors' single total figure remuneration (Audited)

	Base Salary		Taxable benefits		Annual bonus		Long-term incentives				Pension		Other		Total (excluding buyout long-term incentive)		Total	
	2016 £'000	2015 £'000	**2016 £'000**	2015 £'000	**2016 £'000**	2015 £'000	**Regular[3] 2016 £'000**	Regular[1,3] 2015 £'000	**Buyout[2,3] 2016 £'000**	Buyout[3] 2015 £'000	**2016 £'000**	2015 £'000	**2016[3] £'000**	2015 £'000	**2016 £'000**	2015 £'000	**2016 £'000**	2015[1] £'000
Pascal Soriot	**1,190**	1,167	**121**	115	**1,167**	2,042	**6,910**	4,289	**3,623**	–	**357**	350	**21**	–	**9,766**	7,963	**13,389**	7,963
Marc Dunoyer	**707**	694	**71**	65	**624**	1,036	**2,878**	4,613	**–**	–	**170**	167	**–**	–	**4,450**	6,575	**4,450**	6,575
Total	**1,897**	1,861	**192**	180	**1,791**	3,078	**9,788**	8,902	**3,623**	–	**527**	517	**21**	–	**14,216**	14,538	**17,839**	14,538

1 These figures have been revised using the actual share price on vesting. The figures disclosed in last year's Directors' Remuneration Report were based on the average closing share price over the three-month period to 31 December 2015.
2 Shares awarded to Mr Soriot in 2013 under the AZIP to compensate him for LTIs from previous employment which were forfeited on his recruitment as the Company's CEO (as previously disclosed to shareholders in the 2013 Directors' Remuneration Report) and the cash equivalent of dividends accrued on those AZIP shares during the performance period, payable on vesting.
3 Cash equivalent of the dividends accrued on shares deferred under the annual bonus awarded in respect of 2012, paid during the year on the completion of the bonus share deferral period.

Notes to the Executive Directors' single total figure remuneration table

Taxable benefits

Executive Directors may select benefits within the Company's UK Flexible Benefits Programme or can select to take all, or any remaining allowance after the selection of benefits, in cash. In 2016, the Executive Directors principally took the allowance in cash (£103,000 in respect of Mr Soriot and £54,000 in respect of Mr Dunoyer) and selected other benefits including healthcare insurance, death-in-service provision and advice in relation to tax.

2016 Annual bonus

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

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

The precise targets or target ranges set at the beginning of the performance period are closely aligned to the Company's strategic priorities, set out in the Group scorecard. As in prior years, we have set out below the targets for 2016 in respect of the Achieve Group financial targets element of the annual bonus and Company performance against those targets. In addition, we have provided the outcomes under each of the Achieve scientific leadership and Return to growth targets. While, in the judgement of the Board, the targets themselves under these areas remain commercially sensitive, we remain committed to making retrospective disclosure of these targets when they are no longer considered to be commercially sensitive. It is anticipated that targets will be disclosed two years after the end of the performance period (as has been done for the 2014 annual bonus targets which are set out on page 114).

The 2016 bonus for both Executive Directors was below their individual target and was determined by applying the Group scorecard outcome directly to their target. The Group scorecard outcome was 98% and consequently the Committee determined that Mr Soriot's annual bonus should amount to 98% of base salary, representing 54.4% of his potential maximum, and that Mr Dunoyer's bonus should amount to 88.2% of base salary, representing 58.8% of his potential maximum.

1. Achieve Group financial targets

These targets are based on the Company's key financial measures. Cash flow performance in 2016 was strong and the target was exceeded. The Core EPS and Revenue outcomes were below target – Core EPS performance was within the performance range and resulted in a below target payout. There will be no payout related to Revenue performance, which was below the threshold level set for that measure.

Performance targets for 2016	Weighting	Target	Outcome	Performance	Pascal Soriot level of award	Marc Dunoyer level of award
Cash flow from operating activities target	10%	\$3.9bn[1]	\$4.5bn[1]	Exceeded target	19.0%	17.1%
Core EPS	20%	\$4.20[2]	\$4.13[2]	Below target	17.0%	15.3%
Overall revenue	10%	\$24.3bn[2]	\$23.5bn[2]	Below threshold	0%	0%
Pascal Soriot level of award		**£429,000 (representing 36.7% of total annual bonus outcome)**				
Marc Dunoyer level of award		**£229,000 (representing 36.7% of total annual bonus outcome)**				

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

Annual Report on Remuneration continued

2. Achieve scientific leadership

These targets reflect the Company's ability to deliver innovation to the market. In 2016, we continued to make progress towards achieving scientific leadership.

The AstraZeneca pipeline includes 132 projects, of which 120 are in the clinical phase of development. There are 12 NME projects currently in late-stage development, either in Phase III/pivotal Phase II studies or under regulatory review. During 2016, across the portfolio, 48 projects successfully progressed to their next phase. This includes four first approvals in a major market, and 15 NME progressions. In addition, 17 projects have entered Phase I and 22 projects have been discontinued.

The Committee and the Science Committee assessed the substance of the achievements and concluded a fair and balanced outcome was 15 Phase II starts/progressions (versus 16 as reported in the KPI section on page 16) and 13 NME and major life-cycle management submissions (versus 14 as reported in the KPI section).

Performance targets for 2016	Weighting	Target	Outcome	Performance	Pascal Soriot aggregate level of award	Marc Dunoyer aggregate level of award
Phase II starts/progressions	6% per measure	Commercially sensitive until March 2019	15	Below target	41.0%	36.9%
Positive Phase III investment decisions			7	Met target		
NME and major life-cycle management submissions			13	Below target		
NME and major life-cycle management approvals			11	Met target		
Clinical-stage external licensing and partnering opportunities			10	Exceeded target		
Pascal Soriot level of award	**£488,000 (representing 41.9% of total annual bonus outcome)**					
Marc Dunoyer level of award	**£261,000 (representing 41.9% of total annual bonus outcome)**					

3. Return to growth[1]

These targets are based on quantitative sales targets for 2016 relating to the Company's Growth Platforms: *Brilinta/Brilique*, CVMD, Respiratory, New Oncology, Emerging Markets, and Japan. In 2016, the New Oncology therapy area performed well, exceeding target, and Japan met its target. The other Return to growth platform outcomes were below target reflecting a number of challenges in meeting these stretching targets.

Performance targets for 2016	Weighting	Target	Outcome	Performance	Pascal Soriot aggregate level of award	Marc Dunoyer aggregate level of award
Brilinta/Brilique	5% per measure	Commercially sensitive until March 2019	$0.9bn	Below target	21.0%	18.9%
CVMD			$2.5bn	Below target		
Respiratory			$4.9bn	Below target		
New Oncology			$0.7bn	Exceeded target		
Emerging Markets			$6.3bn	Below target		
Japan			$1.9bn	Met target		
Pascal Soriot level of award	**£250,000 (representing 21.4% of total annual bonus outcome)**					
Marc Dunoyer level of award	**£134,000 (representing 21.4% of total annual bonus outcome)**					

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

4. Individual performance

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

Our Executive Directors delivered 2016 business performance in line with expectations and against stretching performance targets, while managing a number of factors that impacted 2016 Product Sales and Total Revenue, such as pricing pressure and new competition from *Crestor* generic medicines. Strong leadership from our Executive Directors has enabled significant achievements such as the strategic prioritisation of scientific projects leading to the acceleration of a number of important opportunities and an organisational transformation to support entrepreneurial and agile teams focused on the most critical business priorities while delivering a 12% reduction in Core SG&A expense (9% at CER) and continuing to invest in R&D. When considering our Executive Directors' individual performance and the business' performance overall, the Committee decided a Group scorecard outcome of 98% represents a fair and balanced reflection of performance in a challenging year and that no upward or downward adjustment to the bonus outcomes for either Executive Director was required.

Long-term incentives:

2014 Performance Share Plan (PSP)

92% of the PSP awards granted to Mr Soriot and Mr Dunoyer in 2014 in respect of the 2014-2016 performance period will vest in 2017.

	Number of shares awarded	Number of shares vesting	Value vesting[1] £'000
Pascal Soriot	124,066	114,140	5,817
Marc Dunoyer	52,254	48,073	2,450

[1] Based on average closing share price over the three-month period to 31 December 2016 plus accrued dividends over the vesting period.

The TSR and cash flow targets were disclosed at the time of the award. The Committee has determined that the 2014 targets relating to the Achieve scientific leadership and Return to growth elements of the PSP are no longer commercially sensitive. The targets, outcomes and relative weighting of each of the PSP's performance measures are set out in the tables below.

More information about the PSP is set out in the Share interests awarded in 2016 section from page 110.

1. Relative TSR

Performance measure for 2014-2016	Weighting	Threshold target: 25% vesting	Maximum target: 100% vesting	Outcome	Vesting (% of maximum)
AstraZeneca's rank against peer group	25%	Median (6th)	Above upper quartile (2nd or above, at the discretion of the Committee)	2nd	85%

Above upper quartile TSR performance achieved. In the Committee's judgement, 85% vesting is a fair reflection of underlying business performance and shareholder experience over the performance period. More information about the TSR performance of the Company, including the Company's peer group, is set out in the Total shareholder return section on page 113.

2. Cumulative cash flow

Performance target for 2014-2016	Weighting	Threshold target: 25% vesting	Maximum target: 100% vesting	Outcome	Vesting (% of maximum)
Adjusted cumulative cash flow[1]	25%	$9.0bn	$13.0bn	$13.3bn	100%

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

3. Achieve scientific leadership

Performance targets for 2014-2016	Weighting	Threshold target: 25% vesting	Maximum target: 100% vesting	Outcome	Vesting (% of maximum)
NME approvals	5% per measure	2	6	9	100%
Major life-cycle management approvals		3	6	6	100%
Phase III/registration NME volume		5	7	15	100%
Prospective peak-year sales from NME and major life-cycle management approvals		$2.0bn	$4.0bn	$7.0bn	100%
Phase II starts		12	16	36	100%

4. Return to growth[1]

Performance targets for 2014-2016	Weighting	Threshold target: 25% vesting	Maximum target: 100% vesting	Outcome	Vesting (% of maximum)
Brilinta/Brilique	5% per measure	$0.8bn	$1.1bn	$0.9bn	79%
Diabetes franchise		$2.3bn	$3.3bn	$2.6bn	55%
Respiratory		$3.4bn	$4.8bn	$5.3bn	100%
Emerging Markets		$5.0bn	$7.2bn	$6.9bn	94%
Japan		$1.9bn	$2.7bn	$2.4bn	81%

[1] The Return to growth targets are set at budget exchange rates at the beginning of the performance period and evaluated at those rates at the end of the performance period.

2013 AstraZeneca Investment Plan (AZIP)

100% of the AZIP awards granted to Mr Soriot and Mr Dunoyer in 2013 in respect of the 2013-2016 performance period will vest in 2021, subject to continued employment. Mr Soriot's 2013 AZIP comprised a regular award of 20,852 shares and a one-off award of 69,108 shares to compensate him for LTIs from previous employment forfeited on his recruitment as the Company's CEO. The AZIP targets were disclosed at the time of the award and the targets and outcomes are set out below.

	Number of shares awarded	Number of shares vesting	Value vesting[1] £'000
Pascal Soriot	89,960	89,960	4,716
Marc Dunoyer	8,176	8,176	429

[1] Based on average closing share price over the three-month period to 31 December 2016 plus accrued dividends over the performance period.

Performance targets for 2013-2016	2013	2014	2015	Outcome 2016
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	1.80	1.53	1.52	1.54

More information about the AZIP is set out in the Share interests awarded in 2016 section from page 110.

Annual Report on Remuneration continued

Pension allowance

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

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

	2016 Fees £'000	2015 Fees £'000	2016 Total £'000	2015 Total £'000
Leif Johansson	**611**	609	**611**	609
Geneviève Berger	**87**	87	**87**	87
Bruce Burlington	**117**	114	**117**	114
Ann Cairns	**95**	95	**95**	95
Graham Chipchase	**115**	107	**115**	107
Rudy Markham	**165**	156	**165**	156
Shriti Vadera	**110**	108	**110**	108
Marcus Wallenberg	**87**	87	**87**	87
Former Non-Executive Directors				
Cori Bargmann	**65**	59	**65**	59
Jean-Philippe Courtois	**87**	95	**87**	95
Nancy Rothwell	**–**	35	**–**	35
John Varley	**–**	46	**–**	46
Total	**1,539**	1,598	**1,539**	1,598

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

Board fees and office costs

The Chairman's fee includes office costs (invoiced in Swedish krona) of £36,000 for 2016, and £34,000 for 2015. Further information on the Non-Executive Directors' fees can be found in the Summary of Non-Executive Directors' remuneration for 2017 section on page 119.

Board changes

Cori Bargmann and Jean-Philippe Courtois stepped down from the Board with effect from 1 October 2016 and 1 December 2016 respectively.

Share interests awarded in 2016 (Audited)

Deferred Bonus Plan

	Pascal Soriot	Marc Dunoyer
Interest awarded	17,352 Ordinary Shares awarded on 24 March 2016 at a grant price of 3923 pence per share.	8,798 Ordinary Shares awarded on 24 March 2016 at a grant price of 3923 pence per share.
Description of interest	Award over shares equal to one-third of the pre-tax annual bonus paid in respect of performance during 2015, based on the prevailing market share price on the award date.	
Basis of award	Automatic deferral of one-third of annual bonus into Ordinary Shares or ADSs.	
Face value of award	£681,000	£345,000
Vesting level at threshold performance[1]	100%	
End of performance period[2]	24 March 2019	
Summary of performance measures and targets	No performance conditions apply, but vesting is ordinarily subject to continued employment.	

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

Performance Share Plan (PSP)

	Pascal Soriot	Marc Dunoyer
Interest awarded	129,713 Ordinary Shares awarded on 24 March 2016 at a grant price of 3923 pence per share.	54,101 Ordinary Shares awarded on 24 March 2016 at a grant price of 3923 pence per share.
Description of interest	An award over shares. The vesting date is the fifth anniversary of the date of grant, subject to performance over a three-year period commencing on 1 January in the year of the award and a two-year holding period commencing three years from the date of grant, and continued employment. The award is expressed as a percentage of base salary. Awards are weighted 75% in favour of the PSP and 25% in favour of the AZIP.	
Basis of award	427.5% of base salary.	300% of base salary.
Face value of award	£5,087,000	£2,122,000
Vesting level at threshold performance	25%	
End of performance period	31 December 2018	
End of holding period	24 March 2021	
Summary of performance measures and targets	A combination of measures focused on our scientific, commercial and financial performance assessed over the relevant three-year performance period:	

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

TSR ranking of the Company – PSP awards made in 2016	% of award under TSR performance measure that vests
Below median	0%
Median	25%
Between median and upper quartile	*Pro rata*
Upper quartile	75%
Above upper quartile	75% to 100% at the Committee's discretion

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

Twenty five percent of the award is based on the achievement of a cumulative free cash flow target. The measure for the cash flow target for the PSP awards made in 2016 is net cash flow before distributions and other adjustments required by the performance conditions (subject to any further adjustments the Committee chooses to make using its judgement) and thus referred to as 'adjusted cumulative cash flow', over the same three-year performance period as the TSR performance measure, and the level of vesting for the part of the award subject to the cash flow performance measure is based on a sliding scale between a threshold cash flow target and an upper target. Vesting levels in relation to the threshold target and the upper target are shown in the table below.

Adjusted cumulative cash flow – PSP awards made in 2016	% of award under cash flow performance measure that vests
Less than $9bn	0%
$9bn	25%
Between $9bn and $11bn	*Pro rata*
$11bn	75%
Between $11bn and $13.5bn	*Pro rata*
$13.5bn and above	100%

Twenty five percent of the award is based on Return to growth measures based on achievement of an aggregate revenue target relating to the Company's Growth Platforms.

Aggregate revenue of Growth Platforms – PSP awards made in 2016	% of award under Return to growth performance measure that vests
$17bn	25%
$20bn	100%

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

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

More information about the PSP's performance measures is set out on page 125 of the Remuneration Policy Report.

Annual Report on Remuneration continued

AstraZeneca Investment Plan (AZIP)

	Pascal Soriot	Marc Dunoyer
Interest awarded	21,618 Ordinary Shares awarded on 24 March 2016 at a grant price of 3923 pence per share.	9,016 Ordinary Shares awarded on 24 March 2016 at a grant price of 3923 pence per share.
Description of interest	An award over shares. The vesting date is the eighth anniversary of the start of the performance period (being 1 January in any given year), subject to performance and continued employment. The award is expressed as a percentage of base salary. Awards are weighted 75% in favour of the PSP and 25% in favour of the AZIP.	
Basis of award	71.25% of base salary.	50% of base salary.
Face value of award	£848,000	£354,000
Vesting level at threshold performance	100%	
End of performance period	31 December 2019	
End of holding period	31 December 2023	
Summary of performance measures and targets	Dividend and dividend cover hurdles, assessed over the relevant four-year performance period > dividend per share of $2.80 maintained, or increased, over the performance period > dividend cover of 1.5 maintained over the performance period, calculated on the basis of Core EPS. If both targets are achieved in each year of the performance period, the awards will vest in full. Twenty five percent of an award will lapse for each year in which neither, or only one, target is achieved. More information about the AZIP's performance hurdles is set out on page 127 of the Remuneration Policy Report.	

Payments to former Directors (Audited)

No payments were made during 2016 to former Directors.

Payments for loss of office (Audited)

No payments were made for loss of office during 2016.

Remuneration context and our past performance

Statement of change in remuneration of CEO compared to other employees

	Percentage change for CEO against 2015	Average percentage change for employees against 2015
Salary	2.0%	3.3%
Taxable benefits	5.2%	3.3%
Annual bonus	(42.9)%	(21.5)%

The employee comparator group comprises employees in the UK, US and Sweden. We consider this to be an appropriate comparator group because it is representative of the Group's major science, business and enabling units, and the employee populations are well balanced in terms of seniority and demographics. To provide a meaningful comparison of salary increases, a consistent employee comparator group is used by which the same individuals appear in the 2015 and 2016 group.

CEO total remuneration table

Year	CEO	CEO single total figure remuneration £'000	Annual bonus £'000	Annual bonus payout against maximum opportunity %	Value of LTIs at vest £'000	LTI vesting rates against maximum opportunity %
2016	Pascal Soriot	13,389[1,2]	1,167	54	10,533[1,2]	95
2015	Pascal Soriot	7,963[3]	2,042	97	4,289[3]	78
2014	Pascal Soriot	3,507	1,926	94	–	–
2013	Pascal Soriot	3,344	1,870	94	–	–
2012	Pascal Soriot[4]	3,693[5]	335	68	–	–
2012	Simon Lowth[6]	3,289	1,034	86	1,301[7]	38[7]
2012	David Brennan[8]	4,147[9]	–	–[10]	2,538	38
2011	David Brennan	7,863	1,326	74	5,386	62
2010	David Brennan	9,690	1,583	90	6,937	100
2009	David Brennan	5,767	1,751	100	2,795	62

1 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.
2 Based on average closing share price over the three-month period to 31 December 2016 plus accrued dividends over the vesting and performance periods.
3 These figures have been revised using the actual share price on vesting. The figures disclosed in last year's Directors' Remuneration Report were based on the average closing share price over the three-month period to 31 December 2015.
4 Mr Soriot was appointed CEO with effect from 1 October 2012.
5 This figure includes £991,000 paid to compensate Mr Soriot in respect of his forfeited bonus opportunity for 2012 and an award of £2,000,000 to compensate him for his loss of LTI awards, both in respect of his previous employment.
6 Mr Lowth acted as Interim CEO from June to September 2012 inclusive.
7 Mr Lowth's LTI awards which vested during 2012 were not awarded or received in respect of his performance as Interim CEO.
8 Mr Brennan ceased to be a Director on 1 June 2012.
9 This figure includes Mr Brennan's pay in lieu of notice of £914,000.
10 Mr Brennan informed the Committee that he did not wish to be considered for a bonus in respect of that part of 2012 in which he was CEO. The Committee determined that no such bonus would be awarded and also that there should be no bonus award relating to his contractual notice period.

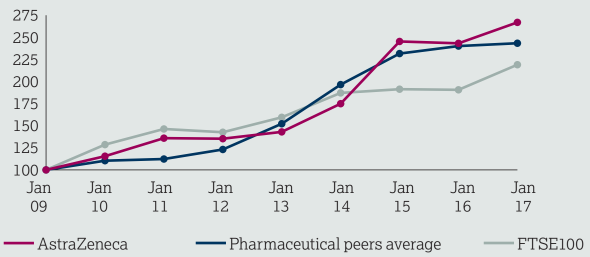
Total shareholder return (TSR)

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

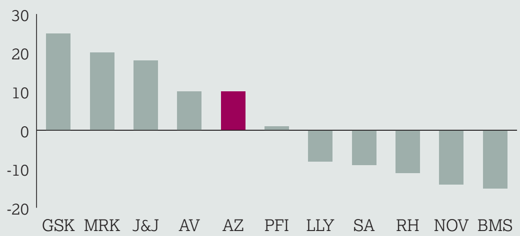
The charts below show how the Company's TSR performance has compared with the TSR for the relevant companies in the comparator group from the first day in the three-year performance period in respect of the PSP awards made in 2014, 2015 and 2016, and how the Company ranks against those other companies on this basis.

To alleviate any short-term volatility, the return index is averaged in the TSR calculations for each company over the three months prior to the start of the relevant performance period (as stipulated in the PSP rules) and, for the purposes of the charts below, over the last three months of 2016.

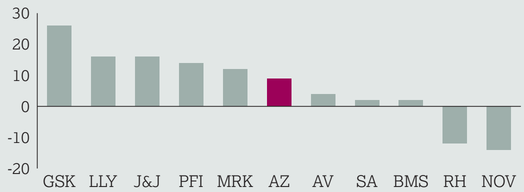
TSR over an eight-year period



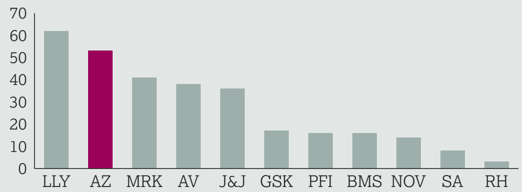
AstraZeneca TSR vs comparator group
1 January 2016 – 31 December 2016 (%)



AstraZeneca TSR vs comparator group
1 January 2015 – 31 December 2016 (%)



AstraZeneca TSR vs comparator group
1 January 2014 – 31 December 2016 (%)



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

Annual Report on Remuneration continued

Relative importance of spend on remuneration

The table below shows the remuneration paid to all employees in the Group and expenditure on shareholder distributions through dividends.

The figures below have been calculated in accordance with the Group Accounting Policies and drawn from either the Company's Consolidated Statement of Comprehensive Income on page 138, or its Consolidated Statement of Cash Flows on page 141. Further information on the Group's Accounting Policies can be found from page 142.

	2016 $m	2015 $m	Difference in spend between years $m	Difference in spend between years %
Total employee remuneration	**6,284**	6,128	156	2.5
Distributions to shareholders: – Dividends paid	**3,561**	3,486	75	2.2

Disclosure of historic performance targets

2014 Annual bonus

In accordance with the Committee's commitment to disclosure as set out in the 2014 Directors' Remuneration Report, the Committee has determined that the 2014 targets relating to the Achieve scientific leadership and Return to growth elements of the annual bonus are no longer commercially sensitive and can therefore be disclosed. The Achieve Group financial targets were disclosed in the 2014 Directors' Remuneration Report. Mr Soriot's 2014 annual bonus award was 170% of base salary, and Mr Dunoyer's award was 149.4%. The level of award for the Executive Directors in respect of the Achieve scientific leadership performance measures was 35% of the total bonus outcome, with the Return to growth measures contributing 22%. These figures reflect the outcome of the global Scorecard and the Executive Directors' individual performance against it.

1. Achieve scientific leadership

Performance measures for 2014	Target	Outcome	Performance
Phase II starts/progressions	8	13	Exceeded target
Positive Phase III investment decisions	5	9	Exceeded target
NME major life-cycle management submissions	5	6	Met target
NME major life-cycle management approvals	6	12	Exceeded target
Clinical-stage external licensing and partnering opportunities	2	3	Met target

2. Return to growth[1]

Performance measures for 2014	Target	Outcome	Performance
Deliver *Brilinta/Brilique* target	$487m	$476m	Below target
Build Diabetes franchise	$1,824m	$1,870m	Met target
Deliver sales growth in Emerging Markets	$5,761m	$5,827m	Met target
Deliver Respiratory goals	$4,460m	$4,747m	Exceeded target
Deliver Japan growth target	$2,456m	$2,227m	Below target

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

Directors' interests in shares (Audited)

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

In addition to this mandatory requirement, the Board imposes minimum shareholding requirements on the Executive Directors and SET members. The CEO is required to build a shareholding and hold shares amounting to 300% of base salary, and the CFO is required to hold shares amounting to 200% of base salary, each within five years of their dates of appointment. As at 31 December 2016, Mr Soriot and Mr Dunoyer had fulfilled this requirement. All other SET members are required to build a shareholding over time and hold 125% of base salary as shares while in office.

The Board also encourages each Non-Executive Director to build up, over a period of three years, a shareholding in the Company with a value approximately equivalent to the basic annual fee for a Non-Executive Director (£75,000) or, in the case of the Chairman, approximately equivalent to his basic annual fee (£575,000). All of the Non-Executive Directors, including the Chairman, had fulfilled this expectation as at 31 December 2016.

The tables below show the interests of the Directors (including the interests of their connected persons) in Ordinary Shares as at 31 December 2016, as well as details of any Director's interests in options over the Company's shares. All such interests were beneficial except as otherwise stated. No Director or senior executive beneficially owns, or has options over, 1% or more of the issued share capital of the Company, nor do they have different voting rights from other shareholders. None of the Directors has a beneficial interest in the shares of any of the Company's subsidiaries. Between 31 December 2016 and 2 February 2017, there was no change in the interests in Ordinary Shares shown in the tables below.

Executive Directors

	Shares held					Options held			
Executive Director	Held beneficially	Value of shares held beneficially as percentage of base salary[1]	Shareholding requirement (to be built up within 5 years of date of appointment)	Subject to performance conditions	Subject to deferral	Unvested	Vested but unexercised	Exercised during the year	Total
Pascal Soriot	87,355	326%	300%	418,298	136,760	–	–	–	642,413
Marc Dunoyer	101,034	634%	200%	177,606	26,764	544	–	–	305,948

[1] The value of shares is based on the London Stock Exchange closing price of 4437.5 pence per Ordinary Share on 31 December 2016.

Non-Executive Directors

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

Non-Executive Director	Beneficial interest in Ordinary Shares at 31 December 2015 or (if later) appointment date	Change to beneficial interest	Beneficial interest in Ordinary Shares at 31 December 2016 or (if earlier) date of retirement
Leif Johansson	39,009	–	39,009
Geneviève Berger	2,090	–	2,090
Bruce Burlington	3,349	–	3,349
Ann Cairns	2,325	–	2,325
Graham Chipchase	3,000	100	3,100
Rudy Markham	2,452	–	2,452
Shriti Vadera	10,000	–	10,000
Marcus Wallenberg	63,646	–	63,646
Former Directors			
Cori Bargmann	1,959	–	1,959
Jean-Philippe Courtois	6,035	–	6,035

Governance

Committee membership

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

The Committee met five times in 2016. The individual attendance record of Committee members is set out on page 84. 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 Human Resources Vice-President, Centre of Excellence; the Executive Compensation Director; and the Company Secretary during the year. The Committee's independent adviser, Nicki Demby, Deloitte LLP (Deloitte) attended all Committee meetings.

Annual Report on Remuneration continued

The Committee focused on the following principal matters at its meetings held in 2016 and in January 2017:

> The terms of senior executives' employment and remuneration packages on appointment, promotion or termination.
> The assessment of Group and individual performance against targets to determine the level of annual bonuses for performance during 2015 and to set executive bonus targets during 2016 and LTI awards to be granted during 2016.
> The assessment of performance against targets to determine the level of vesting in 2016 under the PSP and AZIP, and the setting of PSP and AZIP performance thresholds for awards made in 2016.
> The determination of individual awards made to SET members and other participants under the Group's main LTI plans: the PSP; the AZIP; and the AstraZeneca Global Restricted Stock Plan.
> The determination of restricted share awards to a number of senior executives under the AstraZeneca Restricted Share Plan.
> A review of shareholder voting in respect of the Directors' Remuneration Report 2015 (including dialogue with major shareholders).
> Consultation with major shareholders and shareholder representative bodies regarding proposals to simplify LTI plans.
> A review of a report providing an analysis of key aspects of reward across the wider Group.
> The determination of the Executive Directors' and other SET members' remuneration for 2016 and for 2017.
> The assessment and setting of executive bonus targets for 2017 and LTI awards to be granted in 2017.
> The annual review of the performance of the Committee.
> The review of the terms of reference of the Committee.
> The preparation, review and approval of this Directors' Remuneration Report.

Independent adviser to the Committee

The Committee reappointed Deloitte as its independent adviser following a tender process undertaken in 2013, which involved interviews with both the Company's management and the Chairman of the Committee. The role as independent adviser will be re-tendered no later than the end of 2018. Deloitte's service to the Committee was provided on a time-spent basis at a cost to the Company of £99,000 (excluding VAT). During the year, Deloitte also provided taxation advice and other specific non-audit advisory services to the Group. The Committee reviewed the potential for conflicts of interest and judged that there were no conflicts. Deloitte is a member of the Remuneration Consultants' Group, which is responsible for the stewardship and development of the voluntary code of conduct in relation to executive remuneration consulting in the UK. The principles on which the code is based are transparency, integrity, objectivity, competence, due care and confidentiality. Deloitte adheres to the code.

Shareholder context

At the Company's AGM held in April 2016, the resolution to approve the Annual Report on Remuneration for the year ended 31 December 2015 was passed.

Resolution	Votes for	% for	Votes against	% against	Total votes cast	% of Issued Share Capital voted	Votes withheld
Ordinary Resolution to approve the Annual Report on Remuneration for the year ended 31 December 2015	836,396,151	89.61	96,959,428	10.39	933,355,579	73.81	3,822,290

At the Company's AGM held in April 2014, the resolution to approve the current Remuneration Policy was passed.

Resolution	Votes for	% for	Votes against	% against	Total votes cast	% of Issued Share Capital voted	Votes withheld
Ordinary Resolution to approve the Directors' Remuneration Policy	623,298,717	85.00	110,030,311	15.00	733,329,028	58.13	166,623,018

As explained in the Annual Statement from the Chairman of the Remuneration Committee from page 103, an updated Remuneration Policy will be proposed for approval by shareholders at the 2017 AGM.

In 2015, we simplified the PSP for awards made in 2016 by replacing the six Return to growth performance targets with one aggregate sales target for our Growth Platforms and increased transparency in our reporting by disclosing the target for that measure at the start of the performance period, in line with our aim to strike the right balance between transparency in our reporting on executive pay and protecting our commercially sensitive information.

In 2016, the Chairman of the Committee consulted with our major shareholders and shareholder representative bodies on executive remuneration. The feedback we received has informed the Committee's approach to executive remuneration in 2017, with further detail set out in the Annual Statement from the Chairman of the Remuneration Committee from page 103 and the Implementation of Remuneration Policy in 2017 section from page 117.

Based on our shareholder consultation we believe that the changes made to the Committee's approach to executive remuneration in 2017 will closely align our reward mechanisms with the experience of shareholders. We intend to continue the dialogue with our major shareholders and shareholder representative bodies during the course of 2017 as the Company's strategy and business needs evolve, to ensure executive reward remains aligned to the delivery of sustainable value for our shareholders.

Service contracts

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

Terms of reference

A copy of the Committee's terms of reference is available on our website, www.astrazeneca.com. The Committee conducted a review of its terms of reference during 2016 and recommended minor changes including an express reference to the regular tender for the services of the Committee's independent adviser. The Board approved this recommendation.

Basis of preparation of this Directors' Remuneration Report

This Directors' Remuneration Report has been prepared in accordance with the Large and Medium-sized Companies and Groups (Accounts and Reports) (Amendment) Regulations 2013 (the Regulations) and meets the relevant requirements of the Financial Conduct Authority's Listing Rules. As required by the Regulations, resolutions to approve the Annual Report on Remuneration and the Directors' Remuneration Policy will be proposed at the AGM on 27 April 2017.

Implementation of Remuneration Policy in 2017

This section sets out how the Committee intends to implement our Remuneration Policy in 2017.

Changes to LTI plans

From 1 January 2017, LTI plans will be simplified: no new awards will be made under the AZIP so LTI awards for Executive Directors will only be made under the PSP. The performance measures and weightings for 2017 PSP awards are set out in the table overleaf. Taking into account shareholder feedback, a number of changes have been made to the PSP's performance measures:

> The level of vesting for threshold performance has been reduced from 25% to 20% of maximum for all measures.
> The TSR peer group will be increased from 10 to 18 companies. The new peer group provides a better comparison in terms of revenue, innovative portfolio and geographical presence. The TSR peer group is set out in the Summary of Executive Directors' remuneration for 2017 section on page 118.
> We have introduced a Reported EBITDA measure. In selecting 'Reported' EBITDA, the Committee has addressed a general concern about the pharmaceutical industry's use of 'core' earnings for incentive purposes. Further to this, in line with our aim to increase transparency and accountability in our reporting, we have disclosed the targets for this measure at the start of the performance period.
> The number of measures under the Achieve scientific leadership element has been reduced from five to three measures ensuring focus on late-stage value creation.

For AZIP awards that still have performance years to run in 2017, 2018 and 2019, the Committee is responding to concerns expressed by some shareholders that the AZIP may incentivise decision making that is strongly focused on short-term earnings, by introducing a simple *pro rata* sliding scale to assess performance for the outstanding AZIP awards. If a performance target is missed in any one year, instead of every outstanding AZIP award failing, only 25% will fail reflecting the fact that only one of the four performance years has failed. The Committee believes that this sliding scale directly addresses shareholder concerns and will provide a good balance between challenging and achievable targets.

Executive Directors' remuneration opportunity for 2017

Effective from 1 January 2017, Mr Soriot's base salary was increased, in line with increases in the UK employee population, by 2.5% to £1,220,000. For performance in line with the Company's expectations, Mr Soriot's overall remuneration opportunity will remain unchanged at 100% of base salary for his annual bonus, and 250% of base salary for his LTI award.

Effective from 1 January 2017, Mr Dunoyer's base salary was increased, in line with increases in the UK employee population, by 2.5% to £725,000. For performance in line with the Company's expectations, Mr Dunoyer's overall remuneration opportunity will also remain unchanged at 90% of base salary for his annual bonus, and 200% of base salary for his LTI award. Awards under the PSP have an expected value of 50%, whereas the expected value that has been used when making AZIP awards has been 100%. A consequence of awarding shares entirely under the PSP is that the value that could potentially be delivered to Mr Dunoyer for maximum performance under the LTI has increased from 350% of base salary to 400% at face value. There is no increase in Mr Soriot's maximum remuneration opportunity under the LTI which remains at 500% at face value.

The annual bonus measures and weightings for 2017 are set out in the table overleaf and are broadly consistent with those applicable in 2016. Individual performance for each of the Executive Directors will be assessed by reference to individual objectives in line with the Company's objectives for the year.

Annual Report on Remuneration continued

Summary of Executive Directors' remuneration for 2017

	Pascal Soriot	Marc Dunoyer
Base salary	£1,220,000	£725,000
Pension provision	30% of base salary	24% of base salary
Annual bonus target	100% of base salary (normal range 0-180%)	90% of base salary (normal range 0-150%)
LTI plan award	500% of base salary	400% of base salary

Annual bonus

Return to growth performance measures	Weighting	Achieve scientific leadership performance measures	Weighting	Achieve Group financial targets performance measures	Weighting
New CVMD (including *Brilinta*)	6% per measure	NME Phase II starts/progressions	6% per measure	Cash flow	10%
Respiratory		NME and major life-cycle management Phase III investment decisions		Core EPS	20%
New Oncology		NME and major life-cycle management regional submissions		Total Revenue	10%
Emerging Markets		NME and major life-cycle management regional approvals			
Japan		Acquisition, licensing and divestment deals			

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

PSP

Performance measure	Weighting	Threshold target: 20% vesting	Maximum target: 100% vesting
Relative TSR	20% per measure	Median	Upper quartile
Reported EBITDA[1,2]		$12.0bn	$18.0bn
Cash flow[3]		$8.5bn	$12.0bn
Return to growth[2]		$16.5bn	$20.7bn
Achieve scientific leadership: > NME approvals > Major life-cycle management approvals > Phase III registration	6.67% per measure	Commercially sensitive	Commercially sensitive

[1] The target is Reported EBITDA less gains on disposals of intangible assets, adjusted for the fair value movements on contingent considerations arising from revised forecasts.
[2] The targets and the performance against those targets, are evaluated by reference to budget exchange rates such that beneficial or adverse movements in currency, which are outside the Company's control, do not impact reward outcomes.
[3] The cash flow target is net cash flow from operating activities less capital expenditure adding back proceeds from disposal of intangible assets.

For 2017 awards, the number of companies in the TSR group has been increased from 10 to 18 (AbbVie, Amgen, Astellas, BMS, Celgene, Daiichi Sankyo, Lilly, Gilead, GSK, Johnson & Johnson, Merck, Novo Nordisk, Novartis, Pfizer, Roche, Sanofi, Shire and Takeda). The Committee is of the opinion that the new peer group provides a better comparison in terms of revenue, innovative portfolio and geographical presence.

Summary of Non-Executive Directors' remuneration for 2017

Board fees for the Non-Executive Directors, including the Chairman, were reviewed in 2016, but no changes were proposed. The Non-Executive Director fees for 2017 (together with those for 2016) are set out below. Further information on the Non-Executive Directors' Board fees can be found on page 132 of the Remuneration Policy Report.

Non-Executive Director fees in 2016 and in 2017	2016 £'000	2017 £'000
Chairman's fee[1]	575	575
Basic Non-Executive Director's fee	75	75
Senior independent Non-Executive Director	30	30
Membership of the Audit Committee	20	20
Membership of the Remuneration Committee	15	15
Chairman of the Audit Committee or the Remuneration Committee[2]	25	25
Membership of the Science Committee	12	12
Chairman of the Science Committee[2]	10	10

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

Additional information: Executive Directors' share plans

Deferred Bonus Plan

The interests of Directors at 31 December 2016 in Ordinary Shares that are the subject of awards under the Deferred Bonus Plan are shown below.

	Number of shares	Award price (pence)	Price on vesting date (pence)	Grant date[1]	Vesting date[1]
Pascal Soriot					
Award in respect of 2012 performance period	3,799	2939		25.02.13	25.02.16
Award in respect of 2013 performance period	15,966	3904		28.03.14	28.03.17
Award in respect of 2014 performance period	13,482	4762		27.03.15	27.03.18
Total at 1 January 2016	**33,247**				
Vesting of award in respect of 2012 performance period	(3,799)		4086.5		
Award in respect of 2015 performance period	17,352	3923		24.03.16	24.03.19
Total at 31 December 2016	**46,800**				
Marc Dunoyer					
Award in respect of 2013 performance period	2,679	3904		28.03.14	28.03.17
Award in respect of 2014 performance period	7,111	4762		27.03.15	27.03.18
Total at 1 January 2016	**9,790**				
Award in respect of 2015 performance period	8,798	3923		24.03.16	24.03.19
Total at 31 December 2016	**18,588**				

[1] UK date convention applies.

Annual Report on Remuneration continued

Performance Share Plan (PSP)

The interests of Directors at 31 December 2016 in Ordinary Shares that are the subject of awards under the PSP are shown below.

	Number of shares	Award price (pence)	Price on vesting date (pence)	Grant date[1]	Vesting date[1]	Performance period[1]
Pascal Soriot						
2013 award	125,113	3297		11.06.13	11.06.16	01.01.13 – 31.12.15
2014 award	124,066	3904		28.03.14	28.03.17	01.01.14 – 31.12.16
2015 award	104,764	4762		27.03.15	27.03.20	01.01.15 – 31.12.17
Total at 1 January 2016	**353,943**					
2016 award	129,713	3923		24.03.16	24.03.21	01.01.16 – 31.12.18
Partial vesting of 2013 award[2]	(97,589)[3]		3852			
Partial lapse of 2013 award	(27,524)					
Total at 31 December 2016	**358,543**					
Marc Dunoyer						
2013 award	90,853	3302		01.08.13	01.08.16	01.01.13 – 31.12.15
2014 award	52,254	3904		28.03.14	28.03.17	01.01.14 – 31.12.16
2015 award	45,880	4762		27.03.15	27.03.20	01.01.15 – 31.12.17
Total at 1 January 2016	**188,987**					
2016 award	54,101	3923		24.03.16	24.03.21	01.01.16 – 31.12.18
Partial vesting of 2013 award[2]	(70,866)[4]		5048			
Partial lapse of 2013 award	(19,987)					
Total at 31 December 2016	**152,235**					

1 UK date convention applies.
2 Awards granted in 2013 vested in 2016 at 78%.
3 Following certain mandatory tax deductions, Mr Soriot became beneficially interested in a net number of 84,316 Ordinary Shares.
4 Following certain mandatory tax deductions, Mr Dunoyer became beneficially interested in a net number of 37,558 Ordinary Shares.

AstraZeneca Investment Plan (AZIP)

The interests of Directors at 31 December 2016 in Ordinary Shares that are the subject of awards under the AZIP are shown below.

	Number of shares	Award price (pence)	Grant date[1]	Vesting date[1]	Performance period[1]	Holding period[1]
Pascal Soriot						
2013 award[2]	89,960	3297	11.06.13	01.01.21		01.01.17 – 31.12.20
2014 award	20,677	3904	28.03.14	01.01.22	01.01.14 – 31.12.17	
2015 award	17,460	4762	27.03.15	01.01.23	01.01.15 – 31.12.18	
Total at 1 January 2016	**128,097**					
2016 award	21,618	3923	24.03.16	01.01.24	01.01.16 – 31.12.19	
Total at 31 December 2016	**149,715**					
Marc Dunoyer						
2013 award	8,176	3302	01.08.13	01.01.21		01.01.17 – 31.12.20
2014 award	8,709	3904	28.03.14	01.01.22	01.01.14 – 31.12.17	
2015 award	7,646	4762	27.03.15	01.01.23	01.01.15 – 31.12.18	
Total at 1 January 2016	**24,531**					
2016 award	9,016	3923	24.03.16	01.01.24	01.01.16 – 31.12.19	
Total at 31 December 2016	**33,547**					

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

Restricted Share Plan

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

> 9,103 shares vested on 15 June 2014
> 41,472 shares vested on 15 June 2015
> 11,645 shares vested on 1 August 2016 (3,285 shares lapsed).

The interests of Mr Dunoyer at 31 December 2016 in Ordinary Shares that are the subject of awards under this arrangement are shown below.

	Number of shares	Price on vesting date (pence)
Marc Dunoyer		
Total at 1 January 2016	**14,930**	
Partial vesting of 2013 award	(11,645)[1]	5048
Partial lapse of 2013 award	(3,285)	
Total at 31 December 2016	**0**	

[1] Following certain mandatory tax deductions, Mr Dunoyer became beneficially interested in a net number of 6,172 Ordinary Shares.

AstraZeneca 2012 Savings Related Share Option Scheme (SAYE)

The interests of Mr Dunoyer at 31 December 2016 in options to subscribe for Ordinary Shares that are the subject of awards under the SAYE are shown below.

	Number of shares under option	Exercise price (pence)	Grant date[1]	First date exercisable[1]	Last date exercisable[1]
Marc Dunoyer					
2015 award	544	3307	28.09.15	01.12.18	31.05.19
Total at 1 January 2016	**544**				
Total at 31 December 2016	**544**				

[1] UK date convention applies.

Corporate Governance

Remuneration Policy

This section sets out the Remuneration Policy (the Policy) proposed for approval by shareholders at the Company's AGM in April 2017. Subject to shareholder approval, the Policy is intended to remain in effect for three years from the 2017 AGM. There are two substantive differences between the previous policy approved by shareholders in April 2014 and the proposed Policy: (i) the level of LTI vesting at threshold performance will be reduced from 25% to 20% of maximum; and (ii) no new awards will be made under the AZIP so, from 2017, LTI awards for Executive Directors will only be made under the PSP. For the outstanding AZIP awards that still have performance years to run in 2017, 2018 and 2019, a simple *pro rata* sliding scale will be used to assess performance against unchanged targets. In addition, the Policy has been drafted more concisely and is shorter than the previous policy.

Setting remuneration 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. Remuneration for all roles within the organisation is benchmarked against that for comparable roles in similar organisations and in the employee's local market to ensure the Company is paying fairly at all levels. Executive Directors' remuneration is benchmarked against a global pharmaceutical peer group and the FTSE30. Each year, 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.

While the Committee does not consult employees when setting the Executive Directors' remuneration policy, it does review 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. Many employees are also shareholders in the Company and therefore have the opportunity to vote at the 2017 AGM on the Policy. 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 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. The Company's shareholders are encouraged to attend the AGM and any views expressed will be considered by Committee members. The Committee works with the Audit Committee to ensure that the Group's remuneration policies and practices achieve the right balance between appropriate incentives to reward good performance, management of risk, and the pursuit of the Company's business objectives.

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 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
Base salary is intended to be sufficient to attract, retain and develop high-calibre individuals.	Consideration is given to a number of factors, including (but not limited to): > recognition of the value of an individual's personal performance and contribution to the business > the individual's skills and experience > internal relativities > conditions in the relevant external market. Base salaries are normally reviewed annually with any change usually taking effect from 1 January.	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. Higher increases may be made if the Committee considers it appropriate, for example to reflect: > an increase in the scope and/or responsibility of the individual's role; or > development of the individual within the role.

Benefits

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

Pension

Purpose and link to strategy	Operation	Maximum opportunity
Provision of retirement benefits to attract, retain and develop high-calibre individuals.	For UK-based Executive Directors, the Company provides 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. The Company will provide an amount benchmarked to the local market. 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.	The maximum pension allowance that may be provided to UK-based Executive Directors is 35% of base salary. For 2017, the CEO and CFO receive allowances of 30% and 24% of their base salaries respectively. The maximum value that may be provided to non-UK-based Executive Directors will be a sum in line with local market practice.

Remuneration Policy for Executive Directors continued

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

Annual bonus

Purpose and link to strategy	Operation and framework used to assess performance	Maximum opportunity
The annual bonus rewards short-term (annual) performance against specific Group targets and individual objectives. The deferred share element of the annual bonus is designed to align Executive Directors' interests with those of shareholders.	Performance is measured over one year and the bonus, if awarded, is paid after the year end. Currently, two-thirds is delivered in cash and one-third is delivered in shares, which are deferred for three years under the deferred bonus plan. Stretching Group targets are set annually by the Committee based on the key strategic priorities for the year. Payout levels are determined by the Committee after the year end, based on performance against the targets as well as the Executive Director's individual performance. 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. In relation to each performance target, a threshold level of performance is specified. If performance falls below this level there will be no payout for that proportion of the award. 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. On vesting of the deferred shares, the cash value equivalent to the dividends that would have been paid during the deferral period will be paid to the Director. For bonuses awarded in respect of 2015 and subsequent years, the Committee has discretion, for up to six years from the payment date, to claw-back from individuals some or all of the cash bonus award in certain circumstances including: (i) material restatement of the results of the Group, (ii) significant reputational damage to the Group, or (iii) serious misconduct by the individual. However, in the case of (i) and (ii) the Committee may only exercise its discretion for up to two years from the payment date. For deferred shares relating to bonuses awarded in respect of 2015 and subsequent years, the Committee has discretion: > to reduce or cancel any portion of an unvested deferred bonus share award in certain circumstances (*malus*), including (i) material restatement of the results of the Group, (ii) significant reputational damage to the Group, or (iii) serious misconduct by the individual > for up to six years from the vesting date, to claw-back from individuals some or all of the deferred bonus share award in certain circumstances, including (i) material restatement of the results of the Group, (ii) significant reputational damage to the Group, or (iii) serious misconduct by the individual. However, in the case of (i) and (ii) the Committee may only exercise its discretion for up to two years from the vesting date.	The maximum annual bonus amount that can be awarded is 250% of base salary. If the Committee believed it to be in the interests of shareholders to award an annual bonus of an amount exceeding the historical maximum opportunity of 180% of base salary in the case of the CEO and 150% of base salary in the case of the CFO it would consult major shareholders in advance.

Long-term incentive (LTI)

Performance Share Plan (PSP)

Purpose and link to strategy	Operation and framework used to assess performance	Maximum opportunity
The PSP is designed to align the variable pay of Executive Directors with the successful execution of the Company's strategy.	The PSP provides for the grant of awards over Ordinary Shares or ADSs. 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 131. Performance targets are set by the Committee at the beginning of the relevant performance period. They are closely aligned to the Company's strategy and are designed to reward scientific, commercial and financial success. Performance is currently assessed against a combination of five measures: TSR; cash flow; reported EBITDA; sales of medicines in key therapy areas and territories; and innovation metrics. If the Committee was to propose any material changes to the PSP performance targets, it would consult major shareholders in advance. When setting performance targets, the Committee allocates such weightings to the targets as it considers appropriate, taking into account strategic priorities. The intention of the Committee is to exercise appropriate judgement, in particular so that the experience of shareholders over time is taken into account. Performance is assessed over the three-year period commencing on 1 January in the year of grant. Shares are then subject to a two-year holding period following the performance period, so full vesting takes place on the fifth anniversary of grant. During the holding period, no further performance measures apply. Payout under the PSP can range from 0% to 100% of the original award. All PSP performance targets have a payout curve. Each payout curve is structured to suit the objective it is intended to measure and the relationship between threshold, target and out-performance is determined at grant. Typically, 20% of the proportion of a PSP award linked to a performance target will vest on the achievement of threshold level of performance and 100% will vest if the target level of performance is achieved. For relative measures (such as relative TSR) the threshold level of performance associated with a target will be performance at or above median. The maximum level of performance will usually be set as achievement of performance at the upper quartile level. Where the performance target permits, there will be further vesting points between threshold and maximum vesting levels, with vesting typically taking place on a straight-line basis. 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. On vesting, the cash value equivalent to the dividends that would have been paid on the vesting shares during the performance and holding periods will be paid to the Director. For awards granted in 2015 and for subsequent years, the Committee has discretion: > to reduce or cancel any portion of an unvested award in certain circumstances (*malus*), including (i) material restatement of the results of the Group, (ii) significant reputational damage to the Group, or (iii) serious misconduct by the individual > for up to six years from the third anniversary of the date of grant, to claw-back from individuals some or all of the award in certain circumstances, including (i) material restatement of the results of the Group, (ii) significant reputational damage to the Group, or (iii) serious misconduct by the individual. However, in the case of (i) and (ii) the Committee may only exercise its discretion for up to two years from the third anniversary of the date of grant.	The maximum market value of shares that may be awarded under the PSP in any year is equivalent to 500% of the participant's annual base salary at the date of grant.

Remuneration Policy for Executive Directors continued

Restricted shares

Purpose and link to strategy	Operation and framework used to assess performance	Maximum opportunity
In certain circumstances, typically as part of recruitment arrangements, an Executive Director may be made awards of restricted shares. This would ordinarily be to compensate for loss of remuneration opportunities suffered on leaving previous employment.	There are ordinarily no performance measures attached to awards of restricted shares because they are awarded for the purpose of compensating newly recruited Executive Directors for loss of entitlements on leaving a previous employment. However, the Committee considers whether the lost incentives were subject to performance targets and their probability of vesting. If foregone awards were subject to performance testing, then the compensatory AstraZeneca award is normally granted under the PSP in order to align the performance targets attaching to the award to successful execution of the Company's strategy. Restricted share awards are generally used only when the foregone compensation was not subject to performance testing. The Committee may divide an award of restricted shares into tranches which vest at different points and may apply performance measures bespoke to the individual if it considers it appropriate. If it decides to attach performance conditions, the performance conditions and performance period are defined at grant. If no performance targets are attached to a restricted share award, it will vest in full if the individual remains in office on the vesting date. On vesting, the cash value equivalent to the dividends that would have been paid during the vesting period will be paid to the Director. There are no contractual provisions for claw-back or *malus* of restricted share awards.	There is no maximum value of an award which may be granted. The Committee sets the value of the award at grant, as it considers appropriate in all the circumstances.

UK employee share plans

Share Incentive Plan (SIP)

Purpose and link to strategy	Operation	Maximum opportunity
Encouraging employee share ownership	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
Encouraging employee share ownership	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.

Historical LTI: AstraZeneca Investment Plan (AZIP)

No further awards will be made under the AZIP.

There are three extant AZIP awards which were granted to the Executive Directors in 2014, 2015 and 2016. Vesting of these awards is dependent on the achievement of two performance targets measured over a four-year performance period commencing on 1 January in the year of grant. Shares are subject to a four-year holding period following the performance period, so vesting takes place on the eighth anniversary of the start of the performance period. During the holding period, no further performance measures apply. Payout of the 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 131. The performance targets are dividend level and dividend cover. If both targets are achieved in each year of the performance period, the award will vest in full at the end of the holding period. Twenty five percent of an award will lapse for each year in which neither or only one target is achieved.

On vesting, the cash value equivalent to the dividends that would have been paid on the vesting shares during the performance and holding periods will be paid to the Director.

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.

The Committee has discretion:

> to reduce or cancel any portion of an unvested award in certain circumstances (*malus*), including (i) material restatement of the results of the Group, (ii) significant reputational damage to the Group, or (iii) serious misconduct by the individual
> for up to six years from the end of the performance period, to claw-back from individuals some or all of the award in certain circumstances, including (i) in the case of material restatement of the results of the Group, (ii) significant reputational damage to the Group, or (iii) serious misconduct by the individual. However, in the case of (i) and (ii) the Committee may only exercise its discretion 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 individual sustained performance and the external market. AstraZeneca participates in annual global compensation surveys, which provide benchmarking data for all roles within the organisation, ensuring a robust salary review process for all employees. The Company seeks to provide an appropriate range of competitive benefits, including pension, to all employees (including Executive Directors) in the context of their local market.

Employees at mid to senior levels globally are eligible for LTI awards in the form of the PSP and/or restricted stock units. The occupants of approximately 700 senior roles in the Company are currently eligible for PSP awards – these are the leaders who have the ability to directly influence the execution of the Company's strategic goals. An LTI award may be used for the same purpose as described above on the recruitment of employees (other than Directors) or for the retention of employees.

Remuneration Policy for Executive Directors continued

Remuneration scenarios for Executive Directors

The charts below illustrate how much the current Executive Directors could receive under different performance scenarios in 2017, assuming a constant share price. In order to compile the charts, the following assumptions have been made:

Minimum remuneration

> base salary is that applicable in 2017
> taxable benefits are those included in the Executive Directors' single total figure remuneration table for 2016 as set out on page 107
> pension of 30% of base salary for the CEO and 24% of base salary for the CFO.

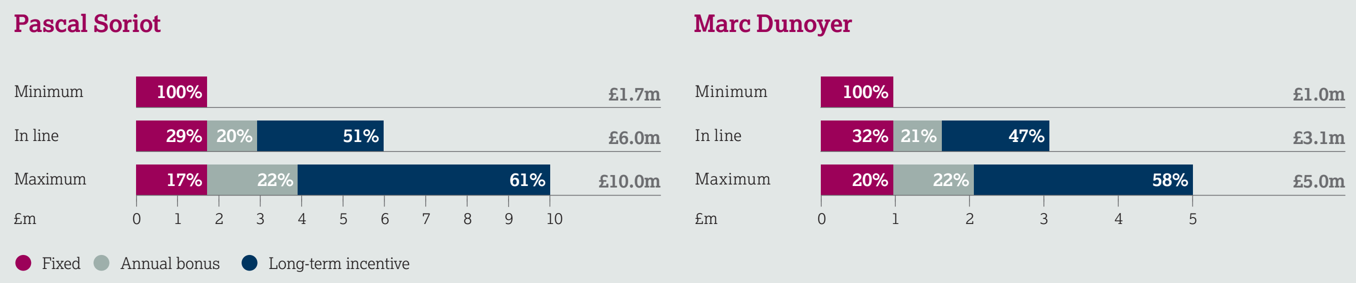
	Base salary £'000	Taxable benefits £'000	Pension £'000	Total £'000
Pascal Soriot	1,220	121	366	1,707
Marc Dunoyer	725	71	174	970

Remuneration for performance in line with the Company's expectations

> annual bonus payout equivalent to 100% of base salary for the CEO and 90% for the CFO
> LTI share award vesting at 250% of base salary for the CEO and 200% of base salary for the CFO (representing 50% of the value of the PSP award).

Maximum remuneration

> annual bonus payout equivalent to 180% of base salary for the CEO and 150% for the CFO
> LTI share award vesting at 500% of base salary for the CEO and 400% for the CFO (representing 100% of the value of the PSP award).



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, aiming to put in place a remuneration package broadly in line with the arrangements of the relevant incumbent. In order to offer a competitive package to attract the most suitable candidate, the Committee may consider providing remuneration arrangements that exceed those of the existing Executive Directors and may agree to pay allowances to expatriates in line with the Company's international assignment policy to provide support towards housing, schooling and other relocation or assignment related costs. 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. Where such compensation is offered to a new recruit on his or her hire, the Committee will explain the rationale to shareholders in a timely manner and will provide details of the arrangement. The value of such compensation will depend upon the circumstances of the recruitment and the individual in question. The Committee will seek to offer a package weighted towards equity in the Company; however, the precise nature of the compensation arrangement will depend on the type of entitlement being forfeited, which the Committee will generally seek to compensate in kind. The arrangement might therefore comprise cash and/or restricted shares and/or an LTI award. The Committee will obtain and take into account independent valuations of the forfeited entitlements to determine the appropriate level of compensation. All other aspects of a new recruit's compensation opportunity will be subject to the maxima stated in the Policy. The Committee's intention is to use buyout awards for this compensatory purpose only.

A new recruit may be granted shares under an LTI plan within the Policy or under a plan specific to that individual, as permitted under the Financial Conduct Authority's Listing Rules. Vesting of such awards may be subject to the achievement of performance conditions. The precise targets and measures will depend on the objectives of the Company and the individual at the time of the recruitment and will be determined by the Committee.

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

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 and tax advice.

Service contracts for Executive Directors

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

Notice period	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.
Payments in lieu of notice	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 flexible benefit arrangements for this period, including the Company's contribution in respect of pension.
Garden leave	The Company has the right to place the Executive Director on 'garden leave'.
Summary termination	The Company may terminate employment summarily in particular defined circumstances such as gross misconduct, with no further payment.
Payments in lieu of holiday	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.
Directors' and officers' liability insurance	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.
Deemed treatment under AZIP	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.

Remuneration Policy for Executive Directors continued

Principles of payment for loss of office for Executive Directors

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

> 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 an on-target bonus pro-rated for the part of the year in which they worked. This will depend on the circumstances, including an assessment of 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 despite the fact that the Executive Director did not work for the entirety of this period. 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. The Committee will decide whether it is appropriate in the circumstances for these shares to vest for the benefit of the departing Executive Director.

> LTI plans
The 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 opposite) 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 129.

> 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. Any such payments may include but are not limited to paying any fees for outplacement assistance and/or an Executive Director's legal and/or professional advice fees in connection with their cessation of 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.

Treatment of LTI and deferred bonus plan awards on cessation of employment

Plan	Termination by mutual agreement (broadly in circumstances of ill-health, injury, disability, redundancy or retirement and in the case of death and certain corporate events eg sale of a business outside the Group)	Other leaver scenarios
Deferred bonus plan (Annual bonus)	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.
PSP	Where cessation of employment occurs within three years of the date of grant awards will vest, *pro rata* to the time elapsed between the date of grant of the award and the date of cessation of employment, at the end of the performance period after performance has been assessed, to the extent that the performance target(s) measured over the performance period has been met. However, the Committee has discretion to permit the award to vest immediately on cessation of employment where that cessation occurred as a result of one of the events mentioned above to the extent that the performance target(s) has, in the opinion of the Committee, been satisfied from the date of grant to the date of cessation of employment. However, if the Committee believes that exceptional circumstances warrant this, it may exercise its discretion to vest the award on another basis. 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.	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. This discretion will not be exercised in the case of dismissal for gross misconduct.
AZIP	Death, ill-health, injury or disability: > in the performance period: the award will vest as soon as practicable following the cessation of employment, pro-rated to take into account the period elapsed between the date of grant and the date of cessation of employment relative to the performance period and pro-rated to take into account the satisfaction of any performance measure(s), as agreed by the Committee > in the holding period: the award will vest in respect of all the shares that continue to be subject to the award as soon as practicable following the cessation of employment. Redundancy, retirement or certain corporate events (eg sale of a business outside the Group): > in the performance period: the award will vest at the later of the end of the performance period and the end of the period of 24 months from the date of cessation of employment, to the extent any performance measures have been met by the end of the performance period and pro-rated to take into account the period elapsed between the date of grant and the date of cessation of employment relative to the performance period > in the holding period: the award will vest in respect of all shares that continue to be subject to the award at the earlier of the end of the holding period and the end of the period of 24 months from the date of cessation of employment. Where the Committee terminates an Executive Director's employment (other than for gross misconduct) during the holding period, the awards will vest on the same basis. In each case described above, the Committee has discretion to vest the award or part of the award on a different basis.	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.
Restricted shares	Awards will lapse unless the Committee exercises its discretion to preserve all or part of an award. In relation to awards granted on or after 3 February 2014 and, where that award was granted at the time of the Executive Director's recruitment to the Company in compensation for any awards or bonuses forfeited at his previous employer, the award will vest on the date his employment ceases, pro-rated to take into account the period elapsed between the date of grant and the date of cessation of employment, unless the Committee decides not to pro-rate or to pro-rate on some other basis.	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 the grant of share awards or options. 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. 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
The annual fees are intended to be sufficient to attract, retain and develop high-calibre individuals.	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. Non-Executive Directors are eligible to receive a base fee and additional fees where appropriate to reflect any additional time commitment or duties (eg being the chairman of a committee). The fee structure is set out in the Annual Report on Remuneration.	Under Articles 89 and 90 of the Company's Articles, as approved by the Company's shareholders, the ordinary remuneration of the Non-Executive Directors for their services shall not exceed in aggregate £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.

Benefits

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

Other costs and expenses

Purpose and link to strategy	Operation	Maximum opportunity
Intended to reimburse individuals for legitimately incurred costs and expenses.	In addition to the Chairman's fee, a proportion of the office costs of the Chairman are reimbursed. In 2016, this amounted to £36,000. 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. The Company will pay for all travel (including travel to the Company's offices), hotel and other expenses reasonably incurred by Non-Executive Directors in the course of the Company's business, for example, professional fees such as secretarial support, and reimbursement for domestic security arrangements such as lights and alarms following a security assessment. There are no contractual provisions for claw-back or *malus* of other costs and expenses.	The maximum amounts payable in respect of these costs and expenses will be the reimbursement of the Directors' costs and expenses grossed up for any tax payable by the individual.

Letters of appointment

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

On behalf of the Board

A C N Kemp
Company Secretary
2 February 2017