Directors' Remuneration Policy

Approved by shareholders at the AGM on 27 April 2017 and effective from that date.
Extracted from the AstraZeneca Annual Report and Form 20-F Information 2016.

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.

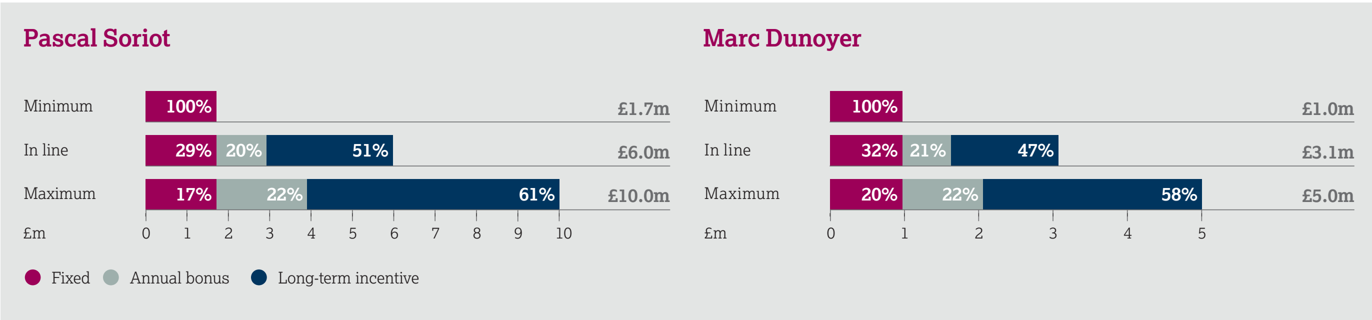
	Base salary £'000	Taxable benefits £'000	Pension £'000	Total £'000
Pascal Soriot	1,220	121	366	1,707
Marc Dunoyer	725	71	174	970

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