

## GOALS, STRATEGY AND PERFORMANCE MEASUREMENT CONTINUED

**PERFORMANCE**

Each business function (such as R&D, Operations) is subject to an annual budget and target-setting process, including forecasts for the following four years together with sensitivity and risk analyses, quarterly updates of the forecast for the current year and regular reporting. Reviews are undertaken regularly in each part of the business in order to monitor and assess progress against business and budget targets. Longer-term, 10 year forecasts are developed as part of our annual strategy review.

**Measuring performance**

The Company's quarterly internal report uses a range of measures that correspond to the four main priorities of our strategy. The report provides Board and Senior Executive Team (SET) members with shared insight into current progress against short-term financial and non-financial objectives and current year milestones for longer-term strategic goals.

The means of measuring performance in these areas range from quantitative, comparative performance measures to more qualitative analysis. Together, they provide the framework for consistently monitoring and reporting our progress towards achieving our objectives and, ultimately, delivering enduring shareholder value.

Reputation and responsibility measures are also included to reflect the importance of integrating consistent behaviours across all of our business activities.

In relation to our overall goal of creating enduring value for shareholders by being one of the best-performing pharmaceutical companies, shareholder value is tracked using the following metrics:

- > Earnings per share growth.
- > Dividends and share re-purchases.
- > Total shareholder return.

Specific measures that our Board and SET use when assessing business performance, or that are otherwise judged to be helpful in enabling shareholders better to understand and evaluate our business, are described and illustrated throughout this report.

Examples of measures in each of our four main priority areas include:

**Strengthen the pipeline:**

- > The value of our pipeline.
- > The number of new drugs entering the development pipeline.
- > The number of development projects by phase.
- > R&D investment in US dollar terms.
- > Progress against development milestones.
- > Improvements in our product development cycle times for small molecules and biologics.
- > The attrition rate for development projects.

**Grow the business:**

- > Sales value growth at constant exchange rates.
- > Global sales and prescription share trends for key products.
- > Market share percentages for key products.
- > The number of life cycle projects delivered.

**Reshape the business:**

- > Gross margin, cost and operating margin percentages (progression over time).
- > The R&D investment to sales ratio.
- > Cost growth rates.
- > The progress of productivity initiatives.
- > Procurement savings.

**Promote a culture of responsibility and accountability:**

- > The effectiveness of our leaders and our performance management programmes at all levels.
- > Our levels of employee engagement.
- > Cases of occupational illnesses and accidents with serious injury.
- > Ranking in Dow Jones World Sustainability Index.
- > The number of animals used in R&D.
- > The number of confirmed breaches of external sales and marketing regulations or codes.
- > Potential impact on climate change.