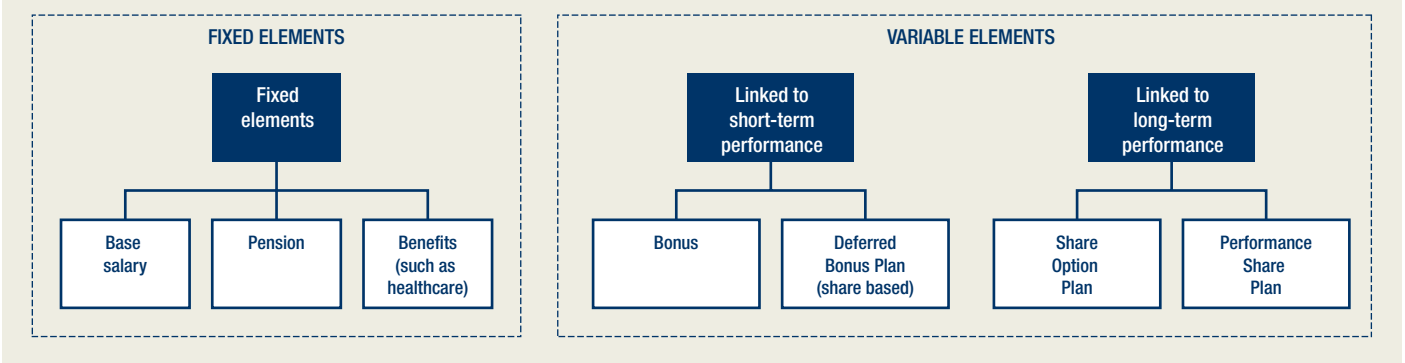


COMPONENTS OF REMUNERATION – FIXED AND VARIABLE



appropriately reference competitive levels of reward. This is partly the consequence of the changing composition of the senior leadership group, which has become increasingly international and partly because we have added significant capability in our pursuit of growth (the best example being the biologics businesses which we have acquired over the last two years). In seeking to attract, develop and retain the best human capital in the industry, we must remain very attentive to the wider industry practice and the impact of the international pay environment.

We expect to report to our shareholders the key findings, and any changes to the remuneration policy as a consequence of this review, in next year's Annual Report and Form 20-F Information.

**COMPONENTS OF REMUNERATION**

During 2007, the components of employee remuneration (including that of the Executive Directors and SET members) comprised of fixed and variable (ie performance-related) elements, as illustrated below.

Throughout 2007, as in 2006, the principal components of the total remuneration package comprised:

- > Annual salary – based on conditions in the relevant geographic market and the value of an individual's sustained personal performance to the business, resulting from their ability and experience.
- > Pension arrangements – appropriate to the relevant national market.
- > Benefits (such as healthcare) – cost-effective and compatible with relevant welfare arrangements.

- > Short-term bonus – a lump-sum payment related to the targeted achievement of corporate, functional and individual goals, measured over a year and contained within a specific plan. The corporate goals are derived from the annual financial targets set by the Board and take into account external expectations of performance. The functional goals are agreed by the Remuneration Committee at the start of, and are monitored throughout, the year. Bonuses are not pensionable. Individual goals are based on annual objectives which are linked to functional goals.

- > Long-term incentive plans – for selected groups, targeted at the achievement of strategic objectives closely aligned with the interests of shareholders, namely the AstraZeneca Performance Share Plan (PSP) described on pages 103 to 104, the AstraZeneca Share Option Plan described on pages 104 to 105 and in line with market practice. Some individuals (primarily those based in the US, but excluding Executive Directors), participate in the Restricted Stock Unit Plan(s) described on page 105.

- > Share participation – various plans provide the opportunity for employees to take a personal stake in the Company's wealth creation as shareholders. These plans are described in Note 26 to the Financial Statements.

The way in which these elements of remuneration were combined and applied varies according to a range of factors including specific business needs and practices in different geographic markets, although, in general, the more senior the role within the business, the greater the proportion of total remuneration was made up from variable pay.

**EXECUTIVE DIRECTORS' AND SENIOR EXECUTIVE TEAM'S REMUNERATION AND TERMS OF EMPLOYMENT**  
**Illustration of fixed and variable remuneration**

Based on our remuneration policy, the charts at the top of page 101 illustrate the potential weighting given to fixed and variable elements of the remuneration package at Executive Director level. Performance-related elements of the package are shown on an 'Expected Value' basis, and in the event that performance conditions are not met, such elements would not deliver any value. The Expected Value approach considers the range of possible outcomes and the probability attached to each, in order to provide a value that represents the average that would be delivered if the arrangements were operated over many years. The Expected Value for bonus payment is taken to be the target payout level.

**Fixed remuneration**

**Basic salary**

The basic salary for each Executive Director and SET member is determined by the Remuneration Committee. The Company's policy is currently to set Executive Directors' base salary levels by reference to practice across the UK FTSE 30. Other SET members are benchmarked against comparable jobs in the countries in which they normally work (primarily referenced against industry comparators or companies with levels of global operation and complexity similar to those of AstraZeneca).

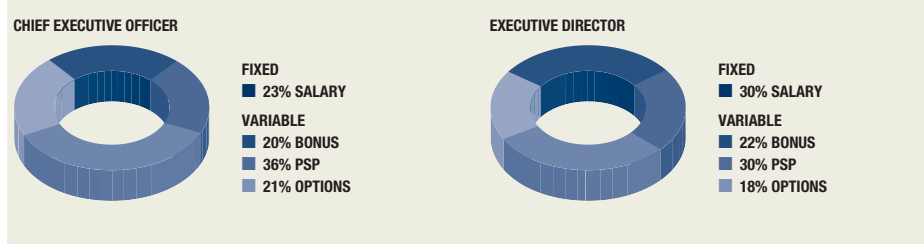
Salary decisions reflect the experience and sustained performance of the individuals to whom they apply, taking account of market competitiveness and the level of increases applicable to employees in the wider Group. For the Executive Directors and other members of the SET, the policy has been to position salaries at or slightly above the median of the relevant market.

**EXECUTIVE DIRECTORS' SALARIES 2008**

Executive Director	Annual salary in 2007 £	Annual salary in 2008 £	% Increase
David Brennan	940,000	972,900	3.5
John Patterson	504,692	540,000	7.0
Simon Lowth	550,000 <sup>1</sup>	550,000	0.0

<sup>1</sup> Simon Lowth was paid £91,700 during 2007 as he was only appointed as a Director from 5 November 2007.

**COMPONENTS OF REMUNERATION – EXPECTED VALUE BASIS**



All Executive Directors' terms and conditions are UK-based, apart from David Brennan's pension (including health insurance) arrangements, which are described below.

For 2008, the Executive Directors' revised annual salaries are shown in the table at the top of this page.

**Pension arrangements**

The table on page 108 gives details of the changes in the value of the Executive Directors' accrued pensions during 2007.

**US Executive Directors' pension arrangements**

David Brennan is a member of the AstraZeneca US Defined Benefit Pension Plan, by virtue of his membership of pension plans applicable to legacy Astra Merck employees. Benefits for members of this plan are delivered on a tax-qualified basis, with accrued benefits that exceed specific limits under the plan's formula and the US Tax Code being delivered through a supplementary, non-qualified plan. The normal pension age under both plans is 65.

In September 2008, David Brennan will satisfy a condition in the plan relating to combined age and service exceeding 85 years, which is a condition that applies to all members within the plan. Thereafter, on leaving or retiring from employment, he would be eligible to take a pension or lump sum equivalent based on accrued service and final pensionable pay (ie, without actuarial reduction). This change in status under the plan will trigger an increase in transfer value during 2008.

David Brennan's participation in the pension plan is subject to a service cap at 35 years' service, which will be attained in January 2011, after which no further service accrual can be earned.

Members and, in the event of death, surviving spouses/dependants can elect to take pensions in lump-sum form based on actuarial valuation.

In addition, David Brennan is a contributing member of the US 401(k) savings plan<sup>2</sup>, as applies to all US employees. For 2008, David Brennan, along with all eligible US employees, will receive an up-lift to the contributions paid into the 401(k) and associated non-qualified saving plans.

**UK Executive Directors' pension arrangements**

UK Executive Directors have the option to participate in the UK Pension Fund according to their eligibility, or to take a cash allowance in lieu of pension. The cash allowance is consistent with the appropriate cost of the alternative gross pension benefit.

**John Patterson** (Executive Director, Development) has elected to remain a member of the AstraZeneca Group's main UK Defined Benefit Pension Plan for the option year 2007/2008 rather than take the cash allowance. The normal pension age under this plan is 62. However, a member's accrued pension is available from age 60 without any actuarial reduction. In addition, the accrued pension is available, unreduced, from age 57 if the Group consents to a request for early retirement and from age 50 if the retirement is at the Group's request. John Patterson reached age 60 in January 2008

and hereafter, on leaving or retiring from the Group, will be eligible to take a pension based on accrued service and final pensionable pay.

On death in retirement, the accrued pension is guaranteed payable for the first five years of retirement and then reduces to two-thirds of this amount should there be a surviving spouse or other dependant. Any member may choose higher or lower levels of survivor's pensions at retirement, subject to HM Revenue & Customs limits, in return for an adjustment to their own pension of equivalent actuarial value. Pensions are also payable to dependent children.

Pensions in payment are increased annually in line with inflation, as measured by the UK Retail Prices Index, up to a maximum of 5%.

**Simon Lowth** (the Chief Financial Officer) is eligible to join the Group's main defined contribution plan at a Group contribution rate of 24% of annual basic salary, or alternatively, to take the Group contribution as a cash allowance. For the option year 2007/2008, he has elected to take the cash allowance (as detailed beneath the pensions table on page 108).

**Jonathan Symonds** (the former Chief Financial Officer) benefited from a pension promise equivalent to membership of the UK Defined Benefit Pension Plan. This was delivered in 2007 through a combination of an annual payment by the Company of 26% of base salary paid into a personal pension, and an unfunded top-up benefit to deliver the balance. The aggregate benefits are shown in the table on page 108 as if the scheme were a defined benefit arrangement.

Following Jonathan Symonds' resignation in July 2007, his pension arrangements were terminated in accordance with pre-existing rights under the governing documentation. Accordingly, the Company exercised its power to wind up the pension arrangement and pay out the accrued capital value of the unfunded top-up benefit. In so doing, the Committee took external independent actuarial advice as to what would be a reasonable valuation, resulting in a cash lump sum payment of £3.27 million being made.

The payment extinguishes all pension liabilities the Company has in respect of Jonathan Symonds.

<sup>2</sup> The 401(k) savings plan is a qualified plan to which eligible employees may make salary-deferral contributions on a post-tax and/or pre-tax basis. Employers may also make matching or non-elective contributions to the plan.

## DIRECTORS' REMUNERATION REPORT CONTINUED

In the event of a senior employee in the main UK Defined Benefit Pension Plan becoming incapacitated, then a pension is payable immediately as if such person had reached normal retirement age (subject to a maximum of 10 years' additional service), based on current pensionable salary. In the event of a member's death prior to retirement, dependants are entitled to a pension of two-thirds of the pension that would have been earned had the deceased remained in service to age 62, plus a capital sum of four times pensionable pay.

In the event of a senior employee in the main UK Defined Contribution Pension Plan (or where an alternative cash allowance has been taken) becoming incapacitated, then Permanent Health Insurance provides continuation of a proportion of salary subject to satisfying medical criteria. In the event of death prior to retirement, dependants are entitled to a pension and/or lump sum secured from a multiple of ten times salary.

#### Benefits

In conjunction with the majority of employers, certain benefits are made available to the Executive Directors and members of the SET via a flexible benefits programme offered by AstraZeneca. Under this programme, participants may elect to purchase certain benefits such as funding to facilitate the purchase of a company car and additional insurance from a fund calculated by reference to basic salary.

#### Variable remuneration

Executive Directors and members of the SET are eligible to participate in a number of different elements of variable pay, which are described below. The decision as to whether or not in any given year the Executive Directors and members of the SET receive any or all of their elements of variable pay is determined by the Remuneration Committee, who will typically have regard to the performance of the individual and will consider the elements of variable pay applicable to senior employees in other comparable organisations in making such a determination.

#### Short-term bonus

##### Performance criteria

All Executive Directors and members of the SET are eligible for a short-term bonus.

The basis for the payment of any short-term bonus is determined by reference to a range of factors linked to the underlying performance of AstraZeneca's business, the performance of the functional area for which the individual is responsible and the performance of the

individual in his or her role. Further discussion of the weighting of each of these factors is set out under the heading 'Structure and Assessment of Performance' below.

In respect of the assessment of bonuses for 2007, EPS (excluding restructuring and synergy costs) increased by 7%; global sales increased by 7% overall; and operating profit (excluding restructuring and synergy costs) increased by 8%. The development pipeline was strengthened and now comprises 95 clinical projects. The size of the phase III portfolio doubled from five to 10 projects (covering nine new compounds). It was a record year in terms of the number of new molecules entering phase I compared with 2006 (24 in 2007, 12 in 2006). During 2007, there were significant externalisation developments, including the acquisition of MedImmune, Inc. which is described in detail on page 25. Good progress was made in product development life cycle management. These achievements were underpinned by a continuing emphasis on cost discipline, improved productivity and performance management. During 2007, the Business Performance Management framework was reviewed, with a view to further enhancing focus on AstraZeneca's strategic objectives. Bonus outcomes for 2007 reflected overall corporate and relevant functional performance in 2007 against clear objectives in relation to the following categories:

- > Performance (financial and operational).
- > Patients.
- > Products.
- > People.

Bonus outcomes for 2008 will reflect overall corporate financial and relevant functional performance against clear objectives in relation to the following categories which are consistent with delivering shareholder value:

- > Strengthening the pipeline.
- > Growing the business.
- > Reshaping the business.
- > Promoting a culture of responsibility and accountability.

More information about these objectives is set out in the section Goals, Strategy and Performance Measurement on pages 9 to 12.

#### Structure and assessment of performance

Since consultation with shareholders in 2004, the performance criteria for determining the annual bonus for Executive Directors (and other SET members) have been as follows:

- > 50% by reference to EPS.
- > 25% by measures relating to the individual's particular area of responsibility (or, in the case of the Chief Executive Officer, the average of these individual outcomes for the other members of the SET).
- > 25% by a balance of qualitative and quantitative measures that address overall business performance.

Consistent with best practice, the Remuneration Committee has put in place a requirement that a certain proportion of any short-term bonus payment should be deferred and invested into Ordinary Shares (or ADSs) in the Company acquired on the open market at the prevailing market price and held on behalf of the individual Executive Director by the Company for a period of three years from the date of acquisition. This arrangement is intended as one of the ways in which, over time, Executive Directors will be able to build up a significant shareholding in the business. Although the delivery of these shares to the individual after three years is not contingent on the continued performance of the business, the Remuneration Committee has reserved the right to retrospectively alter bonus outcomes in circumstances where it does not consider that the delivery of shares is warranted by the underlying performance of the business. The proportion currently deferred into shares is one third of the pre-tax bonus for Executive Directors and one sixth for all other SET members. On leaving, participants would normally have to wait for the shares to be released at the end of the three year period. For 2007, the short-term bonuses awarded to the Executive Directors are set out on page 103.

#### Bonus outcomes for 2007

The bonus outcomes for 2007 are shown in the table at the top of page 103. Bonuses are not pensionable.

For 2008, the bonus ranges for each Executive Director are shown on page 103 and are the same as for 2007.

#### Long-term incentive plans

Executive Directors and members of the SET may also be granted share options under the AstraZeneca Share Option Plan and awards under the AstraZeneca Performance Share Plan. The grant of such options and award of such shares are determined by the Remuneration Committee, as are the performance targets that apply to their vesting and/or exercise. Both of these schemes are

**BONUS OUTCOMES FOR 2007**

Executive Director	Short-term bonus (delivered as a combination of cash and shares, as shown in the table of emoluments) £	Percentage of salary %
David Brennan	1,008,150	107.3
John Patterson	468,425	92.8
Simon Lowth <sup>1</sup>	80,381	87.7

**BONUS RANGES FOR 2008**

Executive Director	Bonus range for 2008 %
David Brennan	0 – 180
Simon Lowth	0 – 150
John Patterson	0 – 150

<sup>1</sup> Part year only as appointed Director on 5 November 2007.

intended to align the interests of Executive Directors and members of the SET with those of shareholders. Following the exercise of an option under the AstraZeneca Share Option Plan it is the expectation of the Remuneration Committee that the Executive Directors will retain the net number of shares from the exercise for a period of not less than six months from the date of exercise.

**Shareholding guidelines**

For the Executive Directors and members of the SET, the Remuneration Committee has established target shareholding guidelines in which it is expected that Executive Directors build up their own holding of shares in the Company, equivalent to one times their basic salary. It is expected that these shareholding targets will be reached in part through shares delivered from the various long-term incentive arrangements as well as the deferred part of the short-term bonus (described above).

**AstraZeneca Performance Share Plan**

The AstraZeneca Performance Share Plan (PSP) was approved by shareholders at the AGM in 2005 and provides for the grant of performance share awards (Awards) over Ordinary Shares or American Depositary Shares in AstraZeneca PLC (together, the Shares).

**Basis of participation**

The Remuneration Committee is responsible for setting the policy for the way in which the PSP should be operated, including agreeing performance targets, identifying which employees should be invited to participate in the PSP and the level of Awards. Participation is highly selective and tends to only include senior employees on the basis of their performance. Awards are not pensionable and may not generally be assigned or transferred.

Generally, Awards can be granted at any time (although in practice they are awarded annually), but not during a close period of the Company. In 2007, the main grant of Awards was made on 30 March, with other awards approved by the Remuneration Committee in relation to, for example new appointments or promotions granted on 24 August and 16 November. The value of the shares subject to the Award is determined by reference to the market price of Shares over the three-day period immediately preceding the date of grant.

Details of Awards to Executive Directors are shown in the table on page 111.

**Performance conditions**

Save in exceptional circumstances, which are prescribed in the PSP rules, the vesting of Awards is contingent on the satisfaction of specified performance targets and continued employment with the Group. In addition to the satisfaction of these performance targets, Awards will generally not vest until the third anniversary of the date of grant although Awards may vest in part on a time pro-rated basis where a participant ceases to be in relevant employment under certain circumstances during the vesting period to the extent that the performance targets have been met.

**Performance period and vesting dates**

In the case of all Awards granted so far, the performance target relates to the three-year period commencing on 1 January of the year of grant. Thus, for the Awards made in 2007, the performance period runs from 1 January 2007 to 31 December 2009. The vesting date is the third anniversary of the date of grant.

**Performance targets**

For all Awards so far, the performance target is the Company's total shareholder return (TSR) over the relevant three-year period compared with the TSR of a selected peer group of pharmaceutical companies for the same period. These companies are currently a total of 12: Abbott Laboratories, Bristol-Myers Squibb, Eli Lilly, GlaxoSmithKline, Johnson & Johnson, Merck, Novartis, Pfizer, Roche, Sanofi-Aventis, Schering-Plough and Wyeth.

TSR looks at share price increase and dividends re-invested in respect of a notional number of shares, from the beginning of the relevant performance period to the end of it, and ranks the companies in the selected comparator group by reference to their TSR achieved over that period. The rank which the Company's TSR achieves over the performance period will determine how many Shares will vest under the relevant Award, as per the vesting schedule shown in the table below:

TSR ranking of the Company	Vesting percentage of Shares under Award %
Below median	0
Median	30
Upper quartile	100
Between median and upper quartile	Pro rata
Significantly above upper quartile	up to 125

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 and end of the relevant performance period.

In addition to the TSR performance target being met for each Award as set out above, the Remuneration Committee also has to satisfy itself that achievement of the TSR performance target is a genuine reflection of the Company's underlying financial performance and has the discretion to not allow Awards to vest or to only allow them to partially vest where this appears to the Remuneration Committee to be warranted.

The Remuneration Committee has the discretion to award Shares up to a further 25% over and above the Shares subject to the Award, if the Company's TSR performance is substantially better than that of the upper quartile of the comparator group.

## DIRECTORS' REMUNERATION REPORT CONTINUED

**Individual limit**

In respect of any financial year, the maximum market value of Shares that may be put under Award in respect of an employee is 500% of that employee's basic salary. This limit excludes the above 25% maximum additional Shares that may vest, at the sole discretion of the Remuneration Committee, if the Company's TSR performance is substantially above that of the upper quartile of the comparator group. For Awards to vest at this level, the Company would need to have sustained a level of performance well in excess of upper quartile over a period of years and the Remuneration Committee would need to be satisfied that this was warranted.

The actual individual limits that apply under the PSP, subject to this maximum, are set by the Remuneration Committee from time to time.

**Performance under the AstraZeneca Performance Share Plan in 2007**

The Peer Group Graphs on page 109 show, for each Award, how the Company's TSR performance has compared with the TSR for the companies in the comparator group from the first day of the relevant performance period to 31 December 2007 and how the Company ranks against those other peer companies on this basis. We will continue to report on the performance of each Award against the relevant performance target during the relevant vesting period.

**Change in control provisions**

On a change in control of the Company as a result of a general offer to acquire the whole of the issued ordinary share capital of the Company, Awards will vest pro-rata to the time elapsed between the date of grant of the Award and the date of the change in control to the extent that the relevant performance targets have been met up to the date of the change in control (or the most practicable earlier date). The Remuneration Committee will, however, have discretion to take into account any other factors it believes to be relevant in determining the extent to which Awards will vest in these circumstances.

**AstraZeneca Share Option Plan**

The AstraZeneca Share Option Plan (SOP) was approved by shareholders at the AGM in 2000 and provides for the grant of share option awards (Awards) over Ordinary Shares or American Depositary Shares in AstraZeneca PLC (together, the Shares).

**Basis of participation**

The Remuneration Committee is responsible for setting the policy for the way in which the SOP should be operated, including agreeing

performance targets and identifying which employees should be invited to participate and the level of Awards. Participation is highly selective and tends to only include senior employees on the basis of their performance (except in the US where for cultural reasons, participation in the SOP is more widespread). Awards are not pensionable and may not generally be assigned or transferred.

Generally, Awards can be granted at any time, but not during a close period of the Company. In 2007, grants of Awards were made on 30 March, 24 August and 16 November. The exercise price is fixed by reference to the market price of Shares over the three day period immediately preceding the date of grant.

Details of Awards to Executive Directors are shown in the table on page 113.

**Performance conditions**

The Remuneration Committee must, before agreeing to grant an Award to Executive Directors and others, be satisfied that both the most recent and the underlying performance of the business justify each grant and that each individual to whom an Award is proposed to be granted has achieved a level of performance in his or her role considered by the Remuneration Committee as being able to justify in the interests of the business, the grant of such an Award.

In agreeing grants of Awards in March 2007, the Remuneration Committee took into account strong underlying financial performance and progress towards achieving longer-term goals. In particular, in coming to its view, it noted that during 2006: sales increased by 11% to \$26.5 billion and operating profits increased by 28% to \$8.2 billion on a constant exchange rate basis; earnings per share, at \$3.36 (excluding *Toprol*), were 34.4% higher and dividends, at \$1.72, 32% higher than in 2005; and costs were managed in a disciplined way. In addition, in 2006, the Company had announced a programme to rationalise production assets and to reduce headcount. Investment in R&D grew by 16% in 2006, to \$3.9 billion; there were 120 development projects; 49 in pre-clinical, 23 in clinical phase I, 20 in phase II, and 28 in phase III; five new chemical entities were in late stage development; 11 applications were made to regulatory authorities for new indications for existing products; for example to the FDA for *Seroquel* in bipolar depression; 10 of these were approved; and 325 further R&D collaborations with outside agencies were agreed. In order to both supplement the short-term pipeline and to accelerate access

to the new science of biopharmaceuticals, in 2006 AstraZeneca acquired Cambridge Antibody Technology Group.

As well as taking into account these performance considerations at the point of granting Awards, the Remuneration Committee imposed performance conditions in respect of the exercise of such Awards in respect of members of the SET (including the Executive Directors) which, in the view of the Remuneration Committee were considered appropriately stretching. In order for Awards to vest, the EPS of the Group must increase at least in line with the UK Retail Price Index plus 5% per annum on average, over a three year period, the base figure being the EPS for the financial year preceding the date of grant, with no re-testing. In addition, since the review of executive remuneration in 2004, the Remuneration Committee has included a condition to the effect that, if an event occurs which causes material reputational damage to the Company, such that it is not appropriate for the Awards to vest and become exercisable, the Remuneration Committee can make a determination to that effect.

The Remuneration Committee also sought and received assurances that each individual proposed for the grant of an Award has been performing in a manner that justified a grant to them. There was some variation in the level of grants being proposed between individuals, to reflect differing levels of performance and their seniority within the business.

**Change in control provisions**

On a change in control of the Company as a result of a general offer to acquire the whole of the issued ordinary share capital of the Company, any unvested Awards vest immediately following the change in control. All outstanding vested Awards can be exercised during the period of six months from the date of the change in control. The Company will use its best endeavours to ensure that any shares acquired from an exercise following a change in control are subject to the same terms as shares of the same class were acquired under the general offer. Unexercised Awards will lapse at the end of the six-month period following a change in control or, if the Award is exchanged for an option relating to shares in a different company, the date of exchange, whichever is earlier.

**Dilution**

The dilutive effect of the proposed grants of Awards on the Company's issued share capital was also considered by the Remuneration Committee, in accordance

with its commitment, reflecting the ABI's guidance, that the percentage of the issued share capital that could be allocated under all of the Company's employee share plans over a period of 10 years should be under 10%. This commitment is applied by the Remuneration Committee in practice as a limit, on average, of under 1% per annum. The Remuneration Committee concluded that a grant of Awards to those plan participants and individual Executive Directors proposed for a grant was appropriate given the level of performance achieved. None of the other long-term incentive plans currently operated by the Company have a dilutive effect because they do not involve the issue and allotment of new Shares or ADSs in the Company but rather rely on the market purchase of Shares or ADSs that have already been issued.

#### Zeneca 1994 Executive Share Option Scheme

This plan was replaced by the AstraZeneca Share Option Plan. The last grant of options under this plan was in March 2000. Certain Executive Directors and members of the SET have options outstanding under this plan, all of which are exercisable, the performance conditions having been satisfied. A description of this plan can be found on page 156.

#### Other plans

In addition to the plans described above, the Company operates a Share Incentive Plan and a Savings-Related Share Option Plan, both of which are UK HM Revenue & Customs approved plans. Certain Executive Directors and members of the SET are eligible to participate in these plans, more detailed descriptions of which can be found on pages 154 and 156.

#### Restricted Stock Unit Plans

The AstraZeneca Pharmaceuticals LP Restricted Stock Unit Award Plan (RSU Plan) was introduced in 2007 and provides for the grant of restricted stock unit awards (Awards) to selected employees (predominantly in the US). The RSU Plan is used in conjunction with the AstraZeneca Share Option Plan to provide a mix of restricted stock units and share options. Awards typically vest on the third anniversary of the date of grant and are contingent on continued employment with AstraZeneca. In 2007, Awards were made on 30 March and 24 August. In addition, the RSU Plan has also been used in 2007 to make Awards to certain employees within the MedImmune part of the Group as previously described.

#### Service contracts

Details of the service contracts for each of the Executive Directors, including their notice periods, are set out in the table below. The notice periods in the Executive Directors' service contracts are 12 months, but in the case of Simon Lowth his 12 month notice may not expire prior to the second anniversary of his employment commencing. To recruit Simon Lowth it was necessary to offer him an initial one year period before the 12 month notice could be served. It is the Board's intention that all Executive Directors should have notice periods that do not exceed 12 months. Where it is necessary to offer longer notice periods to new directors it is the Board's intention that the notice period should reduce to a maximum of 12 months after the initial period, such as in Simon Lowth's case.

It is the Board's intention that, in the event of early termination of an Executive Director's employment, any compensation payable under the service contract should not exceed the salary and benefits that would have been received had the contractual notice period been worked and this may be further reduced in line with the Executive Director's duty to mitigate losses. Compensation for any bonus entitlement will be assessed initially as 'on target' but subject to adjustment by the Remuneration Committee to take account of the particular circumstances of the termination. In addition, in the case of the Executive Director Development only, the unreduced pension entitlement described under the Pensions section on page 108 would be payable. In the case of Simon Lowth only, his service contract provides that, in the event of termination during the first 12 months of his employment, his entitlement to compensation payable for the balance of the initial 12 month period in which he has not worked will be less than any salary and benefits to which he would have been entitled had he worked during that period.

#### Policy on external appointments and retention of fees

Subject to the specific approval of the Board in each case, Executive Directors and members of the SET may accept external appointments as non-executive directors of other companies and retain any related fees paid to them provided always that such external appointments are not considered by the Board to prevent or reduce the ability of the executive to perform his or her role to the required standard. Such appointments are seen as a way in which executives can gain a broader business experience and, in turn, benefit the Company.

In respect of any external appointments held by Executive Directors and in relation to the retention of any such fees, John Patterson is a non-executive director of Cobham plc. In respect of such position, he retained the fees paid to him for his services which, in 2007, totalled £51,500.

#### Non-Executive Directors

None of the Non-Executive Directors has a service contract. They are not eligible for performance-related bonuses or the grant of share options. No pension contributions are made on their behalf. None of the Non-Executive Directors have participated or will participate in any decision made by the Board in relation to the determination of their fees.

The remainder of this report was subject to audit by KPMG Audit Plc.

#### AUDIT

The Directors' emoluments in 2007 and the details of the Directors' interests in the Company's Ordinary Shares disclosed in the Directors' Emoluments section on pages 106 to 114 have been audited by the Company's external auditor.

#### DETAILS OF EXECUTIVE DIRECTORS' SERVICE CONTRACTS AT 31 DECEMBER 2007

Executive Director <sup>1</sup>	Date of service contract	Unexpired term at 31 December 2007	Notice period
David Brennan	1 January 2006	12 months	12 months
Simon Lowth <sup>2</sup>	5 November 2007	22 months	12 months
John Patterson	1 January 2005	12 months	12 months

<sup>1</sup> None of the Executive Directors have any provision in their service contracts giving them a right to liquidated damages or an automatic entitlement to bonus for the duration of their notice period.

<sup>2</sup> Simon Lowth's notice period was set at 24 months from the effective date of the contract. After an initial 12 month period, this reduces to and remains at 12 months.