

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.