

CORPORATE GOVERNANCE AND MANAGING RISK

CORPORATE GOVERNANCE: OPERATION OF THE BOARD OF DIRECTORS

Introduction

The Board is responsible for the Company's corporate governance, sets the Company's strategy and policies and also monitors progress towards meeting its objectives and annual plans. The Board discharges these responsibilities through a programme of meetings that include a formal, annual strategy review. The Board also assesses whether and to what extent its obligations to the Company's shareholders and others are understood and met. This includes regular reviews of the Company's financial performance and critical business issues.

In the view of the Board, at least half of the Board members are, for the purposes of the UK Combined Code on Corporate Governance and the corporate governance standards of the New York Stock Exchange, independent Non-Executive Directors. Further information can be found on page 43 (Independence of Directors under the UK Combined Code).

Prior to the publication of this report, the Board conducted its annual review and assessment of how it operates. This was done without external facilitation, although the Board did make use of a series of web-based questionnaires that were developed in conjunction with Lintstock, a leading corporate governance consulting company. This included consideration and discussion of the nature and level of its interaction with the Company's management; the quality, quantity and scope of information which flows to the Board from management, and the way in which it flows; the content of Board meetings and presentations to Board meetings; the composition of the Board; the practical arrangements for the work of the Board; and the work and operation of the Board's committees. Overall, Board members concluded that the Board and its committees were operating in an effective and constructive manner.

As part of the assessment process, the Chairman reported to the Board on his conversations with each Non-Executive Director about his or her individual performance and that of the Board as a whole. The Non-Executive Directors reviewed the performance of the Chief Executive Officer and other Executive Directors in their absence. In addition, the Board, under the chairmanship of the Senior Independent Director, reviewed the performance of the Chairman in his absence.

The Board maintains and regularly reviews a full list of matters and decisions that are reserved to, and can only be approved by, the Board. These include, among other things, the appointment, termination and remuneration of any Director; approving the annual budget; approving or supporting any item of fixed capital expenditure or any proposal for the acquisition or disposal of an investment or business which exceeds \$150 million; the raising of any capital or loan by the Company or subsidiary of the Company (subject to certain exceptions); the giving of a guarantee in respect of any borrowing of the Company; and allotting shares of the Company. The matters that have not been expressly reserved to the Board have either been delegated to the Board committees or the Chief Executive Officer. Further information can be found on pages 39 (Board Committees) and 20 (Chief Executive Officer, delegation of authority and Senior Executive Team).

Details about the Board's composition, processes and responsibilities are set out on pages 17 to 19.

Board meetings

As part of the business of each meeting of the Board, the Chief Executive Officer will typically submit a report describing the activities in each key area of the business and detailing progress against the goals the Board has approved. The Board also receives accounting and other management information to assist in the assessment of the use of financial and non-financial resources, as well as presentations from internal and external speakers to assist in the understanding of legal, governance and regulatory developments as well as external perspective issues.

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

The Board held six scheduled and three other meetings in 2007. Six of the Board meetings were held in London, one in Boston and two by teleconference. The following table shows how many meetings each of the Directors participated in:

| Name | Number of meetings attended/ (number of meetings Director was eligible to attend in 2007) |
|---------------------------------|---|
| Bo Angelin ¹ | 3/(3) |
| Sir Peter Bonfield ² | 4/(4) |
| David Brennan | 9/(9) |
| John Buchanan ³ | 8/(9) |
| Jane Henney ³ | 8/(9) |
| Michele Hooper ³ | 8/(9) |
| Joe Jimenez ^{3, 4} | 1/(2) |
| Simon Lowth ⁵ | 1/(1) |
| Håkan Mogren | 9/(9) |
| Erna Möller ⁶ | 4/(4) |
| John Patterson | 9/(9) |
| Dame Nancy Rothwell | 9/(9) |
| Louis Schweitzer ³ | 8/(9) |
| Jonathan Symonds ⁷ | 6/(6) |
| John Varley ³ | 7/(9) |
| Marcus Wallenberg ³ | 6/(9) |

¹ Appointed 25 July 2007 in accordance with the Company's Articles of Association.

² Retired from the Board at the AGM on 26 April 2007 in accordance with the Company's Articles of Association and did not offer himself for re-election.

³ Unable to attend one or more meetings due to an unscheduled urgent commitment or prior conflict.

⁴ Resigned 12 April 2007.

⁵ Appointed 5 November 2007 in accordance with the Company's Articles of Association.

⁶ Retired from the Board at the AGM on 26 April 2007 in accordance with the Company's Articles of Association and did not offer herself for re-election.

⁷ Resigned 31 July 2007.

Given the nature of the business to be conducted, some Board meetings are convened at short notice. As a result, it is occasionally difficult for certain Directors to rearrange prior engagements in order for them to attend such meetings. Where one or more Director is unable to attend a meeting of the Board, provided that the meeting is quorate without that Director or those Directors, the meeting will proceed as scheduled. In any event, the briefing papers will still be sent to the absent Directors and those Directors will typically make their comments and feedback on the business to be discussed at the meeting known to the Chairman, who can then raise these views at the meeting.

The Board is currently scheduled to meet six times in 2008, and will meet at such other times as may be required to conduct business.

Board changes

There is an established procedure operated by the Nomination Committee for the recommendation to the Board of the appointment of new Directors. Appointments are based on the merits of the candidates,

who are measured against objective criteria, and care is taken to ensure that appointees have enough time to devote to the job. Further details of the type of criteria used to select candidates are set out on page 42 (Nomination Committee). In accordance with the Company's Articles of Association, all Directors retire at each Annual General Meeting (AGM) and may offer themselves for re-election by shareholders (see below for more details). The Board reviews annually the status of succession to senior positions, including those at Board level, and ensures it has regular contact with, and access to, succession candidates.

During the 2007 financial year:

- > Joe Jimenez resigned from the Board on 12 April 2007 after agreeing to take up a full-time executive appointment with Novartis, the Swiss-based healthcare group. Mr Jimenez served the Company as a Non-Executive Director for approximately four years and was a member of the Remuneration Committee.
- > At the AGM on 26 April 2007, Sir Peter Bonfield and Erna Möller, both Non-Executive Directors, stepped down from the Board. Sir Peter Bonfield served the Company as a Non-Executive Director for 12 years and worked as a member of various Board committees including the Remuneration Committee (acting as Chairman) and the Nomination Committee. Erna Möller served the Company as a Non-Executive Director for eight years (having formerly served as a Director of Astra AB for four years) and also worked as a member of various Board committees including the Remuneration Committee and, most recently, the Science Committee.
- > In accordance with Article 70 of the Company's Articles of Association, which gives the Directors the power to appoint a new Director nominated by the Nomination Committee who can then hold office until the next AGM (at which they will be eligible for re-election), Bo Angelin was appointed as a Non-Executive Director on 25 July 2007.
- > Jonathan Symonds resigned from the Board with effect from 31 July 2007 to pursue his career outside AstraZeneca.
- > Also under Article 70 of the Company's Articles of Association, Simon Lowth was appointed as a Director and the Chief Financial Officer of the Company with effect from 5 November 2007.

On joining the Board, new Directors are provided with comprehensive documentation, which sets out their obligations and duties as Directors. New Directors also typically attend tailored induction programmes designed to take into account their individual skills and experience. In order to develop an understanding of the views of major shareholders about the Company, the Non-Executive Directors (together with the rest of the Board) regularly receive reports and presentations from the Company's brokers and meet with senior managers throughout the year. Moreover, at the AGM, the Directors actively encourage the attendance of shareholders and their asking questions.

Election and re-election of Directors

Under Article 65 of the Company's Articles of Association, all of the Directors are required to retire at the AGM in April 2008. The Notice of AGM will give details of those Directors presenting themselves for election or re-election at the AGM.

Insurance, indemnities and professional advice

The Company maintained Directors' and Officers' liability insurance cover throughout 2007.

The Directors are also able to obtain independent legal advice at the expense of the Company, as necessary in their capacity as Directors.

In early 2006, and subsequently in the case of new Directors joining the Board, the Company entered into a deed of indemnity in favour of each Board member. Under Article 134 of the Company's Articles of Association, the current Directors and officers were already indemnified in accordance with the Companies Act 1985. However, consistent with recent changes to the Companies Act 1985, and in the interests of retaining high-quality, skilled individuals, current market practice is for companies to enter into a separate deed of indemnity in favour of each Director. As at the date of this report, these deeds of indemnity are still in force and provide that the Company shall indemnify the Directors to the fullest extent permitted by law and the Company's Articles of Association, in respect of all losses arising out of, or in connection with, the execution of their powers, duties and responsibilities, as Directors of the Company or any of its subsidiaries.

CORPORATE GOVERNANCE: OPERATION OF BOARD COMMITTEES

The Board has delegated certain responsibilities to the Audit, Remuneration and Nomination Committees. The Board has also established a Science Committee for the purpose of reviewing matters within its remit, further details of which are described below. The Board provides adequate resources to enable each committee to undertake its duties. Each of the Audit, Remuneration and Nomination Committees is made up of Non-Executive Directors, although Executive Directors may be invited to attend meetings. Members of the Science Committee include Executive Directors, Non-Executive Directors and certain senior managers. Further details of the role, membership and terms of reference for each committee are set out below.

Audit Committee

"In recent years, the Audit Committee agenda has been shaped by the requirements to monitor the implementation of the Group's compliance with various new developments in the external regulatory environment, including the Sarbanes-Oxley Act, International Financial Reporting Standards, changes to the UK Combined Code and the Smith Report. In 2007, the Committee sought to ensure that the amended systems of compliance and governance have become embedded effectively within the business, supporting the Group's strategic objectives as well as providing assurance to the Directors and shareholders. Regular reviews of key accounting judgements and financial results continued as well as the risk-based review of key issues."

JOHN BUCHANAN Chairman of the Audit Committee

The current members of the Audit Committee are John Buchanan (who chairs the committee), Jane Henney and Michele Hooper. They are all Non-Executive Directors. The Board considers each member to be independent under the UK Combined Code and under the general guidance and specific criteria of the New York Stock Exchange's (NYSE) corporate governance listing standards concerning the composition of audit committees applicable to non-US companies. In May 2007, the Company submitted the required annual written affirmation to the NYSE confirming its full compliance with those standards. For the purposes of the UK Combined Code, the Board remains satisfied that at least one member of the Audit Committee has recent and relevant financial experience. At its meeting in December 2007, the Board determined that Michele Hooper is an audit committee financial expert for the purposes of the US Sarbanes-