

CORPORATE GOVERNANCE AND MANAGING RISK CONTINUED

The remit of the Nomination Committee is, after appropriate consultation with the Chairman and Chief Executive Officer, to make proposals and recommendations to the Board for any new appointments as Directors of the Company. However, any decisions relating to the appointment of a Director are made by the entire Board and not the Nomination Committee.

The members of the Nomination Committee during 2007 were Louis Schweitzer (who chairs the committee), Håkan Mogren, Peter Bonfield, Jane Henney and, since 25 April 2007, Michele Hooper and John Varley. As part of the succession planning of the Company, Peter Bonfield stepped down as a Director and member of the Nomination Committee on 26 April 2007. All the current members of the Nomination Committee are Non-Executive Directors. With the exception of the Chairman and Håkan Mogren (for the reasons explained on page 43 below), the Board considers them all to be independent for the purposes of the UK Combined Code and applicable corporate governance listing standards of the NYSE. The Company Secretary acts as secretary to this committee.

The Nomination Committee formally met twice in 2007 and conducted other business in respect of the recruitment of Simon Lowth and Bo Angelin. Each member attended both of the formal meetings except for Peter Bonfield (who resigned on 26 April 2007), Michele Hooper and John Varley (who were appointed as members on 25 April 2007) and Jane Henney (due to a diary conflict). The principal tasks in relation to nomination matters in 2007 related to the appointment of Michele Hooper and John Varley as members of the Nomination Committee, the appointment of Bo Angelin to the Board following the resignations of Peter Bonfield and Erna Möller at the 2007 AGM, the recommendation of a replacement for Joe Jimenez and the appointment of Simon Lowth as successor to Jonathan Symonds as Chief Financial Officer. The Nomination Committee received advice from independent external consultants in respect of the appointment of Simon Lowth. Given the criteria used in respect of the appointment of Bo Angelin, neither an external search agency nor open advertising was used, as it was felt that AstraZeneca itself was best placed to identify candidates with relevant experience and expertise. The Nomination Committee also reviewed the knowledge, experience and balance of the Board and the requirements for future Non-Executive Directors in the light of the strategic and business objectives of the Company.

When recruiting Directors, the Nomination Committee typically works with the Board to consider the particular skills, knowledge, experience and calibre that would benefit the Board most significantly for each appointment, as well as the need for succession planning in relation to the reappointment of Directors who retire by rotation in accordance with the Company's Articles of Association. Typically, broad selection criteria are used which focus on achieving a balance between the representation of European, UK and US markets as well as focusing on medical and scientific expertise. For example, in respect of the recommendation of Bo Angelin as a Non-Executive Director, the Nomination Committee took the view that it would be advantageous to have on the Board another Director with relevant scientific experience, and who was able to offer good scientific and commercial skills. After consideration of their qualifications, candidates are short-listed for interview with members of the Committee and, if recommended by the Committee, are then considered by the full Board before appointment.

The Nomination Committee's remit is available on the Company's website, astrazeneca.com.

Science Committee

The Science Committee consists of people who are expected to have a knowledge of, or an interest in, life sciences. During 2007, its members were Nancy Rothwell (who chairs this committee), Jane Henney, Erna Möller (until 26 April 2007), Jan Lundberg, John Patterson and Bo Angelin (since 25 July 2007). They are all Non-Executive Directors, except Jan Lundberg and John Patterson. The Global Head Discovery, Strategy, Portfolio and Project Evaluation is also invited to attend all meetings and acts as secretary to this committee.

The Science Committee was established in late 2006 and its remit is:

- > To provide assurance to the Board regarding the quality, integrity and competitiveness of the Company's science-based R&D activities. The Committee aims to assure itself that the approaches and targets adopted throughout the R&D organisation are competitive and an appropriate use of shareholders' funds, but is not expected to review individual research or licensing projects.
- > To consider reports from or join any meeting with any relevant external advisory board when the Company is considering entry into new areas of science or medicine.

- > To review, from time to time, together with other external experts important bioethical issues faced by the Company and to assist in the formulation of, and to agree on behalf of the Board, appropriate policies in relation to such issues.

- > To consider with external experts, from time to time, future trends in medical science and technology.

The Science Committee's remit is available on the Company's website, astrazeneca.com.

The Science Committee met twice in 2007 to review and discuss its remit and method of operation, the Company's Cardiovascular R&D as well as its science policy. Each member participated in both meetings except for Erna Möller (who resigned on 26 April 2007) and Bo Angelin (who was appointed as a Non-Executive Director on 25 July 2007).

CORPORATE GOVERNANCE: PRINCIPAL UK AND US GOVERNANCE REQUIREMENTS UK Combined Code on Corporate Governance

The Board has prepared this report with reference to the UK Combined Code on Corporate Governance published in June 2006 by the Financial Reporting Council, and related guidance.

The Company is applying all the main and supporting principles of good governance in the UK Combined Code. The way in which these principles are being applied is described below.

The Company has complied throughout the accounting period and is also continuing to comply with all of the provisions of the UK Combined Code.

Internal controls, risk management and Turnbull Report guidance

The Board has overall responsibility for the Company's system of internal controls. Since the publication in September 1999 by the Institute of Chartered Accountants in England and Wales of the Turnbull Report, 'Internal Control: Guidance for Directors on the UK Combined Code', the Directors have continued to review the effectiveness of the Group's system of controls, risk management and the Group's high-level internal control arrangements. These reviews have included an assessment of internal controls, and in particular internal, financial, operational and compliance controls and risk management, supported by management assurance of the maintenance of control, reports from Group Internal Audit, as well as the external auditor on matters identified in the course of its

statutory audit work. The Board is also responsible for reviewing the effectiveness of the system of internal controls and risk management policies. The system is designed to manage rather than eliminate the risk of failure to achieve business objectives and can only provide reasonable (not necessarily absolute) assurance of effective operation and compliance with laws and regulations.

Underpinning these reviews is an annual 'letter of assurance' process by which responsible managers confirm the adequacy of their systems of internal financial and non-financial controls, their compliance with Group policies and relevant laws and regulations (including the industry's regulatory requirements), and confirm they have reported any control weaknesses through the Group's 'continuous assurance' process.

The internal control framework has been in operation for the whole of the year under review and continues to operate up to the date of the approval of this report. The Directors believe that the Group maintains an effective, embedded system of internal controls and complies with the Turnbull Report guidance and, in the view of the Directors, no significant failings have been identified in the system.

Further information on the ways in which we manage our business risks is set out in the section titled 'Managing Risk' on page 47.

The US Sarbanes-Oxley Act of 2002

AstraZeneca PLC American Depositary Shares are traded on the New York Stock Exchange and, accordingly, the Company is subject to the reporting and other requirements of the US Securities and Exchange Commission (SEC) applicable to foreign private issuers. Section 404 of the US Sarbanes-Oxley Act (the 2002 Act) requires companies to include in their annual report on Form 20-F filed with the SEC a report by management stating its responsibility for establishing internal control over financial reporting and to assess annually the effectiveness of such internal control. The Company has complied with those provisions of the 2002 Act applicable to foreign private issuers. The Board continues to believe the Group has a sound corporate governance framework, good processes for the accurate and timely reporting of its financial position and results of operations and an effective and robust system of internal controls. The Company has established a Disclosure Committee, further details of which can be found on page 44.

Further information about the work undertaken during 2007 to enable the Company to comply with the SEC rules that implement section 404 can be found in the Financial Review on page 92. The Directors' assessment of the effectiveness of the internal control over financial reporting is set out on page 116.

The New York Stock Exchange (NYSE)

The Company, as a foreign private issuer with American Depositary Shares listed on the NYSE, must disclose any significant ways in which its corporate governance practices differ from those followed by US companies under the NYSE's corporate governance listing standards. In addition, the Company must comply fully with the provisions of the listing standards that relate to the composition, responsibilities and operation of audit committees. These provisions incorporate the rules concerning audit committees implemented by the SEC under the 2002 Act.

The Company has reviewed the corporate governance practices required to be followed by US companies under the NYSE's listing standards and its corporate governance practices are generally consistent with those standards. However, not all members of the Nomination Committee are considered independent for these purposes, as explained in more detail below.

The Company's Audit Committee complies with the provisions of the listing standards that relate to the composition, responsibilities and operation of audit committees. In May 2007, the Company submitted the required annual written affirmation to the NYSE confirming its full compliance with those and other applicable provisions. Further information about the Audit Committee and its work during 2007 is set out above on pages 39 to 41.

Independence of Directors under the UK Combined Code

During 2007, the Board considered the independence of each Non-Executive Director, including Michele Hooper. With the exception of two of them (as set out below) and the Non-Executive Chairman, the Board considers that all of the Non-Executive Directors are independent in character and judgement and that there are no relationships or circumstances that are likely to affect, or could appear to affect, their independent judgement. The Board also considers that Louis Schweitzer, who was appointed Non-Executive Chairman with effect from 1 January 2005, was independent on

appointment. In accordance with the UK Combined Code, the Board has not considered the independence of the Non-Executive Chairman since his appointment.

For the reasons explained below, the Board believes that neither Håkan Mogren, Non-Executive Deputy Chairman, nor Marcus Wallenberg can be determined independent under the UK Combined Code. However, the Board believes that both Håkan Mogren and Marcus Wallenberg have brought, and continue to bring, considerable business experience and to make valuable contributions to the work of the Board.

Håkan Mogren was previously the Chief Executive Officer of Astra AB and Executive Deputy Chairman of the Company and is now a member of the Board of Directors of Investor AB, a company that, as at 31 December 2007, held approximately 3.5% of the Ordinary Shares of the Company. This holding represents a significant proportion of Investor AB's overall investment portfolio.

Marcus Wallenberg was a member of the Board of Directors and Chief Executive Officer of Investor AB until 1 September 2005, when he stepped down.

The Board also considered, in particular, the position of Michele Hooper. Michele Hooper joined the board of UnitedHealth Group as a Non-Executive Director in 2007. It was a condition of the Board's approval to this appointment that should Michele Hooper be required to resign from either the board of UnitedHealth Group or the Board of the Company as a result of conflict or non-independence, Michele Hooper would resign from the board of UnitedHealth Group. It is the Board's view that Michele Hooper is independent and that she discharges her duties in a properly independent manner and constructively and appropriately challenges the Executive Directors and the Board.

Jane Henney is a Non-Executive Director of AmerisourceBergen Corporation and CIGNA Corporation, both of which are customers of the Group in the US. The Board has considered these relationships and concluded that they did not compromise her independence.

The position of Senior Non-Executive Director of the Company was established in 2002. Michele Hooper (who was appointed as a Non-Executive Director in 2003) took over from Peter Bonfield as Senior Non-Executive Director with effect from 26 April 2007.

CORPORATE GOVERNANCE AND MANAGING RISK CONTINUED

Code of Conduct

The policy of the Company is to require all of its subsidiaries, and their employees, to observe high ethical standards of integrity and honesty and to act with due skill, care, diligence and fairness in the conduct of business. The Group's management seeks to reinforce the standards outlined in the Code of Conduct throughout the business. In particular, all employees are required to comply with the letter and spirit of the AstraZeneca Code of Conduct and with the standards detailed by the Company in support of it.

The AstraZeneca Code of Conduct is available on the Company's website, astrazeneca.com. It is an important demonstration of the Group's uncompromising commitment to honesty and integrity. The Group maintains procedures for raising integrity concerns, which include a confidential helpline for employees worldwide. During 2007, 133 employees (compared with 106 employees in 2006) used the confidential helpline and other routes to seek guidance on corporate responsibility issues or to raise concerns, all of which were reviewed by Group Internal Audit and reported on, as appropriate, to the Audit Committee. To date, no material issues have been identified through this route.

Our Code of Conduct represents our public commitment to working responsibly, is addressed to all stakeholders and accessible externally as well as internally.

During 2007, our Code of Conduct and Group policies have been fundamentally reviewed. The Board has approved a new Code of Conduct, and as a result a new global policy structure is being prepared for launch in 2008. A critical element of the effective implementation of the new Code of Conduct and Global Policies will be to provide clear training and education to all employees on the key elements of the Code of Conduct and supporting policies with which they must comply. The Senior Executive Team (SET) has a business performance management objective of training all our employees on the new Code of Conduct during 2008. The new Code will be translated into multiple languages and issued to all employees. The purpose of the new Code of Conduct is to provide more comprehensive guidance to all employees as to their accountabilities in key ethical and compliance risk areas, including interactions with healthcare professionals and organisations, anti-bribery laws, product promotion and conflicts of interest.

Work is also underway to revise the more detailed 'Global (or Group) Policies' that support the Code of Conduct, so that they provide clearer guidance in plain language to managers and employees on expected behaviours and the processes necessary to embed appropriate behaviour in the organisation.

The Group also has a Finance Code of Conduct that complements the main AstraZeneca Code of Conduct and applies to the Chief Executive Officer, the Chief Financial Officer and the Group's principal accounting officers (including key Finance staff in major overseas subsidiaries). The Finance Code of Conduct also applies to all Finance function employees and reinforces the importance of the integrity of the Group's Financial Statements, of the reliability of the accounting records on which they are based and of the robustness of the relevant controls and processes.

Compliance

The role of the Global Compliance function is to help embed a culture of ethics and integrity at AstraZeneca.

The key priorities for our Global Compliance function for 2007/2008 are closely aligned with the Company's strategic priorities.

In addition to the work described above on the new Code of Conduct and Global Policies, compliance risk and assurance framework assessments have been undertaken to identify the key compliance risks we face and how we address them. The goal is to streamline governance processes and ensure clearer accountabilities within the business as well as among governance functions. We are enhancing the global Code of Conduct helpline to ensure employees are better able to raise concerns. Work is also continuing in relation to our capability to address concerns that are raised, by ensuring stronger oversight of investigations of potential policy violations globally, enhanced training of individuals conducting investigations, and more transparent and consistently applied remediation and disciplinary procedures.

During 2007, the Global Compliance Committee was established, comprising compliance representatives from all SET areas, including MedImmune. The role of the committee is to oversee and coordinate implementation of an effective global compliance programme and evaluate its effectiveness. It does this by assessing key compliance risks within and across SET

areas; ensuring coordination of compliance auditing and monitoring; reviewing results; and addressing significant policy violations and identifying trends.

Disclosure Policy and Disclosure Committee

The Group's Disclosure Policy provides a framework for the handling and disclosure of inside information and other information of interest to shareholders and the investment community. It also defines the role of the Disclosure Committee. The Chief Financial Officer, the Executive Director, Development, the Group Secretary and Solicitor, the Vice-President, Corporate Affairs, the Vice-President, Investor Relations and the Group Financial Controller were the members of the Disclosure Committee during 2007. The Deputy Company Secretary acts as secretary to this committee. The Disclosure Committee meets regularly to assist and inform the decisions of the Chief Executive Officer concerning inside information and its disclosure. Periodically, it reviews the Group's disclosure controls and procedures and its own operation as part of work carried out to enable management and the Board to assure themselves that appropriate processes are operating for the Company's planned disclosures, such as its quarterly results announcements and scheduled investor relations events. In addition, the Disclosure Committee members are members of the steering group that reviews the drafts of, and the process for preparing, this Annual Report and Form 20-F Information.

Recognising the importance to shareholders and the investment community of news about certain of the Group's key development and marketed products, much of the Disclosure Committee's work in 2007 focused on ensuring that accurate, complete and timely disclosures were made concerning *Crestor*, *Nexium*, *Seroquel*, *Symbicort*, AGI-1067, ZD4054 and saxagliptin, among other things. Another important area of focus was transactions such as the acquisition of MedImmune, Inc.. In addition, the Disclosure Committee held frequent ad hoc meetings to review specific disclosure issues.

Disclosure of information to auditors

The Directors who held office at the date of approval of this Directors' Report confirm that, so far as they are each aware, there is no relevant audit information of which the Company's auditors are unaware; and each Director has taken all the steps that he/she ought to have taken as a Director to make himself/herself aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

Group Internal Audit

Group Internal Audit (GIA) is an independent appraisal function that derives its authority from the Board through the Audit Committee. Its primary role is to provide reasonable and objective assurance to the Directors about the adequacy and effectiveness of the Company's financial control framework, compliance with laws, regulations and policies and risk management processes.

GIA seeks to discharge the responsibilities set down in its charter by reviewing:

- > The processes for ensuring that business risks are effectively managed.
- > The financial and operational controls that help to ensure that the Group's assets are properly safeguarded from losses, including fraud.
- > The controls that help to ensure the reliability and integrity of management information systems.
- > The processes for ensuring compliance with policies and procedures and external legislation and regulation (other than those relating to safety, health and the environment and product regulatory compliance, which are the responsibility of other audit functions).
- > On an ad hoc basis, whether value for money is obtained (in terms of efficient use of the Group's resources).

GIA also reviews other functions and risk areas at the request of the Audit Committee and senior management and acts as a source of constructive advice and best practice, assisting senior management with its responsibility to improve governance, control, compliance and risk management.

CORPORATE GOVERNANCE: OTHER MATTERS

Subsidiaries and principal activities

AstraZeneca PLC is the holding company for a group of subsidiaries whose principal activities are described in the Directors' Report on pages 8 to 96. Principal subsidiaries and their locations are given on page 177.

Branches and countries in which the Company conducts business

In accordance with the Companies Act 1985, we disclose below the members of the Group that have representative or scientific branches/offices outside the UK:

AstraZeneca UK Limited: Algeria (liaison office), Bosnia and Herzegovina, Bulgaria, Chile, Costa Rica, Croatia, Cuba, Ghana (scientific office), Kazakhstan, Romania, Russia, Serbia and Montenegro, Slovenia and Ukraine.

AstraZeneca AB: Egypt (scientific office), Latvia, Saudi Arabia (scientific office) and Slovakia.

AstraZeneca Export and Trading AB: Estonia, Lithuania and the United Arab Emirates.

Dividend

The Company's dividends for 2007 of \$1.87 (93.0 pence, SEK 12.10) per Ordinary Share amount to, in aggregate, a total dividend payment to shareholders of \$2,740 million.

Going concern accounting basis

In view of the Company's resources, results of operations and overall financial condition, the Directors continue to adopt the going concern basis in preparing the Financial Statements.

Changes in share capital

Changes in the Company's Ordinary Share capital during 2007, including details of the allotment of new shares under the Company's share plans, are given in Note 30 to the Financial Statements.

Mandatory shareholding for Directors

The Company's Articles of Association require each Director to be the beneficial owner of Ordinary Shares in the Company with an aggregate nominal value of \$125 (500 shares). Such holding must be obtained within two months of the date of the Director's appointment. At 31 December 2007, all of the Directors complied with this requirement and full details of each Director's interests in shares of the Company are set out in the Directors' Remuneration Report on pages 98 to 114.

Shareholder communications

Shareholder communication and engagement are very important to the Company. In its financial and business reporting to shareholders and other interested parties by means of quarterly, half-year and full-year reports, the Board aims to present a balanced and understandable assessment of the Group's financial position and prospects.

The Company maintains a corporate website (astrazeneca.com) containing a wide range of information of interest to institutional and private investors. The Company considers its website as an important means of

communication with shareholders. At the 2007 Annual General Meeting (AGM) of the Company, a resolution was approved to enable the Company to place shareholder communications (such as the Notice of AGM) on the corporate website for those shareholders who wish, or have been defaulted under the provisions of the Companies Act 2006, to access such communications via electronic means.

The Company has frequent discussions with institutional shareholders on a range of issues affecting its performance. These include meetings following the announcement of the annual results with some of the Company's largest institutional shareholders on an individual basis. The Board considers it important to understand the views of shareholders, and receives reports of the concerns raised with senior management by institutional shareholders at these meetings. In addition, the Company responds to individual ad hoc requests for discussions from institutional shareholders and analysts. The Group's Investor Relations department acts as a main point of contact for investors throughout the year. The Senior Non-Executive Director is also available to shareholders if they have concerns that contact through the normal channels of Chairman, Chief Executive Officer, Chief Financial Officer and/or the Group Investor Relations department has failed to resolve, or in relation to which such contact is inappropriate.

All shareholders, including private investors, have an opportunity at the AGM to put questions to members of the Board on matters relating to the Company's operation and performance. Formal notification of the AGM is sent to shareholders at least one month in advance. The Chairmen of the Board's committees ordinarily attend the AGM to answer questions raised by shareholders. In line with the UK Combined Code, details of proxy voting by shareholders, including votes withheld, are made available on request and are placed on the Company's website following the AGM.

Returns to shareholders

The Company's stated distribution policy comprises both a regular cash dividend and a share re-purchase component, which provides a flexible means of returning value to shareholders, while allowing the Company to deliver its business investment programme and manage its capital structure more efficiently over time.