

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.

CORPORATE GOVERNANCE AND MANAGING RISK CONTINUED

The Board's distribution policy and its overall financial strategy is to strike a balance between the interests of the business, our shareholders and our financial creditors, whilst maintaining a strong investment grade rating. The Board continually reviews its shareholders' return strategy, and in 2007 re-stated its intention to grow dividends in line with reported earnings before restructuring and synergy costs, with an aim to maintain at least two times dividend cover.

The Board expects to undertake share re-purchases in the region of \$1 billion in 2008, subject to business needs.

Pursuant to the shareholders' resolution passed at the 2007 Annual General Meeting authorising the Company to purchase its own shares, during 2007 the Company purchased 79.9 million of its own Ordinary Shares with a nominal value of \$0.25 each for cancellation, at an aggregate cost of \$4.2 billion. Also during 2007, 4.7 million shares were issued in respect of employee share plans for a total consideration of \$0.2 billion. The net number of shares re-purchased in 2007 was therefore 75.2 million, which represents 4.9% of the Company's issued share capital at 1 January 2007.

Since the Company began its share re-purchase programmes in 1999, a total of 362.7 million Ordinary Shares have been purchased for cancellation at an aggregate cost of \$17.5 billion. This represents approximately 20.4% of the Company's total issued share capital at the time the re-purchase programme commenced in 1999.

The Company executes the share re-purchase programme through a combination of discretionary purchases and through irrevocable, non-discretionary instructions. The Company continues to maintain robust controls in respect of all aspects of the share re-purchase programme to ensure compliance with English law and the Financial Services Authority's Listing Rules, Disclosure and Transparency Rules and Prospectus Rules. In particular, the Company's Disclosure Committee meets to ensure that the Company does not give instructions to purchase its own shares during prohibited periods. At the AGM on 24 April 2008, the Company will seek a renewal of its current permission from shareholders to purchase its own shares.

Political donations

Under the UK's Political Parties, Elections and Referendums Act 2000 (the 2000 Act), shareholder authority is required for political

donations to be made or political expenditure to be incurred by the Company or its subsidiaries in the EU. The Companies Act 2006 introduced new provisions, which came into force on 1 October 2007 allowing a UK-incorporated holding company to pass a composite resolution in respect of all of its subsidiaries. Neither the Company nor its subsidiaries made any donations or incurred any expenditure in 2007 in the EU in respect of which shareholder authority or disclosure in this report is required under the 2000 Act. Neither the Company nor its subsidiaries intend to make any such donations or incur any such expenditure in the EU in the foreseeable future. However, the 2000 Act defines 'political organisation' broadly and, for example, interest groups or lobbying organisations concerned with the review of government policy or law reform may be caught by the definition.

To enable the Company to continue to support such organisations without inadvertently breaching the 2000 Act, a resolution will be proposed at the AGM on 24 April 2008 to authorise the Company and its subsidiaries to make (i) donations to political parties, (ii) donations to political organisations other than political parties and (iii) incur political expenditure, up to an aggregate limit of \$250,000.

In 2007, AstraZeneca's US legal entities made contributions amounting in aggregate to \$321,645 (2006 \$416,675) to state political party committees and to campaign committees of various state candidates affiliated with the major parties in accordance with pre-established guidelines. No corporate donations were made at federal level and all contributions were made only where allowed by US federal and state law. American citizens or individuals holding valid green cards exercised decision-making over the contributions and the funds were not provided or reimbursed by any non-US legal entity. Such contributions do not constitute political donations or political expenditure for the purposes of the 2000 Act and were made without any involvement of persons or entities outside the US.

Takeovers Directive

Following the implementation of Directive 2004/25/EC of the European Parliament and of the Council (the Takeovers Directive) by certain provisions of the Companies Act 2006, the Company is required to make certain additional disclosures.

Where disclosures are required they can be found in other parts of this report as listed below, each of which is incorporated into this Directors' Report:

- > Structure of the Company's share capital and rights and obligations attaching to shares (contained in the Corporate Information section starting on page 200).
- > Significant holders of the Company's shares (contained in the Shareholder Information section starting on page 186).
- > Appointment and replacement of Directors (contained in the Corporate Governance section starting on page 38).
- > Powers of Directors (contained in the Corporate Governance section starting on page 38).
- > Amendments to the Company's Articles of Association (contained in the Corporate Information section starting on page 200).

There are no significant agreements to which the Company is a party that take effect, alter or terminate on a change of control of the Company following a takeover bid.

Use of financial instruments

Notes 16 and 17 to the Financial Statements (pages 136 to 141) include further information on the Company's use of financial instruments.

Creditor payment policy

It is not Company policy formally to comply with the Confederation of British Industry's code of practice on the prompt payment of suppliers. It is, however, Company policy to agree to appropriate payment terms with all suppliers when agreeing to the terms of each transaction, to ensure that those suppliers are made aware of the terms of payment and, subject to their compliance, abide by the terms of payment. The total amount of money owed by AstraZeneca PLC's subsidiaries to trade creditors at the balance sheet date was equivalent to 81 days' average purchases. No equivalent disclosure is provided in respect of AstraZeneca PLC, as it has no external creditors.

Annual General Meeting

The Company's AGM will be held on Thursday 24 April 2008. The meeting place will be in London. A Notice of AGM will be sent to all registered holders of Ordinary Shares and, where requested, to the beneficial holders of shares.

External auditor

A resolution will be proposed at the AGM on 24 April 2008 for the re-appointment of KPMG Audit Plc, London as auditor of the Company.

The external auditor has undertaken various pieces of non-audit work for the Company during 2007. More information about this work and the audit and non-audit fees paid by the Company are set out in Note 29 to the Financial Statements on page 175. The external auditor is not engaged by the Company to carry out any non-audit work on which it might, in the future, be required to express an audit opinion. As explained more fully on page 40, the Audit Committee has established pre-approval policies and procedures for audit and non-audit work permitted to be carried out by the external auditor and has carefully monitored the objectivity and independence of the external auditor throughout 2007.

Bureau Veritas

Bureau Veritas HS&E Ltd has provided external assurance on corporate responsibility related information within this Annual Report and Form 20-F Information, and of the detailed content of the 'Responsibility' section of AstraZeneca's corporate website. Bureau Veritas has found the information provided within this report as accurate and reliable. The full assurance statement containing detailed scope, methodology, overall opinion and recommendations can be found on AstraZeneca's website, astrazeneca.com; web page content assured by Bureau Veritas is marked at the bottom of each page.

Bureau Veritas is an independent professional services company that specialises in Quality, Health, Safety, Social and Environmental Management with a long history in providing independent assurance services, and an annual turnover in 2006 of €1.8 billion.

MANAGING RISK

We continue to integrate risk management across all business functions to ensure that managers understand the importance of identifying risks and how they should be managed. We provide a risk management framework that managers can use to recognise, assess and actively manage the challenges in their areas. Set out opposite is a diagrammatical depiction of the principal risks that we face and, in broad terms, the way in which those risks are managed. Further details are provided in the Risk section on page 193.

