

of shareholders and to the benefit of the financial and commercial health of the Company.

- > The constitution of the Remuneration Committee, including membership criteria and the process for the appointment of independent Non-Executive Directors to the Remuneration Committee.
- > The operation of the Remuneration Committee, by ensuring compliance to the fullest extent appropriate and practicable with the best practice principles contained within the UK Combined Code on Corporate Governance (annexed to the FSA's Listing Rules).
- > The remuneration policy of the Group. This includes the Remuneration Committee's responsibility, after appropriate consultation with the Chairman and the Chief Executive Officer, to make recommendations to the Board in respect of the Company's policy for Executive Director and senior executive remuneration; to make decisions, on an individual basis, regarding each element of remuneration, including the terms and conditions of employment and the retirement/severance provisions for the Chairman, the Deputy Chairman, the Chief Executive Officer, the Executive Directors, the Company Secretary and those within the wider senior executive population that fall within the Remuneration Committee's remit.

In formulating its proposals, the Remuneration Committee seeks to provide key executives every encouragement to enhance the Company's performance and to ensure that individuals are fairly, but responsibly, rewarded for their contribution to the creation of shareholder value.

- > The duties of the Remuneration Committee, including a description of the routine or annual matters that fall to the Remuneration Committee to consider.
- > The responsibility of the members of the Remuneration Committee to report to shareholders annually, and to be available at the AGM to address questions arising.
- > The duty of the Remuneration Committee to review its own performance, constitution and remit at least once a year in order to ensure that it is operating effectively.

A copy of the Remuneration Committee's remit is available on the Company's website, astrazeneca.com.

Key activities during the year

The Remuneration Committee considered the following matters, amongst other things, during 2007:

- > The terms of senior executive packages on appointment and termination.
- > The remuneration principles relating to the newly enlarged biologics business operating under the MedImmune name, in order to ensure that the dynamic and entrepreneurial ethos of a biotechnology company is maintained, whilst ensuring that there is proper alignment with the strategic objectives of the Group as a whole to deliver shareholder value.
- > As described above, a review of its own remit and the development of a revised remit which has been adopted by the Board.

ASTRAZENECA'S OVERALL REMUNERATION POLICY AND PURPOSE

The Board is committed to maintaining a dynamic performance culture, in which the Group can compete strongly by employing and developing the best talent and where every employee is clear about the Company's objectives, how their work will impact on those objectives and how they will benefit from achieving high levels of performance.

To underpin these objectives, in addition to fixed remuneration (basic pay, pension and certain other benefits) benchmarked against appropriate external comparators, the majority of employees are eligible to receive an annual cash incentive, with a component based on corporate financial performance in the form of earnings per share (EPS) and/or individual performance. Whilst details of bonus plans differ from country to country, the EPS component ensures that all eligible employees receive an element of reward based on the Company's overall financial performance. In addition, long-term incentive awards are provided to selected employees in order to align their interests closely with those of the shareholders.

These pay-for-performance principles apply throughout the Group, and provide a consistent framework within which executive remuneration decisions are made. The Remuneration Committee seeks to ensure that the overall proportion of variable pay (bonuses and share-based awards) to which Directors and members of the Senior Executive Team (SET) may become entitled makes up a significant proportion of their overall remuneration package. The Remuneration Committee's objective is to ensure that such variable pay

is linked to a range of measures designed to promote both individual and team behaviour and performance that genuinely contributes to the success of AstraZeneca and which ultimately creates value for shareholders. Such measures are designed to be stretching and challenging.

Consistent with its approach during the year, the Board has confirmed that the Company's overall remuneration policy and purpose going forward will continue to be to:

- > Attract and retain people of the quality necessary to sustain the Company as one of the best pharmaceutical companies in the world.
- > Motivate these people in order to achieve the level of performance necessary to create sustained growth in shareholder value.

In order to achieve this, the remuneration policy and practice are designed to:

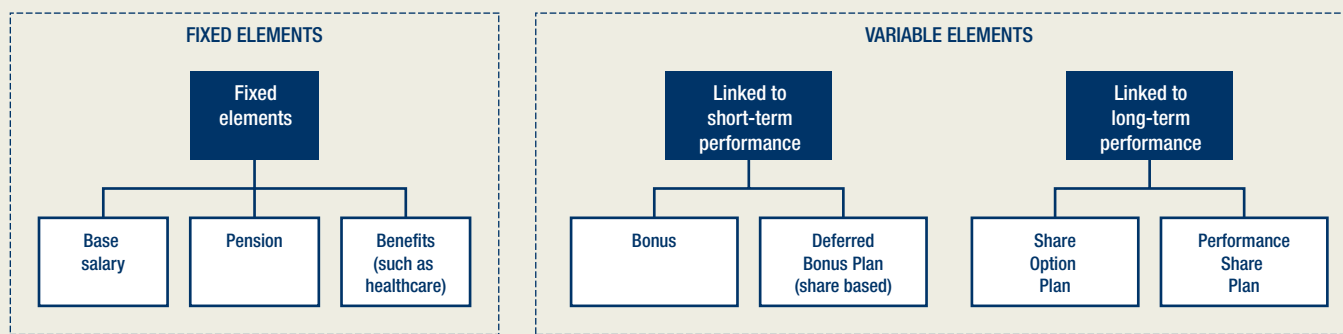
- > Closely align individual and team reward with business performance at each level.
- > Encourage employees to perform to their fullest capacity.
- > Encourage employees to align their interests with those of shareholders.
- > Support managers' responsibility to achieve improvements in business performance through people and to recognise superior performance, in the short and longer term.
- > Be internally consistent, as far as practicable and beneficial, but taking due account of local market needs and permitting flexibility where this is beneficial.
- > Be competitive and cost-effective in each of the relevant employment markets.

The cost and value of the components of the remuneration package are considered as a whole and are designed to:

- > Ensure a proper balance of fixed pay and variable performance-related pay (linked to short- and long-term objectives).
- > Reflect market competitiveness.

During 2008, the Remuneration Committee intends to review the current remuneration policy for members of the SET with a view to benchmarking reward against the companies and markets with which AstraZeneca should

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.