

# Chairman's Statement



“...we are integrating sustainability into how we measure the success with which we are delivering our strategic priorities.”

The Board of Directors has sought to ensure that AstraZeneca's achievements in 2015 were underpinned by strong corporate governance. Our efforts were also focused on ensuring that the Group's future success is supported by corporate governance best practice.

### Governance in support of our strategy

In his introduction to the Strategic Report, our Chief Executive Officer, Pascal Soriot, outlined a successful year for AstraZeneca in implementing our strategy. The chart overleaf summarises the governance structure we have in place to ensure that the Board is able properly to discharge its responsibilities in setting that strategy, as well as monitoring and reviewing its progress, and ensuring that we manage our risks and carry out business responsibly.

Another important part of our work is listening to the views of external stakeholders, whether they are medical practitioners and clinical researchers, or representatives of investors and financial institutions. We also maintain an active dialogue with shareholders about executive remuneration. Looking ahead, we will be spending more time considering succession planning to ensure we have the leaders we need to deliver our goal of sustainable growth over the longer term.

### Committees of the Board

The Board's work is supported by four principal Committees and I am grateful to their members, and especially their Chairmen, for the role they play in the robust governance of AstraZeneca.

I would like to thank Graham Chipchase for assuming the role of Chairman of the Remuneration Committee after John Varley stood down at last year's AGM, having spent nine years as a Non-Executive Director. The Directors' Remuneration Report can be found from page 103 and Graham's Committee plays an essential role in ensuring that the interests of the Executive Directors and other senior leaders are aligned with the interests of shareholders over the short, medium and longer term.

Thanks are also due to Bruce Burlington who became Chairman of the Science Committee during the year, in succession to Nancy Rothwell, who also stood down at last year's AGM, having spent nine years as a Board member. This Committee provides assurance to the Board on the quality, competitiveness and integrity of our science.

Both of these Committees were strengthened further during the year when Shriti Vadera and Cori Bargmann (who was elected for the first time as a Non-Executive Director at our AGM in 2015) became members respectively of the Remuneration Committee and the Science Committee.

John Varley had also undertaken the important role of Senior independent Non-Executive Director. I am grateful to Rudy Markham for taking on this role.

### Transparent reporting

Rudy also chairs the Audit Committee which has a crucial role in reviewing our financial reporting, risk management and financial controls. We aim to be as transparent as we can in our reporting and, with that in mind, in preparing our viability statement which is on page 21 of this Annual Report, we also reviewed our principal risks, how we describe them and the information we provide about them. I am grateful to the members of the Audit Committee for their thorough work in undertaking a competitive tender process for our external audit services in line with best practice. As a result of this, the Board will be recommending the appointment of PricewaterhouseCoopers LLP at our AGM in 2017.

### A sustainable business

Geneviève Berger is another valued member of the Board and the Science Committee. She also performs a vital role in overseeing AstraZeneca's sustainability framework and reporting to the Board.

For AstraZeneca, sustainability means implementing our strategy and delivering the targets we have set ourselves in a way that promotes the long-term health of AstraZeneca, the societies in which we work, and the planet. Employees and external stakeholders expect it and AstraZeneca's future ability to get new medicines to patients in the most efficient

## Compliance with the UK Corporate Governance Code

We have prepared this Annual Report with reference to the UK Corporate Governance Code published by the UK Financial Reporting Council (FRC) in September 2014.

This Corporate Governance Report (together with other sections of this Annual Report) describes how we apply the main principles of good governance in the UK Corporate Governance Code.

We have complied throughout the accounting period with the provisions of the UK Corporate Governance Code, which is available on the FRC's website.

□ [www.frc.co.uk](http://www.frc.co.uk)

way depends on it. Moreover, it helps attract and retain talented employees and enhances trust in our business and our reputation. In acting in this way, we not only protect our licence to operate but also deliver value to those who benefit from our medicines, our shareholders, society and the environment.

### Achievements recognised

AstraZeneca has been working for over a decade to achieve business success in a responsible manner. For example, we have delivered safety, health and environment improvements and created a diverse workforce; we have promoted the development of our products in an ethical way; and taken steps to broaden access to our medicines. I am also pleased to report that, in 2015, we met all our obligations under our five-year Corporate Integrity Agreement in the US, which has now come to an end. Maintaining high ethical standards in the way we conduct our business remains a priority.

Our achievements were once again recognised in 2015 with an improved score of 84% (79% in 2014) in the Dow Jones Sustainability Index. Our score contributed to the 'Silver Class' rating awarded to us for our sustainability performance by RobecoSAM, the respected sustainability investment specialist.

Looking ahead, if we are to be among the best performers, there is more we need to do. We have refreshed and strengthened our governance arrangements, as outlined in the section, In the wider world from page 55, and we are integrating sustainability into

how we measure the success with which we are delivering our strategic priorities. We need to build on that by focusing our work and ensuring that sustainability thinking is part of our culture and embedded into the way we do business.

### A challenging business environment

In his Financial Review on page 62, our Chief Financial Officer, Marc Dunoyer, reported on the accelerating performance of our Growth Platforms. He also reported on the continued impact of the loss of exclusivity as medicines such as *Nexium* and *Crestor* continue to lose exclusivity in key markets, including the US and Europe. Such a loss of exclusivity is a normal part of an innovative medicine's life-cycle. It is expected and we plan for it.

Even as we plan for loss of exclusivity, we continue to face challenging market conditions. The world pharmaceutical market is growing and underlying demographic trends remain favourable. Nonetheless, many of the drivers of demand and supply in the sector are under pressure. On the demand side, we face increased competition from generic drugs. In addition, securing an appropriate level of reward for our medicines is becoming more difficult in the face of pricing pressures. On the supply side, the industry faces an ongoing R&D productivity challenge. Costs have risen and, although in 2015 the FDA approved the highest number of new medicines since 1996, we still need to improve the probability of success of our projects.

### Return to shareholders

Consistent with our progressive dividend policy, the Board has recommended a second interim dividend of \$1.90 per Ordinary Share. This brings the dividend for the full year to \$2.80 per Ordinary Share. The Board's aim is to continue to strike a balance between the interests of the business, financial creditors and our shareholders. After providing for investment in the business, supporting the progressive dividend policy and maintaining a strong investment-grade credit rating, the Board will keep under review investment in earnings-accretive opportunities.

### Appreciation

Before closing, and on behalf of the Board, I want to thank the employees of AstraZeneca. Their outstanding efforts helped make 2015 a great year for science and patients. In particular, I want to express my appreciation to Pascal and all the members of the Senior Executive Team for their leadership in delivering a successful year.



**Leif Johansson**  
Chairman