

# Terms of Reference of the AstraZeneca Audit Committee

## 1. Introduction

1.1. The AstraZeneca Audit Committee shall review and report to the Board on matters relating to the Company's financial reporting, internal controls over financial and non-financial matters; compliance with laws; and the Company's relationship with its external auditor; and risk management.

## 2. Membership

2.1. Members of the Audit Committee and its Chairman shall be appointed by the Board on the recommendation of the Nomination and Governance Committee in consultation with the Chairman of the Audit Committee.

2.2. The Committee shall consist of at least three Non-Executive Directors, all of whom are considered by the Board to be independent. The Chairman of the Board shall not be a member of the Committee.

2.3. A Director may not be a member of the Committee if:

2.3.1. he or she receives from the Company or any of its subsidiaries any consulting, advisory or other compensatory fees (other than fees received in respect of his or her role as a member of the Board or a Committee of the Board);

2.3.2. he or she is an 'affiliated person' of the Company within the meaning of the US Sarbanes-Oxley Act.

2.4. At least annually, the Board shall satisfy itself that the Committee, as a whole, has competence relevant to the biopharmaceutical sector and at least one Committee member shall have competence in accounting or auditing, or both, and the Board shall also consider whether to designate one or more Committee members as audit committee financial experts for the purpose of the US Sarbanes-Oxley Act.

## 3. Quorum

3.1. The quorum for meetings shall be two Committee members, including at least one member who the Board believes has recent and relevant financial experience.

## 4. Meetings

4.1. The Committee shall meet in person at least four times a year. Exceptionally, meetings may be held by telephone conference call. In the absence of the Committee Chairman and/or an appointed

deputy, the remaining members present shall elect one of themselves to chair the meeting.

4.2. The Chairman of the Committee shall report to the Board following each Committee meeting.

4.3. Only members of the Committee have the right to attend Committee meetings. However, the external auditor, Chief Financial Officer, Vice-President Finance, Group Controller, Vice-President, Internal Audit Services, Chief Compliance Officer, General Counsel, Chief Information Officer and the Secretary of the Committee will be invited to attend Committee meetings on a regular basis.

4.4. The attendance of any other person at meetings shall be by invitation of the Chairman of the Committee.

## 5. Notice of Meetings

5.1. Unless otherwise agreed, notice of each meeting confirming the venue, time and date together with an agenda of items to be discussed, shall be forwarded to each member of the Committee and any other person required to attend no later than four working days before the date of the meeting.

5.2. Supporting papers shall be made available to Committee members and to other attendees as appropriate, at the same time.

## 6. Minutes of Meetings

6.1. The Secretary shall minute the proceedings and decisions of all Committee meetings. Once approved, minutes should be circulated to all other members of the Board unless, in the opinion of the Chairman of the Committee, it would be inappropriate to do so.

## 7. Annual General Meeting

7.1. The Committee Chairman should attend the Annual General Meeting to answer shareholder questions on the Committee's activities.

## 8. External Audit

8.1. The Company's external auditor shall report directly to the Committee as to:

8.1.1. its progress in conducting the annual audit of the Group;

8.1.2. the results and overall outcome of the audit;

8.1.3. any concerns it has regarding the conduct, results or overall outcome of the audit;

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**8.1.4.** any significant issues discussed or significant disagreements with management during the conduct of the audit and how such disagreements were resolved; and

**8.1.5.** any matters which may affect or impair its independence in conducting the audit.

### **8.2.** The Committee shall:

**8.2.1.** consider and make recommendations to the Board in relation to the appointment, reappointment and removal of the external auditor, subject to the approval of the Company's shareholders in general meeting. The Committee shall ensure that at least once every ten years the audit services contract is put out to tender. The Committee shall supervise the selection process for a new auditor and if an auditor resigns the Committee shall investigate the issues leading to this and decide whether any action is required. If the Board does not accept the Committee's recommendation, it should include in the Annual Report, and in any papers recommending appointment or re-appointment, a statement from the Committee explaining the recommendation and should set out reasons why the Board has taken a different position;

**8.2.2.** review the terms of engagement, negotiate and agree the audit fees of the external auditor;

**8.2.3.** negotiate and agree with the external auditor the scope of and overall timetable for the annual audit of the Group;

**8.2.4.** review and agree with the external auditor those areas considered to be of greatest importance for each cycle of the annual audit;

**8.2.5.** acting collectively or through its Chairman, have the exclusive right to influence the appointment of the audit engagement partner;

**8.2.6.** review annually and monitor the external auditor's independence and objectivity and the effectiveness of the external audit process, taking into consideration relevant professional and regulatory requirements;

**8.2.7.** develop and implement policy for any permitted non-audit work to be carried out by the external auditor taking into consideration relevant ethical guidance;

**8.2.8.** monitor and pre-approve any permitted non-audit work, including the level of fees to be charged for such work; in doing so, the Committee shall consider whether any aspect of the non-audit work may impair the independence of the external auditor; and

**8.2.9.** review the principal representation letters of the Company requested by the external auditor before they are signed by management.

**8.3.** The Committee shall draw to the attention of the Board any significant concerns of the external auditor about the conduct, results or overall outcome of the annual audit of the Group and any area or aspect of the annual audit in respect of which the external auditor believes it has been impeded or hindered, whether by management or by other circumstances, in carrying out the audit. The Committee shall report to the Board on its assessment of the effectiveness of the external audit process and any matters which may significantly affect or impair the independence of the external auditor.

## **9. Internal Audit**

**9.1.** The Vice-President, Internal Audit Services shall report functionally to the Audit Committee and administratively to the Chief Financial Officer. The Vice-President, Internal Audit Services shall also have the right of direct access to the Chairman of the Board, and the Chief Executive Officer. The Vice-President, Internal Audit Services shall be accountable to the Committee directly as to:

**9.1.1.** Internal Audit Service's ("IAS") progress in conducting internal audits of the Group;

**9.1.2.** the results and overall outcome of internal audits;

**9.1.3.** any concerns he or she has regarding the conduct, results or overall outcome of internal audits; and

**9.1.4.** any significant issues discussed or significant disagreements with management during the conduct of internal audits and how such disagreements were resolved.

### **9.2.** The Committee shall:

**9.2.1.** review and agree at least annually with the Vice-President, Internal Audit Services the scope of, and overall timetable for, internal audits;

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**9.2.2.** review and agree with the Vice-President, Internal Audit Services those areas considered to be of greatest importance for internal audits;

**9.2.3.** receive and review a report on the results of IAS's work on a periodic basis;

**9.2.4.** review the resources available to the Vice-President, Internal Audit Services and IAS and obtain reasonable assurance that they are sufficient to enable IAS to conduct thorough and effective internal audits;

**9.2.5.** monitor and review the role and effectiveness of IAS; and review and monitor management's responsiveness to the findings and recommendations of the Vice-President, Internal Audit Services;

**9.2.6.** periodically review the structure and organisation of IAS;

**9.2.7.** review, with the CFO, succession planning in respect of the position of the Vice-President, Internal Audit Services; and

**9.2.8.** review and approve the appointment and any dismissal of the Vice-President, Internal Audit Services.

**9.3.** The Committee shall draw to the attention of the Board any significant concerns of the Vice-President, Internal Audit Services about the conduct, results or outcome of the internal audits and any area or aspect of internal audits in respect of which the Vice-President, Internal Audit Services believes he or she or any other member of IAS has been impeded or hindered, whether by management or by other circumstances, in carrying out the audit.

### 10. Risk Management

**10.1.** The Committee shall:

**10.1.1.** review the Group's overall framework for identifying, assessing, understanding and managing the emerging and principal risks it faces consistent with the risk appetite defined by the Board including the mapping of appropriate risks to the Board and Committee oversight calendars;

**10.1.2.** be responsible for the monitoring, review and assurance of financial, compliance and control risks including:

- (i) the risks associated with the Group's Treasury policies and operations and

- (ii) consider the way the Group manages those risks;
- (ii) the risks associated with the Group's business activities from the perspective of compliance with laws and regulations and consider the way the Group manages those risks;
- (iii) the risks associated with the Group's internal controls over financial reporting and non-financial matters and consider the way the Group manages those risks; and
- (iv) review reports from the external auditor and the internal audit function relating to risk management and the conclusions of those reports.

**10.1.3.** report to the Board on how, taking into account the Company's position and principal risks, the Company's prospects have been assessed, over what period and why the period is regarded as appropriate. The Committee shall also advise the Board on whether there is a reasonable expectation that the Company will be able to continue in operation and meet its liabilities as they fall due over the said period, drawing attention to any qualifications or assumptions as necessary.

### 11. Accounting Policies and Practices

**11.1.** The Committee shall:

**11.1.1.** review and consider the appropriateness of the Group's accounting policies and practices including, in particular, those accounting policies regarded as critical accounting policies;

**11.1.2.** review and approve, prior to their implementation, any material changes to the Group's accounting policies and practices;

**11.1.3.** review the Company's Treasury Policy and oversee its application;

**11.1.4.** review and consider how the Group financial statements comply with the requirements of IFRS and how the Company financial statements comply with the requirements of UK GAAP; and

**11.1.5.** understand and consider the judgements made by management and the advice given by the external auditor concerning the application of the Group's accounting policies and practices to the Group's finances.

**11.2.** The Committee's responsibility is to obtain reasonable assurance that the Group's accounting

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policies and practices and management's judgement concerning the application of those policies and practices to the Group's finances are appropriate such that, in its financial reporting, the Company fairly presents in all material respects the financial condition, results of operations and cash flows of the Group.

### 12. Financial Reporting

**12.1.** The Committee shall, prior to release by the Company, consider and challenge where necessary the key elements of and the principal disclosures and any significant estimates and judgements contained in:

**12.1.1.** all Group financial statements and the notes to those financial statements, including those in the Company's Annual Reports, Form 20-F filings and quarterly results announcements;

**12.1.2.** management's discussion and narrative analysis in the Company's Annual Reports, Form 20-F filings and quarterly results announcements; and

**12.1.3.** other relevant aspects of the Company's annual and quarterly results announcements.

**12.2.** The Committee shall report to the Board on the significant issues it considered in relation to the Group financial statements and how they were addressed. The Committee shall draw to the attention of the Board any aspect of the financial or other information which it has reviewed about which it has concerns, having regard to matters reported to it by the external auditor.

**12.3.** If requested by the Board, the Committee shall provide advice to the Board on whether the annual report and accounts, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's position and performance, business model and strategy.

### 13. Internal Control over Financial Reporting

**13.1.** The Committee shall:

**13.1.1.** review the Group's overall framework for internal control over financial reporting and its financial reporting processes; and

**13.1.2.** review management's own assessment of the effectiveness of internal control over financial reporting and financial reporting processes.

**13.2.** The Committee shall draw to the attention of the Board any significant deficiencies or material weaknesses in the design or operation of the Group's internal control over financial reporting.

### 14. Other Internal Controls

**14.1.** The Committee shall:

**14.1.1.** review the Group's overall framework for other (non-financial) internal control; and

**14.1.2.** review reports from the external auditor and the internal audit function relating to internal controls and consider the conclusions of those reports.

**14.2.** The Committee shall draw to the attention of the Board any significant deficiencies or material weaknesses in the design or operation of the Group's internal controls and any significant breaches of internal controls which come to its attention.

### 15. Compliance, Code of Conduct and Complaint/Whistleblower Procedures

**15.1.** The Committee shall:

**15.1.1.** review the adequacy and security of the Company's arrangements for its employees and contractors to raise concerns, in confidence, about possible wrongdoing in financial reporting or other matters. The Committee shall ensure that these arrangements allow proportionate and independent investigation of such matters and appropriate follow-up action;

**15.1.2.** review the Company's procedures for detecting fraud;

**15.1.3.** review the Company's systems and controls for the prevention of bribery and corruption and receive reports on non-compliance;

**15.1.4.** periodically review the Group's Code of Conduct and recommend changes;

**15.1.5.** secure reasonable assurance as to the appropriate implementation and operation of the Code of Conduct;

**15.1.6.** annually review the Group's compliance with the Modern Slavery Act 2015 and the statements within the Modern Slavery Statement;

**15.1.7.** review regular reports from the Chief Compliance Officer and keep under review the

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adequacy and effectiveness of the Company's compliance function;

**15.1.8.** review with the Chief Compliance Officer the scope of and timetable for internal and/or external compliance effectiveness reviews;

**15.1.9.** review with the CEO the resources available to the Chief Compliance Officer and obtain reasonable assurance that they are sufficient to enable the compliance function to support line management and the SET to develop systems and processes for managing risk to ensure ongoing legal and regulatory compliance; and

**15.1.10.** review with the CEO the role, effectiveness, structure and organisation of the compliance function.

**15.2.** The Committee shall establish and maintain on behalf of the Board procedures for the receipt and handling of:

**15.2.1.** complaints concerning accounting, internal accounting controls, audit matters and bribery and corruption; and

**15.2.2.** the confidential, anonymous submission by employees of concerns regarding the above.

**15.3.** The Committee shall be responsible for overseeing the investigation of any material complaints or submissions received and shall draw to the attention of the Board any significant issues raised as a result of the investigation.

### **16. Private Sessions with the External Auditor, the Internal Audit Function and the Global Compliance Function**

**16.1.** At the discretion of the Chairman of the Committee or the request of the external auditor, Vice-President, Internal Audit Services or Chief Compliance Officer, time may be set aside at each meeting of the Committee for the Committee to meet in private with the lead audit partner or other representative of the external auditor and/or with the Vice-President, Internal Audit Services, and/or with the Chief Compliance Officer, without

management present. Any private session shall be minuted separately from the main session of the Committee.

### **17. Reporting to the Board and interaction with other Board Committees**

**17.1.** In addition to the specific issues noted above, the Committee shall report to the Board on how it has discharged its responsibilities and on any matters on which the Board has requested the Committee's opinion.

**17.2.** A member of the Committee, who is also a member of the Remuneration Committee, shall draw to the attention of the Remuneration Committee the Audit Committee's assessment of the Group's financial results and any exceptional matters for consideration by the Remuneration Committee in respect of remuneration matters.

### **18. Terms of Reference and Annual Report**

**18.1.** The Committee shall review these terms of reference and its own effectiveness on an annual basis and consider whether to recommend any changes to the Board.

**18.2.** The Committee shall review and approve statements included in the Company's Annual Report in relation to internal control and the management of risk and produce a report on its activities to be included in the Company's Annual Report.

**18.3.** The Committee shall have the right to publish in the Company's Annual Report details of any issues that cannot be resolved between the Committee and the Board.

### **19. Access to information and legal advice**

**19.1.** The Committee is authorised to seek any information it requires from any employee of the Company in order to perform its duties and to call any employee to be questioned at a meeting of the Committee as and when required.

**19.2.** The Committee may obtain external legal or other independent professional advice as it sees fit, at the cost of the Company.

Audit Committee  
December 2018