

# Terms of Reference of the AstraZeneca Remuneration Committee

## 1. Membership

1.1. Members of the Committee shall be appointed by the Board, on the recommendation of the Nomination and Governance Committee in consultation with the Chairman of the Remuneration Committee. The Committee shall be made up of at least four members, including the Chairman of the Board, with the remainder all being independent Non-Executive Directors.

1.2. Only Non-Executive Directors have the right to attend Committee meetings and only members of the Committee have the right to vote. However, other individuals such as the Chief Executive Officer, the head of human resources and external advisers may be invited to attend for all or part of any meeting as and when appropriate.

1.3. The Board shall appoint the Committee Chairman who shall be an independent Non-Executive Director. 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. The Chairman of the Board shall not be Chairman of the Committee.

## 1. Secretary

2.1. The Company Secretary or his/her nominee shall act as the Secretary of the Committee.

## 2. Quorum

3.1. The quorum necessary for the transaction of business shall be two. A duly convened meeting of the Committee at which a quorum is present shall be competent to exercise all or any of the authorities, powers and discretions vested in or exercisable by the Committee.

## 3. Meetings

4.1. The Committee shall meet at least four times a year and at such other times as the Chairman of the Committee shall require.

## 4. Notice of Meetings

5.1. Meetings of the Committee shall be summoned by the Secretary of the Committee at the request of any of its members.

5.2. 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, any other person required to attend and all other Non-Executive Directors in good time, before the date of the meeting. Supporting papers shall be sent to Committee members and to other attendees as appropriate, at the same time.

## 5. Minutes of Meetings

6.1. The Secretary shall minute the proceedings and resolutions of all Committee meetings, including the names of those present and in attendance.

6.2. Minutes of Committee meetings shall be circulated promptly to all members of the Committee and, once agreed, to all members of the Board, unless a conflict of interest exists.

## 6. Annual General Meeting

7.1. The Chairman of the Committee shall attend the Annual General Meeting prepared to respond to any shareholder questions on the Committee's activities.

## 7. Remuneration policy

8.1. The Committee shall determine, approve and review from time to time to ensure the ongoing appropriateness and relevance of the Company's global remuneration principles and frameworks. The Committee shall ensure that the policy is well-structured, as simple as is practicable, understandable, cost efficient and with a sufficient long term focus. The Company's policy on the remuneration of directors shall be prepared in accordance with relevant legislation.

8.2. In formulating this policy, the Committee will take into account all factors which it deems necessary in order to achieve a competitive and fair remuneration structure which operates to protect and promote the interests of shareholders and to the benefit of the financial and commercial health of the Company and the Group as a whole.

8.3. The Company's policy will be designed to:

8.3.1. promote the long-term success of the Company;

8.3.2. ensure that performance-related elements are transparent, stretching and rigorously applied and motivate the level of business performance necessary to create sustained growth in shareholder value;

8.3.3. incorporate relevant and stretching performance conditions, including non-financial measures where appropriate;

8.3.4. limit the extent of payments made on termination and avoid situations where payments are not justified by individual and corporate performance; and

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**8.3.5.** provide an appropriate balance between fixed and performance-related, immediate and deferred remuneration, and include provisions that allow the Company to recover sums paid or withhold the payment of any sum where necessary.

**8.4.** The Committee will give full consideration to the provisions of the UK Corporate Governance Code relating to Directors' remuneration. The Company's Annual Report will contain a statement as to whether or not it has complied with those provisions and, if necessary, explain and justify any areas of non-compliance.

### 8. Duties

**9.1.** For the Company's Executive Directors, the other SET members and the Company Secretary, the Committee shall:

**9.1.1.** approve the individual salary decisions and the consequential cost impact, having regard to the finances of the Company, pay and conditions elsewhere in the Company, its investment and capital needs and dividends to shareholders;

**9.1.2.** approve the eligibility, structure, performance metrics and targets, payouts and costs of annual incentive schemes;

**9.1.3.** approve the eligibility, structure, award/grant levels, performance metrics and targets, costs and final vesting levels under the long-term incentive schemes;

**9.1.4.** consider the policy and individual provision and costs of pension provision and other benefits, with regard to the AstraZeneca global pensions functional policy;

**9.1.5.** approve the shareholding guidelines; and

**9.1.6.** approve the contractual terms and conditions and any potential or actual payments so as to ensure that they are fair to the individual, and the Company, that failure is not rewarded and that the duty to mitigate loss is fully recognised.

**9.2.** The Committee will review the annual bonus payments for all executives who report directly to SET members.

**9.3.** For new incentive schemes with a total likely accounting cost impact of more than \$200m or

providing a potential payout for any individual of more than \$1m, the Committee shall:

**9.3.1.** approve the reward strategy and philosophy underlying the schemes;

**9.3.2.** for annual schemes, approve the individual payouts and cost impact and be consulted on the eligibility, structure, levels and targets; and

**9.3.3.** for long-term incentive schemes, approve the structure, individual payouts and/or awards and cost impact and be consulted on the eligibility, levels and targets.

**9.4.** The Committee shall also:

**9.4.1.** determine the responsibilities that the Committee will delegate to the Chief Executive Officer with regards to remuneration;

**9.4.2.** undertake the responsibilities as set out in the AstraZeneca global pensions functional policy and, in particular, approve pension plan design, funding and accounting issues where the impact of any change is more than \$200m;

**9.4.3.** approve any single payments or awards of over \$2m (e.g. buy-outs of forfeited rights for new hires, severance/termination payments). This responsibility may be delegated to the Chairman of the Committee alone if it is not practical for the Committee to convene e.g. in recruitment situations;

**9.4.4.** review annually remuneration arrangements for the Vice-President, Internal Audit Services;

**9.4.5.** approve the design of any share based pay schemes and subsidiary incentive arrangements operated by companies within the Group and approve the cost and dilution impacts of total annual payments and/or awards made under such schemes;

**9.4.6.** in determining remuneration packages and arrangements, give due regard to any relevant legal requirements, the provisions and recommendations in the UK Corporate Governance Code, the UK Listing Authority's Listing Rules and the views of shareholders and other key stakeholders. In addition, where appropriate, the Committee will take account of any other relevant considerations e.g. impact on the reputation of the Company;

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**9.4.7.** review and note annually remuneration trends and any major changes in employee benefits structures externally and across the Company with regards to the Company's global remuneration principles and framework;

**9.4.8.** ensure that all provisions regarding disclosure of remuneration including pensions, as set out in relevant regulations and the UK Corporate Governance Code are fulfilled; and

**9.4.9.** be exclusively responsible for establishing the selection criteria, selecting, appointing and setting the terms of reference for any remuneration consultants who advise the Committee; and be responsible for obtaining reliable, up-to-date information about remuneration in other companies. Where remuneration consultants are appointed, a statement will be made available of whether they have any other connection with the Company and the provision of remuneration advisory services to the Committee shall be put out to tender regularly. The Committee shall have full authority to commission any reports or surveys which it deems necessary to help it fulfil its obligations.

**9.5.** The remuneration of Non-Executive Directors shall be a matter for the Chairman of the Board and the executive members of the Board. The remuneration of the Chairman of the Board will be a matter for the other members of the Committee and the Senior Independent Director. No director shall be involved in any decisions as to his or her own remuneration.

### **9. Reporting Responsibilities**

**10.1.** The Committee Chairman shall report formally to the Board on its proceedings after each meeting on all matters within its duties and responsibilities.

**10.2.** The Committee shall make whatever recommendations to the Board it deems appropriate on any area within its remit where action or improvement is needed.

**10.3.** The Committee shall produce an annual report of the Company's implementation of the remuneration policy and practices which will form part of the Company's Annual Report and ensure each year that it is put to shareholders for approval

at the Annual General Meeting. The Company's policy on remuneration shall be included within the Company's Annual Report and be put to shareholders for their approval at the Annual General Meeting at least every three years.

### **10. Other**

**11.1.** The Committee shall, at least once a year, review its own performance, constitution and remit to ensure it is operating at maximum effectiveness and recommend any changes it considers necessary to the Board for approval.

**11.2.** The Committee shall have the right to review and amend the remits of the internal remuneration committees within the Company.

**11.3.** The Committee shall have access to sufficient resources in order to carry out its duties, including access to the company secretariat for assistance as required.

**11.4.** The Committee shall be provided with appropriate and timely training, both in the form of an induction programme for new members and on an ongoing basis for all members.

**11.5.** The Committee shall ensure that Company executives build up an appropriate level of personal shareholding in the Company.

### **11. Authority**

**12.1.** The Committee is authorised by the Board to seek any information it requires from any employee of the Company in order to perform its duties.

**12.2.** In connection with its duties the Committee is authorised by the Board to obtain, at the Company's expense, any outside legal or other professional advice.

**Remuneration Committee**  
December 2017