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By email: remcon@frc.org.uk

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Dear Ms Woods,

Financial Reporting Council Consultation Document: Directors' Remuneration

AstraZeneca PLC (the "**Company**") welcomes the opportunity to comment on the FRC's proposals on possible UK Corporate Governance Code changes in respect of directors' remuneration, and has set out its response to the Consultation questions below.

Extended Clawback Provisions

1. Is the current Code requirement sufficient, or should the Code include a "comply or explain" presumption that companies have provisions to recover and/or withhold variable pay?

The Company considers that the current Code requirement is sufficient, bringing consideration of the recovery and withholding of variable remuneration to the forefront of remuneration committees' deliberations. The Company also notes that under the new regulations on reporting of directors' remuneration, companies are required to disclose what, if any, provisions exist in the company's incentive plan rules in relation to recovery and/or withholding of variable pay, and whether these provisions were used during the year.

2. Should the Code adopt the terminology used in the Regulations and refer to "recovery of sums paid" and "withholding of sums to be paid"?

Yes. Adopting the same terminology would encourage consistency in reporting by companies and enable companies to interpret the Code's requirements in the same way as those of the Regulations.

3. Should the Code specify the circumstances under which payments could be recovered and/or withheld? If so, what should these be?

The Company is in favour of clawback and withholding in certain circumstances but does not believe that the Code should specify the particular circumstances under which payments could be recovered and/or withheld, other than maintaining the current Code wording of "in exceptional circumstances of misstatement or misconduct". Adopting

more prescriptive wording or providing a more comprehensive list of circumstances could render reporting against the Code, and compliance with it in particular, difficult. The various circumstances potentially covered by more specific Code wording would not necessarily be appropriate for each company, or sector, within the FTSE350.

4. Are there practical and/or legal considerations that would restrict the ability of companies to apply clawback arrangements in some circumstances?

Shareholder-approved share plans, which in many cases are approved for a period of 10 years, may not have envisaged the clawback circumstances to be incorporated by the Code. The income tax and national insurance positions if clawback was applied would need careful analysis and could be complex.

Remuneration Committee Membership

1. Are changes to the Code required to deter the appointment of executive directors to the remuneration committees of other listed companies?

The Company strongly opposes changes to the Code on this matter.

The Company notes the analysis in the Consultation document on the incidence of shareholder dissent, and the FRC's commitment that any changes to the Code are supported by strong evidence demonstrating the need for change.

Notwithstanding the Secretary of State's comments, it is far from clear from the comparative analysis in the Consultation document or indeed other analyses whether the practice of executive directors sitting on remuneration committees has either led to poor remuneration decisions or practices, or created dissent from shareholders in terms of votes against remuneration reports. In addition, with regard to the alleged inherent conflict in the appointment of executives to remuneration committees referenced by the Secretary of State, the Company considers that the diverse nature (in terms of scale and sector) of the constituent companies of the FTSE350, together with its experience that directors take care to bring an independent mind to their deliberations, both significantly limit the potential for a conflict.

Serving executive directors who sit on remuneration committees as independent non-executive directors are well-attuned to the UK remuneration environment and shareholders' views and concerns, but also to the perspective of executive management and the general considerations of corporate performance, which inform remuneration decisions.

The Company regularly consults its largest shareholders on corporate governance matters and all shareholders are given the opportunity to have their say on remuneration matters. In the event that shareholders are dissatisfied with any aspect of remuneration, they have significant powers including through the advisory remuneration vote, by voting against the election or re-election of the board or individual board members and, in the future, through the binding remuneration policy vote.

Finally, although the Company recognises that a halfway position of limiting the practice of executive directors from acting as the remuneration committee chairman (rather than just becoming members of remuneration committees) may be considered, it believes that the best candidate available for the chairmanship should be eligible for this position, regardless of his or her current occupation, and that a "comply or explain"

presumption would impede boards' ability to appoint the person with the correct skills, knowledge, experience and personal qualities to hold the position.

Votes Against the Remuneration Resolutions

1. Is an explicit requirement in the Code to report to the market in circumstances where a company fails to obtain at least a substantial majority in support of a resolution on remuneration needed in addition to what is already set out in the Regulations, the guidance and the Code?

The Company does not believe that an explicit Code requirement of this nature is needed. In the ordinary course, companies release results of the voting on all resolutions at general meetings to the markets via RIS and post them on their website so shareholders and investors have immediate access to the information. There is a concern that reporting the intended actions of directors to the market in advance of the annual reporting requirement would not permit sufficient time to identify and understand shareholders' specific concerns and revise remuneration policy.

2. If yes, should the Code set criteria for determining what constitutes a "significant percentage"?

What constitutes a "significant percentage" would not be uniform since it could depend on different factors for different companies. If a Code provision is adopted, it would be helpful for the Code to specify the criteria that would trigger the reporting obligation.

3. Specify a time period within which companies should report on discussions with shareholders.

The Company would favour reporting annually, in line with the Regulations and aligned with a company's annual reporting period. Typically, companies have acted on the signs of a significant vote (in whatever terms) against the remuneration resolutions by proactively engaging with their major shareholders (and vice-versa). In most cases, it is anticipated that the indications of dissatisfaction of remuneration policy, or its implementation, are resolved prior to the vote at the following AGM. As the shareholders of large multinational companies may not have uniform concerns and may react to different timescales beyond the control of companies, any time limit would need to be sufficiently generous to enable constructive dialogue with a view to amending a company's remuneration policy.

4. Specify the means by which companies should report to the market and, if so, by what means?

If a Code provision is adopted, the Company would favour disclosure either on a company's website or market disclosure through RIS. Hard copy notifications could generate unreasonable financial and unnecessary environmental costs for companies.

5. Are there any practical difficulties for companies in identifying and/or engaging with shareholders that voted against the remuneration resolution/s?

Generally, in the Company's experience, shareholders usually write to or otherwise notify a company that they intend to vote, or have voted, against remuneration resolutions.

Yours sincerely,



Adrian Kemp
Company Secretary

