

Corporate governance report

Effective corporate governance is integral to the delivery of Shire's strategy.



Dear Shareholder

In 2015, the Board of Directors continued to champion the principle of effective governance in pursuit of Shire becoming a world leader in rare diseases and a leading global biotechnology company.

We brought sharp vision to our work; a commitment to challenging dialogue coupled with a spirit of collaboration and shared values. Three new Board members were appointed during the year: Olivier Bohuon, a Non-Executive Director with international business and leadership experience who is currently the Chief Executive Officer at Smith & Nephew plc; Sara Mathew, a Non-Executive Director with financial, strategic and technological experience who recently served as Chairman, President and Chief Executive Officer of Dun & Bradstreet, Inc.; and Shire's new Chief Financial Officer, Jeff Poulton, who brings his financial, commercial and strategic acumen to the Board having held various finance and operational leadership roles within the Company. Each of these appointments has broadened the Board's perspective as we work with management to plan for Shire's future.

I would also like to thank David Kappler for his significant contribution and service to Shire during his extended tenure. As announced, David will be stepping down as Deputy Chairman and Senior Independent Director following the conclusion of the 2016 Annual General Meeting. Bill Burns, Non-Executive Director and member of various Board committees, is to be

appointed Senior Independent Director from the same date. Bill's international business, Board and leadership experience makes him particularly well-suited to this position, and I am grateful for him assuming this additional responsibility.

As a Board our primary purpose is to provide a balanced perspective on matters material to Shire's stakeholders. In doing so, we do our utmost to promote a culture of good governance throughout the organization and to ensure that effective internal control and risk management measures are in place. Integral to this work is our continued, active engagement with Shire leaders, teams and individual employees. In 2015 we took the time to meet with these groups in multiple locations; to ask questions, to listen and to understand emerging opportunities.

The Board remains committed to the promotion of diversity in all of the Company's recruitment practices. That commitment is reflected in the Board Diversity Policy. We continue to heighten our emphasis on succession planning and talent management; developing new policies and opportunities within Shire's performance-based culture. In 2015, the Board underwent an externally facilitated performance evaluation. This

reaffirmed many of the strengths of the Board and its committees and highlighted areas where performance could be further enhanced. Details on the procedure, conclusions and points of focus can be found on pages 67 to 68.

The past year has been transformative for Shire. The Board has overseen the growth of the business with multiple strategic acquisitions announced and completed, several successful new product launches, an expansion in global footprint and the strengthening of our pipeline to be the most robust in Shire's history. These achievements along with many others have contributed to Shire's increased dynamism and are in support of a culture where the delivery of excellence is rewarded.

Looking ahead to 2016, the Board and I will continue to focus on the rigorous oversight of the Company and on investment in our four strategic drivers of growth, innovation, efficiency and people.

A handwritten signature in black ink that reads "Susan A Kilsby". The signature is fluid and cursive, with a large, stylized 'S' and 'K'.

Susan Kilsby
Chairman

UK Corporate Governance Code

This report seeks to demonstrate how the main principles of the UK Corporate Governance Code 2014 (the "Governance Code") were applied throughout the financial year ended December 31, 2015. The Board is of the opinion that, during this period, the Company complied with the provisions of the Governance Code. Published by the Financial Reporting Council, the Governance Code is publicly available at www.frc.org.uk.

Leadership

Role of the Board

The principal purpose of the Board is to provide leadership to the Company in a manner that promotes its long term success, thereby maximizing value for its shareholders and other stakeholders. The Board is responsible for determining the Group's strategy as well as overseeing its implementation by management. In addition, the Board has oversight of all material matters impacting the Company and its operations including key policies, significant financial matters and acquisitions, the principal risks that the Company faces and associated mitigation actions, and succession planning.

Division of responsibilities

The Board comprises the Chairman, eight other Non-Executive Directors, the Chief Executive Officer and the Chief Financial Officer. The Chief Executive Officer, together with the Executive Committee, is responsible for business operations. The Non-Executive Directors are charged with exercising independent judgment during Board deliberation and ensuring the effective performance of members of management.

The Chairman, Deputy Chairman, Senior Independent Director and Chief Executive Officer have distinctly different roles which are defined in writing and approved by the Board. These are summarized as follows:

Chairman

The Chairman's primary responsibility is to provide leadership to the Board; ensuring its effective operation. This is achieved in part through the promotion of an open and engaged culture that facilitates constructive dialogue both with management and in executive sessions of the Board. The Chairman is also responsible for ensuring effective communications between the Board and shareholders.

Deputy Chairman

The Deputy Chairman is responsible for providing support and guidance to the Chairman; deputizing as required. In addition, in the absence of the Chairman the Deputy Chairman holds the casting vote in the case of an equality of votes.

Senior Independent Director

The Senior Independent Director is responsible for providing a sounding board for the Chairman and for serving as a trusted intermediary for the other Directors. In addition, the Senior Independent Director is responsible for leading meetings of the Non-Executive Directors in the absence of the Chairman and for consulting with shareholders when communication with the Chairman or Chief Executive Officer would be inappropriate.

Chief Executive Officer

The principal responsibility of the Chief Executive Officer is to manage Shire's day-to-day business. Having regard for the strategy, risk profile, objectives and policies set forth by the Board and its committees, the Chief Executive Officer is accountable to the Board for the development of the Company and its operations.

Full details of the aforementioned roles and responsibilities can be found on the Company's website.

Key activities

The principal activities of the Board during the year were:

Strategy

- > Consideration of the announced combination with Baxalta, Inc. to create the global leader in rare diseases.
- > Review of the Company's long range plan, its standalone \$10 billion product sales by 2020 target and its aspiration of realizing \$20 billion in annual revenues by 2020 assuming completion of the announced combination with Baxalta, Inc.
- > Review of material M&A and in-licensing transactions including the acquisitions of NPS Pharmaceuticals, Inc., Meritage Pharma, Inc., Foresight Biotherapeutics, Inc. and Dyax Corp., as well as post-investment reviews concerning completed transactions.

- > Oversight of organizational developments including the relocation of over 500 positions from the Company's Chesterbrook, Pennsylvania site to Shire's US Operational Headquarters in Lexington, Massachusetts.
- > Review of technical operations and supply chain capabilities and investment opportunities.

Governance

- > Consideration of investor feedback, with there being a high level of engagement regarding M&A transactions and executive remuneration.
- > Review of the Company's full-year results, quarterly earnings releases, key financial reports and earnings guidance.
- > Review of the Group's annual budget and ongoing performance.
- > Review of business unit performance and ongoing product development.

- > Review of the Board Reserve Powers and Board committees' terms of reference.
- > Participation in an externally facilitated Board performance evaluation.
- > Review of Litigation, Tax, Cyber Security and Health, Safety & Environment updates.

Risk management and internal controls

- > A robust assessment of the principal risks facing the Company.
- > Ongoing monitoring and review of the Company's risk management and internal control systems.

Succession planning

- > The search for, and subsequent appointment of, a new Chief Financial Officer.
- > Ongoing review of Board composition resulting with the appointment of two new Non-Executive Directors.
- > Senior management succession planning and talent assessment.

Corporate governance report continued

Board operation

During the year the Board met frequently in order to discharge its duties. Six scheduled Board meetings took place during 2015 of which five were held face-to-face over two-day periods alongside Board committee meetings. In addition, six ad hoc meetings were held principally to address M&A activity.

Board member	Date of appointment	Scheduled meeting attendance	Ad hoc meeting attendance ¹
Susan Kilsby ²	September 1, 2011	6(6)	6(6)
Flemming Ornskov	January 2, 2013	6(6)	6(6)
Jeff Poulton ³	April 29, 2015	4(4)	4(4)
David Kappler	April 5, 2004	6(6)	5(6)
Dominic Blakemore	January 1, 2014	6(6)	4(6)
Olivier Bohuon	July 1, 2015	3(3)	2(3)
William Burns	March 15, 2010	6(6)	6(6)
Steven Gillis	October 1, 2012	6(6)	6(6)
David Ginsburg	June 16, 2010	6(6)	6(6)
Sara Mathew	September 1, 2015	2(2)	2(2)
Anne Minto	June 16, 2010	6(6)	6(6)
David Stout ⁴	October 31, 2009 — April 28, 2015	1(1)	0(2)

Note: The number in brackets denotes the number of meetings that Board members were eligible to attend.

¹ Ad hoc meetings were held at short notice and timed to facilitate maximum possible Board attendance.

² Susan Kilsby served as an independent Non-Executive Director prior to her appointment as Chairman on April 29, 2014.

³ Jeff Poulton served as Interim Chief Financial Officer from January 1, 2015, prior to his appointment as Chief Financial Officer on April 29, 2015. Whilst serving on an interim basis, Mr. Poulton attended all Board meetings.

⁴ David Stout was excused from participating in the two ad hoc meetings he was eligible to attend on the basis of his then-impending retirement from the Board.

Only members of the Board are entitled to attend Board meetings, however, during the year the following additional individuals regularly attended by invitation:

Attendee

- > General Counsel and Company Secretary (including interim appointee)
- > Head of Corporate Development
- > Chief Human Resources Officer
- > Head of Research and Development
- > Head of Clinical Development
- > Group Financial Controller
- > Head of Treasury and Insurance
- > Head of Tax
- > Head of Transactions
- > Chief Compliance and Risk Officer
- > Head of Communications and Public Affairs

External professional advisors also attended meetings when necessary. At the conclusion of scheduled Board meetings it is customary for the Non-Executive Directors to meet without Executive Directors or management present,

following which a meeting of the Non-Executive Directors led by the Senior Independent Director is held in the absence of the Chairman. Matters considered by the Board are those reserved for their judgment and decision, as defined in the Board Reserve Powers, although supplementary matters are considered by the Board as circumstances require. The Board Reserve Powers are available on the Company's website.

The agenda for Board meetings is determined by the Chairman in collaboration with the Chief Executive Officer and the Company Secretary. The Chairman also has the responsibility of ensuring that all necessary information is provided to the Board in a timely manner, in respect of which she is supported by the Company Secretary and other members of management, and that sufficient time is made available at meetings for the consideration of individual agenda items. The Chairman encourages discussion with a view to achieving resolution by consensus. If this is unable to be achieved, decisions are to be taken by majority vote, with the Chairman having a casting vote in the case of an equality of votes.

Board effectiveness

Effective leadership is integral to the execution of the Company's strategy and therefore to the fulfillment of its objectives. The Board is committed to ensuring the Company operates in accordance with the highest standards of governance in order to promote its success for the benefit of all stakeholders.

Composition and diversity

The Board has reviewed the independence of the Non-Executive Directors, other than the Chairman, in accordance with the factors set forth for consideration in the Governance Code and determined that each individual seeking election/re-election continues to be independent in character and judgement. In addition, the Board regards each of its members as possessing the skills, knowledge and experience necessary for it to function effectively. Board members' biographical information can be found on pages 62 to 63.

The Board recognizes the inherent value of diversity at all levels within the Group and is therefore committed to its furtherance. Shire's Board Diversity Policy acknowledges that the Company, its shareholders and other stakeholders are best served by a Board diverse in skill, experience and background, including gender. The principles of the policy are taken into account by both the Board and the Nomination Committee in their consideration of potential Board members, with its diversity-endorsing values reflected in recruitment policies in effect throughout the Group. Additional disclosure relating to diversity within Shire is made on page 32.

Appointments

The Board may appoint any individual as a Director either to fill a vacancy or as an additional member of the Board. The process for new appointments is led by the Nomination Committee (procedural details are available on page 73) which ultimately makes a recommendation to the Board.

Appointments may be made by the Board at any time subject to subsequent election and annual re-election by the Company's shareholders. With the exception of David Kappler, all of the Directors are seeking election or re-election at the Annual General Meeting to be held on April 28, 2016. At this meeting Non-Executive Director terms of appointment and Executive Director service contracts will be made available for inspection by shareholders.

Commitment

Prior to appointment, each Non-Executive Director is required to disclose to the Board their other significant commitments so as to enable an assessment of their capacity to effectively discharge their anticipated duties and responsibilities. The Board in turn is informed by each Non-Executive Director of any changes to their other significant commitments. Each Non-Executive Director has undertaken that they are able to meet the time commitment expected of them, which was duly communicated by the Board prior to appointment. As part of the externally facilitated Board performance evaluation, feedback was provided to the Chairman in respect of individual Board members. It was concluded that each of the Directors evidenced continued effective performance and commitment to their role.

Conflicts of interest

Directors are required to seek consent from the Board prior to being appointed to, or acquiring any material financial interest in, any enterprise which competes, is likely to compete or has a significant business relationship with the Company. In addition, Directors are required to disclose the nature and extent of any interest they have, whether direct or indirect, in any transaction entered into, or proposed to be entered into, by the Group which conflicts, or may conflict, with the Company's interests. Such disclosures are made at the first Board meeting at which the transaction is considered after the Director concerned becomes aware of the conflict of interest, or potential conflict, following which the Director abstains from all associated discussion and voting.

Induction and development

Upon appointment to the Board all Directors undergo a formal induction program tailored to their individual skills, knowledge and experience. The purpose of such a program is to facilitate each Director's familiarization with the Company's business, strategy and governance structure, as well as their own duties and responsibilities. Induction activities undertaken during the year are as follows:

Chief Financial Officer

Jeff Poulton has served Shire for many years in various finance and leadership positions and is therefore familiar with the Company's operations and strategy. Induction activities undertaken as a result of his Board appointment have focused on the responsibilities associated with serving as a director of a global, listed company.

Non-Executive Directors

As newly appointed Board members, Olivier Bohuon and Sara Mathew have each undertaken induction meetings with members of Shire's Executive Committee and other members of management. In addition, Mr. Bohuon participated in an orientation visit to Shire's International Operational Headquarters in Zug as well as a further sales integration visit, whilst Ms. Mathew undertook an in-depth exercise concerning executive remuneration processes and regulations. Further induction activities will be made available to both Directors; typically coinciding with scheduled Board meetings.

In addition to undergoing an initial induction, on an annual basis each Director discusses with the Chairman their individual development requirements with a view to ensuring their skills, knowledge and experience are regularly refreshed, and that their familiarity with the Company's business is maintained. A standing schedule of training topics enables directors to undertake, as required, detailed development initiatives focused on matters specific to the Company and its operating environment.

Information and support

The Chairman, in collaboration with the Company Secretary and management, is responsible for ensuring that Board members are provided at all times with the information necessary for them to effectively discharge their duties and responsibilities. Before decisions are taken at Board meetings, consideration is had as to the adequacy of the information available to the Board; enabling the deferral of decision making if necessary. Directors are able to seek clarification, additional information or professional advice necessary to the fulfillment of their duties and responsibilities from across the business, from the Company Secretary or from independent sources at the Company's expense.

In addition, the Chairman, supported by the Company Secretary, ensures that effective channels of communication exist between the Board, its committees and the Company's management.

Board performance evaluation

2014 progress

In considering the results of the 2014 internal evaluation and how effectiveness might be improved, the Board agreed that greater emphasis would be placed on succession planning and talent management in 2015. To this end, during the year the Board sought to ensure sufficient replenishment amongst its members such that its collective skill and experience greater supports the delivery of the Company's strategy. A new Executive Director and two new Non-Executive Directors were appointed; each bringing valuable qualities to the Board and providing a broader perspective to its deliberations. Moreover, succession plans were put in place concerning the appointment of a new Senior Independent Director and consideration was had as to the skills and experience sought in future potential Board appointees. Further details regarding succession planning can be found in the Nomination Committee Report on page 73.

2015 procedure, conclusions and points of focus

The 2015 Board performance evaluation was externally facilitated by Ffion Hague of Independent Board Evaluation. Neither Ms. Hague nor Independent Board Evaluation have any other connection with the Company. The evaluation was conducted in accordance with the principles of the Governance Code and therefore considered the balance of skills, experience, independence and knowledge of the Company on the Board, its diversity, including gender, its general cohesion and other factors relevant to its effectiveness. Led by Ms. Hague, the evaluation comprised:

- > Observations of Board and committee meetings
- > Detailed interviews, on an individual basis, with the Directors, members of management, the external audit partner and third-party advisors
- > Consideration of information provided to directors in support of the undertaking of their duties, including specific resource materials and briefing packs

Corporate governance report continued

A report detailing analysis and recommendations was subsequently compiled with conclusions discussed with the Chairman and then the Board as a whole. In drafting the report the evaluation team had regard to feedback received on matters specific to the operation of the Board and its committees including strategy and risk management, governance and compliance, succession planning and Board composition, culture and other pertinent matters. In addition, Ms. Hague provided specific feedback to:

- > Individual committee chairmen on their respective committee's performance
- > The Chairman with respect to the performance of individual directors
- > The Senior Independent Director concerning the Chairman's performance

The overall conclusion drawn from the evaluation is that the Board is functioning well; demonstrating particular strength in culture with there existing a positive dynamic during discussion and debate. Individual directors are seen to exhibit a notable commitment to their roles with the Non-Executive Directors maintaining a high level of confidence in the Executive Directors and members of management. In pursuit of optimal effectiveness, the following areas were recommended for Board focus during the forthcoming year:

- > Structure and content of Board papers and presentations
- > Board agenda, objectives and priorities
- > Board induction and development programs

Accountability

Risk management and internal control

The Board retains responsibility for Shire's risk management and internal control systems which include the processes for identifying, evaluating and managing the principal risks faced by the Company. These systems are developed alongside the Company's strategy and in accordance with applicable regulatory guidelines including the Internal Control – Integrated Framework 2013, issued by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO Framework"), and the UK Financial Reporting Council's Guidance on Risk Management, Internal Control and Related Financial and Business Reporting. Shire's risk management and internal control framework has been in place for the duration of the financial year covered by, and to the date of the approval of, this Annual Report and Accounts.

Risk management and internal controls relating to financial reporting

The Group's internal control program related to financial reporting ("ICPFR") is aligned with the COSO Framework. It comprises a combination of manual, automated, preventative and detective controls, as well as underlying IT controls for key financial systems, which are documented, tested and reported on throughout the year. The ICPFR takes into account key policies such as the Financial Controller's Manual and the Delegation of Authority matrix, as well as pervasive entity level controls including those relating to integrity and ethical values, adherence to codes of conduct and the Board's oversight of internal control and organizational structure. In addition, on an annual basis the Internal Audit function develops and executes a risk-based audit plan covering areas of financial, compliance and operational risk across the various Group functions and geographic locations. Results of these audits together with results of ICPFR testing are regularly reviewed by the Audit, Compliance & Risk ("ACR") Committee which, along with management, assesses the ongoing effectiveness of the ICPFR against the COSO Framework. In addition, an established process of escalation enables the ACR Committee and the Board to review matters material to the Group on a timely basis as they arise. Based on its ongoing assessment, management believes that the ICPFR was effective as of December 31, 2015.

Due to the inherent limitation of internal controls over financial reporting, material misstatements due to error may not be prevented or detected. Projections of any evaluation of effectiveness for future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Monitoring and review

The Board, supported by the ACR Committee, is responsible for the ongoing monitoring and review of the Company's risk management and internal control systems. At the start of the year the Board determines how this is to be achieved, including agreeing a scheduled monitoring program and identifying those aspects that will be overseen, on its behalf, by the ACR Committee. In addition, the Board ensures that considerations of risk feature within its wider discussions including those concerning the Company's business model and strategy. Together, this allows for reflection on the determination,

identification, assessment and mitigation of the Company's principal risks; enabling the Board to continually evaluate whether the risk management and internal control systems remain appropriate.

In addition to its ongoing appraisal, the Board is responsible for undertaking an annual review of the effectiveness of the Company's risk management and internal control systems. This is achieved through dedicated discussion during which key factors related to the Company's risk management and internal control regime are considered. Typically, these include its operation and integration, management's oversight and related reporting, risk tolerance and culture as well as any other aspects pertinent to the affairs of the Company. Moreover, drawing on its more-regular discussions and feedback from the ACR Committee, the Board reflects on key matters that have arisen during the year and the Company's ability to respond appropriately to internal and external developments as they arise. Together, this enables the Board to evaluate the principal features of the risk management and internal control systems, consider their composition relative to Shire's strategic direction and draw conclusions as to their overall effectiveness. Following its review in respect of the 2015 financial year and the period up to the approval of this Annual Report and Accounts, the Board neither identified, nor was advised of, any deficiencies within the Company's risk management and internal control systems that were considered material to the Group as a whole. Further details on Shire's risk management framework can be found on pages 36 to 37.

Going concern

The Directors' Report (covering pages 1 to 104) sets out information on the financial position of the Group including its cash flows, liquidity position and borrowing facilities, its business activities together with factors likely to affect future development, performance and financial position, its objectives, policies and processes for managing capital, its financial risk management objectives, details of its hedging activity and its exposures to credit and liquidity risk. Details of the Group's financial instruments are disclosed in Note 20 to the consolidated financial statements. The Directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. Thus, they consider it appropriate to adopt the going concern basis of accounting in preparing the annual financial statements.

Ongoing viability

On an annual basis the Company undertakes a long-range planning exercise (the “LRP”) as part of its wider strategic review. Stress-testing of the LRP is undertaken through the application of key sensitivities related to the Company’s principal risks and uncertainties (as outlined on pages 36 to 47) with a view to determining their potential impact on the Company’s financial position and performance. Analysis of the LRP in conjunction with the Board’s robust assessment of principal risks, including the realistic availability and likely effectiveness of mitigating actions, underpins the Group’s planning processes and contributes to the determination and implementation of the Company’s strategy.

For the purpose of assessing ongoing viability the Board considered the Company’s prospects over a four-year period, consistent with the relative focus within the LRP as well as brand and business planning horizons. The Board also keeps the Company’s

solvency and liquidity under review through regular reporting from its committees, management and from the Group’s external auditor. The Board continually evaluates the assurance it receives and considers the impact of significant projects, strategic developments and other significant commitments on the Company’s risk profile and ultimately its ongoing viability.

Having regard to the strategic review, the LRP and the Company’s principal risks and uncertainties, the Board has a reasonable expectation that the Company will be able to continue in operation and meet its liabilities as they fall due over the four-year period of its assessment. In making its assessment, the Board considered the potential effect of key sensitivities, including generic competition and the potential failure of key pipeline programs. The Board also considered as an additional sensitivity the effect of the announced combination with Baxalta, Inc. including the announced refinancing plans and the likelihood that the proposed combination would interfere with

the tax-free status of Baxalta’s spinoff from Baxter International, Inc. To support the Board’s conclusion, the Company conducted extensive due diligence and received an unqualified “will” opinion that the combination will not interfere with the tax-free status of the spinoff. On the basis that the transaction completes as anticipated, the Board’s expectation of the Company’s ongoing viability remains unchanged.

Relations with shareholders

The Board is committed to maintaining open and constructive dialog with shareholders; helping to ensure common awareness and interpretation of strategic objectives, matters of governance and of the Company’s performance. The principal points of contact for major shareholders are the Chief Executive Officer, the Chief Financial Officer and the Company’s Investor Relations team, with the views of investors communicated to the Board as a whole. During the year the Group engaged with shareholders through the below media.

Meetings with shareholders

The Chairman, Chief Executive Officer, Chief Financial Officer and members of the Investor Relations team engaged with many of Shire’s major shareholders to receive views on matters material to the Company and its operations. Such matters included the acquisitions of NPS Pharmaceuticals, Inc., Dyax Corp. and the announced acquisition of Baxalta, Inc., the Company’s strategy, financial targets and executive remuneration.

Healthcare conferences

Representatives of the Company engaged with shareholders and potential investors at many conferences held throughout the year at which presentations and other reference materials were made available.

Results announcements and presentations

The Company communicated its performance to shareholders and analysts through quarterly financial results announcements; each accompanied by an explanatory webcast and Q&A session provided by the Chief Executive Officer and the Chief Financial Officer.

Financial reporting

The Company published half and full-year reports and filed quarterly Form 10-Qs and an annual Form 10-K in accordance with obligations arising from its listing on the London Stock Exchange and the NASDAQ Global Select Market.

Annual General Meeting

The Company’s Annual General Meeting was held in Dublin on April 28, 2015. Shareholders were invited to attend and vote on resolutions and also to meet with members of the Board.

Website

The Company’s website (www.shire.com) provides information about the Group and is regularly updated with corporate and regulatory news, IR events, broker forecasts and other information related to the Company’s operations. In addition, investors using portable devices can view Shire’s dedicated mobile website: www.shire.com/shireplc/mobile

Investor relations

The Group’s Investor Relations department regularly responds to shareholder communications through its dedicated inbox: InvestorRelations@shire.com

Corporate responsibility reports and engagement

The Company’s website has a dedicated “Responsibility” section which is regularly updated with programs, policies and activities.

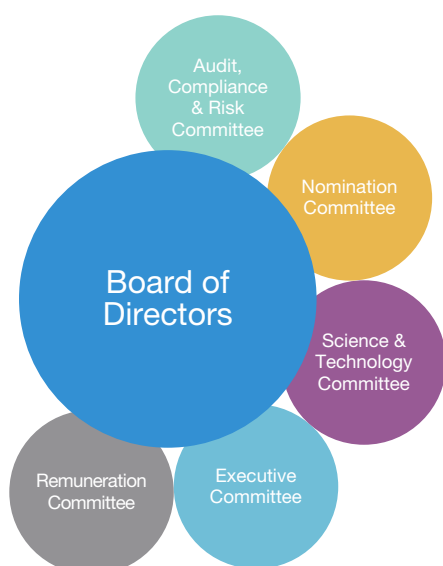
Digital application

Shire’s IR Briefcase application is regularly updated with news and presentations and provides access to the Company’s latest Annual Report and Accounts.

Corporate governance report continued

Board committees

So as to ensure effective oversight and control over the Group's operations, the Board has constituted the Audit, Compliance & Risk Committee, the Remuneration Committee, the Nomination Committee, the Science & Technology Committee and the Executive Committee, each of which has been delegated specific authorities. The Board committees' terms of reference, which are subject to annual review and approval by the Board, are available on the Company's website, with further detail as to their operation and activities presented in the following reports.



Audit, Compliance & Risk Committee



Dominic Blakemore
Chairman of the Audit, Compliance & Risk Committee

Membership and meetings

As at the year end the Audit, Compliance & Risk Committee comprised four independent Non-Executive Directors; each chosen for their knowledge and experience of financial matters, financial reporting, risk management and internal control. The Board is satisfied that at least one member of the Committee has recent and relevant financial experience in accordance with the requirements of the Governance Code.

Committee member	Date of appointment	Meeting attendance
Dominic Blakemore ¹	Jan 1, 2014	5(5)
Steven Gillis ²	Dec 3, 2014	5(5)
David Kappler	Apr 5, 2004	5(5)
Sara Mathew ³	Sept 1, 2015	1(2)
	Dec 8, 2009 –	
David Stout ⁴	Apr 28, 2015	1(2)

Note: The number in brackets denotes the number of meetings that Committee members were eligible to attend.

¹ Dominic Blakemore served as a member of the Committee prior to his appointment as Committee Chairman on April 29, 2014.

² Steven Gillis served as an interim member of the Committee prior to his appointment on December 3, 2015.

³ Sara Mathew was absent from one meeting due to external commitments agreed in advance by the Board.

⁴ David Stout was excused from participating in one meeting on the basis of his then-impending retirement from the Committee.

Committee meetings held during the year typically coincided with key dates in the Group's financial reporting cycle, with the following additional individuals regularly attending at the invitation of the Committee Chairman:

Attendee

- > Chairman of the Board
- > Other Non-Executive Directors
- > Chief Executive Officer
- > Chief Financial Officer (including whilst serving on an interim basis)
- > General Counsel and Company Secretary (including interim appointee)
- > Head of Corporate Development
- > Group Financial Controller
- > Chief Compliance and Risk Officer
- > Head of Internal Audit
- > Head of Treasury and Insurance
- > External audit partner

So as to facilitate open and unreserved discussion, it is the Committee's practice to set aside time for its private deliberation, with time also reserved for private discussion with each of the Group's external audit partner, Head of Internal Audit and Chief Compliance and Risk Officer.

Role of the Committee

The purpose of the Committee is to oversee Shire's accounting and financial reporting processes, the audits of its financial statements and the effectiveness of the Company's risk management and internal control framework. In doing so, the Committee's principal duties are to:

- > monitor the integrity of the financial reports and statements of the Group and, where requested by the Board, advise on whether, taken as a whole, the Annual Report and Accounts is fair, balanced and understandable.
- > make recommendations to the Board on matters relating to the appointment of the external auditor, to determine and agree the scope of the external audit engagement and to consider findings and recommendations arising from the external audit process.
- > monitor and review the integrity and effectiveness of the Group's internal financial controls and internal control and risk management systems.
- > review the Group's strategy for the management of key corporate and financial risks.
- > review the status of the Group's compliance program to ensure adherence to applicable legal and regulatory standards and to the Group's internal policies.

In addition, the Committee is authorized to investigate any activity included within its terms of reference and is responsible for the resolution of any disagreement between management and the Group's external auditor regarding financial reporting matters. The Committee is also permitted to seek any information it requires from any employee of the Group, and any external professional advice at the Company's expense, necessary to the fulfillment of its duties.

Key considerations

The significant issues considered by the Committee during the year in relation to the financial statements were:

- > purchase accounting related to the Group's acquisition of NPS Pharmaceuticals, Inc., Meritage Pharma, Inc. and Foresight Biotherapeutics, Inc. The Committee reviewed and critiqued the critical accounting estimates used in the purchase price allocations, specifically the valuation of acquired intangible assets, and satisfied itself that these estimates were reasonable and appropriately applied. As a principal area of audit focus Deloitte LLP provided detailed reporting to the Committee in respect of these matters. Further information is available in Note 4 to the consolidated financial statements.
- > accounting for sales deductions and rebates and the key judgments and estimates applied by the Company in calculating the liability recorded in the balance sheet for such items. As an area of audit focus Deloitte LLP also provided regular reporting to the Committee in respect of these matters. Further information is available in Note 3 (ii) to the consolidated financial statements.
- > accounting for various tax related matters, including the level of tax provisions. Accounting for income tax is underpinned by a range of judgments (further information is available in Notes 3 (iii), 25 and 27 to the consolidated financial statements). The Committee addresses these issues, and the related accounting and disclosure, through a range of reporting from management and Deloitte LLP.
- > accounting for the Company's intangible assets, the recoverability of intangible assets and the impairments of SHP608 and SHP625. The judgments in relation to intangible asset impairments principally related to the assumptions underlying the determination of the fair value of the asset being tested, primarily the achievability of the long term business plan underlying the valuation process. The Committee discussed with management the judgments and sensitivities relevant to intangible asset impairment reviews and Deloitte LLP provided detailed reporting to the Committee. Further information is available in Note 3 (i) to the consolidated financial statements.
- > disclosure within the Group's 2014 full-year and 2015 quarterly results announcements and related financial reports.
- > accounting for revenue recognition, including assessment of the risk relating to overstatement of the US Neuroscience, Gastrointestinal and Internal Medicine gross revenues, due to the potential for inventory to be shipped to wholesalers which significantly exceeds demand. As a principal area of audit focus Deloitte LLP provided detailed reporting to the Committee in respect of these matters. Further information is available in Note 3 (ii) to consolidated financial statements.

Committee activities

The Committee's activities during the year included:

Financial reporting

- > the review of the Company's full-year results, quarterly earnings releases, key financial reports and earnings guidance
- > the monitoring of the Group's compliance with its stated Non GAAP accounting policy applied in quarterly earnings releases.
- > the review of the Group's treasury policies and ongoing treasury activities.
- > the monitoring of the Group's accounts receivable exposure in certain Eurozone and Latin-American countries and the associated risk mitigation activities.
- > a review of tax matters impacting the Group.

External audit

- > the review of quarterly updates provided by the external auditor encompassing key areas of judgment and risk, audit planning, governance updates and other business-related matters.
- > the final review of the 2014 audit and the initial review of the external auditor's performance and effectiveness during the 2015 financial year, including a review of management's assessment of the performance and effectiveness of the external auditor.
- > the review and approval of the 2015 Audit Plan and audit fee.
- > an assessment of the objectivity and independence of the external auditor.

Additional matters

- > compliance and audit updates from the Chief Compliance and Risk Officer and the Head of Internal Audit.
- > the renewal terms of the Group's insurance program.
- > the Group's internal audit program.
- > proposed arrangements to provide the Group with additional financial flexibility.
- > the Group's foreign exchange exposure and hedging strategy.
- > the Group's corporate risk schedule, including consideration of the principal risks faced by the Group and the associated mitigation strategy.

External audit

Independence and objectivity

The Committee recognizes both the need for an objective and independent external auditor and how such objectivity and independence might be, or appear, compromised through the provision of non-audit services. Accordingly, the Committee continues to oversee the established policy on the provision of non-audit services by the external auditor

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with a view to safeguarding these core attributes. The policy provides that, amongst other things, the auditor must not provide a service which:

- > creates a mutuality of interest.
- > places the auditor in a position where they would audit their own work.
- > results in the auditor acting as a manager or employee of the Company.
- > puts the auditor in role of advocate for the Company.

In addition, the policy prescribes services from which the external auditor is explicitly prohibited from providing, and those the provision of which has been pre-approved by the Committee subject to individual and aggregate monetary limits. All proposed services falling outside of the scope of the policy, or the monetary limits contained therein, must receive pre-approval from the Committee or from its Chairman subject to Committee approval at its next scheduled meeting. Fees in respect of non-audit services provided by the external auditor to the Company in 2015 totaled \$4.4 million (2014: \$4.6 million). These principally related to reporting accountant services provided in connection with the announced combination with Baxalta, Inc. (fees incurred in 2014 principally related to reporting accountant services provided in relation to the proposed merger with AbbVie, Inc. which was subsequently terminated). Further details on the breakdown of non-audit fees paid or due to the external auditor as a result of services provided during 2015 can be found in Note 30 to the consolidated financial statements.

Further factors identified as contributing to external auditor objectivity and independence include the external auditor's retention of an impartial and questioning approach, particularly with respect to issues of heightened sensitivity, the firm's prudent attitude to the consideration and undertaking of non-audit services and Shire's own principle of not recruiting staff directly from the external audit engagement team.

During the year the Committee met with the external auditor to consider the external auditor's independence and objectivity; ensuring that the relationship between the external auditor and members of financial management had not resulted, or appeared to result, in a lack of

independence or objectivity. The Committee considers that, during 2015, the external auditor was sufficiently robust in dealings with members of financial management and that, in their absence, the external auditor was transparent and decisive in dealings with the Committee.

Effectiveness

The Committee recognizes the importance of having a high-caliber of audit and as such, undertakes an annual assessment of the effectiveness of the external audit process. As part of its evaluation, the Committee drew upon a survey of members of financial management which measured the external auditor's performance against predetermined "critical success factors", designed to facilitate continuing and measurable improvement in the effectiveness of the external audit process. The Committee concluded that the "critical success factors" had been substantially met with there existing a constructive working relationship between the external auditor and members of financial management. Moreover, the Committee determined that the audit process was sufficiently robust, with the external auditor demonstrating continued commitment to the performance of high-quality audit work. Further areas of development were identified and communicated to the external audit firm which in turn has committed to working with management and the Committee to address these in 2016.

Appointment and tendering

Deloitte LLP has served as Shire's external auditor since 2002, with the current audit partner having served since his appointment in 2012. Following the review of Deloitte's continued objectivity, independence and performance in respect of the 2015 financial year, and having received an expression of willingness to continue in office as external auditor, the Committee recommended to the Board the re-appointment of Deloitte LLP as the Company's external auditor for the 2016 financial year. There existed no contractual obligations that inhibited or influenced the Committee's recommendation.

In accordance with European and national regulation, and the UK corporate governance regime, it is the Company's policy that the external audit contract be put to tender at least once in every ten-year period, with the external audit partner rotating on a five-yearly basis. Notwithstanding such policy, having regard to transitional arrangements regarding external audit tendering and rotation provided by the relevant regulatory authorities, it is the Committee's intention, subject to then-prevailing circumstances, to put the

external audit contract out to tender at a time that would see the process complete in 2020. This would result with the preferred external audit firm's appointment aligning with the end of the incoming audit partner's tenure in 2021. The incumbent audit partner is scheduled to step down in 2016. The Committee believes that the proposed timing of audit tender is in the best interests of shareholders as it stands to afford the Company continuity during the forthcoming years, particularly given the proposed transaction with Baxalta, Inc. It should be noted that, despite the Committee's intention regarding the timing of tender, the external auditor is subject to ongoing effectiveness review and that the Committee may choose to put the external audit contract out to tender at any time it considers appropriate. In accordance with best practice, the Committee confirms voluntary compliance with the provisions of the Statutory Audit Services for Large Companies Market Investigation (Mandatory Use of Competitive Tender Processes and Audit Committee Responsibilities) Order 2014, as published by the UK Competition and Markets Authority.

Additional matters

Internal audit

Internal audit effectiveness is monitored and reviewed on an ongoing basis by the Committee. The Internal Audit Plan is approved annually by the Committee; progression against which is reviewed quarterly. In addition, periodically the Company's internal audit procedures and capabilities undergo an independent external assessment against global standards, with the ensuing report reviewed by the Committee Chairman.

Whistleblowing

Shire's compliance effort is focused on the prevention and detection of misconduct through policy development, training, monitoring and audit. As part of this effort, Shire employees are encouraged to report suspected cases of misconduct, confidentially and without fear of retaliation, through management or through Shire's Global Compliance Helpline. The helpline, the operation of which is overseen by the Chief Compliance and Risk Officer, is managed by an independent third party so as to preserve anonymity as appropriate. Concerns and allegations are thoroughly investigated with disciplinary action taken where necessary. Periodically the Chief Compliance and Risk Officer provides the Committee with a summary of matters raised through management and the helpline as well as details of any resultant investigations.

Nomination Committee



David Kappler
Chairman of the Nomination Committee

Membership and meetings

As at the year end the Nomination Committee comprised four independent Non-Executive Directors and the Chairman of the Board.

Committee member	Date of appointment	Meeting attendance
David Kappler	Apr 26, 2006	6(6)
William Burns	Jun 27, 2011	6(6)
David Ginsburg	Dec 3, 2015	0(0)
Susan Kilsby	Feb 1, 2014	6(6)
Anne Minto	Feb 8, 2012	6(6)

Note: The number in brackets denotes the number of meetings that Committee members were eligible to attend.

Committee meetings are typically held before scheduled meetings of the Board, with additional meetings convened as required. At the invitation of the Committee Chairman, regular additional attendees included:

Attendee

- > Chief Executive Officer
- > General Counsel and Company Secretary (including interim appointee)
- > Chief Human Resources Officer

Role of the Committee

The Committee's responsibilities include:

- > reviewing the size and composition of the Board and making recommendations to the Board with respect to any changes.
- > identifying, and nominating for the approval of the Board, candidates for new Board appointments.
- > reviewing succession planning for Executive and Non-Executive Directors with a view to ensuring the long term success of the Group.
- > making recommendations to the Board regarding the re-election and reappointment of Directors.
- > making recommendations to the Board with respect to the membership of Board committees.

Key considerations and activities

During the year and up to the date of this report the Committee's principal considerations and activities were:

Chief Financial Officer succession

The search for a new Chief Financial Officer resumed in October 2014 following the termination of the proposed merger with AbbVie, Inc. Spencer Stuart, an executive search firm with no other connection to the Company, was retained to undertake the search. Shire announced in November 2014 that Jeff Poulton, then Head of Investor Relations, would succeed the incumbent Interim Chief Financial Officer on January 1, 2015. Following an extensive review of internal and external candidates, Mr. Poulton was subsequently appointed Chief Financial Officer on April 29, 2015.

Non-Executive Directors

The search continued for a new Non-Executive Director with biotechnological and/or pharmaceutical experience as well as for an additional Non-Executive Director that would enhance the Board's breadth of skills and experience. Search firms Russell Reynolds Associates and Odgers Berndtson were retained respectively to lead the searches, neither of which has any other connection with the Company. In each case an extensive review of prospective Board members was undertaken resulting with Olivier Bohuon's appointment on July 1, 2015, and Sara Mathew's appointment on September 1, 2015.

Senior Independent Director succession

In anticipation of the conclusion of David Kappler's tenure following the 2016 Annual General Meeting ("AGM"), succession plans were put in place regarding the appointment of a new Senior Independent Director. The Committee considered the skills and experience sought in the future appointee as well as the qualifications of existing Board members. With Bill Burns recusing himself from deliberations, the Committee agreed that Mr. Burns' experience on the Shire Board, his understanding of UK and US corporate governance environments and his extensive international, commercial and operational experience in the pharmaceutical sector made him the preferred candidate for the role. The Committee recommended his appointment for the approval of the Board, which was subsequently announced to be effective following the conclusion of the AGM.

Board Diversity Policy

Following a review of the evolving environment regarding Board diversity, the Committee reviewed the Board Diversity Policy and agreed that it remains appropriate. In addition, the Committee reaffirmed its commitment to the promotion of diversity both in executive and non-executive appointments and in recruitment practises throughout the Group. This view was shared with, and agreed by, the Board. Further details on diversity can be found on pages 32 and 66.

Board appointments procedure

Board composition is central to the effective leadership of the Group and therefore, prior to commencing any search for prospective Board members, the Committee reflects on the Board's current balance of skills and experiences and those that would be conducive to the delivery of the Company's strategy. A recommendation is then made to the Board as to the core attributes sought, following which an appropriately qualified search firm is engaged and informed, amongst other things, of the experience, technical skills and other capabilities sought, of the time commitment required of any appointee and of Shire's Board Diversity Policy. Short-listed candidates are interviewed by as many of the Committee members as is feasible, following which any preferred candidate meets with other Directors prior to a decision being made by the Board.

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Science & Technology Committee



Dr. David Ginsburg
Chairman of the Science & Technology
Committee

Membership and meetings

As at the year end the Science & Technology Committee's membership comprised four independent Non-Executive Directors. In accordance with the Committee's terms of reference, the Board is satisfied that at least one Committee member has scientific expertise relevant to pharmaceutical research and development.

Committee member	Date of appointment	Meeting attendance ¹
David Ginsburg	Jun 16, 2010	6(6)
Olivier Bohuon	Jul 1, 2015	3(3)
William Burns	Feb 8, 2012	6(6)
Steven Gillis	Oct 1, 2012	6(6)

Note: The number in brackets denotes the number of meetings that Committee members were eligible to attend.

¹ One ad hoc and five scheduled Committee meetings were held during the year.

The Committee typically meets before scheduled meetings of the Board. During the year the following individuals regularly attended meetings at the invitation of the Committee Chairman:

Attendee

- > Chairman of the Board
- > Chief Executive Officer
- > Other Non-Executive Directors
- > General Counsel and Company Secretary (including interim appointee)
- > Head of Research and Development
- > Head of Corporate Development
- > Head of Clinical Development
- > Head of Transactions

Role of the Committee

The Committee's principal responsibilities are to periodically review and advise the Board on the Company's investment in research, development and technology, the quality of the R&D pipeline and the quality of R&D talent within the Group. In doing so, the Committee:

- > advises the Board on emerging science and technology issues and trends.
- > assesses, and advises the Board on, the overall quality and expertise of medical and scientific talent within the R&D organization.
- > assesses, and advises the Board on, the quality and competitiveness of the Company's R&D programs and technology initiatives from a scientific perspective, including the associated risk profile.
- > assesses, and advises the Board on, the scientific, technical and medical merits of any potential significant R&D investments.

Key considerations

The Committee's principal areas of review during the year included:

- > the clinical development pipeline and the research and non-clinical portfolio, including key programs.
- > the R&D budget and productivity of the portfolio.
- > the relevant clinical or material pre-clinical data identified during due diligence relating to material business development transactions including Baxalta, Inc., Dyax Corp., Foresight Biotherapeutics, Inc. and Meritage Pharma, Inc.

Executive Committee



Dr. Flemming Ornskov
Chairman of the Executive Committee

Membership and meetings

Chaired by the Chief Executive Officer, the Executive Committee's membership is drawn from Shire's Executive Directors and management. As at the year end the Committee comprised the Chief Executive Officer, Chief Financial Officer, General Counsel and Company Secretary, Head of Corporate Development, Chief Human Resources Officer and the Head of Research and Development.

The Committee typically meets on a monthly basis to deliberate significant items of business; scheduling additional meetings as required. During the year there were 13 meetings of the Committee; each of which was attended by the Chief Executive Officer and the Chief Financial Officer (including whilst appointed on an interim basis). In addition to its members, other members of management attended Committee meetings at the invitation of the Committee Chairman.

Committee member	Position	Date of appointment
Flemming Ornskov	Chief Executive Officer	Jan 2, 2013
Jeff Poulton ¹	Chief Financial Officer	Jan 1, 2015
Bill Mordan	General Counsel and Company Secretary	Oct 1, 2015
Mark Enyedy ²	Head of Corporate Development	May 1, 2014
Ginger Gregory	Chief Human Resources Officer	Mar 1, 2014
Phil Vickers	Head of Research and Development	Mar 1, 2014

¹ Jeff Poulton served as Interim Chief Financial Officer and as a member of the Executive Committee prior to his appointment as Chief Financial Officer on April 29, 2015.

² Mark Enyedy served as Interim General Counsel and Company Secretary, in addition to his existing position as Head of Corporate Development, from January 1 – September 30, 2015.

Role of the Committee

The Committee is charged with managing Shire's business including:

- > ensuring that the Group is run within the governance framework agreed by the Board.
- > making strategic recommendations to the Board and implementing the strategy approved by the Board.
- > considering matters referred from management committees that are material from a risk, financial, reputational or strategic perspective, referring decisions to the Board as appropriate.

- > supervising the preparation of financial plans and budgets to be recommended to the Board and monitoring the performance of the Group's In-line products and Pipeline projects against budget.
- > managing internal talent and senior leadership succession planning and directing the Group's human resources approach within parameters agreed with the Remuneration Committee, including the reward framework.

Key considerations

The Committee's principal considerations during the year included:

- > financial and operational matters including product performance reviews and budget updates.
- > business development opportunities.
- > the relocation of over 500 positions from the Company's Chesterbrook, Pennsylvania site to Shire's US Operational Headquarters in Lexington, Massachusetts.
- > compliance updates from across the Group.
- > the Company's risks and associated mitigation activities and initiatives.
- > updates on material litigation and investigations.
- > objectives and proposed budget for 2016.
- > human resource matters including talent, talent management principles, remuneration policy and employee survey results.