Corporate governance report

Effective governance is fundamental to the long term success of Shire.

Dear Shareholder

I am pleased to introduce Shire's 2014 Corporate Governance Report.

Effective governance is fundamental to the long term success of Shire. The Board and its committees play a central role in the Company's governance by providing an external and independent perspective on matters material to Shire's stakeholders, and by seeking to ensure that effective internal controls and risk management measures are in place. The Board also supports the promotion of a culture of good governance throughout the Company.

As part of the Board's annual performance evaluation it was concluded that the broad range of skills, knowledge and experience on the Board is appropriate to guide the Company effectively in fulfilling its strategic objectives. More detail about the Board evaluation and on some of the major matters considered by the Board and its committees during the year can be found later in this report. In 2015 the Board performance evaluation will be externally facilitated, being three years after the last external evaluation.

The Board and I recognize the importance of ensuring strong leadership for Shire. The progression of the appointment of a new Chief Financial Officer and the recruitment of a new non-executive Board member were postponed during the year due to the pendency of the proposed merger with AbbVie. As detailed more fully in the Nomination Committee Chairman's report, these searches have been re-initiated alongside the search for a further new Non-Executive Director. The Board is committed to the promotion of diversity in all of the Company's recruitment practises, as is reflected in the Board Diversity Policy. As a more general matter, the Board has agreed that a greater emphasis will be placed on succession planning and talent management in 2015.

Looking forward to 2015, the Board and I will continue to focus on the effective oversight of the Company and on investment in our four strategic drivers of growth, innovation, efficiency and people.

Susan Kilsby
Chairman

UK Corporate Governance Code

This report seeks to demonstrate how the main principles of the UK Corporate Governance Code 2012 (the "Governance Code") were applied throughout the financial year ended December 31, 2014. 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, material financial matters, material acquisitions, the principal risks that the Company faces and the actions taken to mitigate these, and succession planning.

Division of responsibilities

The Board comprises the Chairman, seven other Non-Executive Directors and the Chief Executive Officer. Upon appointment, the new Chief Financial Officer will also become a member of the Board. (The Company's Interim Chief Financial Officer is not a member of the Board though attends Board and relevant Board committee meetings by invitation.) 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 by management of their duties.

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

Chairman

> As Chairman it is Susan Kilsby's primary responsibility to provide leadership to the Board; ensuring its effective operation. This is achieved in part through her promotion of an open and engaged culture that facilitates constructive dialogue both with management and in executive sessions of the Board. She is also responsible for ensuring effective communications between the Board and shareholders. Ms. Kilsby succeeded Matthew Emmens as Chairman at the conclusion of the Company's Annual General Meeting held on April 29, 2014.

Deputy Chairman

> As Deputy Chairman David Kappler is responsible for supporting, and deputising for, the Chairman as required.

Senior Independent Director

> As Senior Independent Director it is David Kappler's responsibility to provide a sounding board for the Chairman and to serve as a trusted intermediary for the other Directors. He is also 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

> Flemming Ornskov's principal responsibility as Chief Executive Officer is to manage Shire's day-to-day business. He is accountable to the Board for the development of the Company and its operations; having due regard for the strategy, risk profile, objectives and policies set forth by the Board and its committees.

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 proposed combination with AbbVie and subsequent agreement to AbbVie terminating its offer
- Review of the Company's Long Range Plan and its $10bn product sales by 2020 plan
- Review of material M&A and in-licensing transactions including the proposed acquisition of NPS Pharmaceuticals (announced in January 2015), the acquisitions of Fibrotech and Lumena, the divestment of DERMAGRAFT and the entry into of a licensing and collaboration agreement with ArmaGen
- Continuation of the One Shire efficiency program through the establishment of the Company's Lexington, Massachusetts site as its US operational headquarters, and the associated planned relocation of over 500 positions from its Chesterbrook, Pennsylvania site

Governance

- Consideration of investor feedback, with there being a particularly high level of engagement regarding the proposed combination with AbbVie
- Review of the Company's full year results, quarterly earnings releases, key financial reports and guidance upgrades
- Review of the Corporate Integrity Agreement including the terms of the agreement, changes in the regulatory environment and the Company's compliance activities and processes
- Review of the Group's annual budget
- Review of the Board Reserve Powers and the Board committees' terms of reference
- Review of the Company's IT strategy including initiatives to enhance cyber security
- Consideration of a Health, Safety & Environment update

Risk and internal controls

- Review of the Company's principal risks, risk management strategy and processes, and internal controls

Succession planning

- Supporting the Chairman transition with Susan Kilsby assuming Chairmanship on April 29, 2014
- Reinitiating the search for a new Chief Financial Officer following the termination of the merger with AbbVie
- Review of Board composition and the commencement of searches for two new Non-Executive Directors
- Senior management succession planning and talent assessment

More online at: **www.shire.com**

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Board operation

During the year the Board met frequently in order to discharge its duties. Six scheduled Board meetings took place during 2014 of which five were held face-to-face over a two-day period alongside Board committee meetings. In addition, 15 ad hoc meetings were held principally to address the approaches made by AbbVie. In total, 21 meetings were held with the majority taking place by telephone.

Board member	Date of appointment	Scheduled meeting attendance	Ad hoc meeting attendance[1]
Susan Kilsby[2]	September 1, 2011	6(6)	15(15)
Flemming Ornskov	January 2, 2013	6(6)	15(15)
David Kappler	April 5, 2004	6(6)	14(15)
Dominic Blakemore	January 1, 2014	6(6)	7(15)
William Burns	March 15, 2010	6(6)	13(15)
Steven Gillis	October 1, 2012	6(6)	14(15)
David Ginsburg	June 16, 2010	6(6)	15(15)
Anne Minto[3]	June 16, 2010	5(6)	8(15)
David Stout[4]	October 31, 2009	6(6)	14(15)
Matthew Emmens[5]	March 12, 2003 – April 29, 2014	1(1)	2(2)
Graham Hetherington[6]	July 1, 2008 – March 1, 2014	1(1)	0(0)

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 Anne Minto was absent from one scheduled Board meeting due to illness.
4 David Stout is to step down from the Board on April 28, 2015.
5 Matthew Emmens stood down as Chairman of the Board at the conclusion of the Annual General Meeting on April 29, 2014.
6 Graham Hetherington stood down as Chief Financial Officer on March 1, 2014.

Only members of the Board are entitled to attend Board meetings, however, during the year additional individuals attended by invitation. The Interim Chief Financial Officer and the General Counsel and Company Secretary attended all scheduled and ad hoc meetings of the Board, with regular additional attendees at scheduled meetings including the Head of Corporate Development, the Chief Human Resources Officer, the Head of Research and Development and the Chief Compliance and Risk Officer. 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 fulfilment 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 continues to be independent. The Governance Code suggests that a length of service of more than nine years is relevant to the determination of a Non-Executive Director's independence. Therefore, in considering the independence of Mr. Kappler, the Board gave particular regard to the fact that at the time of the Company's Annual General Meeting in April 2015 he will have served as a member of the Board for 11 years. Despite his length of tenure, the Board concluded that Mr. Kappler remained independent in character and judgment; demonstrating continued effective performance and commitment to his role. Details of the Board performance evaluation, which included the consideration of Non-Executive Director independence, are available on page 65. 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 60 and 61.

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 28.

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 typically headed by the Nomination Committee (procedural details are available on page 72) 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 Stout, all of the Directors are seeking re-election at the Annual General Meeting to be held on April 28, 2015, at which Non-Executive Directors' terms of appointment and the Executive Director's service contract will be made available for inspection by shareholders. As part of the Board performance evaluation the Chairman discussed personal performance with Board members and concluded that each of the Directors seeking re-election evidenced continued effective performance and commitment to their role.

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 its performance evaluation the Board determined that each of its members had committed sufficient time to perform their role effectively.

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 familiarisation with the Company's business, strategy and governance structure, as well as their own duties and responsibilities. Induction activities undertaken during the year include:

Dominic Blakemore

> Mr. Blakemore met with management from across the business and corporate functions in order to more fully understand the Company and its operations.

Susan Kilsby

> Prior to assuming the position of Chairman Ms. Kilsby engaged in an extensive series of meetings with management and employees across the Group and with many of the Company's major shareholders.

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 that their skills, knowledge and experience are regularly refreshed, and that their familiarity with the Company's business is maintained.

Information and support
The Chairman, in collaboration with the Company Secretary and senior 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 made 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 fulfilment 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

2013 progress
The 2013 internal evaluation highlighted the benefit of having external speakers provide the Board with periodic updates on issues or trends that may impact the Company's strategy or operations. As a result of the approaches made by AbbVie, during 2014 the Board received regular updates from the Company's brokers regarding views held by shareholders, however, plans for briefings by other external speakers were deferred. The Board recognizes the value of receiving external insight into, and analysis of, key issues and trends that have the capacity to impact the Group, and will therefore seek to take advantage of opportunities for such input going forwards.

2014 procedure, conclusions and action points
The 2014 Board performance evaluation was carried out internally, led by the Chairman with the support of the Company Secretary, and covered the performance of the Board and its members. All Directors completed a performance and effectiveness questionnaire with responses aggregated on a non-attributable basis and shared with the Board. In addition, the Chairman met with each Board member to discuss individual performance, training needs and overall Board effectiveness. The aggregated questionnaire responses together with individual Director feedback enabled the Chairman to lead the performance evaluation and effectiveness review with the Board. In addition, the Chairman of each Board committee conducted a similar performance evaluation and effectiveness review with their respective committee members.
The Senior Independent Director also spoke with each Board member to obtain feedback on the Chairman's performance which underpinned his discussion with her regarding the same.

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The Board performance evaluation had regard to the information and time made available to the Board in its consideration of strategy, material risks, the integrity of the Company's financial statements and the robustness of its internal controls and risk management systems. There was also discussion concerning succession planning at Board and senior management level as well as reflection on Board independence, culture and dynamics, and whether its collective skill-base and experience enabled it to effectively discharge its responsibilities.

The overall conclusion drawn from the 2014 Board performance evaluation is that the individual members of the Board remain effective in their ability to discharge their duties and responsibilities. Each continues to make a valuable contribution whilst demonstrating commitment to their role, with the Chairman displaying effectiveness in leadership. The culture is one of open and robust debate with the Board and its committees receiving the information necessary to make informed judgments and decisions.

In considering the results of the 2014 evaluation and how effectiveness might be improved, the Board agreed that a greater emphasis would be placed on succession planning and talent management in 2015. Certain areas were also identified as helpful for the Board to receive briefings on from internal and external speakers. In order to enhance understanding of matters being reviewed at Board committee meetings, it was agreed that, in addition to the current practice of committee Chairmen providing detailed summaries to the Board on key matters reviewed at their respective committee meetings, subject to any conflict of interest or particular sensitivity all committee papers would be available for the review of all Board members.

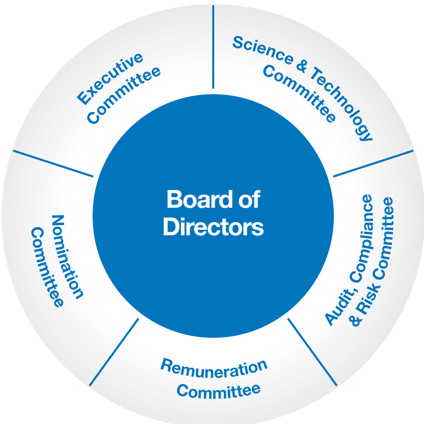
Relations with shareholders

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 Interim Chief Financial Officer and the Company's Investor Relations team, with the views of investors communicated to the Board. During the year the Group engaged with shareholders through the various media below.

Meetings with shareholders	Early in the year Susan Kilsby, as Chairman-elect, met with many of Shire's major shareholders before assuming the role of Chairman on April 29, 2014. In addition, during the period in which the Company was engaged in discussions with AbbVie Shire's Chairman and Chief Executive Officer met with major shareholders to receive their views on the approach. The Chief Executive Officer, Interim Chief Financial Officer and the Company's Investor Relations team also met with shareholders to discuss Shire's $10bn product sales by 2020 plan.
Investor days	In December the Company hosted a Research and Development Day in New York with speakers including the Chief Executive Officer, the Head of Research and Development and key members from R&D and Clinical teams. The event was well attended by analysts and investors alike with the presentations also webcast.
Results announcements and presentations	The Company communicated its performance to shareholders and analysts through quarterly financial results announcements, each accompanied by an explanatory teleconference/webcast and Q&A session given by the Chief Executive Officer and the Interim Chief Financial Officer.
Financial reporting	The Company published half and full year reports in accordance with obligations arising from its listing on the London Stock Exchange and filed quarterly Form 10-Qs and an annual Form 10-K as a result of its listing on the NASDAQ Global Select Market.
Annual General Meeting	The Company's Annual General Meeting was held in Dublin on April 29, 2014. Shareholders were invited to attend to 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 pertaining to the Company's operations. In addition, investors using portable devices can view Shire's dedicated mobile website: http://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 produces a biannual publication entitled "Responsibility Matters" which is distributed to employees and interested socially responsible investors. In addition, the Company participated in a socially responsible investor day hosted by Goldman Sachs. The Company's website also has a dedicated "Responsibility" section which is regularly updated.
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.

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 reports below.



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 controls. 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[1]
Dominic Blakemore[2]	Jan 1, 2014	6(6)
David Kappler	April 5, 2004	6(6)
David Stout[3]	Dec 8, 2009	6(6)
Steven Gillis[4]	Dec 3, 2014	1(1)
Susan Kilsby[5]	Sept 1, 2011 – April 29, 2014	2(2)

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.
2 Dominic Blakemore served as a member of the Committee prior to his appointment as Committee Chairman which took effect from the end of the Committee meeting held on April 29, 2014.
3 David Stout is to step down from the Committee on April 28, 2015.
4 Steven Gillis serves as an interim member of the Committee.
5 Susan Kilsby stood down as Committee Chairman with effect from the end of the Committee meeting held on April 29, 2014.

Committee meetings held during the year typically coincided with key dates in the Group's financial reporting cycle. During the year the Chairman of the Board, other Non-Executive Directors, the Chief Executive Officer, the Interim Chief Financial Officer, the Interim Group Financial Controller, the Chief Compliance and Risk Officer, the Head of Internal Audit, the Group's external auditor and the General Counsel and Company Secretary regularly attended meetings at the invitation of the Committee Chairman. 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 auditor, 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; and
- 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 fulfilment of its duties.

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Financial reporting

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 ViroPharma, Lumena and Fibrotech. 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. The Committee addressed these matters through the receipt of reports from management which discussed the assumptions used. In addition, 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. The Committee received reports from management outlining the process applied and the basis for the assumptions used. 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 litigation provisions and costs. Further information is available in Notes 3 (iv) and 19 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), 26 and 28 to the consolidated financial statements). The most significant judgment in 2014 related to the tax treatment of the break fee received from AbbVie, which the Company concluded, based on advice received, should not be taxable in Ireland. However, this has not been agreed with the tax authorities. The Committee addresses these issues, and the related accounting and disclosure, through a range of reporting from senior management and also receives verbal and written reporting from Deloitte LLP;

> the carrying value of the Company's intangible assets. The judgments in relation to potential 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;

> the review of questions posed by the SEC regarding Shire's 2013 Form 10-K filing and the approval of Shire's response; and

> disclosure within the Group's 2013 full-year and 2014 quarterly results announcements and related financial reports.

Internal controls and risk management relating to financial reporting

The Group's internal control program concerning financial reporting ("ICP") is aligned with the Internal Control – Integrated Framework 2013 issued by the Committee of Sponsoring Organizations of the Treadway Commission ("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 ICP 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 Board independence and oversight of internal control, organizational structure and individual competency. 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 ICP testing are regularly reviewed by the Committee, which, along with management, assesses the effectiveness of the ICP and the risk management framework. In addition, an established process of escalation enables the Committee and the Board to review matters material to the Group on a timely basis as they arise.

Because of inherent limitations 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. To mitigate this risk, during the year the Group's management assessed the effectiveness of the ICP against the COSO Framework. Based on this assessment, management believes that the ICP was effective as of December 31, 2014.

In addition, during the year the Board in conjunction with the Committee reviewed the effectiveness of the Group's compliance program and wider internal control and risk management systems. This was performed through the review and challenge of related reports and presentations from management, and in the Board and Committee's consideration of routine and exceptional items of business. Neither the Board nor the Committee identified, nor were advised of, any deficiencies within the Company's compliance program or internal control and risk management systems that were considered to be material to the Group as a whole. Further details on Shire's risk framework can be found on page 32.

Committee activities

The Committee's activities during the year related to financial reporting included:

- the review of the Group's treasury policies and ongoing treasury activities;
- the monitoring of the Group's compliance with its stated Non GAAP accounting policy applied in quarterly earnings releases;
- the monitoring of the Group's accounts receivable exposure in certain Eurozone and Latin-American countries and the associated risk mitigation activities; and
- an annual review of the Group's tax strategy and assessment of fiscal risk.

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 has overseen the implementation of a policy on the provision of non-audit services by the external auditor 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; or
- 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 2014 totalled $4.6 million (2013: $0.6 million). The increase in fees in 2014 relative to 2013 principally relates to reporting accountant services provided in relation to the proposed merger with AbbVie, 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 2014 can be found in Note 31 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 auditor 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 2014, 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 auditor which in turn has committed to working with management and the Committee to address these in 2015.

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 2014 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 2015 financial year. There existed no contractual obligations that inhibited or influenced the Committee's recommendation.

In accordance with developments in 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 appointment of the preferred external audit firm align with the end of the incoming audit partner's tenure in 2021. The incumbent audit partner is scheduled to step down in 2016. 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.

Committee activities

The Committee's activities related to external audit during the year included:

> 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 2013 audit and the initial review of the external auditor's performance and effectiveness during the 2014 financial year, including a review of management's assessment of the performance and effectiveness of the external auditor;

> the review and approval of the 2014 Audit Plan and audit fee; and

> an assessment of the objectivity and independence of the external auditor.

Other 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.

Committee activities

During the year the Committee's other areas of review included:

> the Company's 2014 profit forecast and related earnings guidance;

> 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; and

> the Group's corporate risk schedule, including consideration of the principal risks faced by the Group and the associated mitigation strategy.

Nomination Committee

David Kappler
Chairman of the Nomination Committee

Membership and meetings

As at the year end the Nomination Committee's membership comprised three independent Non-Executive Directors and the Chairman of the Board.

Committee member	Date of appointment	Meeting attendance
David Kappler	April 26, 2006	5(5)
William Burns	June 27, 2011	5(5)
Susan Kilsby	Feb 1, 2014	5(5)
Anne Minto[1]	Feb 8, 2012	4(5)
Matthew Emmens[2]	June 18, 2008 – April 29, 2014	1(1)

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

1 Anne Minto was absent from one scheduled Committee meeting due to illness.

2 Matthew Emmens stood down as a member of the Committee on April 29, 2014.

Committee meetings are typically held before scheduled meetings of the Board, with additional meetings convened as required. At the invitation of the Committee Chairman the Chief Executive Officer and the General Counsel and Company Secretary attended all meetings held during the year.

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 re-appointment of Non-Executive Directors; and

> 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 Committee initiated a global search for a new Chief Financial Officer after Graham Hetherington informed the Board in February 2014 of his decision to step down. The Board agreed that Mr. Hetherington would leave the Company on March 1, 2014, and that James Bowling, then Shire's Group Financial Controller, would be appointed as Interim Chief Financial Officer with effect from that date. The executive search firm Spencer Stuart was retained to undertake the search for a new Chief Financial Officer, which included the consideration of internal candidates. The search was suspended as a result of the approach made by AbbVie, though resumed in October 2014 following the termination of the merger. In identifying potential candidates, Spencer Stuart was informed of the experience, technical skills and other capabilities sought by the Company and was made aware of its Board Diversity Policy. Shire announced in November 2014 that Jeff Poulton, then Head of Investor Relations, would succeed James Bowling as Interim Chief Financial Officer on January 1, 2015, following Mr. Bowling's notification to the Company of his decision to step down and assume the position of Chief Financial Officer of another FTSE 100 company. Aside from assisting Shire with senior management searches, Spencer Stuart has no other connection with the Company.

New Non-Executive Directors

As a result of Matthew Emmens stepping down as Chairman in April 2014, the Committee recommended to the Board that a search be commenced for a new Non-Executive Director; specifically with biotechnology and/or pharmaceutical experience. Russell Reynolds Associates was retained to undertake the search, which was subsequently suspended as a result of, and resumed following, the discussions held with AbbVie. In addition, following a periodic review of the Board's composition and tenure, the Committee recommended that a search be undertaken for a second new Non-Executive Director who would enhance the Board's breadth of skill and experience. Odgers Berndtson was retained to lead this search. Russell Reynolds Associates and Odgers Berndtson have been made aware of Shire's Board Diversity Policy. Aside from assisting with senior management searches, neither search firm has any other connection with the Company.

Deputy Chairman and Senior Independent Non-Executive Director extension of term

In anticipation of pending changes to the Shire Board in 2015, with the expected appointment of a new Chief Financial Officer and two new Non-Executive Directors, the Committee, with Mr. Kappler recusing himself, recommended to the Board that Mr. Kappler be asked to remain on the Board beyond the AGM in April 2015, being the date of the expiration of his current term of appointment. Following discussion, which included consideration of Mr. Kappler's independence, the Board agreed that Mr. Kappler remains independent and that his term be extended for one year after the 2015 AGM.

Corporate governance report
(continued)

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 28 and 64.

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 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.

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 three 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
David Ginsburg	June 16, 2010	4(4)
William Burns	Feb 8, 2012	4(4)
Steven Gillis	Oct 1, 2012	4(4)

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

The Committee typically meets before scheduled meetings of the Board. During the year the Chairman of the Board, the Chief Executive Officer, the Head of Research and Development, the Head of Corporate Development, the General Counsel and Company Secretary and members of management regularly attended meetings at the invitation of the Committee Chairman.

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 organisation;
- 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; and
- 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; and
- the relevant clinical or material pre-clinical data identified during due diligence relating to material business development transactions including NPS Pharmaceuticals, Fibrotech, Lumena and ArmaGen.

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, the General Counsel and Company Secretary, the Interim Chief Financial Officer, the Head of Corporate Development, the 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 20 meetings of the Committee; each of which was attended by the Chief Executive Officer. The only other Executive Director to serve during the year, the former Chief Financial Officer, attended two out of the three meetings he was eligible to attend. In addition to its members, other members of management attended Committee meetings at the invitation of the Committee Chairman.

Committee member[1]	Position	Date of appointment
Flemming Ornskov	Chief Executive Officer	January 2, 2013
Tatjana May[2]	General Counsel and Company Secretary	May 1, 2001 – December 31, 2014
James Bowling[3]	Interim Chief Financial Officer	March 1, 2014 – December 31, 2014
Mark Enyedy[4]	Head of Corporate Development	May 1, 2014
Ginger Gregory	Chief Human Resources Officer	March 1, 2014
Phil Vickers	Head of Research and Development	March 1, 2014
Graham Hetherington[5]	Chief Financial Officer	July 1, 2008 – March 1, 2014

1 Jeff Poulton was appointed Interim Chief Financial Officer and a member of the Committee on January 1, 2015.
2 Tatjana May stood down as General Counsel on December 31, 2014. Ms. May is to step down as Company Secretary on May 1, 2015.
3 James Bowling stood down as Interim Chief Financial Officer on December 31, 2014.
4 Mark Enyedy was appointed Interim General Counsel on January 1, 2015, in addition to his existing position as Head of Corporate Development.
5 Graham Hetherington stood down as Chief Financial Officer on March 1, 2014.

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; and
- 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;
- One Shire efficiency plans including a site strategy review which resulted in the establishment of the Company's Lexington, Massachusetts site as its US operational headquarters and the associated planned relocation of over 500 positions from its Chesterbrook, Pennsylvania site;
- compliance updates from across the Group;
- the Company's risks and associated mitigation activities and initiatives;
- integration plans relating to the proposed combination with AbbVie;
- updates on material litigation and investigations;
- objectives and proposed budget for 2015; and
- human resource matters including talent, talent management principles, remuneration policy and employee survey results.

Directors’ remuneration report

Anne Minto
Chairman of the
Remuneration Committee

Dear Shareholder

On behalf of the Board, I am pleased to present the Remuneration Committee’s report for the financial year ending December 31, 2014.

Part 1 – Annual Statement

This has been a challenging year for Shire and I would like to take this opportunity to provide you with an overview of the Committee’s major decisions taken during the year, the changes made to the Executive Directors’ remuneration arrangements, and the context in which these decisions were taken.

As communicated to shareholders in last year’s remuneration report, the Committee undertook a strategic review of remuneration during 2014. This gave the Committee an opportunity to ensure the remuneration policy for Executive Directors supports and drives the Company’s strategic direction and in particular the key goal of achieving $10 billion in product sales by 2020. As a result of this review, we are presenting a new remuneration policy for shareholder approval at the 2015 AGM. At Shire we are focused on becoming a leading global Biotech company and the Committee is confident that the proposed remuneration policy supports this ambition. The revised policy is designed to:

> Ensure our remuneration arrangements are aligned with our strategy, in particular our plan to double Shire’s product sales to $10 billion by 2020.

> Simplify remuneration arrangements, increase transparency for our shareholders and improve line of sight for our Executive Directors.

> Implement a remuneration package that is competitive and facilitates executive retention within the sectors and geographies in which the Company operates and competes for talent.

> Incorporate key aspects of emerging remuneration best practice.

In line with our ongoing commitment to open and transparent dialog with shareholders, I have had discussions with many of our largest shareholders to discuss the proposed revisions to our remuneration policy. The policy presented therefore takes into consideration the views of key shareholders and we very much look forward to receiving your support for the policy at the 2015 AGM. Full details of the revised policy are set out in the body of the remuneration report. The key changes are summarised below:

> We clarified the Committee’s intention to make annual awards under the Long Term Incentive Plan (“LTIP”) with a maximum of 840% of salary to the CEO (this award level is subject to the CEO’s continued exceptional personal performance). Awards will vest based on stretching financial performance conditions over a three-year period.

> We replaced our historic performance matrix on the LTIP with the independent measures of Non GAAP EBITDA and Product Sales and maintained a Non GAAP Adjusted ROIC underpin to ensure that earnings quality is achieved before any payout can occur.

> We introduced a two-year post vest holding period onto the LTIP resulting in a total holding period of five years.

> We enhanced the malus and clawback provision for the incentive plans to ensure that we are aligned with market best practice.

As part of the review the Committee also determined that the Global Biotech and US BioPharma markets would be the primary reference points when considering the remuneration policy for Executive Directors (with the FTSE 50 (excluding financial services) retained as a secondary reference point). This change is intended to reflect the current profile of the business where North America generates the majority of the Company's revenues and is also the core market for competing for talent. Dr. Ornskov is also located in the US, along with the majority of senior management and over two-thirds of employees.

The Committee will continue to monitor the current arrangements to ensure they remain aligned with Shire's strategic goals and shareholder interests.

Context of the Committee's decisions

Through an eventful 2014, including the uncertainty surrounding the offer from AbbVie, the Company and its employees maintained focus and the business continued to grow and operate with great success. This has resulted in upper quartile performance over the period:

> Ordinary Share price increased by 60.7% through 2014 and American Depositary Share price increased by 52.7%.

> Net product sales experienced strong growth of 23% to $5,830 million (2013: $4,757 million).

> Non GAAP EBITA[1] of $2,593 million exceeded our target of $2,341 million by 10.8%, demonstrating the progress we made against our strategy to grow our business efficiently, enabling us to deliver value to our stakeholders and provide more innovative treatments to more patients.

> Strong Non GAAP Adjusted ROIC[1] returns of 14.7% versus the target of 12.8%, driven largely by the strong sales growth and efficient cost base of our business.

> Successful cost management ensured that combined Non GAAP R&D and SG&A[1] costs were maintained within our target of 44.3% of net product sales.

Key Committee decisions

The Committee took the decisions regarding remuneration during the year in the context of the exceptional performance of the Company in 2014 and the Committee is satisfied that there is strong alignment between Company performance and the payments to the Executive Directors. The key decisions include:

> Strong performance has resulted in the Executive Annual Incentive Plan paying out at the maximum opportunity for the CEO of 180% of salary.

> In view of Dr. Ornskov's excellent leadership and the strong performance of the Company, the Committee has awarded the CEO a base salary increase of 3.8% effective from January 1, 2015.

> Graham Hetherington, the Company's CFO, left the Company during the year. Full details of the treatment of Mr. Hetherington's remuneration on departure are set out in this report and I can confirm that the decisions made by the Committee were taken within the terms of the approved 2014 remuneration policy. Mr. Hetherington did not receive a bonus for the 2014 year and his Portfolio Share Plan ("PSP") awards lapsed except for the 2012 award which vested subject to performance conditions and time proration. Mr Hetherington's deferred bonus shares will continue to vest at their normal vesting dates.

> During the year the Committee agreed to increase the Chairman's fee to £450,000 in recognition of her excellent leadership and proven capabilities.

Finally, I would like to thank my fellow Committee members as well as the internal and external teams who supported us with their commitment and hard work over the past year.

Anne Minto
Chairman of the Remuneration Committee

[1] This is a Non GAAP financial measure. For reconciliation to US GAAP please see page 166.

Directors' remuneration report
(continued)

Index to the Directors' Remuneration Report

This report has been prepared in compliance with Schedule 8 of the Large and Medium sized Companies and Groups (Accounts and Reports) Regulations 2008 (as amended during the course of 2013) (the "Schedule 8 Regulations"), as well as the Companies Act 2006 and other related regulations. This report is set out in the following key sections:

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The Directors' Remuneration Policy (Part 2) will be subject to a binding shareholder vote at the 2015 Annual General Meeting ("AGM") to obtain approval for a period of three years effective following the AGM. The remainder of this report will be put to an advisory shareholder vote at the 2015 AGM.

a) Our remuneration at a glance

Summary of our strategic priorities

The Executive Director remuneration policy supports Shire's strategic drivers, which are set out in detail in the Strategy and Business model section on page 10 and are summarized below:

> **Growth** – Drive performance from our currently marketed products to optimize revenue growth and cash generation.
> **Innovation** – Build our future assets through both R&D and business development to deliver innovation and value for the future.
> **Efficiency** – Operate a lean and agile organization and reinvest for growth.
> **People** – Foster a high performance culture where we attract and retain the best talent in all aspects of our business.

The Committee believes that the Executive Directors' remuneration policy appropriately supports shareholder value creation by delivering sustainable performance consistent with our strategy and appropriate risk management.

Summary of policy and key changes

Element	Summary description	Maximum opportunity	Change to policy
Base salary	Base salaries are set at a level to recognize the market value of the role, an individual's skills, experience and performance, as well as their contribution to leadership and Company strategy.	Increases are made in line with the average of employees' salary increases, unless the Committee determines otherwise.	No change in policy.
Pension and benefits	Pension and other benefits provided in line with market practice.	Fixed retirement benefits up to 30% of annual salary and levels of benefits are defined by market rates.	No change in policy.
Executive Annual Incentive Plan ("EAIP")	Annual bonus is payable each year subject to performance against a scorecard consisting of financial and non-financial targets (weighting of 75% and 25% respectively). 25% of any award deferred as shares for a period of three years.	Annual maximum equal to 180% of base salary.	No change in policy.
Long Term Incentive Plan ("LTIP")	Stock Appreciation Rights ("SARs") and Performance Share Awards ("PSAs") vest subject to the achievement of Product Sales and Non GAAP EBITDA targets at the end of a three-year period. A Non GAAP Adjusted Return on Invested Capital ("ROIC") underpin is also used to test underlying performance.	Face value of 480% of base salary for SAR awards and 360% of base salary for PSA awards can be granted annually.	Change in performance measures to increase alignment with the Company's long term strategy. Two-year holding period for both PSA and SAR awards introduced.

Incentive arrangements – performance outcomes for 2014

EAIP – The bonus award for 2014 reflects exceptional performance against stretching targets for the year.

Description	Weighting	Target		Outcome/ % of target
Financial	75%	> Net products sales	$5,571m	$5,830m / 104.6%
		> Non GAAP EBITA[1]	$2,341m	$2,593m / 110.8%
		> Non GAAP Adjusted ROIC[1]	12.8%	14.7% / 114.8%
		> Cost management – Achieve combined Non GAAP R&D and SG&A[1] target	44.3% of net product sales	41.8% / 106.0%
Pipeline & Pre-commercial (Non Financial)	15%	> Key Performance Indicators ("KPIs") built around the strategic priority of developing our future assets which will enable us to deliver innovation and value for the future		Overall assessment – Significantly above target
Organizational Effectiveness (Non Financial)	10%	> Execute against priority actions identified in relation to supporting a high-performance culture > Finalize integrated One Shire organization structure and hire in accordance > FDA approval for Building 400 manufacturing plant > Execute against key financial and non financial success factors in relation to the integration of ViroPharma		Overall assessment – Significantly above target

[1] This is a Non GAAP financial measure. For reconciliation to US GAAP please see page 166.

This has been an exceptional year for Shire and as such, the Committee determined that a bonus payment equal to 180% of salary would be paid to the CEO following an assessment of the 2014 corporate scorecard, as set out above, and taking into account the impact on the Company's performance of strategic actions together with performance relative to overall objectives.

Long term incentives – No awards that have previously been granted to the CEO were due to vest for the year ending December 31, 2014.

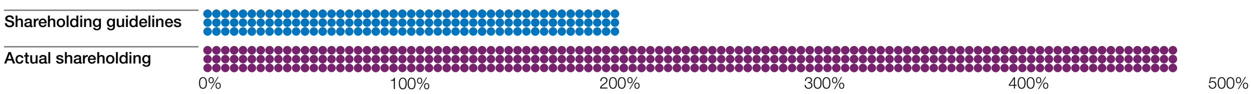
2014 single total figure of remuneration for Executive Directors

Executive Director	Base salary	Retirement benefits	Other benefits	Short term incentives Cash	Short term incentives Shares	Long term incentives	Other payments	2014 Total	2013 Total
F. Ornskov ($000)	1,300	390	107	1,755	585	–	–	4,137	3,402
G. Hetherington (£000)	80	20	21	–	–	975	–	1,096	4,425

Graham Hetherington left the Company on March 1, 2014.

CEO shareholding guidelines and actual shareholding as at December 31, 2014

Flemming Ornskov
% of salary



Part 2 – Directors' Remuneration Policy

a) Executive Director remuneration policy

The purpose of the remuneration policy is to recruit and retain high caliber executives and encourage them to enhance the Company's performance responsibly and in line with the Company's strategy and shareholder interests. The remuneration policy set out in this section is intended to apply for three years from the date of the 2015 AGM, subject to shareholder approval. Whilst there is currently no intention to revise the policy more frequently than every three years, the Committee will review the policy on an annual basis to ensure it remains strategically aligned and appropriately positioned against the market. Where any change to policy is considered, the Committee will consult with major shareholders prior to submitting a revised policy for shareholder approval.

The overall remuneration package for the Executive Directors is designed to provide an appropriate balance between fixed and variable, performance-related components, with a significant element of long term variable pay given the long term nature of the business.

In determining the positioning of overall remuneration, the Committee takes into consideration pay levels against a Global Biotech peer group and a US BioPharma peer group. These peer groups reflect the need for Shire to be aligned with the Biotech and BioPharma sectors in which the Company operates, the markets in which the Company competes for talent and the geographies in which the Company operates. In addition, the FTSE 50 (excluding financial services) is used as a secondary reference point, given Shire's position as a UK listed company.

The Committee is satisfied that the composition and structure of the remuneration package is appropriate and does not incentivize undue risk taking.

Purpose and link to strategy	Operation and Performance Assessment	Opportunity
Fixed elements – Base salary		
To recognize the market value of the role, an individual's skills, experience and performance and an individual's leadership and contribution to Company strategy.	Base salary is paid in cash and is pensionable. Individual and corporate performance are factors considered during the annual base salary review process. Any increases typically take effect on January 1 each year. Any significant salary increases, such as in cases where Executive Directors are relatively new in role, changes in responsibilities or significant variance to the market, will be appropriately explained.	Base salary is positioned with reference to Global Biotech and US BioPharma peer groups. A FTSE 50 (excluding financial services) group is used as a secondary reference point. The exact positioning depends on a variety of factors such as individual experience and performance, total remuneration increases across the Company and shareholder views. Where appropriate, base salary increases are made in line with the average of employees' salary increases, unless the Committee determines otherwise based on the factors listed above. The annual base salaries for the Executive Directors are set out in Part 3(a) of this report.
Fixed elements – Retirement and other benefits		
To ensure that benefits are competitive in the markets in which the Company operates.	Executive pension benefits are provided in line with market practice in the country in which an Executive is based. The Company provides a range of other benefits which may include a car allowance, long term disability and life cover, private medical insurance and financial and tax advisory support. These benefits are not pensionable. Other benefits may be offered if considered appropriate by the Committee. The Company may also meet certain mobility costs, such as relocation support, expatriate allowances, temporary living and transportation expenses, in line with the prevailing mobility policy and practice for senior executives. Executive Directors are eligible to participate in the all employee share plans operated by the Company, such as the Global Employee Stock Purchase Plan ("ESPP").	Executive Directors can receive a fixed contribution of up to 30% of annual salary by way of a retirement benefit provision. The cost to the Company of providing other benefits may vary depending on such things as, market practice and the cost of insuring certain benefits.

Purpose and link to strategy	Operation and Performance Assessment	Opportunity
Short term incentives – Executive Annual Incentive Plan ("EAIP")		
To reward individuals with an award based on achievement of pre-defined, Committee approved corporate objectives (the corporate scorecard) and the individual's contributions toward achieving those objectives. Key performance measures are set by the Committee in the context of annual performance and ensuring progress towards the Company's strategy – to grow value for all our stakeholders – focusing and excelling in everything we do to meet the current and future needs of patients.	In determining EAIP awards for the Executive Directors, the Committee considers performance against each of the key performance measures within the corporate scorecard, taking into account the impact of strategic actions on the Company's performance, the Company's response to external opportunities and events that could not have been predicted at the beginning of the year and performance against personal objectives. In addition, the Committee may amend the performance measures or targets in exceptional circumstances where it considers that they are no longer appropriate. The cash element (75% of any award) is paid in the first quarter of the year following the performance year, and the deferred shares element (25% of any award) is deferred and normally released after a period of three years. The release of deferred shares includes dividend shares representing accumulated dividends. Malus and clawback arrangements are in place. These are compliant with the UK Corporate Governance Code 2012 (the "Code") and in line with best practice in this area.	Up to 90% of base salary is payable for target performance for Executive Directors and up to 180% is payable for maximum performance, although actual payouts can range from 0% (threshold performance) upwards. Each year the Committee determines the measures and weightings for the corporate scorecard within the following parameters: > At least 75% of the corporate scorecard will be based on financial performance; and > Non financial corporate scorecard measures will be based on other strategic priorities for the relevant financial year. For 2015, this will be aligned with our four key strategic drivers: – Growth; – Innovation; – Efficiency; and – People. The precise allocation between financial and non financial measures (as well as the weightings within these measures), will depend on the strategic focus of the Company in any given year.
Long term incentives – Long Term Incentive Plan ("LTIP")		
To incentivize individuals to achieve sustained growth through superior long term performance and to create alignment with shareholders. The LTIP measures, Product Sales and Non GAAP EBITDA, were selected by the Committee as it believes that they represent meaningful and relevant measurements of performance and are an important measure of the Company's ability to meet the strategic objective to grow value for all our stakeholders. The Committee reviews annually whether the performance measures and calibration of targets remain appropriate and sufficiently challenging taking into account the Company's strategic objectives and shareholder interests	LTIP grants for the Executive Directors comprise two types of award: > **SAR awards.** A Stock Appreciation Right ("SAR") is the right to receive Ordinary Shares or ADSs linked to the increase in value of Ordinary Shares or ADSs from grant to exercise. > **PSA awards.** A Performance Share Award ("PSA") is the right to receive a specified number of Ordinary Shares or ADSs. SAR and PSA awards granted to Executive Directors vest three years from the date of grant, subject to the satisfaction of performance measures and are governed by the LTIP rules. SAR awards can be exercised up to the seventh anniversary of the date of grant. Vesting of awards requires the achievement of two independent measures: > Product Sales[1] targets (50% weighting); and > Non GAAP EBITDA[2] targets (50% weighting). The Committee will also use a Non GAAP Adjusted[3] ROIC underpin at the end of the three-year performance period to assess the underlying performance of the Company before determining final vesting levels. The award may include dividend shares representing accumulated dividends on the portion of the award that vests. The Committee reserves the right to make adjustments to the measures to reflect significant one off items that occur during the vesting period (Significant Adjusting Events ("SAEs")). Potential SAEs are reviewed by the Committee against pre-existing guidelines[4]. The Committee will make full and clear disclosure of any such adjustments in the Directors' Remuneration Report ("DRR") at the end of the performance period. A two-year holding period will apply following the three-year vesting period for both PSAs and SARs. Shares may be sold in order to satisfy tax or other relevant liabilities as a result of the award vesting. Malus and clawback arrangements are in place. These are compliant with the Code and in line with best practice in this area. Executive Directors are encouraged to own shares in the Company equivalent to 200% (for the CEO) and 150% (for the CFO) of base salary within a five-year period following their appointment. All shares beneficially owned by an executive or deferred under the EAIP count towards achieving these guidelines.	Maximum annual awards for Executive Directors in face value terms are 840% of salary for grants under the LTIP, consisting of: > 480% of base salary for SAR awards; and > 360% of base salary for PSA awards. Award levels are set to reflect an individual's role, responsibilities and experience Threshold vesting is equal to 20% of any award made, with maximum vesting being equal to 100% of any award made.

Directors' remuneration report
(continued)

1 Product Sales is defined as product sales from continuing operations.
2 Non GAAP EBITDA growth is defined as the CAGR of Non GAAP EBITDA, as derived from the Group's Non GAAP financial results included in its full year earnings releases, over the three-year vesting period.
3 Non GAAP Adjusted ROIC reflects the definition used by the Company in its corporate scorecard. This definition aims to measure true underlying economic performance of the Company, by making a number of adjustments to ROIC as derived from the Company's Non GAAP financial results including:
- Adding back to Non GAAP operating income all R&D expenses and operating lease costs incurred in the period;
- Capitalizing on the Group's balance sheet historical, cumulative R&D, in process R&D and intangible asset impairment charges and operating lease costs which previously have been expensed;
- Deducting from Non GAAP operating income and amortization charge for the above capitalized costs based on the estimated commercial lives of the relevant products;
- Excluding the income statement and balance sheet impact of non-operating assets (such as surplus cash and non-strategic investments); and
- Taxing the resulting adjusted operating income at the underlying Non GAAP effective tax rate.

4 The Significant Adjusting Events pre-existing guidelines consist of the following:
- The event results from a strategic action that has a short term impact on Non GAAP Adjusted ROIC or Non GAAP EBITDA growth, but is in the long term interest of shareholders or the event was external and results in a significant change to the Company's operating environment;
- The event is a one off (as opposed to recurring) in nature;
- The event is "significant" which is defined by reference to its impact on Non GAAP EBITDA relative to a materiality threshold; and
- The event was not taken into account when the performance matrix was set.

Legacy matters in relation to Executive Director remuneration

The Committee will honour remuneration and related commitments to current and former Directors (including the exercise of any discretions available to the Committee in relation to such commitments) where the terms were agreed prior to the approval and implementation of the remuneration policy detailed in this report.

Notes to the remuneration policy table

Elements of previous policy that continue to apply

The following existing arrangements will continue to operate on the terms and conditions set out in the relevant Portfolio Share Plan ("PSP") rules.

Purpose and link to strategy	Operation and Performance Assessment	Opportunity
Long term incentives – Portfolio Share Plan ("PSP")		
Previous awards granted to incentivize individuals to achieve sustained growth through superior long term performance and create alignment with shareholders' interests.	Outstanding and unvested awards for the CEO comprise SAR and PSA awards. Vesting of PSP awards will be subject to the achievement of Non GAAP EBITDA and Non GAAP Adjusted ROIC targets within a performance matrix. The Committee reserves the right to make adjustments to the measures to reflect significant one-off items which occurred during the vesting period (SAEs). Potential SAEs are reviewed by the Committee against pre-existing guidelines. The Committee will make full and clear disclosure of any such adjustments in the relevant DRR at the end of the performance period. In addition, awards will only vest if the Committee determines that the underlying financial performance of the Company is sufficient to justify the vesting of the awards. Malus and clawback arrangements are in place for past awards to cover situations where results are materially misstated or in the event of serious misconduct. Where an individual's employment terminates, the PSP rules provide for unvested long term incentive awards to lapse except as set out below. Under PSP rules, where an individual is determined to be a "good" leaver, unvested long term incentive awards vest upon termination subject to performance against applicable performance conditions and, unless the Committee determines otherwise, pro rating for time. Any Committee determination will take into account a number of considerations, in particular performance and other circumstances relating to their termination of employment. > Good leaver reasons include retirement in accordance with the Company's retirement policy, ill health, injury or disability, and redundancy or in other circumstances that the Committee determines. > Pro rating for time will be calculated on the basis of the number of complete weeks in the relevant period during which the executive was employed (or would have been employed had the executive remained in employment throughout the notice period) as a proportion of the number of complete weeks in the relevant period. The PSP rules provide that unvested awards will normally only vest on a change in control to the extent that any performance condition has been satisfied, unless the Committee determines otherwise, and would be reduced where less than two years have elapsed from the relevant grant date.	Outstanding awards granted to the CEO, that were granted in 2013 and 2014, are set out in Part 3(g) of this report. Threshold vesting under the performance matrix is equal to 25% of any award made, with maximum vesting being equal to 100%.

Changes to remuneration policy from previous policy

Following a strategic remuneration review during the year, the Executive Director remuneration policy has been revised. The following summary sets out the changes when compared to last year's approved policy. No changes have been made to the base salary, retirement and other benefits or EAIP policies.

Policy element	Previous policy	Changes to policy	Rationale for change
Overall remuneration policy	A "Mid-Atlantic" peer group was used as the primary benchmarking reference point which comprised a blend of US and UK companies, taking into account scale and international complexity.	The Committee will reference pay levels within a Global Biotech peer group and a US BioPharma peer group. In addition, the FTSE 50 (excluding financial services) will be used as a secondary reference point.	Change reflects sectors and geographies in which the Company operates and the markets in which the Company competes for talent.
Long term incentives	Target levels of award in face value terms of: > 400% base salary for SAR awards; and > 300% base salary for PSA awards. The Committee had the discretion to award between 80% and 120% of these levels based on performance.	Maximum opportunity for awards under the LTIP set at a face value of 840% of salary: > 480% base salary for SAR awards; and > 360% base salary for PSA awards.	Revised quantum is within current policy maximum agreed by shareholders. However fixing awards for the CEO at a face value of 840% per annum recognizes the competitive gap in remuneration that exists relative to the Global Biotech and US BioPharma and markets.
	Vesting of awards subject to the achievement of Non GAAP EBITDA and Non GAAP Adjusted ROIC targets within a performance matrix. In addition, awards will only vest if the Committee determines that the underlying financial performance of the Company is sufficient to justify the vesting of the awards. Threshold vesting under the performance matrix is equal to 25% of any award made, with maximum vesting being equal to 100%.	Awards will be tested against two independent measures after a three-year performance period: > Product Sales targets (50% weighting); and > Non GAAP EBITDA targets (50% weighting). Vesting of awards will be subject to a Non GAAP Adjusted ROIC underpin at the end of the performance period to ensure vesting levels reflect the sustainability of revenue and profit. At threshold performance 20% of any award made will vest, with maximum vesting being equal to 100%.	Product Sales, Non GAAP EBITDA and Non GAAP Adjusted ROIC are directly aligned to the business strategy and removal of the matrix simplifies the plan to enhance transparency for all stakeholders. Retaining Non GAAP Adjusted ROIC as a minimum for any vesting ensures a focus on quality of earnings, balance sheet health and enhancement of shareholder value.
	No holding period post vesting.	Two-year holding period after three-year vesting period introduced for both PSA and SAR awards granted to Executive Directors from 2015 onwards.	This supports alignment of the Executive Directors' interests with that of the long term business strategy and shareholders.
Malus and clawback	Malus and clawback arrangements for short and long term incentive structures in place to cover situations where results are materially misstated or in the event of serious misconduct.	Arrangements for the short and long term incentive structures revised in line with the Code requirements.	The Committee believes it is appropriate to have the power to withhold payments in certain circumstances.

b) Chairman and Non-Executive Director

Purpose and link to strategy	Operation	Opportunity
Overall remuneration		
To attract and retain high caliber individuals by offering market competitive fee levels.	The Chairman is paid a single fee for all of his/her responsibilities. The Non-Executive Directors are paid a basic fee. The members and Chairmen of the main Board committees and the Senior Independent Director are paid a committee fee to reflect their extra responsibilities. The Chairman and Non-Executive Directors receive 25% of their total fees in the form of shares. Additional fees may be paid to Non-Executive Directors (excluding the Chairman) on a per meeting basis for any non-scheduled Board or Committee meetings required in exceptional or unforeseen circumstances, up to the relevant fee cap as set out in the Company's Articles. The Company reimburses reasonably incurred expenses and Non-Executive Directors are also paid an additional fee in respect of each transatlantic trip made for Board meetings. The fees paid to the Chairman and the Non-Executive Directors are not performance related. The Non-Executive Directors do not participate in any of the Group share plans, pension plans or other employee benefit schemes.	Fees are determined by the Executive Directors and the Chairman, with the exception of the Chairman's fee which is determined by the Committee. To reflect the governance environment in which Shire operates fees are benchmarked against a UK FTSE 50 (excluding financial services) group. As a secondary reference point fee levels in the Global Biotech peer group and US BioPharma peer group (the groups used for the Executive Directors) are taken into account. In addition, the fee levels also take into account the anticipated time commitment for the role and experience of the incumbent. The Chairman's and Non-Executive Directors' fees are reviewed on an annual basis. Where appropriate, increases are made with reference to the factors listed above and average employee salary increases since the last increase was applied.

c) Recruitment remuneration policy

The following table sets out the various components which would be considered for inclusion in the remuneration package for the appointment of an Executive Director and the approach to be adopted by the Committee in respect of each component.

Area	Policy and operation
Overall	> The Committee's approach when considering the overall remuneration arrangements in the recruitment of a member of the Board from an external party is to take account of the Executive Director's remuneration package in their prior role, the market positioning of the remuneration package, and to not pay more than necessary to facilitate the recruitment of the individual in question.
Fixed elements (Base salary, retirement and other benefits)	> The salary level will be set with reference to the Company's Global Biotech and US BioPharma peer groups, with a FTSE 50 (excluding financial services) group used as a secondary reference to ensure the positioning is appropriate. > The Executive Director shall be eligible to participate in Shire's employee benefit plans, including coverage under all executive and employee pension and benefit programs in accordance with the terms and conditions of such plans, as may be amended by the Company in its sole discretion from time to time. > The Company may meet certain mobility costs, including but not limited to relocation support, expatriate allowances, temporary living and transportation expenses in line with the prevailing mobility policy and practice for senior executives.
Short term incentives	> The appointed Executive Director will be eligible to earn a discretionary annual incentive award in accordance with the rules and terms of Shire's Executive Annual Incentive Plan. > The level of opportunity will be consistent with that stated in Part 2(a) of this report.
Long term incentives	> The Executive Director will be eligible for performance based equity awards in accordance with the rules and terms of Shire's Long Term Incentive Plan. > The quantum will be consistent with that stated in Part 2(a) of this report.
Replacement awards	> The Committee will consider what replacement awards (if any) are reasonably necessary to facilitate the recruitment of a new Executive Director in all circumstances. This includes an assessment of the awards and any other compensation or benefits item that would be forfeited on leaving their current employer. > The Committee will seek to structure any replacement awards such that overall they are not significantly more generous in terms of quantum or vesting period than the awards due to be forfeited. > In determining quantum and structure of these commitments, the Committee will seek to provide broadly equivalent value and replicate, as far as practicable, the timing and performance requirements of remuneration foregone. > The Committee will seek to ensure that a meaningful proportion of the replacement awards which are not attributable to long term incentives foregone will be delivered in Shire deferred shares, released at a later date and subject to continued employment. > If the Executive Director's prior employer pays any portion of the remuneration that was deemed foregone, the replacement payments shall be reduced by an equivalent amount. > Replacement share awards, if used, will be granted using the Company's existing long term incentive plan to the extent possible, although awards may also be granted outside of this plan if necessary and as permitted under the Listing Rules. > In the case of an internal hire, any outstanding awards made in relation to the previous role will be allowed to pay out according to their original terms. If promotion is part way through the year, an additional top up award may be made to bring the Executive Director's opportunity to a level that is appropriate in the circumstances.

d) Service contracts and termination arrangements

Executive Directors

The Committee's policy on service contracts and termination arrangements for Executive Directors is set out below. As an overriding principle, it is the Committee's policy that there should be no element of reward for failure. The Committee's approach when considering payments in the event of termination is to take account of the individual circumstances including the reason for termination, performance, contractual obligations of both parties as well as share plan and pension scheme rules.

Notice period	> The Committee's policy is that Executive Directors' service contracts should provide for a notice period of 12 months from the Company and the Executive Director. > The Committee believes this policy provides an appropriate balance between the need to retain the services of key individuals for the benefit of the business and the need to limit the potential liabilities of the Company in the event of termination. > Flemming Ornskov's contract does not have a fixed term but provides for a notice period of 12 months in line with this policy. His contract is dated October 24, 2012.
Contractual payments	> Executive Directors' contracts allow for termination with contractual notice from the Company or termination by way of payment in lieu of notice, at the Company's discretion. Neither notice nor a payment in lieu of notice will be given in the event of gross misconduct. > Payments in lieu of notice could potentially include up to 12 months' base salary and the cash equivalent of 12 months' pension contributions, car allowance and other contractual benefits. There is no contractual entitlement to annual incentive payments in respect of the notice period – any award is at the Committee's absolute discretion, performance related and capped at the contractual target level. > Payment in lieu of notice would be made where circumstances dictate that the Executive Directors' services are not required for the full 12 months of their notice period. Contracts also allow for phased payments on termination, which allow for further reduction in payments if the individual finds alternative employment outside of the Company during the notice period.
Retirement benefits	> Normal treatment to apply as governed by the rules of the relevant pension plan; no enhancement for leavers will be made.
Short term incentives	> Where an Executive Director's employment is terminated after the end of a performance year but before the payment is made, the executive will remain eligible for an annual incentive award for that performance year subject to an assessment based on performance achieved over the period. Where an award is made the payment may be delivered fully in cash. No award will be made in the event of gross misconduct. > Where an Executive Director's employment is terminated during a performance year, a pro rata annual incentive award for the period worked in that performance year may be payable subject to an assessment based on performance achieved over the period. > The Committee's policy is not to award an annual incentive for any portion of the notice period not served. > The relevant plan rules provide that any outstanding deferred shares will vest in accordance with the regular vesting period, except for where an Executive Director's employment is terminated for cause in which case they will lapse. > In the event of a variation in the equity share capital of the Company, demerger, a special dividend or distribution, or any corporate event which might affect the value of an award, the Committee may make adjustments to the number or class of stock or securities subject to the award.
Long term incentives	> The treatment of unvested long term incentive awards is governed by the rules of the relevant incentive plan, as approved by shareholders. > Where an individual's employment terminates, the LTIP rules provide for unvested long term incentive awards to lapse except as set out below. > Under the LTIP rules, where an individual is determined to be a "good" leaver, unvested long term incentive awards will vest at the normal vesting date subject to performance against applicable performance conditions and, unless the Committee determines otherwise, pro rating for time. Any Committee determination will take into account a number of considerations, in particular performance and other circumstances relating to their termination of employment. – Good leaver reasons include retirement in accordance with the Company's retirement policy, ill health, injury or disability, and redundancy or in other circumstances that the Committee determines. – Pro rating for time will be calculated on the basis of the number of complete weeks in the relevant period during which the Executive was employed as a proportion of the number of complete weeks in the relevant period. Where an Executive does not work during their notice period, the Committee may apply pro rating by reference to the date the notice period would have expired. > Where an Executive Director's employment is terminated or an Executive Director is under notice of termination for any reason at the date of award of any long term incentive awards, no long term incentive awards will be made. > In the event of a variation in the equity share capital of the Company, demerger, a special dividend or distribution, or any corporate event which might affect the value of an award, the Committee may make adjustments to the number or class of stocks or securities subject to the award and, in the case of an option, the option price.
Change in control	> In relation to unvested deferred annual bonus awards, the Deferred Bonus Plan rules provide that unvested awards will normally vest on a change in control. > In relation to unvested long term incentive awards, the LTIP rules provide that unvested awards will normally only vest on a change in control to the extent that any performance condition has been satisfied and would be reduced where more than a year remains until the relevant vesting date, unless the Committee determines otherwise. > The Committee's policy is that contracts of employment should not provide additional compensation on severance as a result of change in control.

External appointments

Executive Directors are permitted to hold one fee-paying external non-executive directorship, subject to prior approval by the Board. Any fees received from such appointments are retained by the Executive Director. During 2014, there were no external non-executive directorships held by the Executive Directors.

Chairman and Non-Executive Directors

Non-Executive Directors have letters of appointment and are appointed by the Board ordinarily for a term of two years. Their initial appointment and any subsequent re-appointment are subject to election, and thereafter annual re-election by shareholders. Non-Executive Directors are not entitled to compensation for loss of office.

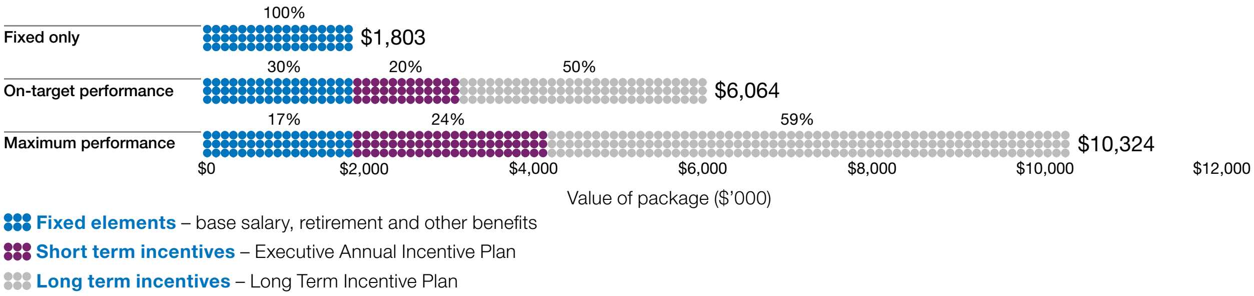
All Non-Executive Directors are subject to a three-month notice period.

All service contracts and letters of appointments are available for viewing at the Company's registered office.

e) Remuneration scenarios

The composition and value of the CEO's remuneration package in three performance scenarios is set out in the charts below. These show that the proportion of the package delivered through long term incentives supports the long term nature of the business and changes significantly across the performance scenarios. The level of remuneration is in accordance with the Executive Director remuneration policy set out in Part 2(a) of this report.

CEO (Flemming Ornskov)



The scenarios are defined as follows:

	Fixed only	On target performance	Maximum performance
Fixed elements	Fixed elements do not vary with performance and comprise: > 2015 annualized base salary; > Benefits included in the summary of 2014 remuneration table in Part 3(b) of this report (excluding any one-off items); and > Retirement benefits is the cash value of the total Company contributions to the Company plans. This represents 30% of base salary for the CEO. These definitions are consistent with the Schedule 8 Regulations.		
Short term incentives – EAIP (% of maximum opportunity)	0%	50%	100%
Long term incentives – LTIP (% of maximum vesting)[1]	0%	50% vesting[2]	100% vesting

[1] In accordance with the Schedule 8 Regulations, no allowance has been made for share price appreciation. SAR awards are valued with the same Black-Scholes model that is used to determine the share-based compensation cost included in the Company's consolidated statements of income. Any dividend shares receivable have been ignored.
[2] A level of 50% vesting for "on target" performance has been assumed.

The Executive Directors' remuneration package promotes the achievement of superior long term performance and aligns the interests of the Executive Directors with those of shareholders

f) Shareholder engagement

The Committee takes the views of shareholders very seriously and is committed to ongoing dialog with the Company's shareholder base, which has a significant transatlantic element. This can take a variety of forms including meetings with major shareholders to consider significant potential changes to policy or specific issues of interest to particular shareholder groups, other dialog to update shareholders and receive their feedback on planned refinements to arrangements, and annual voting on the DRR.

In light of AbbVie terminating its offer for Shire in October 2014, the Committee carried out a shareholder consultation exercise in late 2014/early 2015 which included writing to and meeting with many of the Company's largest shareholders and key shareholder advisory bodies. The Committee took the opportunity to discuss proposed changes to the remuneration policy for 2015, in particular to the Company's peer group policy and long term incentive policy. These discussions have informed the disclosures in this report, as well as the decisions made by the Committee in determining the remuneration for the Executive Directors.

g) Remuneration of other employees

The Committee recognizes that remuneration has an important role to play in supporting the implementation and achievement of the Company's strategy and ongoing performance. When making remuneration decisions in respect of the Executive Directors, the Committee is sensitive to pay and employment conditions across the Company, in particular in relation to base salary decisions where the Committee considers the broader employee salary increase budget. The Committee approves the overall annual bonus funding for the Company each year and has oversight over the grant of all LTIP awards across the Company. In addition, annual performance for the Executive Directors is measured against the backdrop of the same corporate scorecard that is appropriately used to assess performance across the organization. This assessment of corporate scorecard performance includes a review of Non GAAP EBITA, Non GAAP Adjusted ROIC and cost management performance, adjusted to exclude the impact of the annual bonus corporate modifier on the full year results.

Given Shire's diverse employee base, employing approximately 5,000 people in 34 locations, the Committee does not consider it appropriate to consult with employees over the remuneration policy for Executive Directors. However, many of the Company's employees are shareholders through the Company's all employee share plans, and are therefore able to express their views on Director remuneration at each general meeting. The Company also periodically carries out an employee engagement survey which provides employees the opportunity to feedback their views on a variety of employment related matters, including remuneration.

The diagram set out on the following page illustrates how our remuneration policy and arrangements reinforce the achievement of Shire's success and ensures that Executives and employees are focused on delivering the same core objectives.

Directors' remuneration report
(continued)

The Shire Remuneration Policy

1 Strategically and culturally aligned

- Remuneration should reflect and align with our business strategy and organizational culture
- Equity ownership can drive the right, long term behaviours and alignment, in particular for leaders

2 Performance oriented

- The way remuneration is structured and communicated can promote a performance culture
- Employees should be rewarded based on their contribution to value creation

3 Competitive

- Remuneration must be market competitive in order to attract and retain talent as well as to avoid overpaying

4 Relevant to employees

- Each element of the package should be valued by employees and, as far as practicable, meet their differing needs and preferences
- The ability to impact company value should influence the remuneration mix for employees

5 Clear and understandable

- Remuneration should be clear and understandable so that it can have real impact
- Employees should understand the rationale for each element of remuneration and, where relevant, the link between performance and their reward

These act as a framework for remuneration decisions across the Company

Overall remuneration

The structure and quantum of individual remuneration packages varies by geography, role and level of responsibility.

In general, the proportion of variable remuneration in the total remuneration package increases with level of responsibility within the Company.

Fixed elements
(base salary and benefits)

> Employees' base salaries are benchmarked against the relevant market taking into account the companies with whom we compete for talent, geography and, where relevant, company size.

> For example, market data for the most senior leadership roles, in particular the Executive Committee, reflects both the geographies in which we operate (with over two-thirds of employees as well as the majority of senior management based in the US) and companies of a comparable size in the pharmaceutical and biotechnology sectors.

> Base salary increases across the Company are determined in light of similar factors as described for the Executive Directors.

> Retirement and other benefit arrangements are provided to employees with appropriate consideration of market practice and geographical differences.

Short term incentives

> For Executive Directors' short term incentives, assessment is made against a corporate scorecard of key performance measures built around Shire's key financial goals and other strategic priorities for the relevant year.

> This same scorecard is appropriately used by each business and corporate function to ensure alignment with corporate goals, and also funds short term incentives across the Company.

> Scorecard targets are further used as a basis for determination of each employee's performance objectives, with annual incentive awards payable in cash, strongly differentiated based on individual performance through linkages with the performance management system.

Long term incentives

> Discretionary long term equity awards are made on an annual basis dependent on an employee's level of responsibility within the Company and individual performance.

> For Executive Directors, Executive Committee members and Executive Vice Presidents, all awards vest at the end of a three-year period.

> For the rest of the employee population, phased vesting of awards occurs over a period of three years with the majority vesting at the end of the three year period.

Part 3 – Annual Report on Remuneration

a) Implementation of Directors' Remuneration Policy in 2015

In 2015, the Executive Director and Non-Executive Director remuneration policies will be implemented as follows:

Executive Director remuneration policy

Fixed elements – Base salary

Following the year end review, the Committee made the decision to award Dr. Ornskov a base salary increase of 3.8%, to give him an annual base salary of $1,350,000 (effective January 1, 2015) which is in line with the disclosed policy in Part 2(a) of this report. This decision reflected strong corporate performance, excellent leadership and the wider average employee salary increases of 3.74% across Shire.

	2014 salary	2015 salary	% change
Flemming Ornskov	$1,300,000	$1,350,000	3.8%

Fixed elements – Retirement and other benefits

The implementation of policy in relation to pension and benefits is unchanged and in line with the disclosed policy in Part 2(a) of this report.

Short term incentives – EAIP

There is no change to the level of EAIP award opportunity for Executive Directors.

The 2015 EAIP will continue to use a scorecard approach and will be comprised of 75% financial and 25% non financial performance measures. This weighting recognizes the critical importance of financial results to our shareholders, bonus affordability and the important role that non financial performance plays in the success and growth of the Company. These measures are aligned with and support our four key strategic drivers for 2015 of Growth, Innovation, Efficiency and People.

The targets themselves are considered to be commercially sensitive on the grounds that disclosure could damage the Company's commercial interests. However, retrospective disclosure of the targets and performance against them will be provided in next year's DRR to the extent that they do not remain commercially sensitive at that time. Financial and non financial targets are set at the start of the performance year and are approved by the Committee, which believes the targets are suitably stretching, relevant and measurable. The 2015 corporate scorecard is set out below:

Strategic Drivers	Weighting	Financial KPIs (weighting)
Financial	75%	Net Product Sales (25%) Non GAAP EBITA (30%) Non GAAP Adjusted ROIC (20%)
Strategic Drivers	**Weighting**	**Non Financial KPIs**
Pipeline and Pre-Commercial	15%	**Growth:** > Optimize In-line assets via commercial excellence > Progress pipeline and acquire core / adjacent assets **Innovation:** > Expand our rare diseases expertise and offerings > Extend portfolio to new indications and therapeutic areas
Organizational Effectiveness	10%	**Efficiency:** > Operate a lean and agile organization > Concentrate operations in Lexington and Zug **People:** > Foster and reward a high performance culture > Attract, develop and retain the best talent

Long term incentives – LTIP

Following the year end review, the Committee made the following 2015 LTIP award decisions which are in line with the disclosed policy in Part 2(a) of this report. These will be made following shareholder approval of the revised Policy at the 2015 AGM:

2015 LTIP award	Award type	Face value of threshold vesting (% of 2015 salary)	Face value of maximum vesting (% of 2015 salary)	Face value of maximum vesting (000's)
Flemming Ornskov	SAR	96%	480%	$6,480
	PSA	72%	360%	$4,860

20% of the award will be payable for threshold performance. There is no vesting below this performance level. 100% of the award will be payable for maximum performance, which would result in the total award vesting, with straight line vesting within this performance range. In all cases, awards will only vest if the Committee determines that the underlying performance of the Company is sufficient to justify the vesting of the award.

For the 2015 grant and subsequent policy years, the Committee has determined that LTIP awards will be tested against two independent measures at the end of a three-year performance period: 50% Product Sales targets and 50% Non GAAP EBITDA targets. The Committee will also use a Non GAAP Adjusted ROIC underpin at the end of the performance period to ensure vesting levels reflect the sustainability of revenue and profit growth.

The 2015 LTIP targets for Product Sales and Non GAAP EBITDA are based off the 10 x 20 Plan as approved by the Board in June 2014 and are considered appropriately stretching by the Committee. The weightings, threshold and maximum target figures are provided in the table below.

Performance measures	Weighting	Threshold (20% of award vesting)	Maximum (100% of award vesting)
Product Sales	50%	$6,800m	$7,500m
Non GAAP EBITDA[1]	50%	$3,300m	$3,675m

[1] This is a Non GAAP financial measure. For reconciliation to US GAAP please see page 166.

Product Sales targets are expressed as absolute dollar values in line with the 10 x 20 Plan communicated to shareholders in June 2014. Non GAAP EBITDA targets have also been expressed as absolute dollar values for consistency between the measures.

The Committee has determined that the calibration of these proposed targets is sufficiently challenging without incentivizing inappropriate risk-taking by management, taking into account both Shire's long range plans as well as brokers' forecasts.

The Non GAAP Adjusted ROIC underpin will be set at a minimum of 11% for the 2015 LTIP award. If Non GAAP Adjusted ROIC over the performance period is below this level no vesting will occur under the LTIP, subject to Remuneration Committee discretion. This will ensure awards only pay out for a return in excess of Shire's Weighted Average Cost of Capital and maintain focus on quality of earnings and sustainable returns both in the existing core business and from any future M&A activity.

A two-year holding period will apply following the three-year vesting period for both PSAs and SARs.

Clawback and malus arrangements are in place for awards to cover situations where results are materially misstated or in the event of serious misconduct.

Chairman and Non-Executive Director remuneration policy

Details of fee levels for 2015 compared to 2014 are set out below.

In recognition of her excellent leadership and proven capabilities in her capacity as Chairman, it was agreed to increase Susan Kilsby's Chairman fee to £450,000 effective September 1, 2014. The Committee considers this increase to be appropriate in view of Chairman fee levels at comparator companies as set out in the remuneration policy.

Basic fees	2015	2014
Chairman (inclusive of all committees)	**£450,000**	£450,000[1]
Deputy Chairman and Senior Independent Non-Executive Director (inclusive of Non-Executive Director fee)	**£98,000**	£98,000
Non-Executive Director	**£93,000**	£93,000

[1] Effective September 1, 2014

The Chairman and Non-Executive Directors will continue to receive 25% of their total fees in the form of shares.

In addition to the basic fee, a committee fee will be paid to the members and Chairman of the Audit, Compliance & Risk, Remuneration, Science & Technology and Nomination Committees. Following a review of independently sourced data, it was deemed appropriate to increase the Chairman and Committee membership fees for all Committees in accordance with the levels set out below, effective January 1, 2015.

	Chairman		Member	
Committee fees (effective January 1, 2015)	2015	2014	2015	2014
Audit, Compliance & Risk	**£25,000**	£20,000	**£12,500**	£10,000
Remuneration	**£25,000**	£18,000	**£12,500**	£9,000
Science & Technology	**£20,000**	£15,000	**£10,000**	£7,500
Nomination	**£17,500**	£12,500	**£8,750**	£5,750

It was agreed that effective January 1, 2015, Non-Executive Directors (excluding the Chairman) will receive the following additional fees for attending extra meetings:

> Board meeting – additional £2,000 per meeting

> Committee meeting – additional £1,000 per meeting

Non-Executive Directors will also continue to receive an additional fee of £5,000 for each transatlantic trip made for Board meetings.

b) 2014 single total figure of remuneration for Executive Directors (subject to audit)

The summary table of 2014 remuneration for the Executive Directors comprises a number of key components which are set out in further detail in the relevant sections that follow.

In both 2013 and 2014, the totals were significantly impacted by share price growth between the PSP grant and vesting dates. This alignment with shareholders and the significant role that long term variable remuneration plays in the overall remuneration package is consistent with our remuneration policy and the long term nature of our business.

		Fixed elements				Variable elements					
						Short term incentives – EAIP					
		Base salary $'000	Retirement benefits $'000	Other benefits $'000	Total fixed pay $'000	Cash element $'000	Deferred share element $'000	Long term incentives – PSP $'000	Total variable pay $'000	Other payments $'000	Total $'000
Flemming Ornskov	2014	**1,300**	**390**	**107**	**1,797**	**1,755**	**585**	**–**	**2,340**	**–**	**4,137**
	2013	1,071	207	74	1,352	1,200	400	–	1,600	450	3,402
		£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Graham Hetherington[1]	2014	**80**	**20**	**21**	**121**	**–**	**–**	**975**	**975**	**–**	**1,096**
	2013	480	120	28	628	319	106	3,372[2]	3,797	–	4,425

Dr. Ornskov's remuneration, which is paid through the US payroll, is reported in US Dollars.
Average exchange rate for the year to December 31, 2014 was $1.654:£1.00.

1 Graham Hetherington left the Company on March 1, 2014. Details of Graham Hetherington's departure arrangements are set out in Part 3(e) of this report.

2 Actual vesting value of £3,371,557 is calculated using the closing share price at the date of vesting of £33.20 (February 28, 2014). Estimated vesting value as disclosed in the Company's 2013 DRR of £2,475,272 was calculated using the average share price over the last quarter of 2013 (in line with the methodology prescribed in the Schedule 8 Regulations).

Base salary

Corresponds to the amounts received during the year

> Dr. Ornskov's 2014 base salary was $1,300,000 effective January 1, 2014. His 2013 base salary comprises his CEO designate salary of $900,000 received from January 2, 2013 to April 29, 2013 and his CEO salary of $1,200,000 received upon appointment to CEO from April 30, 2013.

> Mr. Hetherington's base salary reflects his annual salary of £480,000 for both 2013 and 2014.

Retirement benefits

Represents the cash value of the total Company contributions towards retirement benefit provision

> Dr. Ornskov received a contribution at a rate of 30% of his base salary through a combination of contributions to the Company's 401(k) Plan and credits to his SERP account. In accordance with the terms of the SERP, he received credits on the basis of his CEO designate base salary for the three calendar quarters in 2013 for which he was eligible.

> Mr. Hetherington received a contribution of 25% of base salary by way of a cash allowance.

Other benefits

Corresponds to the taxable value of all other benefits paid in respect of the year. The 2014 figures for Executive Directors principally include car allowance, financial and tax advisory support, long term disability, and life and private medical insurance

> Dr. Ornskov's 2014 figure includes $58,642 in relation to temporary living expenses and associated tax assistance. His 2013 figure also includes $28,519 principally in relation to immigration support and temporary living expenses, in accordance with the Company's mobility policy and the recruitment arrangements disclosed in the 2012 DRR.

> Mr. Hetherington's 2014 figure represents the continuation of medical insurance at the same level under the Company's private medical scheme from his departure on March 1, 2014 until December 31, 2014. The 2014 figure also includes reasonable legal costs incurred in connection with his departure arrangements. The 2013 figure includes a reimbursement reflecting a lower level of Company paid private medical insurance in prior years than provided for in his contract.

Short term incentives

Corresponds to the annual incentive award earned under the EAIP in respect of 2014 performance and comprises a cash element (75%) and a deferred share element (25%)

2014 corporate scorecard for Executive Directors

In determining EAIP awards for the CEO, the Committee considers performance against each of the key performance measures within the corporate scorecard, as set out below, taking into account the impact on the Company's performance of strategic actions together with performance against personal objectives. For 2014, the Committee approved the award set out in the following table:

Strategic priorities	Weighting	Targets	Performance Outcome/ % of target	2014 EAIP award decisions: Award	2014 EAIP award decisions: % of maximum opportunity
Financial	75%	> Net products sales – $5,571m > Non GAAP EBITA[1] – $2,341m > Non GAAP ROIC[1] – 12.8% > Cost management – Achieve combined Non GAAP R&D and SG&A[1] target of 44.3% of net product sales	> $5,830m / 104.6% > $2,593m / 110.8% > 14.7% / 114.8% > 41.8% / 106.0%	$1.755m	100%
Non-financial Pipeline & Pre-commercial See below for further details	15%	> KPIs built around the strategic priority of developing our future assets which will enable us to deliver innovation and value for the future. These include clinical milestones, regulatory filings and other critical pipeline expansion and advancement targets that will support our continued growth and future financial performance	> Overall assessment – Significantly above target	$0.351m	100%
Non-financial Organizational Effectiveness See below for further details	10%	> Execute against priority actions identified in relation to supporting a high performance culture > Finalize integrated One Shire organization structure and hire in accordance > FDA approval for Building 400 manufacturing plant > Execute against key financial and non financial success factors in relation to the integration of ViroPharma	> Overall assessment – Significantly above target	$0.234m	100%
	100%		**Total outcome**	**$2.34m 180% of salary**	**100%**

75% of the award is payable in cash (non-pensionable) and 25% is deferred into shares and released after a period of three years (subject to the participant's employment not being terminated for cause).
The release of deferred shares will include dividend shares representing any accrued dividends (deferred shares are subject to malus and clawback).
[1] This is a Non GAAP financial measure. For reconciliation to US GAAP please see page 166.

The Committee sets targets that are stretching against budgeted performance to ensure that payouts only occur for strong performance over the financial year. Performance is assessed for each of the three strategic priorities (shown in the above table) on a weighted average basis and maximum payout is only delivered for achievement well in excess of target performance.

Directors' remuneration report

(continued)

Details on performance outcomes

Performance against financial goals

Net product sales

> Strong growth of 23% to $5,830 million (2013: $4,757 million).
> Exceptionally strong sales performance, supporting our strategic driver for growth to drive performance from our currently marketed products to optimize revenue growth and cash generation.

Non GAAP EBITA[1]

> Non GAAP EBITA of $2,593 million exceeded our target of $2,341 million by 10.8%.

Non GAAP Adjusted ROIC[1]

> Strong returns of 14.7% versus the target of 12.8%, driven largely by the strong sales growth and efficient cost base of our business.

Cost management

> Successful cost management ensured that combined Non GAAP R&D and SG&A[1] costs were maintained within target of 44.3% of net product sales.

Performance against other strategic priorities

Pipeline & Pre-commercial KPIs

Achievement against the 2014 objectives include:

> Agreement with the FDA on Lifitegrast NDA filing strategy is a major step forward.
> Expanded clinical sites and geographies to accelerate enrollment, initiated additional creative solutions.
> Excellent progress made on pipeline during 2014 (including an increase in Phase 2 programs from 4 to 11).
> Pipeline is currently the strongest (in terms of number, breadth, value) in Shire's history.
> Progress made during a time of unanticipated major change in organization (such as dramatic R&D changes associated with One Shire and potential AbbVie merger impact).

Organizational Effectiveness KPIs

Achievement against the 2014 objectives include:

> Significant progress made on culture change despite significant organizational change.
> One Shire organization structures defined.
> Successful integration of ViroPharma achieved.

Long term incentives

The value represents the market value of the 2012 PSP awards for Graham Hetherington which vested upon his departure from the Company on March 1, 2014

There is no scheduled vesting of PSP awards for Dr. Ornskov until 2016 when his 2013 PSP awards (2013-2016 performance period) vest subject to the achievement of applicable performance conditions.

For Mr. Hetherington, the Committee determined that the 2012 PSP awards would vest in line with the terms of the plan rules taking into account the applicable performance conditions and the proportion of the performance period (approximately two-thirds) during which Mr. Hetherington remained in employment (see table below).

Graham Hetherington – vesting of 2012 PSP awards

Award	Number of shares under original award[1]	Number of shares vesting[1]	% of total award vesting[2]	Vesting / release date	Share Price at vesting[3]	Value at vesting
2012 PSP (SAR element)	55,554	27,916	50%	March 1, 2014	£32.97	£300,097
2012 PSP (PSA element)	40,740	20,910[4]	50%	March 1, 2014	£32.97	£689,403

[1] Awards are over Ordinary Shares.
[2] The figures represent the number of shares vesting taking into account the applicable performance conditions (resulting in the vesting of 75% of the shares under the original award) and, in addition, the proportion of the performance period (approximately two-thirds) in which Mr. Hetherington remained in employment.
[3] Closing share price as at March 3, 2014 (March 1, 2014 was a Saturday).
[4] The vesting of the PSA element includes dividend shares representing any accrued dividends, in accordance with the relevant plan rules.

[1] This is a Non GAAP financial measure. For reconciliation to US GAAP please see page 166.

2012 performance matrix

Non GAAP Adjusted ROIC	Non GAAP EBITDA growth (CAGR 2011-2014)				
Increase bp p.a.	8%	10%	12%	14%	16%
60	1.0x	1.3x	1.7x	2.1x	2.5x
80	1.3x	1.6x	2.0x	2.4x	2.8x
100	1.6x	1.9x	2.4x	2.7x	3.1x
120	1.9x	2.3x	2.6x	3.1x	3.5x
140	2.2x	2.6x	3.1x	3.6x	4.0x
160	2.5x	3.0x	3.5x	4.0x	4.0x

Performance outcome

Based on a rigorous assessment of performance to the date of his departure and after adjusting for any potential Significant Adjusting Events, the Committee determined that vesting against the 2012 performance matrix would result in a vesting multiplier of 3.0x (75% of the total award made).

In reaching their decision, the Committee took into consideration the performance matrix update provided to the Committee in December 2013, which showed performance to be tracking at 15.3% CAGR in Non GAAP EBITDA[1] and 113 bp p.a. increase in Non GAAP Adjusted ROIC[1] (based on 2011 Actuals – 2014 Budget results).

c) 2014 single total figure of remuneration for the Chairman and Non-Executive Directors (subject to audit)

Details of the total fees paid to the Chairman and Non-Executive Directors during 2014 and a comparative total for 2013 are set out in the table below.

	Board fees		Committee fees					
	Basic fee	Additional fees[1]	Remuneration Committee	Audit, Compliance & Risk Committee	Nomination Committee	Science & Technology Committee	Total 2014 fees	Total 2013 fees
Susan Kilsby[2]	£305,949	£10,000	–	£5,000	£958	–	**£321,907**	£109,486
David Kappler	£98,000	£10,000	–	£10,000	£12,500	–	**£130,500**	£133,586
Dominic Blakemore[3]	£93,000	£10,000	–	£16,742	–	–	**£119,742**	–
William Burns	£93,000	£10,000	£9,000	–	£5,750	£7,500	**£125,250**	£118,650
Steven Gillis	£93,000	£15,000	£9,000	£833	–	£7,500	**£125,333**	£120,368
David Ginsburg	£93,000	£15,000	–	–	–	£15,000	**£123,000**	£112,650
Anne Minto	£93,000	£10,000	£18,000	–	£5,750	–	**£126,750**	£120,150
David Stout	£93,000	£15,000	£9,000	£10,000	–	–	**£127,000**	£120,400
Matthew Emmens[4]	£128,572	£10,000	–	–	–	–	**£138,572**	£422,782

1 Non-Executive Directors receive an additional fee of £5,000 for each transatlantic trip made for Board meetings.
2 Ms. Kilsby assumed the role of Chairman effective April 29, 2014. As Chairman, Ms. Kilsby received an annual fee of £365,000. The Chairman's fee was subsequently increased to £450,000 effective September 1, 2014. Ms. Kilsby stepped down as Chair of the Audit, Compliance & Risk Committee on April 29, 2014.
3 Mr. Blakemore was appointed Chair of the Audit, Compliance & Risk Committee on April 29, 2014.
4 Mr. Emmens' 2013 and 2014 fees include private medical insurance. Mr. Emmens' 2014 fee covers the period to April 29, 2014 when he retired as Chairman of the Board.

1 This is a Non GAAP financial measure. For reconciliation to US GAAP please see page 166.

d) Executive Directors' interests under long term incentives awarded during 2014 (subject to audit)

The following tables set out details of the PSA and SAR awards granted to the CEO under the PSP during 2014. Vesting of the 2014 PSP awards will be determined by the Committee in Q1 2017 taking into account performance against the 2014 performance matrix over the performance period (January 1, 2014 to December 31, 2016). In addition, any Significant Adjusting Events that are relevant will be taken into consideration, as well as an overall assessment of the underlying performance of the Company.

2014 PSP awards for Flemming Ornskov

Award type	Share price on grant / Exercise price	% of award vesting for threshold performance	% of award vesting for maximum performance	Face value of base award / threshold vesting (% of 2014 salary)	Face value of total award / maximum vesting (% of 2014 salary)	Face value of total award / maximum vesting ('000)
SAR[1]	$168.54	25%	100%	111%	443%	$5,761
PSA[1]				83%	332%	$4,320

The maximum SAR and PSA awards are granted and, subject to the achievement of performance conditions, adjusted at the date of vesting.
The number of SARs and PSAs as well as the exercise price for SAR awards is calculated using an approach based on the average three day closing mid market share price at the time of grant.
[1] Denotes an award over ADS. One ADS is equal to three Ordinary Shares

2014 Performance matrix

Non GAAP Adjusted ROIC	Non GAAP EBITDA growth (CAGR 2013-2016)				
Change in bp p.a.	9%	10%	11%	12%	13%
-100	1.0x	1.3x	1.7x	2.1x	2.5x
-80	1.3x	1.6x	2.0x	2.4x	2.8x
-60	1.6x	1.9x	2.4x	2.7x	3.1x
-40	1.9x	2.3x	2.6x	3.1x	3.5x
-20	2.2x	2.6x	3.1x	3.6x	4.0x
0	2.5x	3.0x	3.5x	4.0x	4.0x

The base award is one quarter of the total award made (1.0x vesting under the matrix) and is payable for threshold performance. There is no vesting below this performance level. Up to four times the base award (4.0x vesting under the matrix) is payable for maximum performance, which would result in the total award vesting, with straight line vesting within this performance range.

e) Departure Arrangements for Graham Hetherington (subject to audit)

As disclosed in last year's DRR, Mr. Hetherington stepped down from Shire's Board of Directors and his role as CFO on March 1, 2014. In line with the Committee's policy, the Committee considered the overall circumstances of the departure as well as performance, contractual obligations and plan rules. In particular, the Committee considered Mr. Hetherington's sustained performance and contribution to the Company over a period of almost six years, the excellent 2013 financial results and confident outlook at the time of departure. The Committee's determinations, which were consistent with the Committee's termination policy, are set out below.

Remuneration element	Description
Payment in Lieu of Notice	No payment in respect of salary or benefits (or compensation in lieu) in respect of any period after March 1, 2014 or compensation for loss of office was made.
Base salary	No 2014 base salary increase was awarded given his scheduled departure from the Company.
Retirement and other benefits	The Committee determined that it would be appropriate to continue the same level of medical insurance under the Company's private medical scheme until December 31, 2014 and to pay his reasonable legal costs incurred in connection with his departure arrangements. The cost of these benefits is included in the 2014 summary remuneration table.
EAIP	No 2014 short term incentives in respect of his period of employment to, or in respect of any period after, March 1, 2014 was awarded. Mr. Hetherington was employed throughout the relevant performance period for the 2013 EAIP, therefore payments under the 2013 EAIP were made as normal. Those elements of Mr. Hetherington's EAIP awards from previous years that were compulsorily deferred into shares under the EAIP will vest in accordance with the plan rules at the end of the relevant three-year vesting periods (see table below).

Award	Number of shares deferred[1,2]	Illustrative Share Price[3]	Estimated value	Vesting / release date
2011 deferral (2010 EAIP award)	6,504	£32.97	£214,437	March 31, 2014
2012 deferral (2011 EAIP award)	4,552	£32.97	£150,079	March 30, 2015
2013 deferral (2012 EAIP award)	4,504	£32.97	£148,497	March 31, 2016
2014 deferral (2013 EAIP award)	3,549	£32.97	£117,011	March 31, 2017

1 Awards are over Ordinary Shares.
2 The release of deferred shares will include dividend shares representing any accrued dividends, in accordance with the relevant plan rules.
3 Based on the closing share price as at March 3, 2014 (as departure date of March 1, 2014 was a Saturday).

Remuneration element	Description
PSP	No 2014 PSP grant was made given Mr. Hetherington's departure date. The Committee determined that the 2012 PSP award would vest on the departure date in line with the terms of the plan rules taking into account the applicable performance conditions and the proportion of the performance period (approximately two-thirds) during which Mr. Hetherington remained in employment. The 2012 PSP vesting values are provided in the table in Part 3(b) of this report. Vested SAR awards, in accordance with the terms of the PSP, remain exercisable for a period of 12 months after the departure date, and if not exercised will lapse. All other unvested equity awards, namely the 2013 PSP award and 2013 Sharesave, lapsed when Mr. Hetherington ceased to be employed. Mr. Hetherington was employed throughout the relevant performance period for the 2011 PSP award, therefore the award vested as normal.

f) Payments to past Directors (subject to audit)

No payments (other than payments made to Graham Hetherington set out above) have been made to past Directors for the relevant financial year for the purposes of the Schedule 8 Regulations.

Directors’ remuneration report

(continued)

g) Directors’ shareholdings and scheme interests (subject to audit)

Employee share ownership is an important means to support alignment of employee interests with those of shareholders

The Committee believes that employee share ownership is an important means to support long term commitment to the Company and the alignment of employee interests with those of shareholders.

The interests of the Executive Directors and other senior executives are closely aligned with those of other shareholders in this regard through the operation of the Company’s LTIP and, for the Executive Committee, the deferral of one quarter of any EAIP award into shares for a period of three years. These remuneration elements constitute a significant proportion of their individual remuneration packages.

In addition, to ensure that there are appropriate tools to retain Executive Directors and to encourage alignment with shareholders over the long term through increased shareholding and ownership, the Committee has introduced a two-year holding period post the three-year performance period which applies to both PSAs and SARs.

The CEO, CFO and other members of the Executive Committee are encouraged to own shares in the Company equivalent to 200%, 150% and 100% of base salary, respectively, within a five-year period following their appointment. All shares beneficially owned by an executive or deferred under the EAIP count towards achieving these guidelines. The Committee reviews share ownership levels annually for this group. Current shareholding levels for Directors are set out in the table below and show that the shareholding guidelines for the Executive Directors have been achieved.

Summary of Directors’ shareholdings and scheme interests

			Scheme interests as at December 31, 2014[2]					
				Subject to the achievement of performance conditions:				
	Security type[1]	Shareholding as at Dec 31, 2014 or date of resignation[2]	Total deferred shares[3]	Total PSAs unvested[4]	Total SARs unvested[5]	Total SARs vested but unexercised[6]	Total scheme interests	Total shares held which count towards the shareholding guidelines (as a % of 2014 salary)
Flemming Ornskov	ADS	109	17,989	70,653	98,759	–	187,510	466%
	Ord Shares	37,500	–	–	–	–	37,500	
Susan Kilsby	ADS	3,191	–	–	–	–	3,191	–
David Kappler	Ord Shares	11,549	–	–	–	–	11,549	–
Dominic Blakemore	Ord Shares	468	–	–	–	–	468	–
William Burns	Ord Shares	1,486	–	–	–	–	1,486	–
Anne Minto	Ord Shares	3,734	–	–	–	–	3,734	–
Steven Gillis	ADS	674	–	–	–	–	674	–
David Ginsburg	ADS	456	–	–	–	–	456	–
David Stout	ADS	472	–	–	–	–	472	–
Matthew Emmens[7]	ADS	6,289	–	–	–	–	6,289	–
	Ord Shares	20,399	–	–	–	–	20,399	
Graham Hetherington[8]	Ord Shares	84,491	15,560	–	–	110,789	210,840	833%

1 One ADS is equal to three Ordinary Shares.
2 There have been no changes in shareholdings in the period from December 31, 2014 to February 24, 2015.
3 This represents unvested shares deferred under the EAIP which are forfeited in the case of termination for cause and, in the case of Dr. Ornskov, deferred shares granted to him which are subject to continued service.
4 This represents unvested PSAs which are subject to the achievement of performance conditions, adjusted at the date of vesting.
5 This represents unvested SARs which are subject to the achievement of performance conditions, adjusted at the date of vesting.
6 This represents vested but unexercised SARs which are no longer subject to the achievement of performance conditions.
7 All information is presented as at April 29, 2014, being the date Mr. Emmens stepped down as Chairman.
8 All information is presented as at March 1, 2014, being the date Mr. Hetherington stepped down as CFO.

The Company also operates broad-based share plans (a Sharesave scheme in the UK and an ESPP in the US and other countries) to encourage wider share ownership among the Company’s employees.

Awards under the Company’s long term incentive plans and broad-based share plans are satisfied either by market purchased shares which are held in an employee benefit trust or the issue of new shares within the limits agreed by shareholders when the plans were approved. These limits comply with the Investment Association’s guidelines which require that no more than 10% of a company’s issued share capital be issued in accordance with all employee share plans in any 10-year period, with no more than 5% issued in accordance with discretionary employee share plans.

Directors' scheme interests

Details of Directors' interests under share plans which were outstanding, awarded, lapsed or exercised during the year are set out in the audited table below. The market price of the Company's Ordinary Shares at December 31, 2014 was £45.33 and the range during the year was £28.15 to £54.70. The market price of the Company's ADSs at December 31, 2014 was $212.54 and the range during the year was $138.78 to $264.98.

Award type[1]	Date of award	As at Jan 1, 2014	Shares awarded[2,3]	Dividend shares[4]	Lapsed	Exercised/ released	At Dec 31, 2014/ or date of resignation	Exercise price	Share price on exercise/ release	Normal exercise period/ vesting date
Flemming Ornskov[5]										
SAR (ADS)	Feb 28, 2013	45,601					45,601	$95.04		Feb 28, 2016 to Feb 28, 2020
PSA (ADS)	Feb 28, 2013	34,201					34,201	–		Feb 28, 2016
SAR (ADS)	May 2, 2013	18,984					18,984	$91.59		May 2, 2016 to May 2, 2020
PSA (ADS)	May 2, 2013	10,821					10,821	–		May 2, 2016
Deferred Shares (ADS)	May 2, 2013	15,286					15,286	–		Feb 28, 2015
SAR (ADS)	Feb 28, 2014		34,174				34,174	$168.54		Feb 28, 2017 to Feb 28, 2021
PSA (ADS)	Feb 28, 2014		25,631				25,631	–		Feb 28, 2017
EAIP (ADS)	Mar 31, 2014		2,703				2,703	–		Mar 31, 2017
Graham Hetherington[6]										
SAR	Mar 01, 2010	134,814				134,814	–	£14.43	£31.47	Mar 01, 2013 to Mar 01, 2017
SAR	Feb 28, 2011	82,873					82,873	£17.23		Feb 28, 2014 to Feb 28, 2018
PSA	Feb 28, 2011	60,769		920		61,689	–	–	£33.98	Feb 28, 2014
EAIP	Mar 31, 2011	6,504					6,504	–		Mar 31, 2014
SAR	Feb 28, 2012	55,554			27,638		27,916	£22.22		Feb 28, 2015 to Feb 28, 2019
PSA	Feb 28, 2012	40,740		439	20,269	20,910	–	–		Feb 28, 2015
EAIP	Mar 30, 2012	4,552					4,552	–		Mar 30, 2015
SAR	Feb 28, 2013	66,708			66,708		–	£20.88		Feb 28, 2016 to Feb 28, 2020
PSA	Feb 28, 2013	48,919			48,919		–	–		Feb 28, 2016
EAIP	Mar 31, 2013	4,504					4,504	–		Mar 31, 2016
Sharesave	Sep 28, 2013	467			467		–	£19.24		Dec 1, 2016 to May 31, 2017

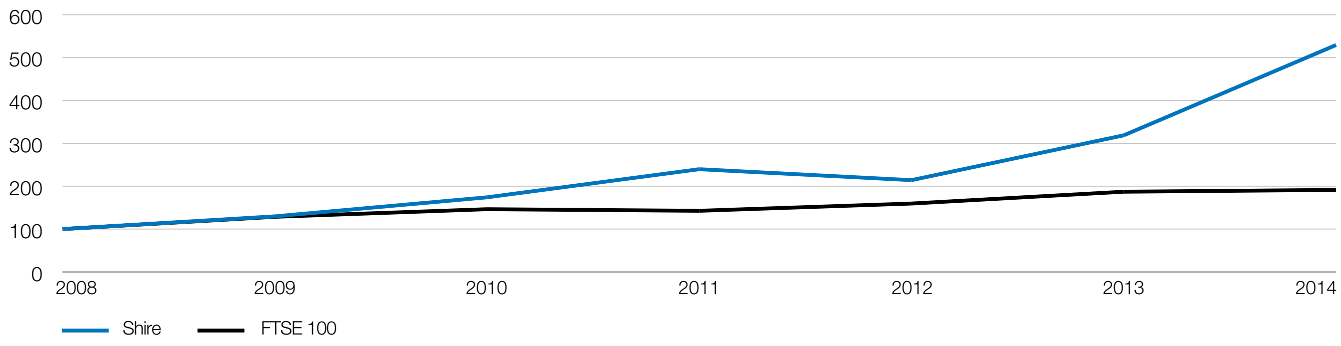
The number of PSA and SAR awards granted in 2011 and subsequently is calculated using an approach based on the average three day closing mid-market share price at the time of grant. The number of PSA and SAR awards granted in 2010 was calculated using an approach based on the average closing mid-market share price over the prior 12 month period.

1 Awards are over Ordinary Shares, except where the award type is marked "ADS". One ADS is equal to three Ordinary Shares.
2 The maximum SAR and PSA awards are granted and, subject to the achievement of performance conditions, adjusted at the date of vesting.
3 Performance conditions attached to SAR and PSA awards granted from 2010 onwards are Non GAAP Adjusted ROIC and Non GAAP EBITDA. In all cases, awards will only vest if the Committee determines that the underlying performance of the Company is sufficient to justify the vesting of the award.
4 In accordance with the plan rules, the vested PSA awards have been increased to reflect the dividends paid by Shire in the period from the grant date to the vesting date.
5 On October 31, 2014 Dr. Ornskov exercised an option granted under the Shire ESPP over 109 ADSs at an exercise price of $113.94 per ADS. The PSA award granted to Dr. Ornskov on May 2, 2013 was over 10,821 ADSs, and not 10,281 ADSs as previously disclosed.
6 All information is presented as at March 1, 2014, being the date Mr. Hetherington stepped down as CFO.

h) TSR performance graph

The graph below shows the Total Shareholder Return (“TSR”) for Shire and the FTSE 100 Index over the six-year period ending December 31, 2014. TSR is calculated as the change (indexed) between the fourth quarter TSR in the relevant year and the base year. The FTSE 100 Index reflects the 100 largest quoted companies by market capitalization in the United Kingdom and has been chosen because the FTSE 100 represents the broad market Index within which the Company’s shares are traded.

Total Shareholder Return – change in value of a hypothetical £100 holding over six years
Rebased to 100 (GBP)



The historical total remuneration for the person undertaking the role of CEO is set out in the table below.

					2013		
	2009	2010	2011	2012	Mr. Russell	Dr. Ornskov	2014
Short term incentive (% of maximum)	70%	65%	50%	48%	26%	81%	100%
Long term incentive (% of maximum)	84%	88%	100%	100%	50%	–	–
Total remuneration ($’000)	$4,781	$9,634	$17,506	$13,430	$5,759	$3,402	$4,137

These calculations are based on the methodology prescribed in the Schedule 8 Regulations. In particular, the long term incentive figures relate to any awards that vest following the end of each financial year.

i) Percentage change in CEO remuneration

The following table shows the percentage change in the base salary, taxable benefits and annual bonus of the CEO between the current and previous financial year compared to the average percentage change for all other employees.

	Percentage change from 2013 to 2014		
	Salary and fees	**Taxable benefits**	**Short term incentives**
CEO[1]	21%	45%	46%
All other employees[2]	5%	22%	27%

[1] Reflects the 2013 and 2014 remuneration for Flemming Ornskov as reported in the single total figure of remuneration table in Part 3(b) of this report.
[2] Reflects the average change in remuneration for all other employees globally that were annual bonus eligible. To help minimise distortions in the underlying data, certain adjustments have been made, in particular the figures have been prepared on the basis of permanent employees who have been employed with the Company for the two preceding calendar years.

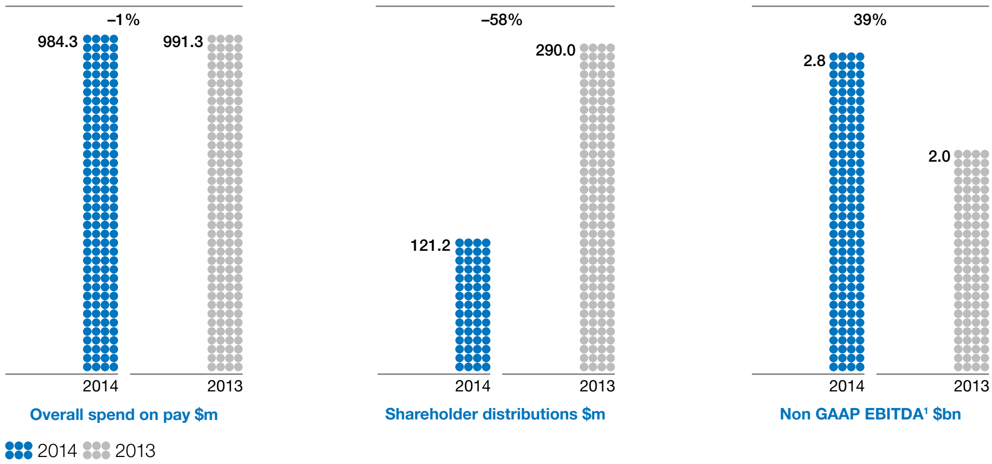
The increase in the CEO's salary and fees from 2013 to 2014 is due to the CEO designate position he held from January 2, 2013 to April 29, 2013 and the lower CEO designate salary of $900,000 he received during this period. For 2015, the CEO's salary has been increased to $1,350,000, representing a 3.8% increase from 2014 to 2015 and reflecting strong corporate performance, excellent leadership and the wider average employee salary increases across Shire.

Given that the CEO's short term incentive is calculated as a percentage of salary, the lower CEO designate salary received in 2013 is also reflected in his 2013 annual bonus figure. Most of those employees participating in the annual bonus plan received a higher bonus in 2014 than 2013, as did the CEO, reflective of the exceptional performance of the Company this year.

j) Relative importance of spend on pay

The Company considers employee remuneration costs in the context of the general financial performance and position of the Company, including when determining the annual salary increase budget, the annual equity grant budget and annual bonus funding for the organization.

The following graphs set out for 2013 and 2014 the overall spend on pay, shareholder distributions (dividends and share buybacks) and for further context, Non GAAP EBITDA (from continuing operations).



Shareholders distributions were reduced in 2014 as 2013 included amounts under the Company's share buy back plan which commenced October 25, 2012 and ceased on November 11, 2013. Overall Spend on Pay was reduced in 2014 mainly as a result of the One Shire restructuring towards the end of 2013 and through 2014 which has driven cost efficiencies across our employee base. Non GAAP EBITDA increased in 2014 as a result of the strong product sales growth and efficient cost management delivered during the year.

[1] This is a Non GAAP financial measure. For reconciliation to US GAAP please see page 166.

Directors' remuneration report
(continued)

k) Remuneration Committee

Terms of reference

The Committee is responsible for agreeing the broad remuneration policy for the organization and the individual packages for the Chairman, Executive Directors, and certain other senior leadership roles. Within the agreed policy, the Committee determines the terms and conditions to be included in service agreements, including termination payments and compensation commitments, where applicable. The Committee also determines performance targets applicable to the Company's annual bonus and long term incentive plans, and has oversight of the Company's share incentive schemes. In December 2014, the Committee reviewed its terms of reference and a number of minor changes were made to reflect various governance developments. The revised terms of reference were approved by the Board in February 2015 and are available in full on the Company's website www.shire.com.

Membership and attendance

The Board considers all members of the Committee to be independent. The Directors in the table below served as members of the Committee during the period within which remuneration for the relevant financial year was under consideration.

Committee member	Meeting attendance[1]
Anne Minto (Chairman)[2]	7(8)
William Burns	8(8)
Steven Gillis	8(8)
David Stout[3]	8(8)

Note: The number in brackets denotes the number of meetings that Committee members were eligible to attend.
1 There were five scheduled and three ad hoc Committee meetings held during 2014.
2 Ms. Minto was unable to attend the April meeting due to illness.
3 David Stout is to step down from the Committee on April 28, 2015.

The Chairman and the CEO attend meetings of the Committee by invitation, but neither is present in any discussions relating to their own remuneration.

Remuneration Committee activities in 2014

In 2014, the Committee discussed the key agenda items set out in the following table:

Key agenda items	
Overall remuneration	> Approval of 2013 performance and remuneration decisions for the CEO, CFO and the Executive Committee > Approval of final departure arrangements for the former CFO > Review of the 2014 year end compensation process and budgets for all employees > Approval of 2014 performance and remuneration decisions for the CEO and the Executive Committee > Review findings and approve recommendations from the strategic remuneration review in 2014
Short term incentives	> Assessment of Company performance against the 2013 annual bonus funding scorecard > Approval of the 2014 corporate scorecard > Preliminary review of the 2015 corporate scorecard
Long term incentives	> Determination of the vesting percentage of the 2011 PSP awards granted under the PSP for Executive Directors > Approval of the 2014 performance matrix for PSP awards to Executive Directors > Approval of annual offerings of Sharesave and ESPP awards > Approval of the vesting outcome for the former CFO's 2012 PSP awards > Preliminary review of the 2015 performance conditions for LTIP awards to Executive Directors > Consideration of potential SAEs in relation to outstanding PSP performance cycles
Governance and other matters	> Approval of the 2013 DRR > Consideration of trends in executive remuneration and corporate governance developments > Approval of approach to late 2014 shareholder consultation exercise > Consideration of shareholder feedback > Review of the Committee's term of reference > Review of the CEO and the Executive Committee's shareholdings

Shareholder context for the Committee's activities

The table below shows how shareholders voted in respect of the remuneration report and remuneration policy at the AGM held on April 29, 2014. This endorsement of the current remuneration approach informed the Committee's activities and decision making in 2014.

Resolution	For (including discretionary votes)	%	Against	%	Votes cast as a % of relevant shares in issue	Withheld[1]
Advisory vote						
To approve the Directors' Remuneration Report	391,218,791	96.97%	12,224,728	3.03%	68.50%	3,243,975
Binding vote						
To approve the Directors' Remuneration Policy	374,694,890	94.71%	20,926,142	5.29%	67.17%	11,066,462

[1] Votes withheld are not a vote in law and are not counted in the calculation of the proportion of votes validly cast.

Advisors

In discharging its responsibilities in 2014, the Committee was materially assisted by those employees performing the roles of Chief Human Resources Officer and Vice President, Total Rewards. In addition, PricewaterhouseCoopers LLP ("PwC"), appointed by the Committee, continued to serve as independent external advisor to the Committee following a competitive tendering process in early 2012. PwC also provided global consultancy services to the Company in 2014, primarily in respect of tax matters. Fees paid to PwC in relation to remuneration services provided to the Committee totaled £292,000 in 2014 and were determined based on the scope and nature of the projects undertaken for the Committee.

The Committee is satisfied that the advice received by PwC in relation to executive remuneration matters during the year was independent. The Committee reviewed the potential for conflicts of interest and judged that there were appropriate safeguards against any potential conflicts. PwC is a member of the Remuneration Consultants' Group which operates a code of conduct in relation to executive remuneration consulting in the UK.

Approval

Approved by the Board and signed on its behalf by:

Anne Minto
Chairman of the Remuneration Committee
February 24, 2015

Additional statutory information

Directors

Appointment and replacement

Directors may be appointed by the Company by ordinary resolution or by the Board. Non-Executive Directors are appointed ordinarily for a term of two years, subject to shareholder approval. Re-appointment of Non-Executive Directors following the expiry of their term of appointment is subject to Board approval. The Board may, from time-to-time, appoint one or more Directors for such period and on such terms as it may determine and may also revoke or terminate any such appointment.

The Company's Articles of Association (the "Articles") provide that at each Annual General Meeting ("AGM") all those Directors who have been appointed by the Board since the last AGM, or who held office at the time of the two preceding AGMs and who did not retire at either of them, or who held office with the Company, other than executive office, for a continuous period of nine years or more at the date of the meeting, shall retire from office and may offer themselves for re-election by the members.

Notwithstanding the provisions in the Articles, in accordance with the UK Corporate Governance Code 2012, all Directors will be subject to annual re-election.

Powers

Subject to the provisions of the Companies (Jersey) Law 1991, as amended (the "Companies Act"), the Articles and directions given by the Company in general meeting by special resolution, the business of the Company is managed by the Board which may exercise all the powers of the Company whether relating to the management of the business of the Company or not. In particular, the Board may exercise all the powers of the Company to borrow money and to mortgage or charge all or any part of the undertaking, property and assets (present and future) and uncalled capital of the Company and, subject to the Companies Act, to issue debentures and other securities, whether outright or as collateral security, for a debt, liability or obligation of the Company or of a third party.

Liability insurance and indemnification

In the year under review the Group maintained an insurance policy for its Directors and Officers in respect of liabilities arising out of any act, error or omission whilst acting in their capacity as Directors or Officers. Qualifying third party indemnity provisions were also in place during the year under review for the benefit of Directors in relation to certain losses and liabilities which they may potentially incur to third parties in the course of their duties. These remain in force at the date of this report.

Interests in material contracts

Other than the insurance/indemnity provisions disclosed under "Liability insurance and indemnification" above, none of the Directors had a material interest in any contract of significance to which the Company or any of its subsidiary undertakings was a party during the period under review.

Dividends

Subject to the provisions of the Companies Act, the Company may by ordinary resolution, from time-to-time, declare dividends not exceeding the amount recommended by the Board. Subject to the Companies Act, the Board may pay interim dividends, and also any fixed rate dividend, whenever the financial position of the Company, in the opinion of the Board, justifies its payment.

The Board may withhold payment of all or any part of any dividends or other monies payable in respect of the shares from a person with a 0.25% interest (as defined in the Articles) if such person has been served with a restriction notice (as defined in the Articles) after failure to provide the Company with information concerning interests in those shares required to be provided under the Articles.

Shire has put in place income access share arrangements which enable shareholders to elect to receive their dividends from a Group company resident for tax purposes in the UK. Further information is available in Note 23 to the consolidated financial statements.

In respect of the six months to December 31, 2014, the Board resolved to pay an interim dividend of 19.09 US cents (2013: 16.93 US cents) per Ordinary Share. Together with the first interim dividend payment of 3.83 US cents (2013: 3.00 US cents) per Ordinary Share, this represents total dividends of 22.92 US cents (2013: 19.93 US cents) per Ordinary Share for the year ended December 31, 2014.

ACS HR Solutions Share Plan Services (Guernsey) Limited (the "Trustee"), trustee of the Shire Employee Benefit Trust (the "Trust"), has waived its entitlement to any dividends which become due and payable, from time-to-time, in respect of shares or other securities which are registered in the name of the trustee or its nominee(s). Total dividends waived by the Trustee during the year amounted to £350,638.32.

Shares

Share capital

As at the year ended December 31, 2014, the Company's issued share capital comprised 599,057,502 Ordinary Shares of 5 pence each of which 9,019,832 Ordinary Shares were held in treasury.

Rights and obligations attaching to shares

The rights and obligations attaching to the Ordinary Shares are set out in the Articles which are available on the Company's website. The Articles may only be amended by special resolution of the members of the Company.

Variation of rights

Subject to the Companies Act, rights attached to any class of shares may be varied with written consent of the holders of not less than two-thirds in nominal value of the issued shares of that class (calculated excluding any shares held in treasury) or with the sanction of a special resolution passed at a separate meeting of the holders of those shares. At each such separate general meeting, except an adjourned meeting, the quorum shall be two persons holding or representing by proxy not less than one third in nominal value of the issued shares of that class (calculated excluding any shares held in treasury).

Issuance of shares

Subject to applicable statutes and subject to and without prejudice to any rights attached to existing shares, shares may be issued with such rights and restrictions as the Company may by special resolution decide or, if no such resolution has been passed or so far as the resolution does not make specific provision, as the Board may decide. Subject to the Articles, the Companies Act and other shareholders' rights, unissued shares are at the disposal of the Board.

Restrictions on transfer of shares

There are no restrictions on the transfer of shares in the Company, except (i) that certain restrictions may, from time-to-time, be imposed by laws and regulations (for example insider trading laws); and (ii) pursuant to the Listing Rules of the UK Financial Conduct Authority whereby certain Directors and employees of the Company require the approval of the Company to deal in the Company's Ordinary Shares.

Voting

It is the Company's practice to hold a poll on every resolution at general meetings. Every member present in person or by proxy has, upon a poll, one vote for every share held by him. In the case of joint holders of a share the vote of the senior who tenders a vote, whether in person or by proxy, shall be accepted to the exclusion of the votes of the other joint holders and, for this purpose, seniority shall be determined by the order in which the names stand in the register of members in respect of the joint holding.

Restrictions on voting

No member shall, unless the Board otherwise decides, be entitled to attend or vote at any general or class meeting in respect of any shares held if any call or other sum payable by that member remains unpaid. Also, a member may not be entitled to attend or vote if served with a restriction notice (as defined in the Articles).

The Company is not aware of any agreements between holders of securities that may result in restrictions on voting rights.

The Company maintains an American Depositary Receipt ("ADR") program in the US. Each American Depositary Share ("ADS") represents three Ordinary Shares. An ADS is evidenced by an ADR issued by Citibank, N.A. as Depositary, and is listed on the NASDAQ Global Select Market. Each ADS holder is entitled to the financial rights attached to such shares although the ADR Depositary is the registered holder of the underlying Ordinary Shares.

As at December 31, 2014, the Trust held 0.25% of the issued share capital of the Company on trust for the benefit of participants in the Company's employee share plans. The voting rights in relation to these shares are exercised by the Trustee. The Trustee may vote or abstain from voting in any way it thinks fit and in doing so may take into account both financial and non-financial interests of the beneficiaries of the Trust or their dependants. Historically the Trustee has not exercised its right to vote.

Purchase of own shares

At its AGM held on April 29, 2014 the Company was authorized, until the earlier of July 28, 2015 or the conclusion of the 2015 AGM, to make market purchases of up to 58,878,332 of its own Ordinary Shares. Further details regarding purchases by the Company of its own shares can be found in Note 23 to the consolidated financial statements.

Substantial shareholdings

As at the date of this report, the Company had been notified of the following holdings of 3% or more in the issued Ordinary Share capital of the Company:

	Number of Ordinary Shares	Percentage of issued share capital[1]
BlackRock, Inc.	55,345,849	9.99%
FMR LLC	29,648,433	5.02%

[1] Excludes treasury shares.

Additional statutory information
(continued)

Significant agreements

The following significant agreements contain provisions entitling counterparties to exercise the following rights in the event of a change of control of the Company:

> Under the $2,100 million credit facility agreement dated December 12, 2014, between, amongst others, the Company and a number of its subsidiaries, Barclays Bank plc (as the facility agent) and the banks and financial institutions named therein as lenders, upon a change of control any lender may, following not less than 30 days' notice, cancel its commitments and require prepayment of its participation in any outstanding loans. For these purposes, a change of control occurs if any person or group of persons acting in concert gains the ability to control more than half the votes at a general meeting of the Company or holds more than half the equity share capital of the Company. A waiver of the mandatory prepayment provision would require the consent of each lender under the agreement. On February 23, 2015, Shire requested the utilization of $1,300 million under the agreement.

> Under the $2,600 million term loan agreement dated November 11, 2013, between, amongst others, the Company and a number of its subsidiaries, Barclays Bank plc (as the facility agent) and the banks and financial institutions named therein as lenders, upon a change of control any lender may, following not less than 30 days' notice, cancel its commitments and require prepayment of its participation in any outstanding loans. For these purposes, a change of control occurs if any person or group of persons acting in concert gains the ability to control more than half the votes at a general meeting of the Company or holds more than half the equity share capital of the Company. A waiver of the mandatory prepayment provision would require the consent of each lender under the agreement. On December 13, 2013, and at various points during the year ended December 31, 2014, the Company canceled part of the $2,600 million term loan facility. As at February 24, 2015, the agreement comprised a fully utilized $850 million term loan facility which matures on November 11, 2015.

> Under the $850 million term facility agreement dated January 11, 2015, between, amongst others, Citibank International Limited (as the facility agent), upon a change of control any lender may, following not less than 30 days' notice, cancel its commitments and require prepayment of its participation in any outstanding loans. For these purposes, a change of control occurs if any person or group of persons acting in concert gains the ability to control more than half the votes at a general meeting of the Company or holds more than half the equity share capital of the Company. A waiver of the mandatory prepayment provision would require the consent of each lender under the agreement. On February 23, 2015, Shire requested the utilization of $850 million under the agreement.

Earnings guidance

The following extracts were published by the Company during the year in its quarterly earnings releases:

> February 13, 2014 – "We now expect Non GAAP earnings per ADS in 2014 to grow at a similar level to 2013 (2013: up 23%)."

> May 1, 2014 – "Reflecting our strong start to the year, we are increasing our guidance for Non GAAP earnings per ADS to mid-to-high twenty percent growth for the full year 2014, (previous guidance: growth at a similar level to 2013) (2013: up 23%)."

> July 18, 2014 – "We have again delivered record quarterly results and following our strong performance in the first half of 2014, we are increasing our guidance for Non GAAP diluted earnings per ADS to low-to-mid thirty percent growth for the full year 2014 (previous guidance: mid-to-high twenty percent growth)."

> October 24, 2014 – "We've delivered a very strong performance so far this year, and as a result we are increasing our guidance. We now expect to deliver Non GAAP earnings per ADS growth in the high thirty percent range in 2014 (previous guidance: low-to-mid thirty percent growth)."

The Non GAAP diluted earnings per ADS[1] growth in respect of the 2014 financial year was 38 percent; in line with the most recently published guidance. Further commentary on the performance of the Company during the year can be found starting on page 42.

Political donations

Shire did not make any donations to political parties during the year ended December 31, 2014 (2013: $nil).

[1] This is a Non GAAP financial measure. For reconciliation to US GAAP please see page 166.

Information required under 9.8.4 R of the Listing Rules ("LR")

Information requirement	Location within Annual Report 2014
Details of information required by LR 9.2.18 R.	Page 104
Details of any contract of significance in which a Director is, or was, materially interested.	Page 102
Details of any arrangement under which a shareholder has waived, or agreed to waive, any dividends.	Page 102
Where a shareholder has agreed to waive future dividends, details of such waiver together with those relating to dividends which are payable during the period under review.	Page 102

Other information requirements set out in LR 9.8.4 R are not applicable to the Company.

Liquidity, cash flow and going concern

The Directors' Report sets out information on the financial position of the Group, its cash flows, liquidity position and borrowing facilities, its business activities, together with the factors likely to affect its 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 risk and liquidity risk. Details of the Group's financial instruments are disclosed in Note 21 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 continue to adopt the going concern basis of accounting in preparing the annual financial statements.

Audit information

Each of the persons who is a Director at the date of approval of this report confirms that:

> so far as the Director is aware, there is no relevant audit information of which the Company's auditor is unaware; and

> the Director has taken all the steps that the he/she ought to have taken as a Director in order to make himself/herself aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

Directors' Report

The Directors' Report comprises pages 2 to 105 of this Annual Report and Accounts.

Approved by the Board and signed on its behalf by:

Tatjana May

Tatjana May
Company Secretary
February 24, 2015

Directors' responsibilities statement

The Directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors are required to prepare the Group financial statements in accordance with accounting principles generally accepted in the United States of America. Under company law the Directors must not approve the accounts unless they are satisfied that they give a true and fair view of the state of affairs of the Group and of the profit or loss of the Group for that period.

In preparing the Group financial statements, the Directors are required to:

- properly select and apply accounting policies;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- provide additional disclosures when compliance with the specific requirements within accounting principles generally accepted in the United States of America are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance; and
- make an assessment of the Group's ability to continue as a going concern.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Group's transactions and disclose with reasonable accuracy at any time the financial position of the Group and enable them to ensure that the financial statements comply with the Companies (Jersey) Law 1991. They are also responsible for safeguarding the assets of the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Group's website. Legislation in Jersey governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Responsibility statement

We confirm that to the best of our knowledge:

- the Financial Statements, prepared in accordance with the accounting principles generally accepted in the United States of America, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company and the undertakings included in the consolidation taken as a whole;
- the Strategic Report includes a fair review of the development and performance of the business and the position of the Group and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face; and
- the Annual Report and Financial Statements, taken as a whole, are fair, balanced and understandable and provide the information necessary for shareholders to assess the Group's performance, business model and strategy.

Approved by the Board and signed on its behalf by:

Dr. Flemming Ornskov
Chief Executive Officer
February 24, 2015