Directors' remuneration report

Part 1: Annual statement Chairman's letter

> It has been a remarkable year for Shire. The combination with Baxalta, which was finalized on June 3, 2016, has created the world's leading global rare disease-focused biotechnology company.

Anne Minto OBE
Chairman of the Remuneration Committee

Dear shareholder,

I am pleased to present the Directors' Remuneration Report ("DRR") for the financial year ending December 31, 2016 — a year of extraordinary change for Shire. With the acquisition of Baxalta, Shire is now the world's leading global biotech company focused on rare diseases. While this acquisition marks an inflection point in our Company's evolution, our journey continues. This letter and the subsequent content of the Directors' Remuneration Report have been set out to help shareholders understand our remuneration structure and how it supports Shire's strategy and performance.

During 2016, I have personally spent a great deal of time with our largest shareholders to encourage a deeper dialogue and understanding of their perspective. Following the disappointing vote on our Remuneration Report at the 2016 Annual General Meeting ("AGM"), it was extremely important to both me and the Remuneration Committee (the "Committee") that we understood the concerns of those that voted against the report last year as we have always enjoyed strong support from our shareholders. We have consulted fully with shareholders on the proposed changes to the incentive targets for our in-flight (outstanding) awards as a result of the Baxalta acquisition. Further details of the decisions taken by the Committee in 2016 following these shareholder consultations are summarized later in this letter. The Committee and I found the high level of shareholder engagement and insight from these conversations extremely helpful as we deliberated on key remuneration decisions in 2016. We look forward to continuing these important conversations during the course of 2017 as we enter discussions into the triennial renewal of our Remuneration Policy.

Within this letter I have set out information on our Remuneration Policy and key decisions made during the year. This is followed by the Annual Report on Remuneration on pages 90 to 107, which gives full details of how the approved Policy was implemented in 2016 and will be applied in 2017. For completeness, the key parts of our approved Remuneration Policy are provided as an appendix to this report.

A game-changing year

For Shire, 2016 was a truly remarkable year. On June 3, 2016, we completed the acquisition of Baxalta, creating the world's leading global biotech company focused on serving patients with rare diseases. Throughout this year of change, our U.S. and Swiss-based executive team provided exceptional business leadership. As a result of their vision, commitment and dedication, the combined business has continued to deliver value to shareholders during 2016.

The acquisition of Baxalta has transformed the scale and reach of Shire's business. We have established the strongest innovative clinical pipeline in Shire's 30-year history. We now have roughly 40 programs in the clinic, with a significant focus on areas of high unmet medical need and rare disease patient populations. About 20 of these programs are in the later stages of development. Given the robustness of our pipeline, we expect it will continue to deliver value to our business and importantly to our shareholders over the longer term.

Overview of Shire post-Baxalta transaction

> The combination with Baxalta has transformed the scale and reach of Shire's business.

	As at December 31, 2015	As at December 31, 2016
Total revenue	FY2015 $6.4bn	FY2016 $11.4bn
# of employees	~6k	~24k
Clinical pipeline programs	~30	~40

~40 Clinical programs in the pipeline

Phase 1	Phase 2	Phase 3	Registration	Recent approvals
6	10	17	4	3

Beyond our pipeline, we have multiple, durable, best-in-class products and have enhanced our diversification with Shire medicines available in more than 100 countries around the world. Shire now holds the number one position (by sales) in each of Hemophilia, Attention Deficit Hyperactivity Disorder (ADHD) and Hereditary Angioedema (HAE). With the successful launch of XIIDRA in 2016, we have the fastest-growing product in the dry eye disease market, setting the framework for future leadership in ophthalmology.

Industry leadership across seven core therapeutic areas

#1 in **Hemophilia**	#1 in **ADHD**	#1 in HAE	#1 portfolio in **UC — mesalamine** products	#3 company in diseases treated with **immunoglobulin therapy**	Leading portfolio in select **rare diseases:** (Hunter, Fabry, Gaucher, SBS and others)	Fastest-growing in **dry eye disease**
>$3.5bn in annual sales, broadest portfolio of therapies	**>$2bn** annual sales	>$1bn in annual sales, leading brands in acute and prophylaxis	**~$1bn** annual sales	**>$1.5bn** in annual sales with most differentiated subcutaneous portfolio	**>$1.5bn** annual sales	**>200K** RXs written and **~20%** market share in first 4 months post U.S. launch

This period of great organizational change has not been without its challenges. We have effectively integrated 17,000 new colleagues to create an organization of approximately 24,000 employees across 68 countries in record time due to the exceptional leadership of our executive team. We remain on track to achieve our increased guidance of at least $700 million in cost synergies by year three post-close.

Highlights of integration with Baxalta

Key staff and talent **successfully** retained

Employee workforce is **highly engaged**

On track to achieve at least $700 million cost synergies post-close in year three

One-off integration costs **in line** with expectations

Integration teams continue **achievement** of major milestones

Consolidation of key sites

Alongside the Baxalta acquisition, the continued integration of other recent acquisitions such as ViroPharma, NPS and Dyax has been delivered on time and ahead of expectations. The success of these deals has helped create a strong foundation of core integration skills, which we have successfully applied to the Baxalta transaction. This builds on our ability to deliver cost and revenue synergies.

We also had the honor of being awarded the Pharma Company of the Year at the 2016 Scrip Awards.

Additional 2016 achievements during this intense period of integration and organizational change are outlined below.

Major approvals and launches

FDA Approval and U.S. launch of XIIDRA (Lifitegrast) for Dry Eye Disease	**Approval and U.S. launch of CUVITRU** for Primary Immune Deficiency in Europe and the U.S.	**EMA Approval and launch of ONIYDE** for second-line Metastic Pancreatic Cancer	Approval of Vyvanse in Canada for Binge Eating Disorder (BED) in adults	Approval of Lialda in adults in Japan for Ulcerative Colitis (UC)	Launch of VONVENDI in adults in the U.S. for von Willebrand disease (VWD)	**2 new indications for ADYNOVATE in U.S.;** Pediatric and surgery indications

Development progress and other events

Resubmission for FDA approval for SHP465 for ADHD	**2 Breakthrough Therapy FDA Designations** – SHP621 for eosinophilic esophagitis (EOE) – SHP625 for progressive familial intrahepatic cholestasis type 2 (PFIC2)	**1 Fast Track FDA Designation** – SHP626 for non-alcoholic steatohepatitis (NASH)	**Completed Enrollment for Phase 3 Studies** – SHP609: Hunter Syndrome (IT Program) – SHP643: HAE	**Completion of Phase 2 study** – SHP607: complications of prematurity	**License** – SHP647 integrin antagonist for Crohn's Disease (CD) and UC	**Announcement of future innovation Hub** – Expansion of Cambridge, MA operations for rare diseases innovation Hub

Shareholder engagement during 2016

- The Remuneration Committee undertook two significant rounds of consultation with shareholders during 2016. The first, in the lead up to the 2016 AGM, focused on the salary increase awarded to the CEO during 2015. The purpose of this consultation was to explain the rationale for the increase and why we, as a Committee, had been unable to approach shareholders at an earlier point due to the communication and legal restrictions placed on us as a result of the ongoing negotiations with Baxalta. During these discussions no price-sensitive information was discussed with shareholders.
- The second round of shareholder consultation was then conducted over the six months following the 2016 AGM to a) understand shareholder views where they had voted against the Remuneration Report at the 2016 AGM and b) discuss the proposed revised targets for our in-flight incentive awards to reflect the change in Shire's business following the Baxalta transaction. In particular, a working group was formed with a number of shareholders to discuss the impact on Return on Invested Capital ("ROIC") post-acquisition.
- I found these engagements incredibly helpful to understand our shareholders' points of view and I would like to thank our shareholders who invested their time during these consultation exercises. These conversations helped the Committee understand the views of our shareholders and also enabled us to put in place a set of revised Long-Term Incentive Plan ("LTIP") targets to ensure that the in-flight incentives remain relevant to participants and appropriately stretching given the scale of the new business.

Revised targets post Baxalta

Following the 2016 AGM, I wrote to our largest shareholders to discuss our proposed approach to revising our incentive targets to reflect the impact of the Baxalta acquisition on the Shire business and to ensure that the targets in place were suitably stretching for the business going forward. In determining the revised 2015 and 2016 LTIP targets, the Committee carefully weighed the following elements:

- **Shareholder feedback** — Based on the initial shareholder feedback received after the AGM, the Committee met multiple times to discuss the revisions to the target ranges for the 2015 and 2016 in-flight long-term performance award cycles. I then wrote to shareholders in early August with the proposed target ranges. In late August and throughout September I had meetings with over 20 of our top shareholders, as well as the Investment Association and ISS, to discuss the revised target ranges and any other issues shareholders wished to raise. Based on this feedback, we circulated the revised ranges in September, which were aligned with the Board's view of the future of the business.
- **Consensus forecasts** — The Committee also reviewed the amended 2015 and 2016 LTIP performance ranges against consensus forecasts available at the time. Based on those consensus estimates, we are confident that the revised ranges are both stretching in the context of our anticipated business performance and analyst expectations. The top end of the revised ranges requires double-digit growth for Product Sales and EBITDA over the remaining period. The Committee considers this level of performance stretching in both the context of the business and the wider sector in which we operate.
- **Performance expected from the NPS and Dyax acquisitions** — For the 2015 LTIP awards, the revised targets were also adjusted to include the performance expected from the NPS and Dyax acquisitions (these were not included in the original 2015 assessment as the acquisitions occurred after the original targets were set). This approach ensures that the revised 2015 targets reflect the expected future performance for Shire's entire combined business.

While the adjustments to both the Product Sales and Non GAAP EBITDA targets as a result of the transaction have materially increased the ranges for both awards, the Non GAAP ROIC underpin for the 2015 and 2016 awards has been reduced to 7.75 percent. This reflects the short to medium downward impact on ROIC as a result of the considerable increase in our invested capital following the Baxalta deal, combined with the recent NPS and Dyax acquisitions. This logic and the detailed analysis behind it was discussed in many of the meetings with our shareholders, who recognized the need to adjust the underpin for these two in-flight awards as a result of the short-term disconnect between the immediate level of capital being invested by the business and the delay in the increased returns that this investment will generate over time.

For the 2017 LTIP, we understand that shareholders expect that the ROIC underpin will increase going forward to hold management accountable to the anticipated improvement in returns as a result of our acquisitions. Calibrating the level of the ROIC underpin is of pivotal importance as the underpin hurdle must be achieved in order for any award earned under the 2017 LTIP to vest. (The award earned under the 2017 LTIP is dependent on the Product Sales and EBITDA performance against the ranges set out below and then vests based on the ROIC underpin.)

With this in mind, the ROIC underpin for the 2017 LTIP award has been set such that the business must achieve an average ROIC of 8.5 percent over the three-year performance cycle before 100 percent of the award earned under the plan will vest. Given the level of stretch performance that an average three-year 8.5 percent ROIC underpin will require over the performance period, the Committee also want to ensure that the plan continues to incentivize management. To this end, we have introduced a sliding scale ROIC underpin for the three-year performance period. The threshold of the sliding scale ROIC underpin has been set at 7.5 percent with an associated 25 percent payout of the funded award earned based on the achievement of the Product Sales and EBITDA performance metrics. The maximum of the sliding scale ROIC underpin is 8.5 percent which results in 100 percent payout of the funded award based on the achievement of the Product Sales and EBITDA performance metrics. The vesting level of payout levels between the minimum and maximum levels of ROIC underpin will be calculated based on a straight-line interpolation. The Committee believes a sliding scale of this nature will ensure a material increase in the level of the underpin must be achieved for 100 percent of the earned award to vest which is aligned with shareholder expectations while remaining motivational to management during the three-year performance period. It should be further noted that the threshold level of ROIC performance at 7.5 percent equates to the same level of earnings performance as was previously incorporated in the 7.75 percent underpin for the 2015 and 2016 LTIP awards after the adjustments for changes in foreign exchange rates and purchase accounting related to the Baxalta acquisition.

The revised targets for the 2015 and 2016 LTIP awards and the new targets for the 2017 LTIP awards are summarized in the table below:

	Threshold to maximum performance range		
	2015 LTIP awards (adjusted in-flight)	2016 LTIP awards (adjusted in-flight)	2017 LTIP awards (new grant)
Product Sales	\$13,953m – \$15,389m	\$15,000m – \$17,000m	\$16,000m – \$18,000m
Non GAAP EBITDA	\$6,414m – \$7,143m	\$6,645m – \$7,940m	\$7,510m – \$8,750m
Non GAAP ROIC underpin	7.75%[1]	7.75%[1]	7.5% (25%) – 8.5% (100%)[2]

1 The underpin must be achieved before any vesting of the award can occur.
2 The underpin is set as a sliding scale such that a maximum of 25 percent of the total award would be able to vest for average ROIC performance over the period of 7.5 percent rising on a straight-line basis to 100 percent of the award being available for vesting for average ROIC performance over the period of 8.5 percent.

Details of the revisions made to the 2016 Annual Bonus awards are set out in Part 2(b) of this report.

Remuneration Policy renewal

Through the course of our discussions with shareholders in 2016, some asked if Shire would be renewing our Remuneration Policy in 2017 — a year ahead of schedule — given the outcome of the 2016 AGM vote. The views of our shareholders are extremely important to us and we take the 2016 AGM voting outcome very seriously. Bearing these views in mind, the Committee deliberated the timing of the Policy renewal at length. After careful consideration, we concluded that it would be in the interests of all concerned to renew the policy at the 2018 AGM as planned for the following reasons:

- **The existing Remuneration Policy has the flexibility to address the issue of quantum.** Many shareholders who suggested that we should bring our policy back for a new vote were primarily focused on the increase in quantum which occurred as a result of the salary increase awarded to our CEO in 2015. The Committee believes that we already have sufficient flexibility to react to this feedback under our existing Remuneration Policy in 2017. As such, we have materially reduced the LTIP grant to both of our Executive Directors to 575 percent of salary for 2017. For the CEO, this is 20 percent less than the level of award made last year and more than 30 percent less than the maximum award level permissible under the Policy. The 2017 grant level of 575 percent provides a significantly lower opportunity level for our CEO when compared to the maximum opportunity of 840 percent under his previous base salary. While we believe that this significant reduction in the LTIP quantum demonstrates that we have taken material action as a result of last year's vote, the Committee feels it is important to confirm that we fully support the CEO and that we are of the view that he has performed exceptionally well over the year, as evidenced by the EAI (short-term incentive) outcomes (see below for further details). Further, we recognize the long-term value that has been created by the CEO since joining the organization in 2013 and in particular the transformational impact that the acquisition of Baxalta has had on the Company, which is reflected in the significant increase in the size, scale and complexity of the combined organization.
- **The business is going through a period of extraordinary change.** While the initial integration was completed within the first six months, the organizational structure, cultural expectations and overall business operations under the newly combined entity are very new. We believe that the Remuneration Policy is a critical part of our employee value proposition as many of the design elements will cascade throughout the organization and impact employees below Executive Director level. To this end, we plan to take the time needed in 2017 to review our pay structure carefully to ensure that it is effective and we will fully engage with our shareholders during that process.
- **The existing Remuneration Policy already includes key best practice provisions.** Shire was a frontrunner in implementing strong governance provisions, including malus and clawback clauses as well as a post-vest holding period on the LTIP resulting in a five-year period from grant to final release of Performance Share Units ("PSUs") and Stock Appreciation Rights ("SARs").
- **The future Remuneration Policy must appropriately balance pay practice for our U.S.-based Executive Committee and recognition of our UK listing.** Both our CEO and CFO, and all but one of our Executive Committee members, are based in the U.S. The remaining Executive Committee member is based in Switzerland. Further, 68 percent of our revenues and 58 percent of our workforce are also U.S.-based. As such, any revisions to our Remuneration Policy will need to be fully informed by biotech sector practice in the U.S. as well as FTSE 100 practice in the UK. For this reason, the Committee believes that it is vital to take sufficient time to ensure our approach to remuneration appropriately balances the proportion of the business in the U.S., while recognizing our UK listing and global footprint.

Given all these factors, we will come back to shareholders with a realigned Remuneration Policy for the new combined entity in the autumn of 2017 for approval at the 2018 AGM.

Engaging with proxy advisors during 2016

- As a result of mutual reaching out in 2016, we had constructive discussions with ISS and Glass Lewis on both our broader policy design and disclosures. We found these talks extremely informative and helpful.
- We specifically engaged with ISS to understand the pay for performance methodology they use within the reports they prepare for investors. We raised concerns regarding the selection of a purely European peer group for comparison with Shire, given our significant employee base and operational presence in the U.S., as well as having significant business and revenue generation outside the European market.
- ISS confirmed that their methodology precludes them from comparing Shire to any U.S.-based peer company unless we lose our Foreign Private Issuer status.
- While we understand the methodology used by ISS for peer group benchmarking cannot currently be changed, we appreciated their willingness to talk with us about their approach.
- Separately we were approached by Glass Lewis to discuss a number of items, including our approach to our 2015 DRR disclosure. They iterated the benefits of clearly tying our remuneration decisions to our business strategy as well as general transparency on our approach to making remunerations decisions. We have worked to incorporate that feedback into this disclosure as well as through other opportunities to engage with shareholders.

Remuneration outcomes for the year

2016 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	2016 Total	2015 Total[1]
F. Ornskov ($000)	1,688	506	582	1,994	665	4,891	10,326	16,939
J. Poulton ($000)	587	147	55	622	207	133	1,751	921

Note: all figures have been rounded to the nearest thousand.

1 In the 2015 DRR, the vesting value of Dr. Ornskov's long-term incentives was calculated using the average share price over the last quarter of 2015 of $207.85 per the relevant UK regulations. This figure has been restated to reflect the actual share prices at the vesting dates of these awards on February 28, 2016 and May 2, 2016 per the relevant UK regulations. The result is that the previously disclosed figure of $16,814,360 has been restated to $12,171,565. Dr. Ornskov's total single figure of remuneration has therefore also been restated from $21,579,864 to $16,937,070 (and subsequently rounded).

Short-term incentives (Executive Annual Incentive ("EAI")):

2016 was another year of strong, profitable growth and excellent achievement against non-financial metrics, including the approval and launch of XIIDRA, the successful integration of Baxalta and Dyax, the advancement of our rare disease-focused R&D pipeline and significant improvements in the strength of our technical operations capabilities. This strong performance resulted in a corporate funding level of 127.21 percent for the bonus pool. The bonus works such that a particular funding level under the Corporate Scorecard results in a potential range of annual incentive payouts for an individual depending on their formal individual performance rating. Shire has four individual performance ratings under this assessment: Does Not Meet expectations, Meets Sometimes, Consistently Meets expectations and Consistently Exceed expectations. The Committee determined that both the CEO and CFO have delivered extraordinary leadership of the business and performed extremely well against the objectives set for each of them in 2016. As such they were rated Consistently Exceeds which, given the 127.21 percent funding level under the Scorecard, generated a potential annual incentive payout range for 2016 of 150 percent to 200 percent of target bonus. The Committee therefore determined it was appropriate to award the midpoint of the potential range and both individuals will therefore receive a bonus of 175 percent of target, which is equal to 158 percent of salary for the CEO and 140 percent for the CFO.

Long-term incentives:

The final outcome under the 2014 Portfolio Share Plan[1] ("PSP") resulted in a vesting level of 100 percent of maximum, reflecting solid financial performance over the past three years against the Non GAAP EBITDA and Non GAAP Adjusted ROIC measures within the 2014 PSP performance matrix.

Given that more than 80 percent of the performance period for this award (originally granted in 2014) had already passed at the time the acquisition of Baxalta was completed, no revisions were made to the performance measure targets set for the 2014 PSP award. The original targets remained in place as disclosed in the 2014 DRR (and are provided for reference on page 97 of this report). The combined business results at the end of FY2016 were adjusted to remove the impact of Baxalta in assessing performance to determine the appropriate level of vesting that should occur. Baxalta was therefore treated as a Significant Adjusting Event ("SAE") for the purposes of performance assessment for the 2014 PSP award (see page 98 of the report for further details).

I discussed this approach with shareholders as part of the 2016 consultation process and all indicated their support. Further, the NPS and Dyax acquisitions have been treated as SAEs in determining the vesting of the 2014 PSP award. We are very conscious that, as a result of three major acquisitions over the performance period of this award, there are significant adjustments to the reported numbers to determine the appropriate vesting level. We have therefore provided the unadjusted results under the 2014 performance matrix for comparison and to provide greater transparency to shareholders on page 99 of the report.

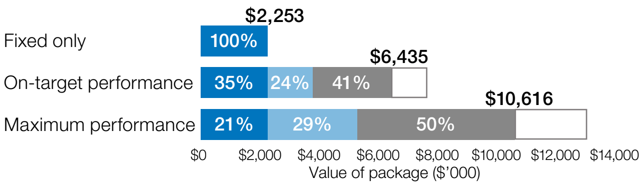
1 Legacy Shire Portfolio Share Plan, which was replaced by the Shire Long-Term Incentive Plan approved by shareholders in 2015.

Summary of Remuneration Policy (to apply up to the 2018 AGM) and Implementation in 2017

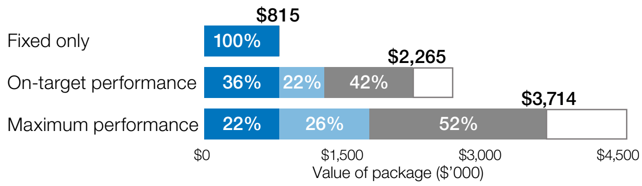
	Implementation in 2017	
	CEO	CFO
Base salary – 2017 annualized base salary (effective April 1, 2017 for the CFO).	$1,688,000 0% increase (salary freeze)	$609,760 3% increase
Retirement benefits and other benefits – Retirement benefits include the cash value of the total Company contributions to the Company plans. – Other benefits represent the value of annualized benefits included in the summary of 2016 remuneration table in Part 2(b) of this report (excluding any one-off items).	30% of base salary (retirement benefits)	25% of base salary (retirement benefits)
Executive Annual Incentive ("EAI")	On-target = 90% of salary Maximum = 180% of salary	On-target = 80% of salary Maximum = 160% of salary
Long-Term Incentive Plan ("LTIP")[1] – Represents the 2017 LTIP award to be granted to the CEO and CFO. The maximum grant under the Remuneration Policy is 840% of salary which is indicated by the gray outline on the charts.	575% of base salary (2017 LTIP award) On-target = 50% vesting	575% of base salary (2017 LTIP award) On-target = 50% 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. Per standard practice, any dividend shares receivable have not been included.

CEO (Flemming Ornskov)

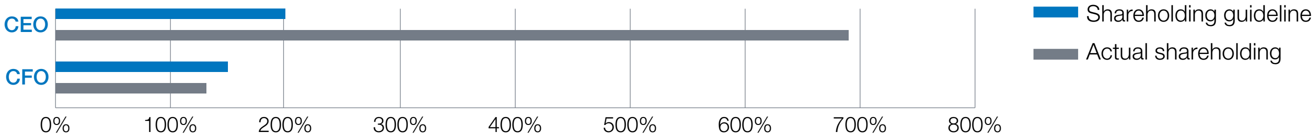


CFO (Jeff Poulton)



Fixed elements — base salary, retirement and other benefits | Short-term incentives — Executive Annual Incentive | Long-term incentives — LTIP

Executive Directors' actual shareholdings and shareholding guidelines as at December 31, 2016



Executive Directors are required to meet their shareholding guideline within a five-year period following their appointment. The Committee believes that share ownership is an important means to support long-term commitment to the Company and the alignment of executives' interests with those of our shareholders.

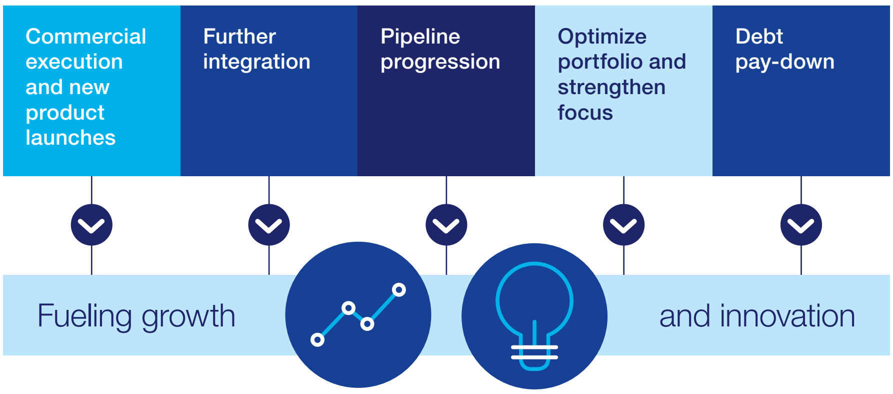
2017 LTIP award

During my conversations with shareholders, a number noted that the combination of both the salary increase awarded to the CEO in 2015 and the maximum LTIP opportunity of 840 percent of base salary could result in significant levels of remuneration. Although the CEO's 2016 LTIP award was equal to 725 percent of salary and therefore not at the maximum level possible under the Policy, the Committee nonetheless takes the issue of the quantum of the CEO's pay very seriously. On a total compensation basis, our CEO's pay is below the lower quartile of both the Global Biotech and U.S. BioPharma peer groups. However, the Committee is conscious that external benchmarking is only one reference point when setting pay levels. For 2017, the Committee has decided to make an LTIP grant of 575 percent of salary to both the CEO and CFO. As set out above, the CEO's award is 20 percent less than the level of award made last year and more than 30 percent less than the maximum award level permissible under the Policy. This therefore results in a significantly lower opportunity for our CEO than would have been the case under his previous salary at either the maximum award level or last year's grant level. We hope that this significant reduction in the LTIP quantum demonstrates that we have listened to shareholders as a result of last year's vote and have taken material action as a result. Within this context, and as outlined above, it is important to confirm that the Committee fully supports the CEO and that we are of the view that they he has performed exceptionally well over the year, as evidenced by the EAI outcomes.

Looking ahead to 2017 and 2018

- The Committee will be conducting a full Policy review during 2017 in the lead up to the binding shareholder vote on a revised Remuneration Policy at the 2018 AGM.
- The purpose of the review will be to ensure the remuneration structure that we have for the coming years is fit for purpose and aligned with the strategy of the new business following the acquisition of Baxalta.
- The discussions with our shareholders during 2016 have already identified some specific areas that we want to review as part of the Policy renewal process, including but not limited to the appropriate balance of pay practices for our U.S.-based executives, the selection and balance of performance measures across our incentives, and the shareholding requirements for our executives in order to ensure further alignment with the interests of our shareholders over the longer term.
- I will be in contact again with our shareholders during 2017 to seek their views on how we pay our executives at Shire.

Key priorities for 2017



Concluding remarks

Finally I would like to thank my fellow members of the Remuneration Committee for their total commitment and engagement in what has been an intensive year for the business, necessitating many additional meetings. I would also like to welcome Albert Stroucken, who was appointed to the Committee following the acquisition of Baxalta. Al's experience on the Board of Baxalta is already proving highly valuable in our deliberations. 2017 will be a critical year for Shire as we continue to integrate the legacy Baxalta organization. I also would like to thank both the Shire and PwC teams for their tremendous support throughout a very challenging and demanding year.

I remain passionately committed to overseeing a Directors' Remuneration Policy that works for Shire's business and our shareholders. Over the coming year I intend to continue our level of engagement with shareholders, which I know the Committee will find invaluable as it reviews the current Policy.

Anne Minto OBE
Chairman of the Remuneration Committee

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 by the 2013 Regulations) (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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90 a) Implementation of Directors' Remuneration Policy in 2017
93 b) 2016 single total figure of remuneration for Executive Directors (subject to audit)
99 c) Other audited disclosures
103 d) 2016 single total figure of remuneration for the Chairman and Non-Executive Directors (subject to audit)
104 e) Non-audited disclosures
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108 a) Executive Director remuneration policy
111 b) Chairman and Non-Executive Director remuneration policy
111 c) Recruitment remuneration policy
112 d) Service contracts and termination arrangements

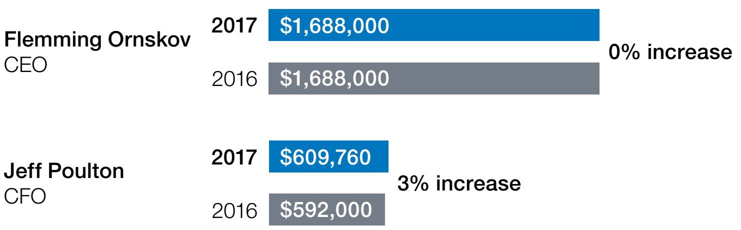
The Annual Report on remuneration (Part 2) will be put to an advisory shareholder vote at the 2017 AGM. The Directors' Remuneration Policy (the "Policy") was approved by shareholders at the 2015 AGM (April 28, 2015) and is intended to be effective until the 2018 AGM. The key parts of the Directors' Remuneration Policy are provided as an Appendix for completeness. The complete Policy as approved by shareholders can be found within the 2014 DRR available on the Company's website.

Part 2: Annual report on remuneration

a) Implementation of Directors' Remuneration Policy in 2017
In 2017, the Executive Director and Non-Executive Director Remuneration Policies will be implemented as follows:

Executive Director Remuneration Policy
Fixed elements — Base salary

2017 Base Salary

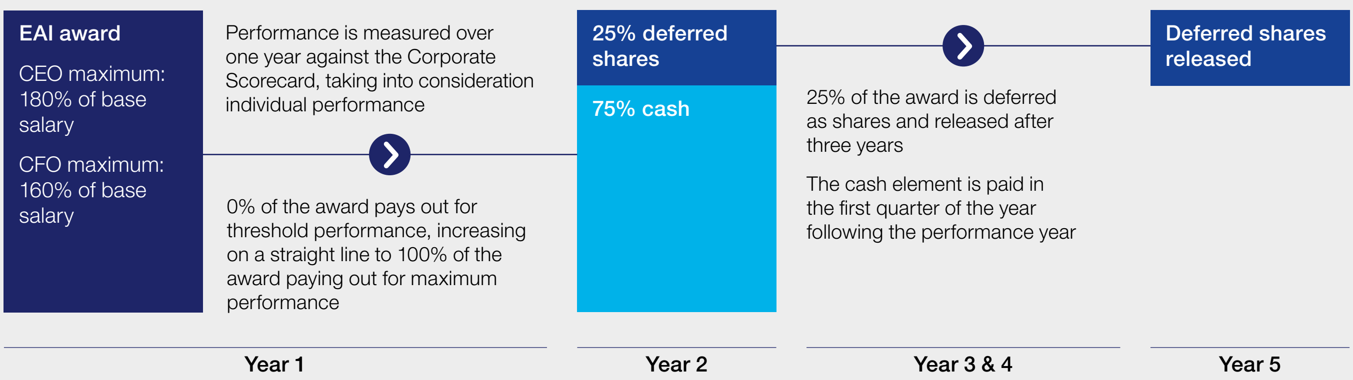


CEO: Following the 25 percent salary increase awarded to Dr. Ornskov during 2015, the Committee has committed to freezing his salary at this level for the next three years.

CFO: Following the year-end review, the Committee made the decision to award Jeff Poulton a base salary increase of 3 percent, to give him an annual base salary of $609,760 effective April 1, 2017 (in line with the salary increase effective date for all other employees). This reflects his continued strong corporate performance and leadership, and is in line with the average salary increase awarded across the broader organization.

Fixed elements — Retirement and other benefits
The implementation of policy in relation to retirement and other benefits is unchanged and in line with the disclosed policy in the Appendix of this report.

Summary of 2017 EAI



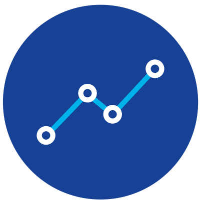
Short-term incentives — Executive Annual Incentive (EAI)

	2017 EAI opportunity
CEO	180% of base salary (no change from prior year)
CFO	160% of base salary (no change from prior year)

A scorecard approach will continue to be used for the 2017 EAI and this will be comprised of 75 percent financial and 25 percent non-financial performance measures. This weighting recognizes the critical importance of financial results to our shareholders and bonus affordability as well as 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 2017 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 Annual Report on Remuneration 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. The Committee believes the 2017 targets are suitably challenging, relevant and measurable.

The 2017 Corporate Scorecard is set out below:



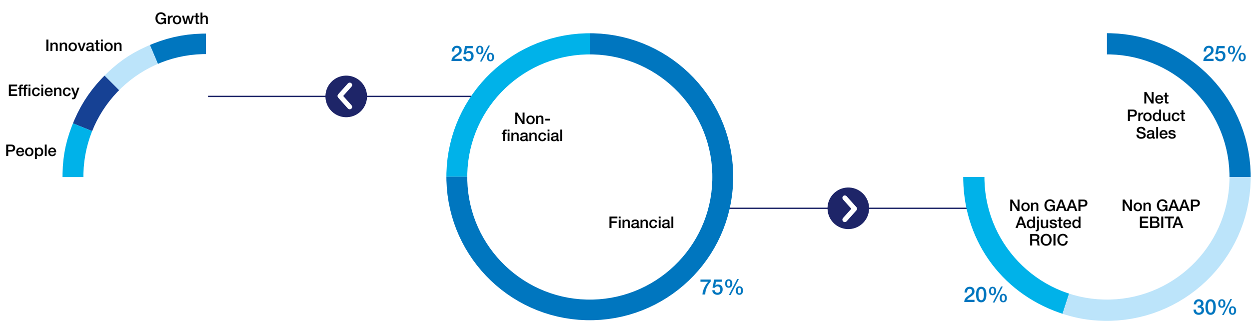
Growth
Drive performance from our currently marketed products to optimize revenue growth and cash generation.

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, patient-focused culture where we attract, retain and promote the best talent.

2017 Corporate Scorecard



Long-term incentives — LTIP

Summary of 2017 long-term incentives

Grant

LTIP

CEO maximum: 575% of base salary

CFO maximum: 575% of base salary

SAR and PSU awards granted to Executive Directors vest three years from the date from grant, subject to the satisfaction of performance measures (see below)

20% of the award vests for achievement of threshold performance, increasing on a straight-line basis to 100% of the award paying out for maximum performance

Vests

SARs
57% of award

PSUs
43% of award

SAR and PSU awards are subject to a two-year holding period following the three-year vesting period

Release

SARs

PSUs

A Stock Appreciation Right (SAR) is the right to acquire Ordinary Shares or ADSs linked to the increase in value of Ordinary Shares or ADSs from grant to exercise. The awards are subject to performance conditions. The awards have no value unless the value of Ordinary Shares or ADSs increases from grant

A Performance Share Unit (PSU) is the right to receive a specified number of Ordinary Shares or ADSs subject to performance conditions

Year 1 | Year 2 | Year 3 | Year 4 | Year 5

	2017 LTIP award
CEO	575% of base salary (2016: 725%)
CFO	575% of base salary (2016: 672%)

2017 LTIP award	Award type	Face value of threshold vesting (% of 2017 salary[1])	Face value of maximum vesting (% of 2017 salary[1])	Face value of maximum vesting (000's)
Flemming Ornskov	SAR	66%	329%	$5,546
	PSU	49%	246%	$4,160
Jeff Poulton	SAR	66%	329%	$1,945
	PSU	49%	246%	$1,459

The face value allocation between SARs and PSUs is estimated as it is determined on an expected value basis upon grant.
1 As at January 1, 2017.

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.

The 2017 LTIP awards will continue to be tested against two independent measures at the end of a three-year performance period: 50 percent Product Sales targets and 50 percent 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 performance period for the 2017 LTIP awards will span January 1, 2017 to December 31, 2019.

The 2017 LTIP targets for Product sales and Non GAAP EBITDA are based off the Company's Long-Range Plan and are considered appropriately challenging by the Committee. In setting the level of the ROIC underpin, the Remuneration Committee has taken on board views expressed by shareholders as part of the 2016 consultation and the projected financial performance of the business. The ROIC underpin has therefore been set as a sliding scale. The threshold of the sliding scale ROIC underpin has been set at 7.5 percent with an associated 25 percent payout of the funded award earned based on the achievement of the Product Sales and EBITDA performance metrics. The maximum of the sliding scale ROIC underpin is 8.5 percent which results in 100 percent payout of the funded award base on the achievement of the Product Sales and EBITDA performance metrics. The vesting level of payout levels between the minimum and maximum levels of ROIC underpin will be calculated based on a straight-line interpolation.

The performance targets and ROIC underpin range for the 2017 LTIP award are set out below.

Performance targets for 2017 LTIP

Threshold (25%)		Maximum (100%)
$16,000m	Product Sales	$18,000m
$7,510m	Non GAAP EBITDA[1]	$8,750m
7.5%	Non GAAP Adjusted ROIC underpin[2]	8.5%

1 For a reconciliation of Non GAAP financial measures to the most directly comparable measure under US GAAP, see pages 185 to 187.
2 Any outcome of the Product Sales and Non GAAP EBITDA measure may only pay out to the extent that the Non GAAP Adjusted ROIC sliding scale underpin is achieved.

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

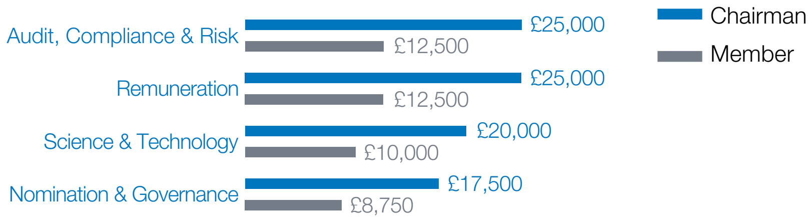
2017 fee levels for the Chairman and Non-Executive Directors remain unchanged for the third year since 2015.

Basic fees (effective January 1, 2017)	2017
Chairman (inclusive of all committee appointments)	£450,000
Senior Independent Director	£98,000
Non-Executive Director	£93,000

The Chairman and Non-Executive Directors will continue to receive 25 percent 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 & Governance Committees.

Committee fees (effective January 1, 2017)



Non-Executive Directors (excluding the Chairman) will also receive the following additional fees for attending Board and Committee meetings in addition to those scheduled as part of the normal course of business:

- Board meeting — additional £2,000 per meeting
- Committee meeting — additional £1,000 per meeting

The Chairman and the Non-Executive Directors will continue to receive an additional fee of £5,000 where transatlantic travel is required to attend Board meetings.

b) 2016 single total figure of remuneration for Executive Directors (subject to audit)

	2016 Single Total Figure of Remuneration ($'000)
CEO	$10,326 (2015: $16,939)
CFO	$1,751 (2015: $921)

- The CEO's single total figure of remuneration for 2016 reflects a blend of strong corporate performance over the EAI and LTIP performance periods. The 2016 value is significantly lower than the 2015 value in part because the 2015 value reflects the vesting of a number of share awards that were granted to him upon appointment. Additionally, the vesting value of Dr. Ornskov's 2015 long-term incentives has been restated to reflect the actual share prices at the vesting dates of these awards. The result is that the previously disclosed figure of $16,814,360 has been restated to $12,171,565. Dr. Ornskov's 2015 total single figure of remuneration has therefore also been restated from $21,579,864 to $16,937,070 (and subsequently rounded).
- The CFO received a notable increase in his single total figure of remuneration from 2015 to 2016 because 2016 reflects his first full year as CFO.

The summary table of 2016 remuneration for the Executive Directors comprises a number of key components which are set out in further detail in the relevant sections that follow.

		Fixed elements				Variable elements				
						Short-term incentives — EAI				
		Base salary $'000	Retirement benefits $'000	Other benefits $'000	Total fixed pay $'000	Cash element $'000	Deferred share element $'000	Long-term incentives[1] $'000	Total variable pay $'000	Total $'000
Flemming Ornskov	2016	1,688	506	582	2,776	1,994	665	4,891	7,550	10,326
	2015	1,521	456	55	2,032	2,051	684	12,172	14,097	16,939
Jeff Poulton[2]	2016	587	147	55	789	622	207	133	962	1,751
	2015	388	82	42	512	307	102	0	409	921

Note: Flemming Ornskov's and Jeff Poulton's remuneration, which is paid through the U.S. payroll, is reported in U.S. Dollars. All figures have been rounded to the nearest thousand.

1 In the 2015 DRR, the vesting value of Dr. Ornkov's long-term incentives was calculated using the average share price over the last quarter of 2015 of $207.85 per the relevant UK regulations. This figure has been restated to reflect the actual share prices at the vesting dates of these awards on February 28, 2016 and May 2, 2016 per the relevant UK regulations. The result is that the previously disclosed figure of $16,814,360 has been restated to $12,171,565. Dr. Ornskov's total single figure of remuneration has therefore also been restated from $21,579,864 to $16,937,070 (and subsequently rounded).

2 Jeff Poulton was appointed to the Board of Shire on April 29, 2015. His 2015 remuneration represents the remuneration he received following his appointment.

Base salary

- Dr. Ornskov's base salary of $1,688,000 remains unchanged from 2015, following the Committee's decision to freeze his salary for a period of three years effective July 1, 2015.
- Mr. Poulton's base salary was increased by 3 percent from $575,000 to $592,000 effective April 1, 2016.

Retirement benefits

- Dr. Ornskov received a contribution at a rate of 30 percent of his base salary through a combination of contributions to the Company's 401(k) Plan and credits to his SERP account.
- Mr. Poulton received a contribution at a rate of 25 percent of his base salary through a combination of contributions to the Company's 401(k) Plan and credits to his SERP account.

Other benefits

- The 2016 figures for Dr. Ornskov and Mr. Poulton principally include car allowance, financial and tax advisory support, long-term disability and life insurance and private medical, dental and vision cover.
- In addition, the 2016 figure for Dr. Ornskov includes costs of $521,464 associated with the relocation of Dr. Ornskov's family to join him in Boston following his permanent move to the U.S. in his capacity as CEO. The amount includes the grossed-up cost of tax paid by the Company on behalf of the CEO.

Short-term incentives

	2016 EAI outcome
CEO	88% of maximum opportunity (2015: 100%)
CFO	88% of maximum opportunity (2015: 66%)

- In determining EAI awards for the Executive Directors, the Committee considers performance against each of the financial and non-financial performance measures within Shire's Corporate Scorecard, as well as individual performance during the year.
- The 2016 EAI outcome of 88% of the maximum opportunity for both the CEO and CFO reflects the strong performance of the business over the year and excellent personal contribution to the delivery key strategic goals, both before and after the transaction with Baxalta.

The Corporate Scorecard outcome is calculated by way of a weighted average of the outcomes of the financial and non-financial performance measures. For each performance measure, outperformance or underperformance is measured as a percentage achievement against the target. Performance at target results in 100 percent of the target bonus with up to a maximum of 200 percent of the target bonus for maximum performance. Maximum performance is set at 20 percent above target and so the Committee considers the target ranges to be very challenging. Achievement of threshold performance results in 25 percent of target performance. The Corporate Scorecard outcome determines the bonus funding for all individuals within the plan.

In addition to the Corporate Scorecard, the Committee takes into consideration the individual performance of the Executive Directors in determining their final EAI payout. Shire has four individual performance ratings: Does Not Meet expectations, Meets Sometimes, Consistently Meets expectations and Consistently Exceed expectations. The Committee determined both the CEO and CFO have delivered extraordinary leadership of the business and performed extremely well against the objectives set for each of them in 2016 and were accordingly rated Consistently Exceeds. Given the 127.21 percent corporate funding level under the Scorecard, any annual incentive plan eligible employee at Shire rated Consistently Exceeds would be awarded a potential annual incentives award for 2016 within the range 150 percent to 200 percent of target bonus. The Committee determined that since the Executive Directors were both rated Consistently Exceeds, it was appropriate to award the midpoint of the potential range and, as such, both Executive Directors received an EAI award of 175 percent of target, which is equal to 158 percent of salary for the CEO and 140 percent for the CFO.

Approach to EAI assessment following Baxalta transaction

The Committee met in May 2016 to discuss the approach to performance assessment given the acquisition of Baxalta which was finalized during the performance year. The transformational nature of the acquisition meant that the performance targets set at the start of the year would no longer be appropriate following the acquisition. It was agreed that, for financial metrics, separate performance targets would be assessed for the six-month periods pre- and post- the acquisition. An average of the outcome under the two sets of performance targets would then be taken as the overall outcome under the financial metrics portion of the 2016 Corporate Scorecard. The performance metrics themselves (Net Product Sales, Non GAAP EBITA and Non GAAP Adjusted ROIC) were unchanged over the two periods of assessment.

The non-financial elements of the Corporate Scorecard were considered to remain appropriate following the acquisition of Baxalta and so were unchanged following the acquisition. The outcomes against these at the end of the 2016 year have therefore been considered across the full 12 months by the Committee.

Corporate Scorecard outcome

The table below sets out the achievement against the targets in the Corporate Scorecard (the outcomes for the period pre- and post-acquisition of Baxalta are shown separately, as is the overall combined outcome). The weighted average outcome of the Corporate Scorecard is 127.21 percent of the target bonus.

Pre-acquisition financials	Weighting (First half of financial year)	Threshold (25% of target)	Actual outcome (% of target achieved)	Maximum (200% of target)	Weighted average bonus funding score	Corporate Scorecard funding level
Net Product Sales	12.5%	$2,767m	$3,390m 120.7%	$3,907m	130.4%	
EBITA[1]	15%	$1,202m	$1,581m 158.8%	$1,697m		
ROIC[1]	10%	6.0%	7.0% 100.0%	8.4%		
Post-acquisition financials	**Weighting (Second half of financial year)**	**Threshold (25% of target)**	**Actual outcome (% of target achieved)**	**Maximum (200% of target)**	**Weighted average bonus funding score**	
Net Product Sales	12.5%	$5,808m	$6,936m 107.6%	$8,199m	94.3%	127.21%
EBITA	15%	$2,397m	$2,694m 77.6%	$3,384m		
ROIC	10%	6.0%	7.04% 102.9%	8.4%		
Non-financial	**Weighting**	**Threshold (25% of target)**	**Actual outcome (% of target achieved)**	**Maximum (200% of target)**	**Weighted average bonus funding score**	
Pipeline and pre-commercial	15%	25%	114.2%	200%	171.7%	
Organizational effectiveness	10%	25%	114.6%	200%		

[1] For the purposes of the Corporate Scorecard multiplier calculation, Non GAAP EBITA and Non GAAP Adjusted ROIC have been adjusted to exclude the cost of the annual bonus corporate multiplier on the full-year results.

Additional details of the non-financial performance outcomes are set out in the table below.

Non-financial performance measures	Strategic driver	Key achievements
Pipeline and pre-commercial	Growth	• XIIDRA was launched on August 29, 2016 (taking 49 days from approval to launch) • Executed 2 transactions in line with Shire strategy • A) Successfully acquired Baxalta, Shire's largest acquisition in our history, valued at more than $32 billion. Integration well on-track and synergies above target • B) Licensed SHP 647 (a MAdCAM antibody) with potential to manage Ulcerative Colitis and/or Crohns disease from Pfizer • Initiated 5 Phase 3 programs in CINRYZE (AMR), SHP621 (EOE), SHP643 (HAE), CINRYZE SC and SHP620 (CMV in transplant patients)
	Innovation	• Initiated 4 IND enabling studies vs. target of 2, and substrate to support 1 IND nomination from the pipeline • Increased number of programs in the clinic/registration from 28 to 41 while maintaining rare disease focus • Achieved 3 product approvals (XIIDRA; CUVITRU; Onivyde-EU), 2 breakthrough (SHP621; SHP625) and 1 fast track (SHP626 therapy designations) • Number of key late stage milestones achieved ahead of time (e.g. XIIDRA, SHP643, SHP465)
Organizational effectiveness	Efficiency	• Completed Ireland site selection, acquired the land, and submitted planning permission for the Dublin Biologics Site. Plans are ahead of schedule and on budget • Dyax integration successful and fully executed personnel retention and asset transfer per plan. Phase 3 enrollment ahead of plan • Post-Baxalta acquisition, organization is fully designed and announced in all geographies and integration budgets and synergy targets are locked. Talent retention tracking remains below historic levels from both legacy firms. Year 2 milestone planning completed by all functions
	People	• Retained 96.97 percent of 2015 identified key talent and 96.3 percent of 2015 CEs at Legacy Shire (Voluntary retention of Legacy Baxalta employees rated "Far exceeds" and "Exceeds" in 2015 year-end is 96.3 percent and 93.4 percent respectively) • On average 97 percent of Legacy Shire employees have completed Shire Core training (Legacy Baxalta average is also 97 percent)

Individual performance assessment

In assessing the individual performance of the CEO and CFO over the year, the Committee determined that both had performed exceptionally in role during a period of great change for the Company, demonstrating extraordinary leadership and performing extremely well against their objectives. In addition, it was noted that both Executive Directors had achieved significant accomplishments beyond their objectives (details of which are set out below). As such, they were rated Consistently Exceeds which, given the Corporate Scorecard outcome of 127.21 percent, generated a potential payout range of 150 percent to 200 percent of target bonus. Based on the Executives' performance over the year, the Committee therefore determined it appropriate to award the midpoint of the potential range and both individuals will therefore receive a bonus 175 percent of target.

Summary of individual performance against pre-determined objectives

CEO	In addition to strong corporate performance against individual objectives, the following additional accomplishments were achieved: • Closed and began the integration of Baxalta, the largest transaction in Shire's history, while maintaining business and supply continuity, delivering on our 2016 Corporate Scorecard and 2016 year-end guidance. • Closed and integrated Dyax, resolved supply chain challenges, and completed SHP643 Phase 3 trial enrollment at record pace to maximize the asset's value. • Launched XIIDRA in the U.S. ahead of expectations with flawless organizational execution and top performing branded and disease state awareness campaigns. • Grew Vyvanse by 17 percent year over year into Shire's first $2 billion+ product and fifth most prescribed branded drug in the U.S. • Developed an industry-leading international commercial presence with offices in 68 countries, supported by dozens of regulatory submissions, key filings, and country product launches. • Among many awards received in 2016, the Company was ranked #1 "Green" company in the world based on corporate sustainability and environmental impact (Newsweek 2016). • Shire awarded "Pharma Company of the Year" at the 12th Annual Scrip Awards.
CFO	In addition to strong corporate performance against individual objectives, the following additional accomplishments were achieved: • Completed $12 billion bond financing. As a result, the Company was awarded "Deal of the Year" for bonds above £500 million and "UK Deal of the Year" for the 2016 $18 billion Baxalta bond financing (Association of Corporate Treasurers 2017, Global Capital 2017). • Top 15 Company on FTSE100 and added to NASDAQ100 index, October 2016. • Achieved Baxalta synergy targets in 2016 and on track to deliver synergy targets in 2017. • Leadership as Chair of the Corporate Committee, as member of the Baxalta Integration Steering Committee and of the finance leadership team. • Finance organization structure and governance established post Baxalta integration in record time.

	Target bonus	2016 EAI outcome (as a % of target)	2016 EAI outcome Total	Cash element	Deferred shares[1]
CEO	$1,519,200 (90% of salary)	175%	$2,658,600 (158% of salary)	$1,993,950	$664,650
CFO	$473,600 (80% of salary)	175%	$828,800 (140% of salary)	$621,600	$207,200

1 25 percent of the EAI outcome is deferred into shares for three years

Long-term incentives

Vesting of 2014 PSP awards

2014 PSP outcome	
Flemming Ornskov	100% of maximum opportunity (2013 award: 100%)
Jeff Poulton	100% of maximum opportunity (2013 award: n/a[1])

1 The CFO had no 2013 award which vested subject to the achievement of performance conditions

The table below sets out a summary of the number of shares vesting and the resulting gross estimated vesting value for the 2014 PSP awards for Dr. Ornskov and Mr. Poulton. This estimate is on the basis of an average share price over the final quarter of 2016 of $177.25, given that the 2014 PSP awards vest following the date of this report.

Name	Award	Date of grant	Number of shares under original award[1]	% of total award vesting[2]	Number of shares vesting[1]	Number of dividend shares[3]	Total number of shares vesting	Share Price at vesting[4]	Value at vesting[4]
Flemming Ornskov	PSU	February 28, 2014	25,631	100%	25,631	284	25,915	$177.25	$4,593,434
	SAR		34,174	100%	34,174	0	34,174	$177.25	$297,656
Jeff Poulton[5]	PSU		742	100%	742	8	750	$177.25	$132,938

1 Awards were granted on February 28, 2014 and will vest on February 28, 2017 over American Depositary Shares (ADSs).
2 The figures represent the number of shares vesting taking into account performance against applicable performance conditions (see performance outcome below).
3 The vesting of the PSU element includes dividend shares representing any accrued dividends, in accordance with the relevant plan rules.
4 Based on the average share price over the last quarter of 2016 of $177.25.
5 Jeff Poulton's SAR element was not subject to performance conditions (as it was granted prior to his appointment as CFO) and is therefore not reportable.

2014 Performance Matrix — performance period ended on December 31, 2016

The 2014 PSP awards were assessed against a performance matrix that measured Non GAAP Adjusted ROIC performance and Non GAAP EBITDA growth over the three-year performance period. For Non GAAP EBITDA growth, the Non GAAP EBITDA in the final performance year (2016) was compared to the Non GAAP EBITDA in the reference year (2013). A compound annual growth rate of Non GAAP EBITDA was then calculated. For Non GAAP Adjusted ROIC, the Non GAAP Adjusted ROIC in the final performance year (2016) was compared to the Non GAAP Adjusted ROIC in the reference year (2013). The change in these two numbers was then divided by three and expressed in basis points (one hundredth of a percentage point) to give an average per annum change in Non GAAP Adjusted ROIC basis points.

The Committee considered the impact of Baxalta on the 2014 PSP award and determined for this award that it was appropriate to exclude the impact of Baxalta from the final performance outcome on the basis the award only had six-months left following the transaction until the end of the performance period. Therefore the PSP has been assessed against the original targets excluding the impact of Baxalta (as well as other acquisitions that occurred during the period, details of which are set out below).

Non GAAP EBITDA of 15.9 percent CAGR and a 54 bp p.a. increase in Non GAAP Adjusted ROIC between 2013 and 2016 was achieved. In determining the vesting multiplier under the matrix, the Committee rounds to the closest point on the matrix. This results in a vesting multiplier of 4.0x, meaning that 100 percent of the total award made will vest.

Adjusted ROIC	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**

Significant Adjusting Events

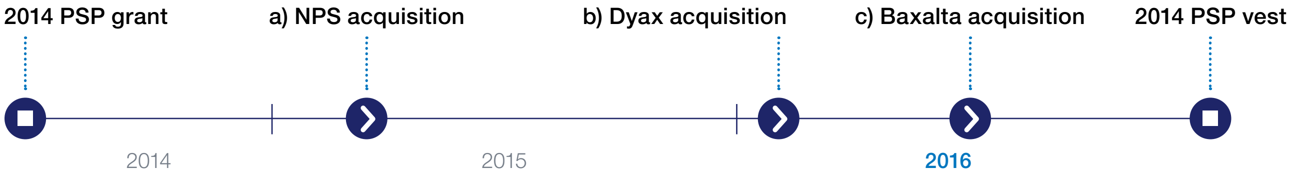
Under our approved Remuneration Policy, the Committee reserves the right to make adjustments to the performance conditions to reflect significant one-off items which occur during the performance period. In respect of the 2014 PSP awards, the Committee carried out a comprehensive review of potential Significant Adjusting Events (SAEs) against pre-existing guidelines and determined that the following SAEs should be taken into account in the overall assessment of performance over the performance period (also shown in the accompanying timeline) given that they were not anticipated when the original 2014 PSP targets were set:

a) NPS acquisition — to exclude the impact of the acquisition of NPS which had a short-term negative impact on Non GAAP Adjusted ROIC performance in 2015 and 2016. This acquisition was completed in February 2015 and was not considered in the 2014 performance matrix. Under the acquisition, Shire acquired two commercial assets. One asset (GATTEX) which was launched at the end of 2013 and another (Natpara) that was launched Q2 2015. Both assets are early in their lifecycle and thus have much room for growth. Given the early commercial stage of both assets, the ROIC on this transaction will reduce Shire's overall ROIC in the near term but we expect it will enhance Shire's overall ROIC over the coming years as we continue to drive the successful commercialization of both Gattex and Natpara over the longer term.

b) Dyax acquisition — to exclude the impact of the acquisition of Dyax which had a short-term negative impact on Non GAAP adjusted ROIC performance in 2016. This acquisition was completed in January 2016 and was not considered in the 2014 performance matrix. The key asset acquired in this deal was SHP643 (formerly DX-2930) which is a Phase 3 potential best in class prophylaxis HAE product that could secure Shire's leadership position in HAE to 2030 and beyond. Given that Shire will be investing in this Phase 3 program asset over the next several years and does not anticipate an approval/launch of this product until 2018, subject to regulatory approval, the transaction will reduce Shire's overall ROIC in the near term until post launch of SHP643. The Phase 3 program for SHP643 is progressing as planned per our deal model assumptions.

c) Baxalta acquisition — the approach for Baxalta for this award formed part of a comprehensive consultation exercise with shareholders who were all supportive of adjusting the 2014 outcome to exclude Baxalta from the performance assessment given that 80 percent of the performance period for this award had already passed at the time the acquisition of Baxalta was completed. The 2015 and 2016 LTIP awards have been adjusted to include Baxalta's performance (given the much more significant amount of the performance period which remained at the time the acquisition was completed). Full details on these revised targets are set out on pages 85 and 86.

Timeline for 2014 PSP award and agreed SAEs



a) Deal completed: February 21, 2015
b) Deal completed: January 22, 2016
c) Deal completed: June 03, 2016

The below table shows the final adjusted results under the 2014 performance matrix (excluding the acquisitions of NPS, Dyax and Baxalta as a result of the SAEs approved by the Committee) and the unadjusted results (showing the impact on vesting levels of not making any adjustments for SAEs).

Adjusted results (excluding NPS, Dyax and Baxalta)

	2013	2014	2015	2016	Outcome	Vesting multiplier
Non GAAP Adjusted ROIC %	15.6%	14.7%	14.8%	17.2%	54 bp change p.a.	4.0x multiplier (100% vesting)
Non GAAP EBITDA $'M	1,987	2,756	2,799	3,096	15.9% CAGR 2013 - 2016	

Unadjusted results

	2013	2014	2015	2016	Outcome	Vesting multiplier
Non GAAP Adjusted ROIC %	15.6%	14.7%	10.3%	7.0%	-284 bp change p.a.	0.0x multiplier (0% vesting)
Non GAAP EBITDA $'M	1,987	2,756	2,924	4,710	33.2% CAGR 2013 - 2016	

Context of Dyax acquisition

- It is important to note that the Dyax acquisition had the most significant impact on ROIC of all the three acquisitions during the period.
- This is because the key asset of Dyax (SHP 643, formerly DX-2930) was not generating revenue at the point of acquisition. However, if the drug is approved and is successful it has the potential to provide significant benefits to patients and secure Shire's leadership in HAE drugs until 2030.
- Therefore the acquisition was made with a long-term revenue generation view.
- The business anticipates an upward ROIC trajectory over the coming years as the benefits from the Dyax acquisition (and the NPS and Baxalta acquisitions) are realized with ROIC.

c) Other audited disclosures

Scheme interests awarded during 2016 (subject to audit)

2016 LTIP awards

The following tables set out details of the SAR and PSU awards granted to the Executive Directors under the LTIP during 2016.

Vesting of the 2016 LTIP awards will be determined by the Committee taking into account performance over the performance period (January 1, 2016 to December 31, 2018). 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.

	Award type (ADS)	Number of ADSs awarded	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 2016 salary)	Face value of total award/ maximum vesting (% of 2016 salary)	Face value of total award/ maximum vesting ($'000)
Flemming Ornskov	SAR	43,329	$161.42	20%	100%	83%	414%	$6,994
	PSU	32,497				62%	311%	$5,246
Jeff Poulton	SAR	13,681				77%	384%	$2,208
	PSU	10,261				58%	288%	$1,656

The maximum SAR and PSU awards are granted and, subject to the achievement of performance conditions, are adjusted at the date of vesting.
The number of SARs and PSUs 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 date of grant of February 26, 2016.

Revised performance targets for in-flight LTIP awards

In light of the acquisition of Baxalta, and following further consultation with our largest shareholders, the Committee revised the performance targets for LTIP awards made in 2015 and 2016. In determining the revised targets for the Product Sales and Non GAAP EBITDA measures for the 2015 and 2016 LTIP awards, the Committee took into account both the original targets set at the start of the performance period (and disclosed within the 2014 and 2015 Remuneration Reports) and the Long-Range Plan, which builds on the most up-to-date performance expectations for the combined business, including Baxalta.

In order to determine that the revised targets remained equally stretching to achieve as the original targets, the Committee reviewed the amended performance ranges against current consensus forecasts available at the time. The 2015 targets were also updated to include the performance expected from the NPS and Dyax acquisitions (these were not included in the original 2015 target setting as the acquisitions occurred after the original targets were set).

The need to reduce the ROIC underpin for the 2015 and 2016 awards to 7.75 percent was accepted by the majority of shareholders since a short to medium downward impact on ROIC was inevitable in light of the increase in our invested capital following the recent Baxalta, NPS and Dyax acquisitions.

The original and revised performance targets for the 2015 and 2016 awards are set out in the table below.

Original and revised performance targets for the 2015 LTIP award

	Threshold	Maximum
Product Sales	$6,800m	$7,500m
	$13,953m	$15,389m
Non GAAP EBITDA	$3,300m	$3,675m
	$6,414m	$7,143m
Non GAAP Adjusted ROIC	11%	
	7.75%	

Original and revised performance targets for the 2016 LTIP award

	Threshold	Maximum
Product Sales	$8,184m	$9,480m
	$15,000m	$17,000m
Non GAAP EBITDA	$3,928m	$4,696m
	$6,645m	$7,940m
Non GAAP Adjusted ROIC	10.625%	
	7.75%	

Pre-Baxalta figures Post-Baxalta figures

20 percent of each award will be payable for threshold performance. There is no vesting below this performance level. 100 percent 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.

EAI deferred shares granted in 2016 (in respect of 2015 EAI outcome)

25 percent of any outcome under the EAI is deferred into shares. To satisfy these, awards of Restricted Stock Units and Restricted Shares were granted in March 2016 under the Deferred Bonus Plan ("DBP") (a sub plan of the LTIP) as follows to Executive Directors as part of their 2015 EAI award and will vest three years from the point of deferral subject to the terms of the plan rules.

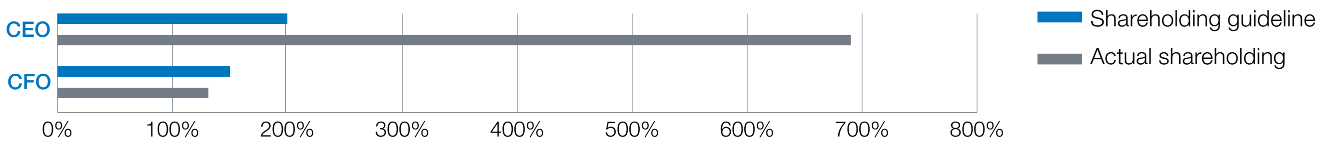
	Award type	Number of ADSs awarded	Share price at grant[1]	Face value of award[2]
Flemming Ornskov	Restricted Stock Units ("RSUs")	4,245	$160.99	$683,403
Jeff Poulton	Restricted Shares ("RS")	560	$163.02	$91,293

1 The share price for Dr. Ornskov is based on the average three-day closing mid-market share price up to and including the date of grant. The share price for Mr. Poulton is based on the average acquisition price at purchase as his award took the form of Restricted Shares.
2 Based on the share prices on the date of grant of March 11, 2016.

Directors' shareholdings and scheme interests (subject to audit)

The CEO, CFO and other members of the Executive Committee are required to own shares in the Company equivalent to 200 percent, 150 percent and 100 percent of base salary, respectively, within a five-year period following their appointment. All shares beneficially owned by an executive or deferred under the EAI 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 guideline for the CEO has been significantly exceeded, thus demonstrating his alignment with shareholder interests. The CFO is relatively new in role and so has not yet met the requirement but has a three further years in which to do so.

Executive Directors' shareholdings relative to guidelines



Summary of Executive Directors' shareholdings and scheme interests

	Security type[1]	Shareholding as at Dec 31, 2016 or date of resignation[2]	Scheme interests as at Dec 31, 2016[2]: Total RS/RSUs awarded under the EAI[3]	Subject to the achievement of performance conditions[4]: Total PSUs/RSUs unvested	Subject to the achievement of performance conditions[4]: Total SARs unvested	Total SARs vested but unexercised[5]	Total interests	Total shares held which count towards the shareholding guidelines (as a % of salary as at Dec 31, 2016)
Flemming Ornskov	ADS	42,502	9,449	77,927	103,901	64,585	298,364	
	Ord Shares	37,500	–	–	–	–	37,500	690%
Jeff Poulton[6]	ADS	3,746	560	18,318	23,816	13,773	60,213	131%

1 One ADS is equal to three Ordinary Shares.
2 No changes in Directors' interests have occurred during the period December 31, 2016 to February 22, 2017.
3 This represents unvested RS and RSUs awarded under the EAI which are not subject to performance conditions and which are forfeited in the case of termination for cause.
4 All unvested awards are subject to the achievement of performance conditions, adjusted at the date of vesting, with the exception of (i) RS and RSUs awarded under the EAI and (ii) 669 RSUs and 1,273 SARs awarded to Mr. Poulton prior to his appointment as Chief Financial Officer.
5 Vested but unexercised SARs are no longer subject to the achievement of performance conditions.
6 Mr. Poulton's shareholding has been rounded up to the nearest whole ADS, with his precise shareholding including a fractional entitlement to an ADS resultant of the operation of a dividend reinvestment plan.

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 percent 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 percent issued in accordance with discretionary employee share plans.

Executive Directors' scheme interests

Award type[1]	Date of award	As at Jan 1, 2016	Shares awarded	Dividend shares[2]	Lapsed	Exercised/ released	As at Dec 31, 2016	Exercise price	Share price on exercise/ release	Normal exercise period/vesting date
Flemming Ornskov										
SAR[3]	Feb 28, 2013	45,601					45,601	$95.04		Feb 28, 2016 to Feb 28, 2020
PSU[3]	Feb 28, 2013	34,201		425		34,626			$157.84	Feb 28, 2016
SAR[3]	May 2, 2013	18,984					18,984	$91.59		May 2, 2016 to May 2, 2020
PSU[3]	May 2, 2013	10,821		121		10,942			$186.50	May 2, 2016
SAR[3]	Feb 28, 2014	34,174					34,174	$168.54		Feb 28, 2017 to Feb 28, 2021
PSU[3]	Feb 28, 2014	25,631					25,631			Feb 28, 2017
RS (EAI)[4]	Mar 31, 2014	2,703					2,703			Mar 31, 2017
RS (EAI)[4]	Feb 13, 2015	2,501					2,501			Feb 13, 2018
SAR[3,5]	Apr 30, 2015	26,398					26,398	$245.48		Apr 30, 2018 to Apr 30, 2022
PSU[3,5]	Apr 30, 2015	19,799					19,799			Apr 30, 2018
SAR[3,5]	Feb 26, 2016		43,329				43,329	$161.42		Feb 26, 2019 to Feb 26, 2023
PSU[3,5]	Feb 26, 2016		32,497				32,497			Feb 26, 2019
RSU (EAI)[4]	Mar 11, 2016		4,245				4,245			Mar 11, 2019
Jeff Poulton										
SAR	Feb 28, 2012	4,376					4,376	$105.50		Feb 28, 2015 to Feb 28, 2019
SAR	Feb 28, 2013	2,708					2,708	$95.04		Feb 28, 2015 to Feb 28, 2020
SAR	Feb 28, 2013	5,419					5,419	$95.04		Feb 28, 2016 to Feb 28, 2020
RSU	Feb 28, 2013	949		11		960			$157.84	Feb 28, 2016
SAR	Feb 28, 2014	635					635	$168.54		Feb 28, 2015 to Feb 28, 2021
SAR	Feb 28, 2014	635					635	$168.54		Feb 28, 2016 to Feb 28, 2021
SAR	Feb 28, 2014	1,273					1,273	$168.54		Feb 28, 2017 to Feb 28, 2021
RSU	Feb 28, 2014	333		2		335			$157.84	Feb 28, 2016
RSU	Feb 28, 2014	669					669			Feb 28, 2017
PSU[3]	Feb 28, 2014	742					742			Feb 28, 2017
SAR[3,5]	Apr 30, 2015	8,862					8,862	$245.48		Apr 30, 2018 to Apr 30, 2022
PSU[3,5]	Apr 30, 2015	6,646					6,646			Apr 30, 2018
SAR[3,5]	Feb 26, 2016		13,681				13,681	$161.42		Feb 26, 2019 to Feb 26, 2023
PSU[3,5]	Feb 26, 2016		10,261				10,261			Feb 26, 2019
RS (EAI)[4]	Mar 11, 2016		560				560			Mar 11, 2019

1 All awards are over ADSs. The number of ADSs over which PSU, RSU and SAR awards are granted is calculated using the average three-day closing mid-market ADS price at the time of grant. The number of ADSs in respect of which a RS award is granted is determined by the acquisition price per ADS at the time of grant. Unless otherwise indicated, all awards are granted under the Shire Long-Term Incentive Plan or its predecessor plan; the Shire Portfolio Share Plan.
2 In accordance with the rules of the respective share plans, the vested PSU and RSU awards have been increased to reflect the dividends paid by Shire in the period from the date of grant to the date of vesting.
3 The maximum SAR and PSU awards are granted and, subject to the achievement of performance conditions, adjusted at the date of vesting. Performance conditions attached to SAR and PSU awards granted in 2013 and 2014 are Non GAAP Adjusted ROIC and Non GAAP EBITDA targets within a performance matrix. Performance conditions attached to SAR and PSU awards granted from 2015 onwards are Product Sales and Non GAAP EBITDA targets with a Non GAAP Adjusted ROIC underpin. 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 25 percent of any outcome under the EAI is deferred into shares through the grant of Restricted Stock Units or Restricted Shares.
5 A two-year holding period will apply following the three-year vesting period for SAR and PSU awards granted from 2015 onwards.

On October 31, 2016, Dr. Ornskov exercised an option over 84 notional ADSs granted under the Shire Global Employee Stock Purchase Plan ("GESPP") at an exercise price of $147.56 per ADS. On November 1, 2016, Dr. Ornskov and Mr. Poulton were each granted an option over notional ADSs pursuant to the GESPP; each electing to save $480.77 per fortnight.

Non-Executive Directors’ scheme interests

Committee member	Security type[1]	Shareholding as at Dec 31, 2016 or date of resignation[2]
Susan Kilsby	ADS	7,625
William Burns	Ord Shares	3,955
Dominic Blakemore	Ord Shares	1,521
Olivier Bohuon	Ord Shares	1,829
Gail Fosler	ADS	7,907
Steven Gillis	ADS	1,388
David Ginsburg	ADS	827
Sara Mathew	ADS	1,275
Anne Minto	Ord Shares	5,218
Albert Stroucken	ADS	5,872
David Kappler[3]	Ord Shares	12,254

1 One ADS is equal to three Ordinary Shares.
2 No changes in Directors’ interests have occurred during the period December 31, 2016 to February 22, 2017.
3 David Kappler stood down from the Board on April 28, 2016.

d) 2016 single total figure of remuneration for the Chairman and Non-Executive Directors (subject to audit)

	Board fees		Committee fees							
	Basic fee	Additional fees[1]	Audit, Compliance & Risk Committee	Remuneration Committee	Nomination & Governance Committee	Science & Technology Committee	Travel allowance[2]	Taxable benefits[3]	Total 2016 fees	Total 2015 fees
Susan Kilsby	£450,000						£25,000	£2,057	**£477,057**	£467,605
William Burns[4]	£96,365	£18,000		£12,500	£8,750	£10,000	£15,000	£2,057	**£162,672**	£152,250
Dominic Blakemore	£93,000	£10,000	£25,000				£15,000		**£143,000**	£136,000
Olivier Bohuon[5]	£93,000	£9,000		£8,413		£10,000	£10,000		**£130,413**	£67,500
Gail Fosler[6]	£53,654	£6,000	£7,040				£5,000		**£71,694**	
Steven Gillis	£93,000	£16,000	£12,500	£12,500		£10,000	£15,000	£2,057	**£161,057**	£166,000
David Ginsburg	£93,000	£14,000			£8,750	£20,000	£15,000	£2,057	**£152,807**	£148,666
Sara Mathew	£93,000	£14,000	£12,500	£12,500			£15,000		**£147,000**	£40,181
Anne Minto	£93,000	£14,000		£25,000	£8,750		£15,000	£2,052	**£157,802**	£153,750
Albert Stroucken[7]	£53,654	£8,000	£7,040	£7,040			£5,000		**£80,734**	
David Kappler[8]	£32,038	£4,000	£4,087		£5,721				**£45,846**	£148,000

1 For Board and Committee meetings attended in addition to those scheduled as part of the normal course of business.
2 The Non-Executive Directors receive an additional fee of £5,000 where transatlantic travel is required to attend Board meetings.
3 The taxable benefits figure relates to tax preparation assistance provided by the Company and has been converted into Sterling using the 2016 EUR:GBP average exchange rate of 1.2333.
4 William Burns was appointed as the Senior Independent Director on April 28, 2016.
5 Olivier Bohuon was appointed to the Remuneration Committee on April 28, 2016.
6 Gail Fosler was appointed to the Board on June 3, 2016, and to the Audit, Compliance & Risk Committee on June 7, 2016.
7 Albert Stroucken was appointed to the Board on June 3, 2016, and to the Audit, Compliance & Risk Committee and Remuneration Committee on June 7, 2016.
8 David Kappler stepped down from the Board, the Audit, Compliance & Risk Committee and the Nomination & Governance Committee on April 28, 2016.

Payments to past Directors (subject to audit) and payments for Loss of Office (subject to audit)

In line with Matthew Emmens’ contract as Chief Executive Officer of Shire, Mr. Emmens is entitled to continued medical cover up to the age of 65. This benefit was provided until June 2016 when Mr. Emmens reached age 65. The value of this benefit received during 2016 was $9,543.

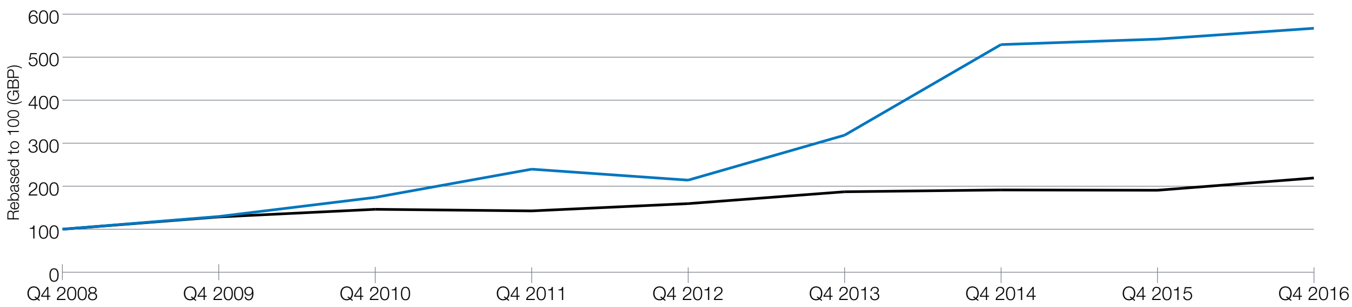
No further payments were made to past Directors. No payments were made to Directors for loss of office during the year.

e) Non-audited disclosures

TSR performance graph and CEO pay

The graph below shows the Total Shareholder Return ("TSR") for Shire and the FTSE 100 Index over an eight-year period. TSR is calculated as the change (indexed) between the fourth quarter TSR (average for the period) 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. The graph illustrates the change in value of a hypothetical £100 holding over eight years commencing December 31, 2008 and ending December 31, 2016.

Total Shareholder Return — change in value of a hypothetical £100 holding over eight years



CEO pay

	2009	2010	2011	2012	2013		2014	2015	2016
CEO	Angus Russell	Angus Russell	Angus Russell	Angus Russell	Angus Russell	Flemming Ornskov[2]	Flemming Ornskov[2]	Flemming Ornskov	Flemming Ornskov
Short-term incentive (% of maximum)	70%	65%	50%	48%	26%	81%	100%	100%	**88%**
Long-term incentive[1] (% of maximum)	84%	88%	100%	100%	50%	–	–	100%	**100%**
Total remuneration ($'000)	$4,781	$9,634	$17,506	$13,430	$5,759	$3,402	$4,137	$16,939	**$10,326**

1 Long-term incentive figures relate to any awards that vest shortly after the end of the relevant financial year.
2 Dr. Ornskov did not have any long-term incentive awards vest until 2015.

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.

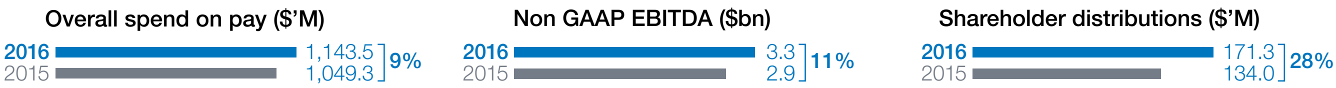
	Percentage change between 2015 to 2016		
	Salary and fees	Taxable benefits	Short-term incentives[1]
CEO[2]	11%	958%	(3%)
All other employees[3]	8%	(15%)	0%

1 Due to timing of the 2016 year-end process, the actual short-term incentive figures for all other employees had not been finalized by the date of this report. Therefore, the 2016 short-term incentive figures represent target figures multiplied by the 2016 Corporate Bonus Modifier score approved by the Committee in early February, which represents the Company's best estimate of actual bonus outcomes.
2 Reflects the 2015 and 2016 remuneration for Flemming Ornskov as reported in the single total figure of remuneration table in Part 2(b).
3 Reflects the average change in remuneration for all other Legacy Shire employees globally that were annual bonus eligible. To help minimize 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 to provide for a consistent employee comparator group (the figures therefore exclude Legacy Baxalta employees). This approach is consistent with the disclosure presented in the 2015 Annual Report on Remuneration.

CEO taxable benefits

- The above disclosure shows an increase in the CEO's taxable benefits of 958 percent from 2015 to 2016.
- This is due to the specific support that was provided to the CEO in relocating his family from Switzerland to Boston where he is permanently based.
- Therefore the benefit provision for 2016 is not typical and it is not intended that this support will be provided in future years.

Relative importance of spend on pay



All figures have been prepared using Legacy Shire data only to provide consistency in the reporting over the two preceding financial years.

Overall spend on pay increased by 9 percent in 2016 reflecting a 16 percent increase in the regular workforce in support of business growth and expansion.

Non GAAP EBITDA increased 11 percent in 2016 as a result of strong product sales growth, held back by increased investment in combined R&D and SG&A.

Shareholder distributions increased by 28 percent in 2016 due to the significantly increased number of shares in issue following the acquisition of Baxalta combined with a 15 percent growth in full-year dividend per share in U.S. Dollar terms.

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. The Committee's terms of reference were reviewed in February 2017 and are available in full on the Company's website www.shire.com.

Membership and attendance

As at the year-end, the Remuneration Committee comprised six independent Non-Executive Directors, each appointed on the basis of their knowledge and experience of matters relating to compensation.

Committee member[1]	Date of appointment	Meeting attendance[2]
Anne Minto[3]	Jun 16, 2010	9(9)
Olivier Bohuon[4]	Apr 28, 2016	4(6)
William Burns	Mar 15, 2010	9(9)
Steven Gillis	Oct 1, 2012	9(9)
Sara Mathew[5]	Dec 3, 2015	9(9)
Albert Stroucken	Jun 7, 2016	4(4)

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

1 Dominic Blakemore and Ian Clark were appointed as members of the Committee on February 15, 2017.
2 There were six scheduled and three ad-hoc Committee meetings held during 2016.
3 Anne Minto served as a member of the Committee prior to her appointment as Committee Chairman on July 26, 2010.
4 Olivier Bohuon was absent from two ad-hoc Committee meetings due to illness.
5 Sara Mathew stood down as a member of the Committee on February 15, 2017.

At the invitation of the Committee Chairman, regular additional meeting attendees during the year included the Chairman of the Board and other Non-Executive Directors, the Chief Executive Officer and members of the following internal Group functions:

- Human Resources
- Legal and Company Secretarial
- Finance

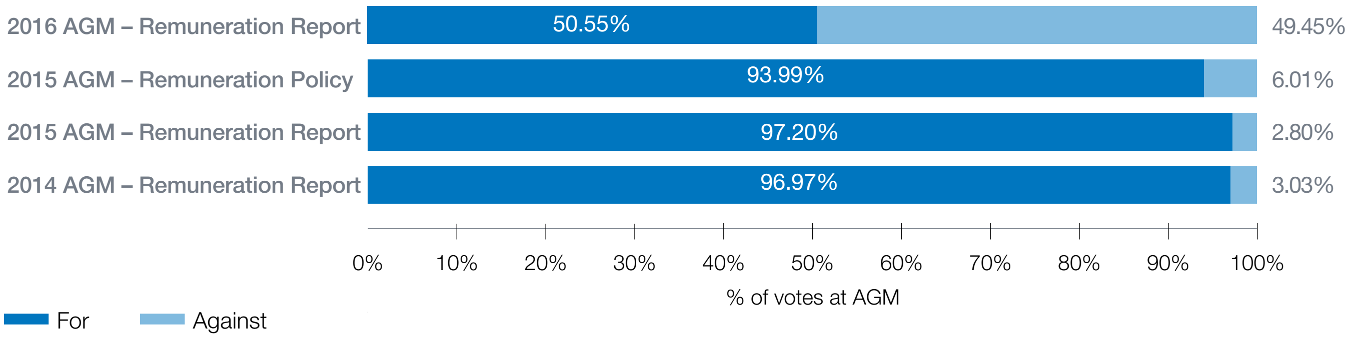
Remuneration Committee activities in 2016

In 2016, the Committee discussed the key agenda items set out in the following table. As set out in the Chairman's letter, 2016 was a very busy year for the company and the Committee given the transaction with Baxalta and the two consultations held before and after the 2016 AGM:

Remuneration Committee activities		January 2016	February 2016	April 2016	May 2016	June 2016	July 2016	August 2016	September 2016	October 2016	December 2016
Overall remuneration	Approval of 2015 performance and remuneration decisions for the CEO, the CFO and the Executive Committee		●								
	Revision of performance targets following the Baxalta transaction					●	●				
	Review of market trends for Chairman, CEO, CFO and Non-Executive Director remuneration										●
	Review of the 2016 year-end compensation process and budgets for all employees										●
	Review of preliminary 2016 performance and remuneration decisions for the CEO, CFO and the Executive Committee										●
Short-term incentives	Assessment of Company performance against the 2015 annual bonus funding scorecard		●								
	Approval of the 2016 Corporate Scorecard	●									
	Preliminary review of the proposed 2017 Corporate Scorecard										●
Long-term incentives	Approval of the 2016 performance measures for LTIP awards to Executive Directors		●								
	Approval of annual offerings of Sharesave and GESPP awards						●				
	Consideration of potential SAEs in relation to outstanding LTIP performance cycles										●
Governance	Approval of the 2016 DRR		●								
	Regular updates on legislative, regulatory and corporate governance changes	●	●	●	●	●	●			●	●
	Consideration of trends in executive remuneration and corporate governance developments								●	●	
	Review of the CEO, CFO and the Executive Committee's shareholdings			●							●
	Review of the Committee's effectiveness										●
Shareholder consultation	Letter to shareholders in advance of 2016 AGM	●									
	Consultation with shareholders in advance of 2016 AGM		●	●							
	Letter to shareholders post 2016 AGM setting out the intention to consult over the summer				●						
	Remuneration Committee agree approach to shareholder consultation exercise						●				
	Letter sent to shareholders setting out revised incentive targets							●			
	Initial consultation with shareholders on revised incentive targets							●	●		
	Review of feedback received from shareholder consultation exercise								●	●	
	Follow-up consultation with shareholders on proposed incentive targets								●	●	●

Statement of shareholder voting

The graphic below shows how shareholders voted in respect of the remuneration report at the AGM held on April 28, 2016 and in prior years.



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

As set out earlier in this report, the advisory vote to approve the Directors' Remuneration Report was considerably lower than in previous years and therefore as the Remuneration Committee Chairman, I personally spent considerable time with the Company's largest shareholders over the course of the year to fully understand the concerns of those that voted against the report. The consultation confirmed that a significant number of shareholders who voted against the Remuneration Report in 2016 were focused on the lack of consultation over the salary increase awarded to the CEO in July 2015, and the quantum of the increase awarded without consultation. Following these discussions, the Committee is confident that shareholders fully understand the reasons why the Committee was unable to conduct their usual full and extensive approach to shareholder consultation in 2015 with respect to the increase in the CEO's salary and while it does not change the outcome of the vote, shareholders recognize the communication restrictions placed on the Committee during the Baxalta pre-acquisition period. The Committee in turn fully appreciates our shareholders' concerns around quantum and has materially responded to this concern in reducing the LTIP grant to both of our Executive Directors to 575 percent of salary for 2017 (as set out on page 88).

Advisors

In discharging its responsibilities in 2016, the Committee was materially assisted by those employees performing the roles of Chief Human Resources Officer and Group 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 2016, primarily in respect of tax matters. Fees paid to PwC in relation to remuneration services provided to the Committee totaled £399,990 in 2016 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.

The Directors' Remuneration Report comprises pages 82 to 114 of this Annual Report.

Approved by the Board of Directors and signed on its behalf by:

Anne Minto OBE
Chairman of the Remuneration Committee
February 22, 2017

Appendix: Directors' remuneration policy — key elements

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 was approved by shareholders at the April 2015 AGM (April 28, 2015) and will be effective for a period of three years. 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.

This section sets out the key parts of the remuneration policy. The complete remuneration policy as approved by shareholders can be found within the 2014 Directors' Remuneration Report available on the Company's website www.shire.com.

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 U.S. 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 & link to strategy	Operation & 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 U.S. 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 2(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 ("GESPP").	Executive Directors can receive a fixed contribution of up to 30 percent 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.

1 Formerly referred to as Performance Share Awards ("PSAs"), name changed in the LTIP approved by shareholders at the 2015 AGM.
2 Product Sales is defined as product sales from continuing operations.
3 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.
4 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 an 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.

Purpose & link to strategy	Operation & Performance Assessment	Opportunity
Short-term incentives — Executive Annual Incentive ("EAI")*		

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 EAI 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 percent of any award) is paid in the first quarter of the year following the performance year, and the deferred shares element (25 percent 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.
	*The short-term incentive has been renamed the Executive Annual Incentive (previously the Executive Annual Incentive Plan). There is no change to the operation of the EAI (cash or deferred element) which is in line with the Remuneration Policy approved at the 2015 AGM. The deferred portion of the EAI outcome is operated under the Deferred Bonus Plan which is a sub-set of the LTIP rules approved at the 2015 AGM.
		Up to 90 percent of base salary is payable for target performance for Executive Directors and up to 180 percent is payable for maximum performance, although actual payouts can range from 0 percent (threshold performance) upwards.
		Each year the Committee determines the measures and weightings for the corporate scorecard within the following parameters:
		– At least 75 percent 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 was 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 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. – **PSU awards.** A Performance Share Unit ("PSU")[1] is the right to receive a specified number of Ordinary Shares or ADSs. SAR and PSU 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[2] targets (50 percent weighting); and – Non GAAP EBITDA[3] targets (50 percent weighting). The Committee will also use a Non GAAP Adjusted ROIC[4] 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[5]. 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 PSUs 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 percent (for the CEO) and 150 percent (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 EAI count towards achieving these guidelines.	Maximum annual awards for Executive Directors in face value terms are 840 percent of salary for grants under the LTIP, consisting of: – 480 percent of base salary for SAR awards; and – 360 percent of base salary for PSU awards. Award levels are set to reflect an individual's role, responsibilities and experience. Threshold vesting is equal to 20 percent of any award made, with maximum vesting being equal to 100 percent of any award made.

[5] 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 honor 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 & link to strategy	Operation & 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 PSU 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 and CFO that were granted in 2014 and 2015, are set out in Part 2(c) of this report. Threshold vesting under the performance matrix is equal to 25 percent of any award made, with maximum vesting being equal to 100 percent.

b) Chairman and Non-Executive Director remuneration policy

Purpose & 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 percent 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 the Chairman 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 Chairman and 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 U.S. BioPharma peer group (the groups used for the Executive Directors) are taken into account. In addition, the fee levels 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 U.S. 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 Deferred Bonus Plan. – The level of opportunity will be consistent with that stated in section (a) of this policy.
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 section (a) of this policy.
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 forgone. – The Committee will seek to ensure that a meaningful proportion of the replacement awards which are not attributable to long-term incentives forgone 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 forgone, 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 prorating 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 2016, there were no external fee-paying non-executive directorships held by the Executive Directors.

Chairman and Non-Executive Directors
The Chairman and 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. The Chairman and Non-Executive Directors are not entitled to compensation for loss of office. The Chairman and all Non-Executive Directors are subject to a three-month notice period.

All service contracts and letters of appointments will be available for viewing at the Company's 2017 AGM.

Shareholder engagement
The Committee takes the views of shareholders very seriously and is committed to ongoing dialogue 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 dialogue to update shareholders and receive their feedback on planned refinements to arrangements, and annual voting on the DRR.

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 Product Sales, adjusted to exclude the impact of the annual bonus corporate modifier on the full year results.

Given Shire's diverse employee base, employing approximately 24,000 people across 68 countries, 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.

The Shire Remuneration Policy

Strategically and culturally aligned
Remuneration should reflect and align with our business strategy and organizational culture

Equity ownership can drive the right, long-term behaviors and alignment, in particular for leaders

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

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

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

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 more than two thirds of employees as well as the majority of senior management based in the U.S.) 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 and Executive Committee members, 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 (except for PSU awards which vest at the end of a three-year period subject to the satisfaction of performance conditions).