



Matthew Emmens
Chairman

Dear Shareholder

Shire's governance structure is central to the operation of the Board and the wider Group, and is therefore critical to the delivery of sustainable growth for our shareholders and other stakeholders. This report outlines our approach to governance and Shire's application of the main principles outlined in the UK Corporate Governance Code.

Having been a member of the Board since 2003, serving as Chairman since 2008, the Board and I agreed in 2013 that it was timely to consider my succession. Following a rigorous selection process, the Board decided in January that Susan Kilsby would succeed me as Chairman of the Board and that this would take effect from the conclusion of Shire's 2014 Annual General Meeting. I am delighted with this decision. Having worked with Susan on the Board over the past few years, I believe she is the ideal Chairman for Shire as the Company embarks upon a new era of growth.

As part of our continued review of the composition of the Board and its committees, a number of other changes have also been effected. Dominic Blakemore was appointed as a Non-Executive Director and member of the Audit, Compliance & Risk Committee with effect from January 1, 2014. Dominic brings to the Board, amongst other things, his strategic and financial experience. Detail on the selection process is outlined on page 62 of this report. Susan Kilsby succeeded David Kappler as Chairman of the Audit, Compliance & Risk Committee and Dr. David Ginsburg was appointed as Chairman of the Science & Technology Committee, with effect from May 2, 2013. Susan Kilsby was also appointed as a member of the Nomination Committee with effect from February 1, 2014.

Upon Susan's appointment as Chairman of the Board, she will be succeeded by Dominic as Chairman of the Audit, Compliance & Risk Committee. In addition, Graham Hetherington will step down as Chief Financial Officer on March 1, 2014, to be succeeded on an interim basis by James Bowling, Shire's Group Financial Controller. A search for Graham's successor is currently underway.

The annual Board performance evaluation was conducted internally in 2013 and concluded that the individual members of the Board remain effective in their ability to undertake their respective roles. Disclosure of the process and outcomes can be found on page 57 of this report.

In leaving the Company I am pleased to see that the Board and its committees have the appropriate balance of skills and experience to lead Shire through its next phase of growth. The refreshed governance structure brought about through the implementation of the One Shire operating model sees Shire well placed to achieve continued enhanced value for shareholders and other stakeholders.



 MORE ONLINE AT:
AR2013.SHIRE.COM

UK Corporate Governance Code

This report seeks to demonstrate how the main principles of the UK Corporate Governance Code 2012 (the "Governance Code") were applied throughout the financial year ended December 31, 2013. The Board is of the opinion that, during this period, the Company complied with the provisions of the Governance Code. Published by the Financial Reporting Council, the Governance Code is publicly available at www.frc.org.uk.

Leadership

Role of the Board

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

Chairman's succession

Given that Matthew Emmens has been a member of Shire's Board since 2003, holding the position of Chairman since 2008, both he and the Board agreed in 2013 that it was timely to consider the skills and experience that would be sought in his successor as Chairman. A special committee of the Board, chaired by the Senior Independent Non-Executive Director, was established to progress this. In determining the skills and experience sought, the special committee took account of, amongst other things, the Company's strategy, its operations and the diversity and expertise currently on the Board. A process was followed which included meetings with interested existing Board members and external candidates, and was assisted by Odgers Berndtson and Catalyst Advisors. Following consideration of the candidates, the Board decided in January that Susan Kilsby would be appointed as Matthew Emmens' successor and that this would take effect from the conclusion of the Annual General Meeting on April 29, 2014. Ms Kilsby was also appointed to the Nomination Committee on February 1, 2014. Upon becoming Chairman of the Company she will step down as Chairman of the Audit, Compliance & Risk Committee, to be succeeded by Mr. Blakemore.

Division of responsibilities

The Board comprises the Chairman, eight other Non-Executive Directors, the Chief Executive Officer and the Chief Financial Officer. The Executive Directors together with the Executive Committee are responsible for business operations. The Non-Executive Directors are charged with exercising independent judgment in Board deliberations and ensuring the effective performance by senior management of their responsibilities.

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

• Chairman

As Chairman it is Matthew Emmens' primary responsibility to provide leadership to the Board; ensuring that it operates effectively. This is achieved in part through his promotion of a culture that fosters open and robust debate, and that in turn contributes to positive engagement and constructive dialog in meetings. Matthew is also responsible for ensuring effective communications between the Board and shareholders. Susan Kilsby will succeed Matthew as Chairman on April 29, 2014.

• Deputy Chairman

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

• Senior Independent Director

As Senior Independent Director it is David Kappler's responsibility to provide a sounding board for the Chairman and to serve as a trusted intermediary for the other Directors. He is also responsible for leading meetings of the Non-Executive Directors in the absence of the Chairman, and for consulting with shareholders when communication with the Chairman or Chief Executive Officer would be inappropriate.

• Chief Executive Officer

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

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

Key activities

The principal activities of the Board during the year were:

Strategy

- Consideration and approval of the refined corporate strategy
- Review and approval of the One Shire reorganization, including the simplification of the Company into business units supported by a single R&D organization and unified corporate functions
- Review of material M&A and in-licensing transactions including the approval of the acquisition of ViroPharma

Governance

- Consideration of feedback from investors and investor sentiment
- Review and approval of quarterly earnings releases and key financial reports
- Review and approval of the budget
- Review and approval of policies including updated Code of Ethics and Securities Dealing Policy
- Consideration of Health, Safety & Environment update

Risk & internal controls

- Review of the Company's material risks and internal controls

Succession planning

- Supporting the CEO transition with Flemming Ornskov becoming CEO on April 30, 2013
- Chairman succession planning
- Talent assessment

Board operation

During the year the Board met regularly in order to discharge its duties. For the most part, Board meetings were scheduled well in advance, however, two ad hoc meetings were held during the year in order to address then-prevailing circumstances. In total, eight meetings were held with those scheduled taking place over a two day period; exceptions being those held in June and October which were held over one and three days respectively.

Board member ¹	Date of appointment	Meeting attendance ²
Matthew Emmens ³	March 12, 2003	8(8)
Susan Kilsby ⁴	Sept 1, 2011	8(8)
Flemming Ornskov ⁵	Jan 2, 2013	8(8)
Graham Hetherington ⁶	July 1, 2008	8(8)
David Kappler ⁷	April 5, 2004	7(8)
William Burns	March 15, 2010	8(8)
Steven Gillis	Oct 1, 2012	8(8)
David Ginsburg	June 16, 2010	8(8)
Anne Minto	June 16, 2010	8(8)
David Stout ⁸	Oct 31, 2009	7(8)
Angus Russell ⁹	Dec 13, 1999 – April 30, 2013	1(1)

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

¹ Dominic Blakemore was appointed as a member of the Board on January 1, 2014.

² There were six scheduled and two ad hoc Board meetings held during the year.

³ Matthew Emmens served as Shire's Chief Executive Officer from March 12, 2003 until June 18, 2008 prior to his appointment as Chairman. Matthew is to step down as Chairman on April 29, 2014.

⁴ Susan Kilsby is to be appointed Chairman on April 29, 2014.

⁵ Flemming Ornskov served as Chief Executive Officer Designate prior to his appointment as Chief Executive Officer on April 30, 2013.

⁶ Graham Hetherington is to step down as Chief Financial Officer on March 1, 2014.

⁷ As agreed in advance by the Board, David Kappler was absent from one scheduled Board meeting as a result of external commitments.

⁸ David Stout was absent from one ad hoc Board meeting which, at short notice, was timed to facilitate maximum possible Board attendance.

⁹ Angus Russell stood down as Chief Executive Officer on April 30, 2013.

Only members of the Board have entitlement to attend Board meetings, however, during the year, additional individuals attended by invitation. The General Counsel and Company Secretary attended all meetings of the Board, with regular additional attendees including the Chief Compliance and Risk Officer and the Head of Business Development. External professional advisors also attended meetings when necessary. At the conclusion of each Board meeting the Non-Executive Directors met without the Executive Directors being present, following which a meeting of the Non-Executive Directors was held in the absence of the Chairman. Typically, matters considered by the Board were those reserved for their judgment and decision, as defined in the Board Reserve Powers, although supplementary matters were considered

by the Board as circumstances required. The Board Reserve Powers are available on the Company's website.

The agenda for Board meetings is determined by the Chairman in collaboration with the Chief Executive Officer and the Company Secretary. The Chairman also has the responsibility of providing all necessary materials to each of the Directors, in respect of which he is supported by the Company Secretary and other members of management. At Board meetings the Chairman encourages debate with a view to achieving resolution by consensus, however, decisions are taken by majority vote when this is unable to be achieved, with the Chairman having a casting vote in the case of an equality of votes.

Board effectiveness

Effective leadership is integral to the execution of the Company's strategy and therefore to the fulfillment of its objectives. The Board is committed to providing the Company with the highest caliber of governance and in doing so promoting the Company's success for the benefit of all stakeholders.

Composition and diversity

During the year the Board reviewed the independence of the Non-Executive Directors, other than the Chairman, in accordance with the factors set forth for consideration in the Governance Code and determined that each continued to be independent. The Governance Code suggests that a length of service of more than nine years is relevant to the determination of a Director's independence. Therefore, in considering the independence of Mr. Kappler, the Board gave particular regard to the fact that at the time of the Company's Annual General Meeting in April 2014 he will have served as a member of the Board for a period of ten years. Despite his length of tenure, the Board concluded that Mr. Kappler remained independent in character and judgment; demonstrating continued effective performance and commitment to his role. Details of the Board performance evaluation, which included the consideration of Non-Executive Director independence, are available on page 57. In addition, the Board regards each of its members as possessing the skills, knowledge and experience necessary for it to function effectively, with its composition commensurate to the complexity of the business. Board members' biographical information can be found on pages 52 and 53.

The Board recognizes the inherent value of diversity at all levels within the Group and is therefore committed to its furtherance. In 2012 Shire's Board Diversity Policy was implemented which acknowledges that the Company, its shareholders and other stakeholders are best served by a Board diverse in skill, experience and background including gender. The principles of the policy are taken into consideration during both the contemplation of new appointments and the annual evaluation of the Board's performance, with its diversity-

endorsing values reflected in recruitment policies in effect throughout the Group. Additional disclosure relating to diversity within Shire is made on page 21.

Appointments

The Board may appoint any individual as a Director either to fill a vacancy or as an additional member of the Board. The process for new appointments is typically headed by the Nomination Committee (procedural details are available on page 62) which ultimately makes a recommendation to the Board. Appointments may be made by the Board at any time subject to election and annual re-election by the Company's shareholders. With the exception of Matthew Emmens and Graham Hetherington, all of the Directors are seeking either election or re-election at the Annual General Meeting to be held on April 29, 2014, at which Non-Executive Directors' terms of appointment and Executive Directors' service contracts will be made available for inspection by shareholders. The Board confirms that, during the year, each of the Directors seeking re-election underwent a performance evaluation with each evidencing continued effective performance and commitment to their role. Further details relating to the Board performance evaluation can be found below.

Commitment

Prior to appointment, each Non-Executive Director is required to disclose to the Board their other significant commitments so as to enable an assessment of their capacity to effectively discharge their anticipated duties and responsibilities. The Board in turn is informed by each Non-Executive Director of any changes to their other significant commitments. Each Non-Executive Director has undertaken that they are able to meet the time commitment expected of them, which was duly communicated by the Board prior to appointment. As part of its performance evaluation the Board determined that each of its members had committed sufficient time to perform their role effectively.

Conflict of interests

Directors are required to seek consent from the Board prior to being appointed to, or acquiring any material financial interest in, any enterprise which competes, is likely to

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

Induction and development

Upon appointment to the Board, all Directors undergo a formal induction program tailored to their individual skills, knowledge and experience. The purpose of such a program is to facilitate each Director's familiarisation with the Company's business and strategy, as well as their own duties and responsibilities. Prior to his appointment as Chief Executive Officer, Flemming Ornskov held the position of Chief Executive Officer Designate for a period of four months. During this time he became familiar with the Company, its people, the risks it faces and its opportunities through meeting Board members and investors, through visiting many of the Company's sites and meeting employees from across the business.

In addition to undergoing an initial induction, on an annual basis each Director discusses with the Chairman their individual development requirements with a view to ensuring that their skills, knowledge and experience are regularly refreshed, and that their familiarity with the Company's business is maintained.

Information and support

The Chairman, in collaboration with the Company Secretary and the Executive Directors, is responsible for ensuring that Board members are provided at all times with the information necessary for them to effectively discharge their duties and responsibilities. Before decisions are made at Board meetings, consideration is had as to the adequacy of the information available to the Board; prompting the deferral of decisions if further information is required. Directors are able to seek clarification, additional information or

professional advice necessary to the fulfillment of their duties and responsibilities from across the business, from the Company Secretary, or from independent sources at the Company's expense. In addition, the Chairman, supported by the Company Secretary, ensures that effective channels of communication exist between the Board, its committees and the Company's senior management, and that Directors are kept up-to-date of matters pertaining to the Company's governance.

Board performance evaluation

2012 progress

The 2012 externally facilitated evaluation identified two key action points in terms of enhancing the Board's effectiveness. Progress made against these items during the 2013 financial year is as follows:

Increased time for discussion concerning feedback from Board committees

At Board meetings more time has been allowed to enable discussion around committee feedback. Committee Chairmen have increased the level of detail they include in their reports to the Board summarising the material issues considered at committee meetings.

Enhanced Board connectivity between meetings

There has been an increase in the level of informal Board member contact between meetings, with Board members also invited to attend meetings of some committees of which they are not members. In addition, the Board is provided with a formal operational update from the Chief Executive Officer on a monthly basis.

2013 procedure, conclusions and action points

The 2013 Board performance evaluation was carried out internally, led by the Chairman with the support of the Company Secretary, and covered the performance of the Board and of its members. In addition, the Chairman of each Board committee conducted a committee effectiveness review with their respective members. The evaluation and review procedures consisted of one-to-one interviews between the Chairmen and individual Board and committee members. The Board performance evaluation included

a review of strategy, risks and internal controls, Chief Executive Officer succession, Board dynamics including Board member independence, and individual development requirements.

The overall conclusion drawn from the 2013 evaluation is that the individual members of the Board remain effective in their ability to discharge their duties and responsibilities. Each continues to make a valuable contribution whilst demonstrating commitment to their role, with the Chairman displaying continued effectiveness in leadership. The resultant Board and committees can be seen to operate at a standard conducive to Shire's commitment to effective governance. They enjoy open and robust debate and are provided with the information necessary for them to make informed judgments and decisions.

In contemplating the results of the 2013 evaluation and how effectiveness might be improved, the Board agreed that periodically it would invite speakers to provide an external perspective on issues or trends which may impact the Company's strategy or operations.

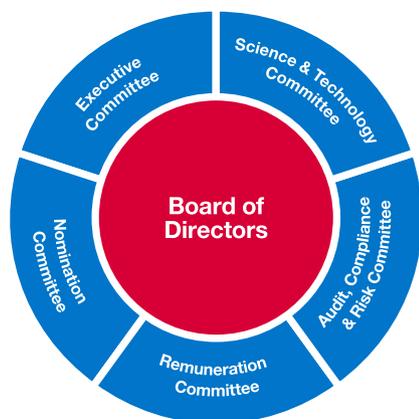
Relations with shareholders

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

Medium	Action
Investor days and meetings with shareholders	Executive Directors and senior management held and attended numerous events that facilitated engagement with a significant proportion of the Company's shareholder base.
Results announcements and presentations	The Company communicated its performance to shareholders and analysts through quarterly financial results announcements, each accompanied by an explanatory teleconference presentation given by the Chief Executive Officer and the Chief Financial Officer.
Financial reporting	The Company published half and full-year reports in accordance with its listing on the London Stock Exchange and filed quarterly Form 10-Qs and an annual Form 10-K as a result of its listing on the NASDAQ Global Select Market.
Annual General Meeting	The Company's Annual General Meeting was held in Dublin on April 30, 2013. Shareholders were invited to attend to vote on resolutions and also to meet with members of the Board, each of whom were in attendance.
Website	The Company's website (www.shire.com) provides information about the Group and is regularly updated with corporate and regulatory news, IR events, broker forecasts and other information pertaining to the Company's operations.
Investor relations	The Group's Investor Relations department regularly responds to shareholder communications through its dedicated inbox: InvestorRelations@shire.com
Corporate responsibility reports and engagement	The Company produces a bi-annual publication entitled "Responsibility Matters" which is distributed to employees and interested socially responsible investors. In addition, the Company participated in two socially responsible investor days hosted by Goldman Sachs and Morgan Stanley. The Company's website also has a dedicated "Responsibility" section which is regularly updated.
Digital application	Shire's IR Briefcase application is regularly updated with news and presentations and provides access to the Company's latest Annual Report and Accounts.

Board committees

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



Audit, Compliance & Risk Committee



Susan Kilsby
Chairman of the Audit, Compliance & Risk Committee

Membership and meetings

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

Committee member ¹	Date of appointment	Meeting attendance
Susan Kilsby ²	Sept 1, 2011	5(5)
David Kappler	April 5, 2004	5(5)
David Stout	Dec 8, 2009	5(5)

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

¹ Dominic Blakemore was appointed as a member of the Committee on January 1, 2014 and is to be appointed Committee Chairman on April 29, 2014.

² Susan Kilsby was appointed as Chairman of the Committee on May 2, 2013. Susan is to step down from the Committee on April 29, 2014.

Committee meetings held during the year coincided with key dates in the Group's financial reporting cycle. During the year the Chairman of the Board, the Chief Executive Officer, the Chief Financial Officer, the General Counsel and Company Secretary, the Group Financial Controller, the Chief Compliance and Risk Officer, the Head of Internal Audit and the Group's external

auditor attended all meetings at the invitation of the Committee Chairman. So as to facilitate open and unreserved discussion, time was set aside at each meeting for the Committee's private deliberation, with additional meetings held with the Group's external auditor, the Head of Internal Audit and the Chief Compliance and Risk Officer in the absence of the Executive Directors or other members of senior management.

Role of the Committee

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

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

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

Financial reporting

Key considerations

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

- purchase accounting related to the Group's acquisition of SARcode, Lotus Tissue Repair and Premacure. The Committee reviewed and critiqued the valuation techniques and critical accounting estimates used in the financial statements and satisfied itself that these were reasonable and appropriately applied. The Committee addresses these matters through receiving reports from management which discuss the assumptions used. In addition, as a prime source of audit focus, Deloitte provide detailed reporting to the Committee (see Note 4 to the consolidated financial statements);
- accounting for litigation provisions and costs (see Note 3 (iv) and Note 19 to the consolidated financial statements);
- the carrying value of the Company's intangible assets. The Committee reviewed and critiqued the judgments and sensitivities relevant to intangible asset and goodwill impairment reviews, and the impairment charges recognised in respect of goodwill in the Group's former Regenerative Medicine division and the RESOLOR in-process research and development assets. The judgments in relation to asset impairment largely relate to the assumptions underlying the calculation of the value in use of the asset being tested, primarily the achievability of the long term business plan underlying the valuation process. The Committee received reports from management outlining the basis for the assumptions used and in addition Deloitte provided detailed reporting to the Committee (see Note 3 (i) to the consolidated financial statements).
- the review of questions posed by the SEC regarding Shire's 2012 Form 10-K filing and the approval of Shire's response;
- accounting for sales deductions and rebates, and the key judgments and estimates applied by the Company in calculating the liability recorded in the

balance sheet for such items. These judgments are discussed by the Committee with management and as an area of audit focus Deloitte provide regular reporting to the Committee (see Note 3 (ii) to the consolidated financial statements);

- accounting for various tax related matters, including the level of tax provisions. Accounting for income tax is underpinned by a range of judgments (see Note 3 (iii) to the consolidated financial statements). The Committee addresses these issues through a range of reporting from senior management and also receives verbal and written reporting from Deloitte on these matters; and
- disclosures contained within the Group's 2012 full-year and 2013 quarterly results announcements and related financial reports.

Internal controls and risk management pertaining to the financial reporting process

The Group's internal controls over financial reporting are designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles.

The key features of the Company's internal controls over financial reporting include a series of policies and procedures that:

- pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the acquisitions and disposals of the assets of the Company;
- provide reasonable assurance that transactions are recorded correctly so as to permit the preparation of financial statements in accordance with generally accepted accounting principles and that receipts and expenditures of the Company are being made only in accordance with prescribed authorization levels; and
- provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposal of the Company's assets that could have a material effect on the Company's financial statements.

Because of inherent limitations of internal controls over financial reporting, material misstatements due to error may not be prevented or detected. Projections of any evaluation of effectiveness for future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate. To mitigate this risk, during the year the Group's management assessed the effectiveness of internal controls over financial reporting based on the framework in *Internal Control – Integrated Framework* issued by the Committee of Sponsoring Organizations ('COSO') of the Treadway Commission. Based on this assessment, management believes that the Group's internal controls over financial reporting were effective as of December 31, 2013.

The Board, together with the Committee, reviews material risks impacting the Company on a timely basis as they arise. In addition, on an annual basis the Board reviews the key risks, associated mitigation plans and the effectiveness of the Group's internal controls, with the Committee conducting bi-annual reviews. Further details on risk mitigation can be found on page 24. In addition, the Group's external auditor, Deloitte, an independent registered public accounting firm, has issued an independent auditor's report on the effectiveness of the Group's internal controls over financial reporting which can be found on page 95.

Committee activities

The Committee's activities during the year related to the financial statements and associated internal controls and risk management systems included:

- the review of the Group's treasury policies and activities including a review of the Company's governance and systems relating to cash and investment management;
- the review of proposed financing arrangements pertaining to potential and ongoing M&A activity;
- the monitoring of the Group's accounts receivable exposure in certain Eurozone countries and the associated risk mitigation activities;
- annual review of the Group's tax strategy and assessment of fiscal risk; and
- the review and approval of the Group's delegated levels of authority.

External audit

Independence and objectivity

The Committee recognises both the need for an objective and independent external auditor and how such objectivity and independence might be, or appear, compromised through the provision of non-audit services. Accordingly, the

Committee has overseen the implementation of a policy on the provision of non-audit services by the external auditor with a view to safeguarding these core attributes. The policy provides that, amongst other things, the auditor must not provide a service which:

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

In addition, the policy prescribes services from which the external auditor is explicitly prohibited from providing, and those the provision of which has been pre-approved by the Committee subject to individual and aggregate monetary limits. All proposed services falling outside of the scope of the policy, or the monetary limits contained therein, must receive pre-approval from the Committee or from its Chairman subject to Committee approval at its subsequent scheduled meeting.

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

During the year the Committee met with the external auditor to consider the external auditor's independence and objectivity; ensuring that the relationship between the external auditor and members of financial management had not resulted, or appeared to result, in a lack of independence or objectivity. The Committee considers that, during 2013, the external auditor was sufficiently robust in dealings with members of financial management and that, in their absence, the external auditor was transparent and decisive in dealings with the Committee. Details of the breakdown and value of non-audit fees paid or due to the external auditor as a result of services provided during 2013 can be found in Note 30 to the consolidated financial statements.

Effectiveness

The Committee recognises the importance of having a high caliber of audit and as such, undertakes an annual assessment of the effectiveness of the external audit process. As part of its evaluation, the Committee drew upon a survey of members of financial management which measured the external auditor's performance against predetermined

"critical success factors", designed to facilitate continuing and measurable improvement in the effectiveness of the external audit process. The Committee concluded that the "critical success factors" had been substantially met with there existing a constructive working relationship between the external auditor and members of financial management. Moreover, the Committee determined that the audit process was sufficiently robust, with the external auditor demonstrating continued commitment to the performance of high-quality audit work. Further areas of development were identified and communicated to the external auditor which in turn has committed to working with management and the Committee to address these in 2014.

Appointment and tendering

Deloitte LLP has served as Shire's external auditor since 2002, with the current audit partner having served since his appointment in 2012. Following the review of Deloitte's continued objectivity, independence, and performance in respect of the 2013 financial year, and having received an expression of willingness to continue in office as external auditor, the Committee recommended to the Board the re-appointment of Deloitte LLP as the Company's external auditor for the 2014 financial year. There existed no contractual obligations that inhibited or influenced the Committee's recommendation.

In accordance with developments in the UK corporate governance regime and best practice with respect to external audit tendering and rotation, it is the Company's policy that the external audit be put to tender at least once in every ten-year period, with the external audit partner rotating on a five-yearly basis. Notwithstanding such policy, having regard to the Financial Reporting Council's "transitional arrangements" for external audit tendering and the ongoing developments in audit regulation, it is the Committee's intention, subject to then-prevailing circumstances, to consider the external audit tender nearer the time of the next scheduled audit partner rotation in 2016.

Committee activities

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

- the review of quarterly updates provided by the external auditor encompassing key risks, audit planning, governance updates and other business-related matters;
- the final review of the 2012 audit and the initial review of the external auditor's performance and effectiveness during the 2013 financial year, including a review of management's assessment of the performance and effectiveness of the external auditor;

- the review and approval of the 2013 Audit Plan and audit fee; and
- an assessment of the objectivity and independence of the external auditor.

Other matters

Internal audit

Internal audit effectiveness is monitored and reviewed on an ongoing basis by senior management, overseen by the Committee, with auditees providing supplementary feedback as appropriate. The Internal Audit Plan is approved annually by the Committee; progression against which is reviewed quarterly. In addition, every four years the Company's internal audit procedures and capabilities undergo an independent external assessment against global standards, with the ensuing report reviewed by the Committee Chairman and the Chief Financial Officer.

Whistleblowing

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

Committee activities

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

- compliance updates from the Chief Compliance and Risk Officer and the Head of Internal Audit;
- the renewal of terms of the Group's insurance program against the wider insurance market;
- developments to the UK corporate governance regime and the associated implications for the Company;
- the Company's strategy in respect of IT systems and its approach to cyber security;
- the review of the Group's internal audit program; and
- the review of the Group's corporate risk schedule, including consideration of the key risks faced by the Group and the associated mitigation strategy.

Nomination Committee



David Kappler
Chairman of the Nomination Committee

Membership and meetings

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

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

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

¹ Susan Kilsby was appointed as a member of the Committee on February 1, 2014.

² Matthew Emmens is to step down on April 29, 2014.

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

Role of the Committee

The Committee is responsible for:

- reviewing the size and composition of the Board and making recommendations to the Board with respect to alterations;
- identifying, and nominating for the approval of the Board, candidates for new Board appointments;

- reviewing succession planning for Executive and Non-Executive Directors with a view to ensuring the long term success of the Group;
- making recommendations to the Board regarding the re-election and re-appointment of Non-Executive Directors; and
- making recommendations to the Board with respect to the membership of Board committees.

Key considerations and activities

During the year the Committee's principal considerations and activities were:

Appointment of Dominic Blakemore

Following a regular review of the composition of the Board it was agreed early in the year to seek a new Board member who would bring, amongst other things, financial and strategic experience. With Odgers Berndtson assisting the search, the Board agreed to Dominic's appointment which was announced in October. Upon Dominic's appointment on January 1, 2014 he also became a member of the Audit, Compliance & Risk Committee, of which he is to be appointed Chairman on April 29, 2014.

Committee effectiveness review

This process was led by the Chairman of the Committee with the assistance of the Company Secretary and involved one-to-one discussions with each Committee member. The results of the review and the conclusions drawn were noted at the next Board meeting.

Terms of reference review

During the year the Committee reviewed its terms of reference and recommended minor modifications to the Board for approval.

Board appointments procedure

Board composition is central to the effective leadership of the Group and therefore, prior to commencing any search for prospective Board members, the Committee reflects on the Board's current balance of skills and experiences and those that would be conducive to the delivery of the Company's strategy. A recommendation is then made to the

Board as to the core attributes sought, following which an appropriately qualified external search firm is engaged and informed, amongst other things, of the time commitment required of any appointee and of Shire's Board Diversity Policy. Short-listed candidates are interviewed by as many of the Committee members as is feasible, following which any preferred candidate is made available to meet with other members of the Board who collectively make the decision whether or not to appoint. During the year Odgers Berndtson and Catalyst Advisors assisted the Board with candidate searches, both of which have no other connection with the Company.

Science & Technology Committee



Dr. David Ginsburg
Chairman of the Science & Technology Committee

Membership and meetings

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

Committee member	Date of appointment	Meeting attendance
David Ginsburg	June 16, 2010	5(5)
William Burns	Feb 8, 2012	5(5)
Steven Gillis	Oct 1, 2012	5(5)

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

The Committee typically meets before scheduled meetings of the Board, with five meetings held during the year. In addition to members of the Committee the Chief Executive Officer, the Head of Business Development, the Head of Research & Development, the Heads of Strategic Planning & Program Management and the Head of Clinical Research & Development regularly attended meetings at the invitation of the Committee Chairman.

Role of the Committee

The Committee's principal responsibility is to periodically review and advise the Board on the Company's investment in research, development and technology. In doing so, the Committee:

- advises the Board on emerging science and technology issues and trends;
- provides assurance to the Board on the overall quality and expertise of medical and scientific talent within the Company;
- assures the Board, from a scientific perspective, on the quality and competitiveness of the Company's R&D programs and technology initiatives; and
- provides the Board with its views on the scientific, technical and medical merits of any potential significant R&D investments.

Key considerations

The Committee's principal considerations during the year covered:

- significant data generated by late-stage development programs, including VYVANSE for adults with BED and lifitegrast for adults with Dry Eye disease;
- the results of the R&D operational restructuring in accordance with the wider One Shire restructuring initiative; and
- the relevant clinical or material pre-clinical data identified during due diligence relating to material business development transactions including Lotus Tissue Repair, Premacure, SARcode and ViroPharma.

Executive Committee



Dr. Flemming Ornskov
Chairman of the Executive Committee

Membership and meetings

Chaired by the Chief Executive Officer, the Executive Committee's membership is drawn from Shire's Executive Directors and senior management. The Committee, formerly known as the Leadership Team, comprises the Chief Executive Officer, the Chief Financial Officer and the General Counsel and Company Secretary.

The Committee typically meets on a monthly basis to deliberate significant items of business; scheduling additional meetings as required. In addition to its members, during the year other members of senior management attended Committee meetings at the invitation of the Committee Chairman.

Role of the Committee

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

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

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

Key considerations

The Committee's significant considerations during the year included:

- refinement of the Group's strategy; recommending it to the Board for approval.
- review of potential and ongoing business development opportunities including integration plans;
- the One Shire restructuring initiative including development, implementation and impact assessment;
- financial matters including product performance reviews and budget updates;
- compliance updates from across the Group; and
- human resource matters including policy review and approval and the preparation of the corporate scorecard.