BOARD OF DIRECTORS

PETER GRAY
Chairman (62)

BRENDAN MCATAMNEY
Chief Executive Officer (54)

ALAN RALPH
Chief Financial Officer (47)

CHRIS CORBIN
Managing Director Ashfield (61)

LINDA WILDING
Non-Executive Director (57)

Biography

Peter Gray is Chairman and non-executive director of UDG Healthcare. Peter formerly held senior executive positions in a number of Irish public companies, the most recent being that of Vice Chairman and Chief Executive of ICON plc, the Irish based multinational pharmaceutical development services company.

Brendan McAtamney is the Group Chief Executive Officer and was appointed on 2 February 2016. Brendan was the Group’s Chief Operating Officer since 1 September 2013 until his appointment as Chief Executive. Before joining UDG Healthcare, Brendan held various senior management positions with Abbott, latterly as Vice President Commercial and Corporate Officer within the Established Pharmaceuticals division.

Alan Ralph joined UDG Healthcare in 1999 and was appointed Chief Financial Officer on 1 June 2013. Alan previously had responsibility for the Supply Chain Services division. Alan also held various roles throughout the Group including Managing Director of the Pharma Wholesale division and Group Financial Controller. Formerly, Alan worked with Banta Corporation and PricewaterhouseCoopers.

Chris Corbin is Managing Director of the Ashfield division. Chris founded Ashfield Healthcare Limited and previously held sales management positions with Parke Davis, Fisons, Astra and May & Baker. Chris was formerly Patron for SETPOINT Leicestershire, Chairman of Leicestershire Business Awards and a member of Derbyshire Magistrates Bench.

Linda Wilding’s career includes 12 years at Mercury Asset Management where she held the position of Managing Director in the Private Equity division. Prior to this, Linda qualified as a chartered accountant while working with Ernst & Young.

Term of Office

Peter was appointed Chairman of the Board on 7 February 2012 having served as a non-executive director since 28 September 2004.

Brendan was appointed to the Board of UDG Healthcare as an executive director on 16 December 2013.

Alan was appointed to the Board of UDG Healthcare as an executive director on 19 June 2008.

Chris was appointed to the Board of UDG Healthcare as an executive director on 20 June 2003.

Linda was appointed to the Board of UDG Healthcare as a non-executive director on 16 December 2013.

Independent

Not applicable

No

No

No

Yes

External Appointments

Peter is currently a non-executive director of Jazz Pharmaceuticals plc and Chairman of two other private companies.

Not Applicable

Not Applicable

Not Applicable

Linda is currently Chair of the Valuation Committee at HgCapital Private Equity and HgCapital Renewable Investments. Linda also serves as a non-executive director of Imperial Innovations Group plc and Electra Private Equity plc.

Committee Membership

N  R  A  R
Biography

Gerard van Odijk has 25 years experience in the European healthcare industry and was formerly President and Chief Executive Officer of Teva Pharmaceuticals Europe. Prior to this, Gerard held various senior management positions with GlaxoSmithKline, latterly holding the position of Senior Vice President and Area Director Northern Europe. Gerard also holds a medical degree from the University of Utrecht.

Lisa Ricciardi was formerly Senior Vice President of Foundation Medicine, Inc. and prior to this was Senior Vice President of US and International Business Development at Medco Health Solutions. Lisa also held multiple senior roles in Pfizer, first in operations then leading business development for over a decade.

Philip Toomey was appointed a non-executive director of UDG Healthcare on 27 February 2008 and was appointed Senior Independent non-executive Director on 14 June 2013. Philip was formerly Global Chief Operating Officer for the financial services industry practice of Accenture. Philip has wide ranging international consulting experience and was a member of the Accenture Global Leadership Council.

Chris Brinsmead CBE was formerly Chairman of AstraZeneca Pharmaceuticals UK, President of AstraZeneca UK and Ireland and President of the Association of the British Pharmaceutical Industry (ABPI).

Nancy Miller-Rich is Senior Vice-President, Business Development & Licensing, Strategy and Commercial Support for Global Human Health at MSD, known as Merck in the United States and Canada. With more than thirty years of experience in the healthcare industry, Nancy’s background includes sales, marketing, and business development for MSD, Schering-Plough, Sandoz (now Novartis), and Sterling Drug.

Term of Office

Gerard was appointed to the Board of UDG Healthcare as a non-executive director on 16 December 2013.

Lisa was appointed to the Board of UDG Healthcare as a non-executive director on 14 June 2013.

Philip was appointed to the Board of UDG Healthcare as a non-executive director on 27 February 2008.

Chris was appointed to the Board of UDG Healthcare as a non-executive director on 12 April 2010.

Nancy was appointed to the Board of UDG Healthcare as a non-executive director on 20 June 2016.

Independent

Yes

Yes

Yes

Yes

Yes

External Appointments

Gerard is currently Chairman of Bavarian Nordic A/S and Chairman of HTL Strefa.

Lisa is currently a non-executive director of Chimerix, Inc.

Philip is currently a non-executive director of Kerry Group plc.

Chris is currently a non-executive director of Cambian Group plc, the Wesleyan Assurance Society and is a member of council at Imperial College London.

Not Applicable

Committee Membership

<table>
<thead>
<tr>
<th>Gerard van Odijk</th>
<th>Lisa Ricciardi</th>
<th>Philip Toomey</th>
<th>Chris Brinsmead CBE</th>
<th>Nancy Miller-Rich</th>
</tr>
</thead>
<tbody>
<tr>
<td>Non-Executive</td>
<td>Non-Executive</td>
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<td>Non-Executive</td>
<td>Non-Executive</td>
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<tr>
<td>Director (58)</td>
<td>Director (56)</td>
<td>Director (63)</td>
<td>Director (57)</td>
<td>Director (57)</td>
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</tbody>
</table>

Committee Membership Key

- Audit Committee
- Nominations & Governance Committee
- Risk, Investment & Financing Committee
- Remuneration Committee

 Indicates Committee Chair

UDG Healthcare plc
Annual Report and Accounts 2016

57
Chairman’s Introduction to Corporate Governance

UDG continues to comply with all aspects of governance in pursing its strategic priorities and growth ambitions.

Peter Gray
Chairman

DEAR SHAREHOLDER,
I am pleased to report that for the year ended 30 September 2016, UDG Healthcare is fully compliant with the requirements of the 2014 UK Corporate Governance Code. Specific details on Board effectiveness, independence and meetings are outlined in the remainder of this report.

Last year we reported that our governance focus was to ensure we take measured risks in growing the Company, charting a sound strategic course and ensuring we have the resources to do this in an environment where reward is appropriately balanced, and proper controls and ethical practices are in place. This continues to be our modus operandi and we are confident that we will be able to deliver on our strategic ambitions within this framework.

As a collaborative Board, we try to ensure our time is spent productively, engaging with the challenges and opportunities of the business, with clear lines of responsibility and accountability. For this reason, we reassessed the terms of reference of each of the Committees and realigned their responsibilities to ensure important aspects of governance continue to be addressed, without undue reliance on any one Committee while ensuring the Board devotes the bulk of its time to operational and strategic oversight.

During 2016, the Company conducted another satisfactory external Board evaluation and further details on the process undertaken and recommendations made are on page 61. The outcomes of this evaluation were comprehensive, constructive and very positive. We will continue to make improvements and act on the recommendations made.

Our Board is currently comprised of 10 members, the Chairman, three executive directors and six non-executive directors, three of whom are women. We comprise three Irish residents, four UK residents, two US residents and one Dutch resident, have eight members with healthcare industry experience and two with other diverse industry experience. Overall, we believe we have good diversity and will continue to add similar calibre talent as we evolve. With that in mind, we have a current search ongoing as mentioned in my Chairman’s Statement.

Lastly, it has been another exceptionally busy year for the Board with the CEO transition, appointment of new auditors, two transactions completed and a number of others reviewed. We have also committed to some significant capital expenditure projects to future-proof the organisation for growth.

As always, we continue to engage regularly with our shareholders to ensure we keep abreast of their considerations and concerns and will continue to do so in the coming year.

Peter Gray
Chairman
Corporate Governance

UDG HEALTHCARE GOVERNANCE FRAMEWORK

CHAIRMAN – PETER GRAY

BOARD OF DIRECTORS

Audit Committee
Chair
Philip Toomey

Remuneration Committee
Chair
Linda Wilding

Nominations & Governance Committee
Chair
Peter Gray

Risk, Investment & Financing Committee
Chair
Chris Brinsmead

Senior Executive Team

Risk & Viability sub-Committee
Quality & Compliance sub-Committee

COMPLIANCE WITH THE UK CORPORATE GOVERNANCE CODE

The 2016 UK Corporate Governance Code (the ‘Code’) sets out the standards for corporate governance to be applied by companies with a listing on the London Stock Exchange. UDG Healthcare continues to comply with the provisions in the Code.

This Corporate Governance Report sets out details of how the Company has applied the main principles of the Code. Copies of the Code can be found on the Financial Reporting Council’s website (www.frc.org.uk).

LEADERSHIP

BOARD

The Board is responsible for the leadership, oversight and long term success of the Group. The Board has reserved certain items for its review including the approval of:

• Group strategic plans;
• financial statements and budgets;
• significant acquisitions and disposals;
• significant capital expenditure;
• dividends; and
• Board appointments.

The roles of Chairman and Chief Executive are separate with a clear division of responsibility between them. The Board has delegated some of its responsibilities to Board Committees, details of which are set out below.

BOARD COMMITTEES

The Board has established four Committees to assist in the execution of its responsibilities. These Committees are the Audit Committee (chaired by Philip Toomey), the Remuneration Committee (chaired by Linda Wilding), the Nominations & Governance Committee (chaired by Peter Gray) and the Risk, Investment & Financing Committee (chaired by Chris Brinsmead).

Each Committee has specific terms of reference under which authority is delegated to it by the Board. These terms of reference are reviewed annually and are available on the Group’s website. The Chair of each Committee reports to the Board regularly on its activities and also attends the AGM and is available to answer questions from shareholders. The current membership of each Committee, details of attendance and each member’s tenure are set out in each individual Committee report.

CHAIRMAN

Peter Gray has served as Chairman of the Board since 7 February 2012. The Chairman leads the Board, ensuring its effectiveness by:

• providing a sounding board to the Chief Executive;
• setting the agenda, style and tone of Board meetings;
• promoting a culture of openness and debate ensuring constructive relations between executive and non-executive directors;
• ensuring that directors receive accurate, relevant, timely and clear information;
• ensuring the effective operation, leadership and governance of the Board; and
• ensuring effective communication with shareholders.
LEADERSHIP CONTINUED

SENIOR INDEPENDENT NON-EXECUTIVE DIRECTOR

Philip Toomey has served as Senior Independent non-executive Director (SID) since 14 June 2013. The SID provides a sounding board for the Chairman and conducts an annual review of the performance of the Chairman. The SID is available to shareholders who have concerns that cannot be addressed through the Chairman, Chief Executive or Chief Financial Officer and is also available to act as an intermediary for directors, if necessary.

NON-EXECUTIVE DIRECTORS

The role of the non-executive directors is to:

- constructively challenge and debate management proposals;
- examine and review management performance in meeting agreed objectives and targets;
- assess risk and the integrity of financial information and controls;
- determine the appropriate levels of remuneration of executive directors and ensure appropriate succession plans are in place; and
- input their knowledge and experience in respect of any challenges facing the Group, and in particular, to the development of strategy and strategic plans.

COMPANY SECRETARY

Damien Moynagh was appointed Company Secretary on 21 September 2016. The Company Secretary assists the Chairman in ensuring the effective operation of the Board and has the following responsibilities:

- to ensure good information flows between the Board and its Committees, senior management and non-executive directors;
- to ensure that Board procedures are followed;
- to facilitate director induction and assist with professional development; and
- to advise the Board on corporate governance obligations and developments in best practice.

CHIEF EXECUTIVE

Brendan McAtamney was appointed Chief Executive on 2 February 2016. The Chief Executive is responsible and accountable to the Board for the management and operation of the Group and for implementing the Group’s strategy and policies as agreed by the Board through the Senior Executive Team. The Chief Executive also maintains a close working relationship with the Chairman, shareholders and potential shareholders, and major external bodies to promote the culture and Values of the Group.

MEETINGS

The Board met 9 times during the year. Details of directors’ attendance at these meetings are set out below. In the event a director is unavailable to attend a Board meeting, he or she can communicate their views on any items to be raised at the meeting through the Chairman.

<table>
<thead>
<tr>
<th>Name</th>
<th>A</th>
<th>B</th>
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<tbody>
<tr>
<td>Chris Brinsmead</td>
<td>9</td>
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<tr>
<td>Chris Corbin</td>
<td>9</td>
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</tr>
<tr>
<td>Liam FitzGerald</td>
<td>9</td>
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<tr>
<td>Peter Gray</td>
<td>9</td>
<td>9</td>
</tr>
<tr>
<td>Brendan McAtamney</td>
<td>9</td>
<td>9</td>
</tr>
<tr>
<td>Nancy Miller-Rich</td>
<td>3</td>
<td>3</td>
</tr>
<tr>
<td>Gerard van Odijk</td>
<td>9</td>
<td>9</td>
</tr>
<tr>
<td>Alan Ralph</td>
<td>9</td>
<td>9</td>
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<tr>
<td>Lisa Ricciardi</td>
<td>9</td>
<td>9</td>
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<tr>
<td>Philip Toomey</td>
<td>9</td>
<td>9</td>
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<tr>
<td>Linda Wilding</td>
<td>9</td>
<td>9</td>
</tr>
</tbody>
</table>

Column A – Number of meetings held during the year when the director was a member.
Column B – Number of meetings attended during the year when the director was a member.

EFFECTIVENESS

BOARD COMPOSITION

The Board is currently comprised of ten directors, three executive directors and seven non-executive directors. Biographical details are set out on pages 56 and 57.

As previously disclosed, Liam FitzGerald stepped down from the Board on 21 September 2016.
INDUCTION AND DEVELOPMENT
Non-executive directors are engaged under the terms of a Letter of Appointment, a copy of which is available on request from the Company Secretary, and at the Company’s AGM. On appointment, directors receive a full, formal induction and are given briefing materials tailored to their individual requirements, to facilitate their understanding of the Group and its operations. New directors meet with Board members and senior executive management as part of the induction process. Visits to each of the Group’s main locations are scheduled to provide the director with an opportunity to meet divisional management and get insights into the businesses. Non-executive directors also receive additional training and presentations from across the businesses to update their knowledge and develop their understanding of the Company.

INDEPENDENCE
The Board has determined that at least half the Board, excluding the Chairman, is comprised of independent non-executive directors. All of the non-executive directors are considered to be independent.

SUCCESSION PLANNING AND DIVERSITY
As noted in the Chairman’s Introduction to Corporate Governance, the Board believes that diversity is an essential foundation for building long term sustainability in business and introduces different perspectives into Board debate. This philosophy forms an important element of our succession planning when considering new appointments to the Board. Ms. Nancy Miller-Rich was appointed to the Board on 20 June 2016. Details of the process leading to this appointment are summarised in the Nominations & Governance Committee Report on pages 86 and 87.

Whilst it is the Group’s policy to ensure the best candidate for the position is selected, the Board will continue to ensure diversity is taken into account when considering any new appointments to the Board.

BOARD EVALUATION
The Board engaged Independent Audit Board Review (‘Independent Audit’) to facilitate an external Board evaluation this year. Independent Audit has no other relationship with the Group. Between June and August, a consultant conducted one-to-one interviews with each Board member, the Company Secretary and a number of Senior Executives who regularly attend Board and Committee meetings. The consultant also attended a two-day Board meeting to observe Board interaction and debate and conducted a review of a collection of Board and Committee papers circulated over the prior year. The review focussed on the following key areas:

- succession planning;
- meeting dynamics;
- Board information;
- administration and logistics;
- organisational culture;
- risk framework;
- remuneration; and
- Board Committees.

The output from this review was presented to the Board at its September meeting and indicated that the Board and Committees had many strengths, was made up of enthusiastic and committed directors who were overall, a motivated and successful team that continued to operate effectively. The agreed action items out of this review are summarised below:

- transparency around the Board succession planning process to be enhanced;
- Board papers relating to Corporate Development activities to be refined with agreed templates established collectively by executive and non-executive members;
- meeting logistics to be reviewed and technology to facilitate video-conferencing to be explored;
- the non-executive directors engagement on the promotion of corporate culture to be increased; and
- Committee remits to be clarified, particularly the Risk, Investment & Financing Committee and the Nominations & Governance Committee.

The Company Secretary in conjunction with the Chairman of the Board will follow up on these recommendations and ensure they are implemented in 2017.

The performance of individual directors was primarily assessed through discussions held by the Chairman with directors on an individual basis. The performance of the Chairman was led by the SID and reviewed by the Board in the absence of the Chairman. Feedback was communicated by the SID to the Chairman following the review.

The Board will continue to review its performance on an annual basis.
ACCOUNTABILITY
The Board is committed to providing a fair, balanced and understandable assessment of the Company's position and prospects.

Responsibility for reviewing the Group's internal financial control and financial risk management systems and monitoring the integrity of the Group's financial statements has been delegated by the Board to the Audit Committee. Details of how these responsibilities were discharged is set out in the Audit Committee Report on pages 63 to 66.

Responsibility for reviewing the Group's risk management and risk evaluation procedures has been delegated by the Board to the Risk, Investment & Financing Committee. Details of how these responsibilities were discharged is set out in the Risk, Investment & Financing Committee Report on pages 88 and 89.

Following the updates to the UK Corporate Governance Code, in particular in relation to the risk management process and long term viability of the Group, the recommendations were also assessed and details of this assessment are laid out on pages 19 to 23.

The Board receives regular updates from the Chair of each Committee.

REMUNERATION
The Board has adopted remuneration policies that are considered sufficient to promote the long term success of the Company whilst ensuring that the performance related elements are both stretching and rigorously applied.

The Company again presents the Directors' Remuneration Report in accordance with the requirements of the UK Companies Act 2006 and the Large and Medium-sized Companies and Groups (Accounts and Reports) (Amendment) Regulations 2013 (the ‘Regulations’). Details of directors' remuneration and share ownership, as required by the Regulations, are set out in the Directors' Remuneration Report on pages 67 to 85.

RELATIONS WITH SHAREHOLDERS
SHAREHOLDER ENGAGEMENT
The Board recognises the importance of regular dialogue with shareholders and has an ongoing investor relations programme. While the Chairman takes overall responsibility for ensuring that the views of our shareholders are communicated to the Board as a whole and that all directors are made aware of major shareholders’ issues and concerns, contact with major shareholders is principally maintained by the Chief Executive, the Chief Financial Officer and the Group Head of Investor Relations.

A programme of meetings with institutional shareholders, fund managers and analysts takes place each year. There is regular dialogue with institutional shareholders, as well as general presentations at the time of the release of the annual and interim results. The Chairman also attends meetings and presentations with shareholders during the year, and seeks to meet major shareholders, and those who request meetings, when appropriate. In September 2016, the Senior Independent Director and one other non-executive attended the Group’s Capital Markets Day in London, giving investors the opportunity to interact with a number of Board members.

SHAREHOLDER COMMUNICATIONS
Results announcements are released promptly to shareholders. Trading updates were also issued in February and August 2016. In addition, information including acquisition details are notified to the stock exchange in accordance with the requirements of the Listing Rules and other applicable rules and regulations.

The Group's website (www.udghealthcare.com) provides the full text of the annual and interim reports, investor presentations, trading updates and other stock exchange announcements.

GENERAL MEETINGS
The Company's AGM gives shareholders the opportunity to question the Chairman and the Board. The Notice of Annual General Meeting, the Form of Proxy and the Annual Report are issued to shareholders at least 20 working days before the meeting. At the meeting, resolutions are voted on by a show of hands of those shareholders attending, in person or by proxy. After each resolution has been dealt with, details are given of the level of proxy votes cast on each resolution and the number of votes for, against and withheld. If validly requested, resolutions can be voted by way of a poll whereby the votes of shareholders present and voting at the meeting are added to the proxy votes received in advance of the meeting and the total number of votes for, against and withheld for each resolution are announced. Details of proxy votes received are also made available on the Company’s website following the meeting.

A quorum for a general meeting of the Company is constituted by three or more shareholders present in person or by proxy and entitled to vote. The passing of resolutions at a meeting of the Company, other than special resolutions, requires a simple majority. To be passed, a special resolution requires a majority of at least 75% of the votes cast.

Shareholders have the right to attend, speak, ask questions and vote at general meetings. The Company specifies record dates for general meetings, by which date shareholders must be registered on the Company’s register to be entitled to attend. Record dates are specified in the Notice of AGM. Shareholders may exercise their right to vote by appointing a proxy, by electronic means or in writing, to vote some or all of their shares. The requirements for the receipt of valid proxy forms are set out in the Notice of AGM.
Audit Committee Report

2016 was a busy year for the Audit Committee with the focus being on appointing new external auditors for the Group from 2017 and enabling a smooth and successful transition.

Philip Toomey
Chair of the Audit Committee

ATTENDANCE RECORD AND TENURE

<table>
<thead>
<tr>
<th>Member</th>
<th>Column A – Number of meetings held when director was a member.</th>
<th>Column B – Number of meetings attended when director was a member.</th>
<th>Committee tenure</th>
</tr>
</thead>
<tbody>
<tr>
<td>Philip Toomey (Chair)</td>
<td>7</td>
<td>7</td>
<td>8 years</td>
</tr>
<tr>
<td>Gerard van Odijk</td>
<td>7</td>
<td>7</td>
<td>2 years</td>
</tr>
<tr>
<td>Linda Wilding</td>
<td>7</td>
<td>6</td>
<td>3 years</td>
</tr>
</tbody>
</table>

COMPOSITION

On 30 September 2016, the members of the Committee were Philip Toomey (Chair), Linda Wilding and Gerard van Odijk, each of whom are considered by the Board to be independent. As set out in the biographical details on pages 56 and 57, the members of the Committee have a strong mix of skills, expertise and experience from a wide variety of industries and as a whole, have the relevant competencies for the sector in which we operate. The Board has determined that both Philip Toomey, a Fellow of the Institute of Chartered Accountants in Ireland, and Linda Wilding, a Member of the Institute of Chartered Accountants in England and Wales, are the Committee’s financial experts.

MEETINGS

The Committee met seven times during the year ended 30 September 2016. Individual attendance at these meetings, along with the tenure of each member, is set out above.

The Chief Executive, the Chief Financial Officer, the Group Finance Director and the Head of Internal Audit alongside representatives of the external auditor are invited to attend each meeting of the Committee. In addition, the Chairman of the Board attends meetings at the invitation of the Committee.

The Committee regularly meets separately with the Head of Internal Audit and with the external auditor without others being present.

The Chair of the Committee reports to the Board, as part of a separate agenda item at Board meetings, on all significant matters reviewed by the Committee.

ROLE AND RESPONSIBILITIES

The Committee supports the Board in fulfilling its responsibilities in relation to financial reporting and reviews the effectiveness of the Group’s internal financial control and financial risk management systems. The Committee also monitors and reviews the effectiveness of the Group’s internal audit function and, on behalf of the Board, manages the appointment and remuneration of the external auditor as well as monitoring their performance and independence. The Group has an independent and confidential reporting procedure and the Committee monitors the operation of this facility.

Once again, the Board requested that the Committee advise it on the long term viability of the Group. Details of this review and the Group’s Viability Statement are contained in the Risk Report on pages 19 to 23.

The activities undertaken by the Committee in fulfilling its key responsibilities in respect of the year to 30 September 2016 are set out overleaf.
FINANCIAL REPORTING
The Group’s financial statements are prepared by finance personnel with the appropriate level of qualifications and expertise.

The Committee is responsible for monitoring the integrity of the Group’s financial statements and reviewing the significant financial reporting judgements contained therein.

In respect of the year to 30 September 2016, the Committee reviewed the Group’s Trading Updates issued in February and August 2016, the Interim Report for the six months to 31 March 2016 and the Preliminary Announcement and Annual Report for the year to 30 September 2016.

In carrying out these reviews, the Committee considered:

- whether the Group had applied appropriate accounting policies and practices;
- the consistency of accounting policies both on a year-on-year basis and across the Group;
- whether the Annual Report and Accounts, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group’s performance, business model and strategy;
- the clarity and completeness of disclosures and compliance with relevant financial reporting standards and corporate governance and regulatory requirements; and
- the significant areas in which judgement had been applied in preparation of the financial statements in accordance with the accounting policies are set out on pages 103 to 112.

The significant areas of judgement considered by the Committee in relation to the Financial Statements for the year to 30 September 2016 and how these were addressed are outlined below.

In addition, each of these areas received particular focus from the external auditor, who provided detailed analysis and assessment of the matters in their report to the Committee.

ACCOUNTING FOR THE DISPOSAL OF THE UNITED DRUG SUPPLY CHAIN BUSINESSES
The Group completed the disposal of the United Drug Supply Chain businesses that form part of the Supply Chain Services division and of MASTA which forms part of the Ashfield division on 1 April 2016.

Following discussions with management and the external auditor, the Committee considered the accounting treatment and disclosures relating to the reported results of these businesses prior to sale and the profit on disposal of these businesses and was satisfied that this treatment was appropriate.

GOODWILL IMPAIRMENT
The Committee considered the carrying value of goodwill in the 2016 financial statements. As part of the annual impairment testing process, management prepare detailed models assessing the recoverable amount of each cash generating unit (CGU), based on a value in use approach. The Committee reviewed these models and, having considered the underlying judgements and assumptions, were satisfied with the methodology used and the result of the assessment. Details of the impairment testing process, including the underlying assumptions, are set out in note 13.

VALUATION OF TRADE RECEIVABLES
The Committee reviewed the judgements applied by management on the level of trade receivable provisioning across the Group. In carrying out this review, the Committee discussed the level of recoverability and provisions with management and reviewed reports prepared by the Head of Internal Audit and the external auditor.

REVENUE RECOGNITION
The Group has a variety of contractual arrangements across its businesses. The critical area of judgement from a revenue perspective is the determination of the proportion to the stage of completion of the related contract to ensure revenue is being recognised in line with the accounting policies of the Group. The Committee, through discussions with management, the external auditor and the Head of Internal Audit, considered the judgements applied when determining the appropriate revenue recognition profile applied to the relevant contracts.
INTERNAL CONTROL
The Committee is responsible, on behalf of the Board, for reviewing the effectiveness of the Group’s internal financial controls and financial risk management systems.

In carrying out these responsibilities, the Committee reviewed reports issued by both internal audit and the external auditor and held regular discussions with the Head of Internal Audit and representatives of the external auditor. The Committee also reviewed the outcome of an assessment of the Group’s internal financial controls which had been co-ordinated by internal audit.

This process, which has been in place throughout the financial year up to the date of the approval of the Annual Report and Financial Statements, accords with the FRC Guidance on Risk Management, Internal Control and Related Financial and Business Reporting and is regularly reviewed by the Board. This system of internal control is designed to manage, rather than eliminate, the risk of failure to achieve business objectives and can only provide reasonable and not absolute assurance against material misstatement or loss.

INTERNAL AUDIT
The Committee is responsible for monitoring and reviewing the operation and effectiveness of the internal audit function including its focus, plans, activities and resources.

At the beginning of the financial year, the Committee reviewed and approved the internal audit plan for the year having considered the adequacy of staffing levels and expertise within the function. During the year, the Committee received regular reports from the Head of Internal Audit summarising findings from the work of internal audit and the responses from management to deal with the findings. The Committee monitors progress on the implementation of the action plans on significant findings to ensure these are completed satisfactorily.

EXTERNAL AUDIT
APPOINTMENT AND INDEPENDENCE
The Committee manages the relationship with the Group’s external auditors on behalf of the Board.

During the year, the Committee carried out its annual assessment of the external auditor including a review of the external auditor’s internal policies and procedures for maintaining independence and objectivity and consideration of their approach to audit quality. The external auditor is required to rotate the audit partner responsible for the Group audit every five years. The current audit partner has been in place for five years. The Committee also reviewed and approved the external audit plan as presented by the external auditor and assessed the qualifications and expertise of their resources.

Following this review process, the Committee concluded that the external auditor remained independent of the Group and that the audit process was effective. As previously disclosed, and in line with guidance within the UK Corporate Governance Code and the recent EU Directive 2014/56/EU passed by the European Parliament in respect of audit reforms and audit tendering, the Group conducted a formal tender process which was completed in July of this year. In view of KPMG’s length of tenure, the Board decided, following a recommendation from the Committee, to appoint a new firm to conduct the audit of the Group for the year ended 30 September 2017. As a result, KPMG were not invited to participate in this process. The process concluded with the recommendation by the Committee to the Board to appoint EY as the Group’s external auditor from 2017 onward. This recommendation was accepted by the Board. A resolution proposing this appointment will be presented to shareholders at the 2017 AGM. The process undertaken to reach this decision was diligent and rigorous and involved written submissions and presentations by each of the invited firms.

In accordance with the Group’s policy on the hiring of former employees of the external auditor, the Committee reviews and approves any appointment of an individual, within three years of having previously been employed by the external auditor, to a senior managerial position in the Group.

The Committee also reviewed the external auditors’ engagement letter and recommended the level of remuneration of the external auditor to the Board having reviewed the scope and nature of the work to be performed. Details of the remuneration of the external auditor are set out in note 5 to the financial statements.

In accordance with SI 312 2016, the Group will rotate its external auditor at least every ten years.

There are no contractual obligations which restrict the Committee’s choice of external auditor.
Audit Committee Report (continued)

EXTERNAL AUDIT CONTINUED

NON-AUDIT SERVICES
The Committee has a formal policy governing the engagement of the external auditor to provide non-audit services. The policy is designed to safeguard the objectivity and independence of the external auditor and prevents the provisions of services which would result in the external auditor auditing its own firm’s work, conducting activities that would normally be undertaken by management, having a mutuality of financial interest with the Group or acting in an advocacy role for the Group. The Group has decided to adopt the EU Directive being that the non-audit services payable to the auditors will be no more than 70% of the total average audit fee for the previous three years.

The external auditor is permitted to provide non-audit services that are not, or are not perceived to be, in conflict with auditor independence, provided it has the skill, experience, competence and integrity to carry out the work and is considered by the Committee to be the most appropriate to provide such services in the best interests of the Group. The engagement of the external auditor to provide non-audit services must be pre-approved by the Committee or entered into pursuant to pre-approved policies and procedures established by the Committee and approved by the Board.

The nature, extent and scope of non-audit services provided to the Group by the external auditor and the economic importance of the Group to the external auditor were also monitored to ensure that independence and objectivity was not impaired.

Details of amounts paid to the external auditor for non-audit services are set out in note 5 to the financial statements.

CONFIDENTIAL REPORTING PROCEDURES
In line with best practice, the Group has an independent and confidential reporting procedure which allows employees to raise any concerns about business practice. During the year, the Committee reviewed the operation of the procedures in place to allow employees to raise matters in a confidential manner and concluded that this facility was operating effectively.

Philip Toomey
Chair of the Audit Committee
DEAR SHAREHOLDER,
I am pleased to present, on behalf of the Board, our Directors’ Remuneration Report for the year ended 30 September 2016.

The Committee continues to monitor best practice developments in remuneration practices and once again presents this year’s Report in accordance with the requirements of the UK Companies Act 2006 and the Large and Medium-sized Companies and Groups (Accounts and Reports) (Amendment) Regulations 2013 (the ‘Regulations’). We also continue to follow the provisions of the UK Corporate Governance Code including the alignment of remuneration arrangements with the Group’s strategy.

We are submitting a revised Directors’ Remuneration Policy Report (Policy) for shareholder approval at the 2017 AGM (our current Policy has been in place for three years). The key features of the Policy remain unchanged. Minor changes have been made for clarity and to reflect evolving market practice and shareholders expectations. UDG Healthcare is an Irish incorporated company and is therefore not subject to the UK company law requirement to submit its Policy to a binding policy vote. However, the Committee takes corporate governance very seriously and therefore we have once again adopted the remuneration report format proscribed under UK law and the Policy will be submitted for an advisory vote.

OVERALL PERFORMANCE AND CONTEXT
The Group delivered a strong financial performance in 2016. Increases of 8% in both operating profits and earnings per share were complemented by a very strong operating cash flow performance. The Board has proposed a final dividend of 8.50 cent per share, giving a total dividend for the year of 11.55 cent per share. This dividend represents an increase of 5% over 2015 and, when combined with a share price appreciation of 27% over the year to 30 September 2016, represents a very strong return to shareholders.

EXECUTIVE REMUNERATION FOR 2016
ANNUAL BONUS
As set out in the Annual Report on Remuneration, annual bonus targets are primarily set by reference to challenging internal financial targets. For the year to 30 September 2016, the financial performance of the Group resulted in an actual bonus achievement of 74% for Brendan McAtamney, 76% for Alan Ralph and of 68% for Chris Corbin, being the percentage achieved of their maximum opportunity. Details of this assessment are on page 71.

2013 LTIP SCHEME AWARD
The Committee has assessed the performance against targets for the 2013 LTIP scheme awards to 30 September 2016. As set out on page 71, the cash flow performance of the Group has been good (€310m) and, as a result, the target for the three year period to 30 September 2016 has been met in full and 100% of this element of the award will vest. Relative Total Shareholder Return (TSR) tested against the constituents of the FTSE 250 index was also strong, ranking the Group at the 88th percentile. As a result, 100% of this element of the award will also vest. Consequently, the targets for both elements of the award have been met in full and 100% of the overall award will vest. These awards are subject to a further holding period until February 2019.
Directors’ Remuneration Report (continued)

BOARD CHANGES
On 2 February 2016, Brendan McAtamney took over the role of Group Chief Executive Officer and Liam FitzGerald transitioned to a consultant and non-executive director role before stepping down from the Board on 21 September 2016.

Brendan’s salary in the role of CEO was set at €600,000 per annum upon appointment. His maximum bonus opportunity remains unchanged at 100% of his salary. For 2016 he was granted an LTIP award taking his total LTIP award to 150% of his salary to reflect his promotion to the role of CEO with the intention of building a meaningful equity incentive given his relatively short tenure in the Company.

Liam FitzGerald’s transition terms were in accordance with our Policy and further details are provided on page 75.

EXECUTIVE REMUNERATION FOR 2017
During the year, the Committee reviewed executive remuneration arrangements to ensure that they continued to be aligned with shareholders’ interests and the Group’s strategy, and as a result we have agreed an increase in base salary for executive directors of 2.5%, effective from 1 October 2016 with the exception of Brendan McAtamney whose salary will move to €650,000 per annum.

The salary of the Chief Executive had not been increased significantly in recent years despite the significant increase in profitability, market capitalisation and the scale and complexity of the Group and competitiveness of his package against the market. Please see the Chairman’s Statement on pages 04 and 05 for further details.

There is no proposed increase to bonus arrangements for executive directors in 2017.

In relation to the LTIP, Brendan McAtamney will participate at 150% of base salary and Alan Ralph will continue to participate at 100% of base salary. Due to Chris Corbin’s previously announced retirement plans, he will receive no future awards under the LTIP.

Linda Wilding
Chair of the Remuneration Committee
ANNUAL REPORT ON REMUNERATION
DIRECTORS’ REMUNERATION

The following table sets out the total remuneration for directors for the year ending 30 September 2016 and the prior year.

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Salary and fees</td>
<td>€’000</td>
<td>€’000</td>
<td>€’000</td>
<td>€’000</td>
<td>€’000</td>
<td>€’000</td>
<td>€’000</td>
<td>€’000</td>
<td>€’000</td>
<td>€’000</td>
</tr>
<tr>
<td>Executive directors</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Chris Corbin</td>
<td>389</td>
<td>399</td>
<td>61</td>
<td>60</td>
<td>265</td>
<td>259</td>
<td>627</td>
<td>820</td>
<td>184</td>
<td>194</td>
</tr>
<tr>
<td>Liam Fitzgerald</td>
<td>603</td>
<td>587</td>
<td>65</td>
<td>53</td>
<td>244</td>
<td>412</td>
<td>1,017</td>
<td>1,317</td>
<td>120</td>
<td>235</td>
</tr>
<tr>
<td>Brendan McAtamney</td>
<td>550</td>
<td>440</td>
<td>41</td>
<td>45</td>
<td>407</td>
<td>309</td>
<td>762</td>
<td>762</td>
<td>138</td>
<td>110</td>
</tr>
<tr>
<td>Alan Ralph</td>
<td>422</td>
<td>412</td>
<td>32</td>
<td>33</td>
<td>321</td>
<td>265</td>
<td>714</td>
<td>768</td>
<td>114</td>
<td>275</td>
</tr>
<tr>
<td>Non-executive directors</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Chris Brinsmead</td>
<td>76</td>
<td>73</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>76</td>
<td>73</td>
</tr>
<tr>
<td>Peter Gray</td>
<td>188</td>
<td>180</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>188</td>
<td>180</td>
</tr>
<tr>
<td>Nancy Miller-Rich</td>
<td>18</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>18</td>
<td>–</td>
</tr>
<tr>
<td>Gerard van Odijk</td>
<td>66</td>
<td>64</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>66</td>
</tr>
<tr>
<td>Lisa Ricciardi</td>
<td>65</td>
<td>64</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>65</td>
</tr>
<tr>
<td>Philip Toomey</td>
<td>81</td>
<td>75</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>81</td>
<td>75</td>
</tr>
<tr>
<td>Linda Wilding</td>
<td>78</td>
<td>71</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>78</td>
<td>71</td>
</tr>
<tr>
<td>Total</td>
<td>2,536</td>
<td>2,365</td>
<td>199</td>
<td>191</td>
<td>1,237</td>
<td>1,245</td>
<td>3,120</td>
<td>2,905</td>
<td>556</td>
<td>814</td>
</tr>
</tbody>
</table>

(i) Chris Corbin’s salary has been converted to Euro at the average rate for each year (0.7826 for 2016 and 0.7428 for 2015).
(ii) Liam Fitzgerald stepped down as Chief Executive on 2 February 2016 but continued in an executive role until 31 March 2016. He then transitioned to a consultant and non-executive director role until 21 September 2016. He was paid a fee of €50,000 per month for this role.
(iii) Variances in non-executive director fees are primarily related to travel allowances. See page 76 for more detail.

Details on the valuation methodologies applied are set out in notes (a) to (c) below. These valuation methodologies are as required by the Regulations and are different from those applied within the financial statements which have been prepared in accordance with International Financial Reporting Standards (IFRS). The total expense relating to the directors recognised within the income statement in respect of long-term incentives is €956,000 and are different from those applied within the financial statements which have been prepared in accordance with International Financial Reporting Standards (IFRS). The total expense relating to the directors recognised within the income statement in respect of long-term incentives is €956,000 (2015: €945,000) and in respect of pension benefits is €536,000 (2015: €729,000).

NOTES TO DIRECTORS’ REMUNERATION TABLE

(a) **Salary and fees**: This is the amount earned in respect of the financial year, whilst a director.

(b) **Benefits**: This is the taxable value of benefits paid in respect of the financial year. These benefits principally relate to death, disability and medical insurance, club subscriptions, the provision of a company car, or cash allowances taken in lieu of such benefits.

(c) **Annual bonus**: This is the total bonus earned under the annual bonus scheme in respect of the financial year. For details of performance against targets set for the year see pages 70 to 72.

(d) **Long term incentives**: For the year ended 30 September 2016, this is the market value of the LTIP awards earned based on performance to 30 September 2016. These LTIP awards (structured as nominally priced options) were granted in February 2014 and the performance period was the three year period from 1 October 2013 to 30 September 2016. They are subject to a further two year holding period and will vest during February 2019. These awards are also entitled to dividend equivalents over the vesting period. As the vesting period ends in February 2019, the value above only includes dividend equivalents earned to 30 September 2016.

The Committee has assessed performance for these awards and determined that 100% of the original award will vest. See page 73 for details. The share price at the date of vesting is not available at this time and therefore the number of shares that will vest has been multiplied by the difference between the average share price over the quarter ending 30 September 2016 (Stg£5.07) and the exercise price per share option (€0.05) to calculate a representation of the value attributed to these options.

For the year ended 30 September 2015, this is the market value of the LTIP awards that vested during December 2015. These LTIP awards (structured as nominally priced options) were granted in December 2012 and the performance period was the three year period from 1 October 2012 to 30 September 2015. The Committee reviewed actual performance relative to the performance targets in November 2015 and determined that 100% of the original award should vest. The difference between the share price at the date of vesting (Stg£5.48 and the exercise price per share option (€0.05) was multiplied by the number of options that vested to calculate the value attributed to the options for each director. This has been updated from the 2015 report where in accordance with the Regulations the disclosure was based on the average share price over the quarter ended 30 September 2015 (Stg£5.07). The value of dividend equivalents accrued over the vesting period and paid at the date of vesting is also included.

(e) **Pension**: Please see pages 74 and 75 for further information.
DISCUSSION OF INDIVIDUAL REMUNERATION ELEMENTS

The following sections set out details on each element of remuneration for the year to 30 September 2016 and details how we intend to operate our policy with respect to each element of remuneration for the year to 30 September 2017.

SALARY

The base salaries of executive directors are reviewed annually having regard to personal performance, divisional or Group performance, significant changes in responsibilities and competitive market practice in their area of operation as well as the pay and conditions in the wider Group. The principal external comparator groups against which executive directors’ reward is currently reviewed include the FTSE 250. Changes to base salary are generally effective from 1 October.

On appointment to the role of CEO on 2 February 2016 Brendan McAtamney salary was set at €600,000 per annum (approximately the same level as the previous CEO). From 1 October 2016, Brendan’s salary will increase to €650,000 per annum in recognition of the increase in profitability, market capitalisation and the scale and complexity of the Group and the competitiveness of his package against the market.

With respect to Chris Corbin and Alan Ralph, the Committee determined that their base salaries for 2017 will increase by 2.5%.

The following table sets out the salaries for the executive directors at the start of each financial year.

<table>
<thead>
<tr>
<th>Name</th>
<th>1 October 2016</th>
<th>1 October 2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>Brendan McAtamney*</td>
<td>€650</td>
<td>€451</td>
</tr>
<tr>
<td>Alan Ralph</td>
<td>€433</td>
<td>€422</td>
</tr>
<tr>
<td>Chris Corbin</td>
<td>€312</td>
<td>€304</td>
</tr>
</tbody>
</table>

* The salary for Brendan McAtamney on 1 October 2015 related to his role as Chief Operating Officer. The salary on 1 October 2016 related to his role as Chief Executive Officer.

BENEFITS

Employment related benefits for executive directors principally relate to death, disability and medical insurance, club subscriptions, the provision of a company car or cash allowances taken in lieu of such benefits. In the case of recruitment, benefits may include relocation allowances or other benefits considered appropriate by the Committee to facilitate recruitment. Any such benefits are in line with our recruitment remuneration policy.

ANNUAL BONUS

Bonus for the year ended 30 September 2016

For the year ended 30 September 2016, the maximum bonus opportunity, as a percentage of salary, was 100% for each of the executive directors. The bonus opportunity for on-target performance was 70% for Brendan McAtamney and Alan Ralph and 60% for Chris Corbin.

The following table sets out the performance targets applied for executive directors for the year ended 30 September 2016.

<table>
<thead>
<tr>
<th>% of maximum bonus</th>
<th>B. McAtamney</th>
<th>A. Ralph</th>
<th>C. Corbin</th>
</tr>
</thead>
<tbody>
<tr>
<td>Financial targets</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Profit</td>
<td>70%</td>
<td>70%</td>
<td>75%</td>
</tr>
<tr>
<td>Cash flow</td>
<td>15%</td>
<td>15%</td>
<td>10%</td>
</tr>
<tr>
<td></td>
<td>85%</td>
<td>85%</td>
<td>85%</td>
</tr>
<tr>
<td>Non-financial targets</td>
<td>15%</td>
<td>15%</td>
<td>15%</td>
</tr>
<tr>
<td></td>
<td>100%</td>
<td>100%</td>
<td>100%</td>
</tr>
</tbody>
</table>

The performance targets were set by the Committee at the start of the financial year and comprised both financial and non-financial targets.
**Financial performance**

Subsequent to the end of the financial year, the Committee reviewed actual performance against the targets set for each executive director.

Based on this review, the Committee determined that the executive directors should be awarded bonuses based on the achievement of financial targets as illustrated in the table below.

<table>
<thead>
<tr>
<th>Measure</th>
<th>B. McAtamney</th>
<th>A. Ralph</th>
<th>C. Corbin</th>
<th>B. McAtamney</th>
<th>A. Ralph</th>
<th>C. Corbin</th>
</tr>
</thead>
<tbody>
<tr>
<td>Group basic PBT</td>
<td>40.0</td>
<td>40.0</td>
<td>15.0</td>
<td>15.0</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Stretch PBT</td>
<td>30.0</td>
<td>6.0</td>
<td>40.0</td>
<td>8.0</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Group cash flow</td>
<td>15.0</td>
<td>15.0</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Ashfield PBCIT</td>
<td>–</td>
<td>–</td>
<td>20.0</td>
<td>20.0</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Ashfield Divisional cash flow</td>
<td>–</td>
<td>–</td>
<td>10.0</td>
<td>10.0</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total bonus for financial performance</td>
<td>85.0</td>
<td>61.0</td>
<td>85.0</td>
<td>53.0</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

The following table summarises performance against target for each of the financial objectives.

<table>
<thead>
<tr>
<th>Measure</th>
<th>Definition</th>
<th>Performance targets</th>
<th>Actual performance</th>
</tr>
</thead>
<tbody>
<tr>
<td>Group basic PBT</td>
<td>PBT is defined as profit before tax, exceptional items, amortisation of acquired intangibles and transaction costs. It is measured on a constant currency basis to remove foreign exchange translation impacts.</td>
<td>Threshold performance equates to €84.5 million or 95% of budget PBT for continuing operations. No portion of this element of bonus is paid where actual PBT is at or below threshold performance. Budget PBT was €88.9 million and equates to a pay-out of 100% of Group basic PBT bonus. Payment between threshold, target and maximum performance is on a pro-rata basis.</td>
<td>Actual PBT was €91.6 million* and equated to 100% of target bonus and 20% of the stretch element of bonus on a constant currency basis.</td>
</tr>
<tr>
<td>Stretch PBT</td>
<td>Achievement of stretch PBT bonus requires PBT of 115% of budget or €102.2 million.</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Group cash flow</td>
<td>Cash flow is defined as net cash inflow from operating activities excluding exceptional items, transactional costs, interest and tax, less capital expenditure.</td>
<td>The Group’s cash flow target is based on budgeted cash flow from continuing operations. No bonus is paid if cash flow does not reach the budget target and 100% of bonus is paid if budget cash flow is reached or exceeded.</td>
<td>Actual cash flow of €74.6 million exceeded the budget target of €62.7 million, accordingly 100% of this element of the bonus was achieved.</td>
</tr>
</tbody>
</table>

* Please see page 173 for further details on this calculation.
Directors’ Remuneration Report (continued)

DISCUSSION OF INDIVIDUAL REMUNERATION ELEMENTS CONTINUED

ANNUAL BONUS CONTINUED

Financial performance continued

<table>
<thead>
<tr>
<th>Measure</th>
<th>Definition</th>
<th>Performance targets</th>
<th>Actual performance</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ashfield PBCIT</td>
<td>Profit is defined as profit before allocation of Group overheads, exceptional items, amortisation of acquired intangibles, transaction costs, interest and tax. It is measured on a constant currency basis to remove foreign exchange translation impacts.</td>
<td>Threshold performance for the Ashfield divisional profit target equates to €70.5 million or 95% of budget. No portion of this element of bonus is paid where actual PBT is at or below threshold performance.</td>
<td>Actual profit was €75.4 million and accordingly 100% of this element of the bonus was achieved.</td>
</tr>
<tr>
<td>Ashfield Divisional cash flow</td>
<td>Cash flow is defined as net cash inflow from operating activities excluding exceptional items, interest and tax less capital expenditure.</td>
<td>The Ashfield divisional cash flow target is based on budgeted cash flow.</td>
<td>Actual cash flow was €64.7 million and accordingly 100% of this element of the bonus was achieved.</td>
</tr>
</tbody>
</table>

Non-financial performance

15% of the annual bonus for each executive director was based on the achievement of personal objectives. These objectives include the achievement of operational goals, the executive’s contribution to Group strategy as a member of the Board and specific goals related to their functional or business unit role. 2016 objectives were set for each executive at the beginning of the financial year, and performance against these objectives was assessed by the Committee at its November 2016 meeting. Brendan McAtamney achieved 13% and Alan Ralph and Chris Corbin achieved 15%.

The total bonus payable is therefore 74% of maximum for Brendan McAtamney, 76% of maximum for Alan Ralph and 68% of maximum for Chris Corbin. The Committee considers that this level of bonus payout is a fair reflection of the performance achieved during the year and the value created for shareholders.

Liam FitzGerald was eligible to earn a bonus for the period to 31 March 2016 based on performance against financial and non-financial goals. The Committee assessed performance against these objectives and determined that the payouts should be as follows:

<table>
<thead>
<tr>
<th>Measure</th>
<th>Target</th>
<th>Actual</th>
</tr>
</thead>
<tbody>
<tr>
<td>Group basic PBT</td>
<td>27.5%</td>
<td>27.5%</td>
</tr>
<tr>
<td>Stretch PBT</td>
<td>30.0%</td>
<td>11.2%</td>
</tr>
<tr>
<td>Organic growth</td>
<td>27.5%</td>
<td>27.5%</td>
</tr>
<tr>
<td>Non-financial</td>
<td>15.0%</td>
<td>15.0%</td>
</tr>
<tr>
<td>Total bonus</td>
<td>100%</td>
<td>81.2%</td>
</tr>
</tbody>
</table>

81.2% of the maximum bonus achievable was paid in April 2016 (pro-rated based on time in the role) which equates to 40.6% of base salary.

Bonus for the year ending 30 September 2017

For the year ending 30 September 2017, the maximum bonus opportunity for each individual director remains at 100% of base salary and is based on the same balance of financial and non-financial performance measures as for 2016. The bonus opportunity for on-target performance will continue to be 70% for Brendan McAtamney and Alan Ralph and 60% for Chris Corbin.
LONG TERM INCENTIVE PLAN (LTIP)
The LTIP was approved by shareholders at the Company’s 2010 AGM.

Awards vesting for which the year to 30 September 2016 is the last year of the performance period
The following table sets out details in respect of the February 2014 LTIP award, for which the final year of performance was the year to 30 September 2016.

<table>
<thead>
<tr>
<th>Targets for performance period</th>
<th>Performance against targets</th>
</tr>
</thead>
<tbody>
<tr>
<td>TSR performance (50% of award)</td>
<td>TSR measured against constituents of the FTSE 250 Index</td>
</tr>
<tr>
<td>Vesting schedule for first 75% for Brendan McAtamney and Alan Ralph and first 50% for Chris Corbin:</td>
<td></td>
</tr>
<tr>
<td>Below median = 0%</td>
<td></td>
</tr>
<tr>
<td>At median = 25%</td>
<td></td>
</tr>
<tr>
<td>Upper quartile = 100%</td>
<td></td>
</tr>
<tr>
<td>Pro-rating between points</td>
<td></td>
</tr>
<tr>
<td>Vesting schedule for final 25% for Brendan McAtamney and Alan Ralph and final 50% for Chris Corbin:</td>
<td></td>
</tr>
<tr>
<td>This portion of the LTIP award is subject to the same vesting schedule as above. Additionally, vesting of this element of the TSR award is subject to the following underpin:</td>
<td></td>
</tr>
<tr>
<td>adjusted diluted Earnings Per Share (EPS) growth of not less than 5% per annum compounded over the performance period.</td>
<td></td>
</tr>
<tr>
<td>The relative TSR performance over the three year period was at the 88th percentile, and growth in the adjusted diluted EPS growth was 9.7% p.a. and therefore exceeded the underpin. Accordingly, 100% of this element of the award will vest in February 2019.</td>
<td></td>
</tr>
</tbody>
</table>

Aggregate cash flow performance* (50% of award)
Company’s aggregate cash flow performance (PBIT to cash conversion rate)
Percentage PBIT to cash conversion rate vesting schedule:
• Below 80% = 0%
• At 80% = 25%
• 100% or above = 100%
• Pro-rating between points

Vesting under the cash flow element is also contingent on an aggregate minimum cash flow generation by the Company of €264 million over the performance period.

The PBIT conversion rate was 109% over the three year period, and aggregate cash generation was €310 million.

Total 100% of awards will vest during February 2019.

* In line with the plan rules, for the purposes of assessing the level of LTIP awards that should vest, the impact of exceptional items and amortisation of acquired intangible assets has been excluded within both PBIT and cash flow for calculation purposes. For the purposes of assessing the achievement of the minimum cash flow generation target over the performance period, actual cash generation during this period has been adjusted by eliminating cash generated from acquisitions completed after the target level of €264 million had been set. Similarly, cash generated has also been adjusted in respect of disposals completed after the target level of €264 million had been set.

LTIP awards made during the year to 30 September 2016
The following table sets out details of LTIP awards made during the year to 30 September 2016.

<table>
<thead>
<tr>
<th>Number of options</th>
<th>Date of award</th>
<th>Share price at date of grant (Stg£)</th>
<th>Face value (Stg£’000)</th>
<th>Threshold vesting %</th>
<th>Maximum vesting %</th>
</tr>
</thead>
<tbody>
<tr>
<td>Chris Corbin</td>
<td>54,884</td>
<td>3 December 2015</td>
<td>5.54</td>
<td>304</td>
<td>25</td>
</tr>
<tr>
<td>Brendan McAtamney</td>
<td>57,954</td>
<td>3 December 2015</td>
<td>5.54</td>
<td>321</td>
<td>25</td>
</tr>
<tr>
<td>Alan Ralph</td>
<td>77,354</td>
<td>5 February 2016</td>
<td>5.12</td>
<td>396</td>
<td>25</td>
</tr>
</tbody>
</table>

The above awards will vest five years after the date of grant. The performance period is the three years to 30 September 2018. The awards are in the form of nominal value share options over ordinary shares with an exercise price of €0.05 per share.
DISCUSSION OF INDIVIDUAL REMUNERATION ELEMENTS CONTINUED
LONG TERM INCENTIVE PLAN (LTIP) CONTINUED
LTIP awards made during the year to 30 September 2016 continued
The market value of the options granted to Chris Corbin and Alan Ralph (number of options multiplied by the share price at the date of grant) equated to 100% of their base salary.

Brendan McAtamney was granted an award of 100% of his base salary in December 2015. He received an additional award upon appointment as Chief Executive on 5 February 2016. The performance period and performance conditions relating to this grant mirror those granted in December 2015 and the vesting date is 5 February 2021. In line with our shareholder approved Policy the total value of awards granted during the year equated to 150% of Brendan’s base salary as CEO on the date of award. The Committee decided that it was in shareholders interests to ensure Brendan has a significant equity interest in the Group as soon as possible.

Liam FitzGerald did not receive a 2016 LTIP award.

The following table sets out details of performance measures in respect of the LTIP awards granted during the year.

<table>
<thead>
<tr>
<th>Performance Measure</th>
<th>Vesting Schedule</th>
</tr>
</thead>
<tbody>
<tr>
<td>TSR performance (50% of award)</td>
<td>TSR measured against the FTSE 250 Index</td>
</tr>
<tr>
<td></td>
<td>Vesting schedule for first 75% for Brendan McAtamney and Alan Ralph and first 50% for Chris Corbin of the TSR award:</td>
</tr>
<tr>
<td></td>
<td>• Below median = 0%</td>
</tr>
<tr>
<td></td>
<td>• At median = 25%</td>
</tr>
<tr>
<td></td>
<td>• Upper quartile = 100%</td>
</tr>
<tr>
<td></td>
<td>• Pro-rating between points</td>
</tr>
<tr>
<td></td>
<td>Vesting schedule for final 25% for Brendan McAtamney and Alan Ralph and final 50% for Chris Corbin of the TSR award:</td>
</tr>
<tr>
<td></td>
<td>• This portion of the LTIP award is subject to the same vesting schedule as above. Additionally, vesting of this element of the TSR award is subject to the following underpin:</td>
</tr>
<tr>
<td></td>
<td>• adjusted diluted Earnings per Share (EPS) growth of not less than 5% per annum compounded over the performance period.</td>
</tr>
<tr>
<td>Aggregate cash flow performance* (50% of award)</td>
<td>Company’s aggregate cash flow performance (PBIT to cash conversion rate)</td>
</tr>
<tr>
<td></td>
<td>Percentage PBIT to cash conversion rate vesting schedule:</td>
</tr>
<tr>
<td></td>
<td>• Below 80% = 0%</td>
</tr>
<tr>
<td></td>
<td>• At 80% = 25%</td>
</tr>
<tr>
<td></td>
<td>• 100% or above = 100%</td>
</tr>
<tr>
<td></td>
<td>• Pro-rating between points</td>
</tr>
<tr>
<td></td>
<td>Vesting under the cash flow element is also contingent on an aggregate minimum cash flow generation by the Company of €263 million over the performance period.</td>
</tr>
</tbody>
</table>

* In line with the plan rules, for the purposes of assessing the level of LTIP awards that should vest, the impact of exceptional items and amortisation of acquired intangible assets will be excluded within both PBIT and cash flow for calculation purposes. For the purposes of assessing the achievement of the minimum cash flow generation target, cash flows from acquisitions shall be excluded and the target shall also be adjusted in respect of lost cash flows from disposals.

The proportion of awards that do not meet the performance criteria will lapse on the scheduled vesting date.

LTIP awards during year to 30 September 2017
Award levels will continue to be between 100% and 150% of base salary. It is intended that performance targets for LTIP awards to be granted during the year to 30 September 2017 will continue to be based on the same performance conditions as outlined above. The performance period will be the three years to 30 September 2019 and awards meeting their vesting criteria will vest on the fifth anniversary of their grant.

PENSIONS
Irish and UK tax legislation impose penalty taxes on annual pension contributions and increases in pension fund values accruing to individual employees where prescribed maximum amounts are exceeded. The Committee has previously determined that impacted executive directors could either continue to accrue pension benefits as previously entitled, or alternatively, accept pension benefits limited by the prescribed maximum amounts and receive or accrue a supplementary taxable non-pensionable allowance equal to the cost to the Company of the pension benefit foregone.

The alternative arrangements were accepted by Liam FitzGerald with effect from 8 December 2010 and by Chris Corbin with effect from 5 April 2011. The amount of the allowance awarded to each director has been set by the Committee such that there is no additional cost to the Company from the arrangement.
All pension benefits are determined solely in relation to base salary. Fees paid to non-executive directors are not pensionable.

Brendan McAtamney receives a taxable, non-pensionable cash allowance of 25% of base salary.

Alan Ralph participated in a defined benefit pension plan, which accrued annually to provide up to 55% of his final pensionable salary at retirement. This plan was closed to future accrual in December 2015. From January 2016, Alan received a taxable non-pensionable cash allowance in lieu of pension of 25% of base salary.

Chris Corbin is a member of a defined contribution scheme with contributions capped at the permitted level under UK tax legislation. The Group has accrued a supplementary taxable non-pensionable allowance equal to the cost of the pension contribution foregone. The combined cost of these arrangements was Stg£144,000 in 2016.

Liam FitzGerald was a member of a defined benefit pension scheme and his existing pension fund values were frozen at the permitted levels under Irish tax legislation. For the past number of years, Liam has received a taxable non-pensionable cash allowance in lieu of further participation in this scheme. During the year Liam accepted an offer made to all members of the plan, to transfer his accrued benefit from the defined benefit plan to a privately managed arrangement at a value of 125% of transfer value. There was no increase in his accrued pension entitlement from 1 October 2015 to the date of transfer.

**Details of defined benefit pension entitlements**

<table>
<thead>
<tr>
<th></th>
<th>Accumulated accrued pension at 30 September 2016 €’000</th>
<th>Normal retirement date</th>
</tr>
</thead>
<tbody>
<tr>
<td>Alan Ralph</td>
<td>91</td>
<td>18 September 2029</td>
</tr>
</tbody>
</table>

The normal retirement date of each director is their sixtieth birthday. In the event that a director retires before their sixtieth birthday and receives an immediate pension, their pension entitlement shall be reduced on an actuarial basis to reflect earlier payment.

**ADDITIONAL INFORMATION**

**PAYMENTS TO FORMER DIRECTORS**

There were no payments to former directors during the year.

**PAYMENTS FOR LOSS OF OFFICE**

There were no payments for loss of office during the year.

**TRANSITION TERMS FOR LIAM FITZGERALD**

Liam FitzGerald stepped down from the role of CEO on 2 February 2016. He remained in an executive role until 31 March 2016 and then transitioned to a consultant (supporting CEO transition and ensuring continuity on ongoing M&A transaction activities) and non-executive director role. He stepped down from this role and from the Board on 21 September 2016. For the period to 31 March 2016 he continued to be paid his CEO salary and receive a bonus based on his performance against financial and non-financial objectives. For the period from 1 April 2016 to 21 September 2016 he was paid a consulting fee of €50,000 per month. His outstanding LTIP awards have been pro-rated based on time to 30 September 2016. Previous awards continue to be subject to performance assessment at the normal time and any holding periods. He did not receive an LTIP award for 2016. He continued to be provided with the use of his company car and health benefits until 30 September 2016.

**MINIMUM SHAREHOLDING REQUIREMENTS**

The Committee has adopted guidelines for executive directors to retain substantial long term share ownership. These guidelines specify that executive directors should, over a period of five years from the date of appointment, build up and then retain a shareholding in the Company with a valuation at least equal to their annual base salary.

The table below sets out the percentage of base salary held in shares in the Company by each executive director as at 30 September 2016.

<table>
<thead>
<tr>
<th></th>
<th>Shareholdings at 30 September 2016 (% of base salary)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Chris Corbin</td>
<td>3,927</td>
</tr>
<tr>
<td>Brendan McAtamney(1)</td>
<td>99</td>
</tr>
<tr>
<td>Alan Ralph</td>
<td>301</td>
</tr>
</tbody>
</table>

(1) Chris Corbin and Alan Ralph have met their shareholding guideline. Brendan McAtamney joined the Group on 1 September 2013 and became an executive director on 16 December 2013 and therefore has until 1 September 2018 to meet the requirement.
NON-EXECUTIVE DIRECTORS' REMUNERATION

Non-executive directors’ fees are set at a level to attract individuals with broad international, commercial and other relevant experience and reward them for fulfilling the relevant role.

The Nominations & Governance Committee completed a benchmarking exercise during 2016 on non-executive director fees and Chairman fees. The changes made to the non-executive fee structure are outlined below and took effect from 1 June 2016. All changes were in line with our Remuneration Policy, as set out on pages 81 and 82. Non-executive directors receive a basic fee for their role and membership of a Committee. Non-executives who serve as chair of one or more Committees are entitled to an additional fee. Membership of multiple Committees does not accrue any additional fee. Non-executive directors who travel to/from meetings from Europe receive an additional €500 travel allowance per trip and those travelling to/from the US receive an additional €1,000 per trip. The Senior Independent non-executive Director (‘SID’) is also entitled to an additional fee of €10,000 per annum.

Non-executive director’ fees:

<table>
<thead>
<tr>
<th></th>
<th>From 1 June 2016</th>
<th>Pre 1 June 2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>Basic fee (including Committee membership)</td>
<td>€65,000</td>
<td>€60,000</td>
</tr>
<tr>
<td>Committee chair*</td>
<td>€15,000</td>
<td>€10,000</td>
</tr>
<tr>
<td>SID Fee</td>
<td>€10,000</td>
<td>n/a</td>
</tr>
</tbody>
</table>

* This is an additional fee payable to the Chairs of the Audit, Remuneration, and Risk, Investment & Financing Committee. Peter Gray is Chair of the Nominations & Governance Committee and does not receive a separate fee in respect of this role.

In addition to the basic fee of €65,000, Peter Gray receives a fee of €140,000 in respect of his role as Chairman.

DIRECTORS' SHAREHOLDING AND SHARE INTERESTS

LONG TERM INCENTIVE PLAN (LTIP)

Details of outstanding share awards, with performance conditions, granted to directors under the LTIP are set out below.

<table>
<thead>
<tr>
<th>Name</th>
<th>Number of shares under award</th>
<th>At 1 October 2015</th>
<th>Granted during the year(1)</th>
<th>Exercised during the year</th>
<th>Lapsed during the year</th>
<th>At 30 September 2016</th>
<th>Market price at date of award</th>
<th>Exercise price</th>
<th>Market price at date of vesting</th>
<th>Date of award</th>
<th>Vesting date</th>
<th>Expiry date</th>
</tr>
</thead>
<tbody>
<tr>
<td>Chris Corbin</td>
<td>331,833</td>
<td>54,884</td>
<td>(167,849)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Brendan McAtamney</td>
<td>185,952</td>
<td>135,308</td>
<td></td>
<td>321,260</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Alan Ralph</td>
<td>339,293</td>
<td>54,289</td>
<td>(165,100)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

(1) Details regarding the grant of awards to directors during the year to 30 September 2016 are set out on page 73.

(ii) During the year, the Committee determined that 100% of the awards granted in February 2014 will vest.
EXECUTIVE SHARE OPTION SCHEME (ESOS)

Details of outstanding share options, with performance conditions, granted to directors under the ESOS are set out below. The last awards under this scheme were made in 2009.

### Basic tier share options

<table>
<thead>
<tr>
<th>Chris Corbin</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Number of shares under award</strong></td>
</tr>
<tr>
<td>At 1 October 2015</td>
</tr>
<tr>
<td>45,000</td>
</tr>
<tr>
<td>45,000</td>
</tr>
</tbody>
</table>

### Second tier share options

<table>
<thead>
<tr>
<th>Alan Ralph</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Number of shares under award</strong></td>
</tr>
<tr>
<td>At 1 October 2015</td>
</tr>
<tr>
<td>40,000</td>
</tr>
<tr>
<td>40,000</td>
</tr>
<tr>
<td>80,000</td>
</tr>
</tbody>
</table>

### Basic tier share options

Basic tier share options are exercisable when EPS growth exceeds the growth of the Irish Consumer Price Index by 5% compounded, over a period of at least three years subsequent to the granting of the share options.

### Second tier share options

Second tier share options are exercisable when EPS growth exceeds the growth of the Irish Consumer Price Index by 10% compounded, over any period of five successive years, subsequent to the granting of the share options. In addition to this requirement, second tier share options may only be exercised if EPS growth over the same period places the Company:

1. in the top 25% of companies listed on the ISEQ index, in which case these share options may be exercised in their entirety;
2. in the midpoint position of companies listed on the ISEQ index, in which case half of the share options may be exercised;
3. between the midpoint and the top 25% of companies listed on the ISEQ index, in which case the proportion of the share options which may be exercised increases on a straight line basis;
4. below the midpoint position of companies listed on the ISEQ index, in which case no share options may be exercised.

63.33% of the options granted on 20 June 2007 under the ESOS scheme were deemed to vest on 6 December 2016 by the Remuneration Committee, having exercised their discretion in relation to the impact of the disposal of the United Drug Supply Chain businesses during the year.
DIRECTORS’ AND SECRETARY’S SHAREHOLDING AND SHARE INTERESTS
CONTINUED

DIRECTORS’ INTERESTS IN SHARE CAPITAL

The beneficial interests, including family interests, of the directors and secretary in office at 30 September 2016 in the ordinary share capital of the Company are detailed below.

<table>
<thead>
<tr>
<th>Name</th>
<th>30 September 2016</th>
<th>1 October 2015 (or date of appointment if later)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Ordinary shares</td>
<td>Ordinary shares</td>
</tr>
<tr>
<td>Chris Brinsmead</td>
<td>12,500</td>
<td>15,000</td>
</tr>
<tr>
<td>Chris Corbin</td>
<td>1,862,681</td>
<td>1,862,681</td>
</tr>
<tr>
<td>Peter Gray</td>
<td>100,000</td>
<td>100,000</td>
</tr>
<tr>
<td>Brendan McAtamney</td>
<td>80,000</td>
<td>50,000</td>
</tr>
<tr>
<td>Nancy Miller-Rich</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>Gerard van Odijk</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>Alan Ralph</td>
<td>170,688</td>
<td>153,588</td>
</tr>
<tr>
<td>Lisa Ricciardi</td>
<td>16,000</td>
<td>16,000</td>
</tr>
<tr>
<td>Philip Toomey</td>
<td>84,334</td>
<td>84,334</td>
</tr>
<tr>
<td>Linda Wilding</td>
<td>19,304</td>
<td>19,304</td>
</tr>
<tr>
<td>Damien Moynagh (Company Secretary)</td>
<td>–</td>
<td>–</td>
</tr>
</tbody>
</table>

There were no changes in the above Directors and Secretary’s interests between 30 September 2016 and 6 December 2016.

The directors and secretary have no beneficial interests in any Group subsidiary or joint venture undertakings.

STATEMENT OF SHAREHOLDER VOTING

The Company is committed to ongoing shareholder dialogue and takes shareholder views into consideration when formulating remuneration policy and practice. To the extent there are substantial numbers of votes against resolutions in relation to directors’ remuneration, the Company will seek to understand the reasons for any such vote and will provide details of any actions in response to such a vote.

The following tables set out the actual votes at the 2016 AGM in respect of the Directors’ Remuneration Report for the year to 30 September 2015.

<table>
<thead>
<tr>
<th>Directors’ Remuneration Report</th>
<th>For</th>
<th>Against</th>
<th>Withheld</th>
</tr>
</thead>
<tbody>
<tr>
<td>Number of votes (millions)</td>
<td>143.9</td>
<td>0.3</td>
<td>0.1</td>
</tr>
<tr>
<td>Percentage %</td>
<td>99.7</td>
<td>0.3</td>
<td>– (i)</td>
</tr>
</tbody>
</table>

The following tables set out the actual votes at the 2014 AGM in respect of the last shareholder approved Directors’ Remuneration Policy:

<table>
<thead>
<tr>
<th>Directors’ Remuneration Report</th>
<th>For</th>
<th>Against</th>
<th>Withheld</th>
</tr>
</thead>
<tbody>
<tr>
<td>Number of votes (millions)</td>
<td>122.0</td>
<td>1.05</td>
<td>0.95</td>
</tr>
<tr>
<td>Percentage %</td>
<td>99</td>
<td>1</td>
<td>– (i)</td>
</tr>
</tbody>
</table>

(i) A vote withheld is not a vote in law and is not counted in the calculation of the percentage votes for and against a resolution.

REMUNERATION COMMITTEE

The following table details the members of the Committee, their attendance at meetings held during the year to 30 September 2016 and their tenure.

<table>
<thead>
<tr>
<th>A</th>
<th>B</th>
<th>Committee tenure</th>
</tr>
</thead>
<tbody>
<tr>
<td>Linda Wilding (Chair)</td>
<td>8</td>
<td>8</td>
</tr>
<tr>
<td>Chris Brinsmead</td>
<td>8</td>
<td>8</td>
</tr>
<tr>
<td>Peter Gray</td>
<td>8</td>
<td>8</td>
</tr>
<tr>
<td>Lisa Ricciardi</td>
<td>8</td>
<td>8</td>
</tr>
<tr>
<td>Philip Toomey</td>
<td>8</td>
<td>8</td>
</tr>
</tbody>
</table>

Column A – Number of meetings held when director was a member.
Column B – Number of meetings attended when director was a member.

The Committee’s responsibilities include:

• setting, reviewing and recommending to the Board the remuneration policy for executive directors and certain other senior executives;
• setting, reviewing and approving the remuneration arrangements of executive directors and senior executives; and
• reviewing and approving the rules of any incentive plans subject to final approval by the Board and shareholders.
EXTERNAL ADVISORS
The Committee seeks and considers advice from independent remuneration advisors where appropriate. During 2012, following a review process, the Committee appointed Deloitte LLP to provide advice on compensation and remuneration matters including advice on best practice market developments. During the year to 30 September 2016, fees payable to Deloitte in respect of these services amounted to £23,000. These fees were charged on a time and expenses basis. Deloitte is one of the founding members of the Remuneration Consultants Code of Conduct and adheres to this Code in its dealings with the Committee is satisfied that the advice provided by Deloitte is objective and independent. The Committee is comfortable that the Deloitte engagement team that provide remuneration advice to the Committee do not have connections with UDG Healthcare plc that may impair their independence.

During the year, the Group also received advice and services from Deloitte in respect of acquisition due diligence, taxation and information technology. The Committee is satisfied that the provision of these services does not constitute a conflict of interest.

PERFORMANCE GRAPH AND TABLE
The table below summarises the single figure of total remuneration for the Chief Executive for the past eight years as well as how the actual awards under the annual bonus and LTIP compare to their respective maximum opportunity.

<table>
<thead>
<tr>
<th>Chief Executive</th>
<th>Single figure of total remuneration £’000</th>
<th>Annual bonus award against maximum opportunity</th>
<th>LTIP award against maximum opportunity</th>
</tr>
</thead>
<tbody>
<tr>
<td>2016(i) Brendan McAtamney</td>
<td>1,265</td>
<td>74.0%</td>
<td>100%</td>
</tr>
<tr>
<td>2015 Liam FitzGerald</td>
<td>2,509</td>
<td>70.2%</td>
<td>100%</td>
</tr>
<tr>
<td>2014 Liam FitzGerald</td>
<td>2,371</td>
<td>71.6%</td>
<td>89.2%</td>
</tr>
<tr>
<td>2013 Liam FitzGerald</td>
<td>1,709</td>
<td>20.0%</td>
<td>95.5%</td>
</tr>
<tr>
<td>2012 Liam FitzGerald</td>
<td>1,697</td>
<td>90.0%</td>
<td>62.5%</td>
</tr>
<tr>
<td>2011 Liam FitzGerald</td>
<td>1,233</td>
<td>89.8%</td>
<td>0% (ii)</td>
</tr>
<tr>
<td>2010 Liam FitzGerald</td>
<td>1,342</td>
<td>77.5%</td>
<td>0% (ii)</td>
</tr>
<tr>
<td>2009 Liam FitzGerald</td>
<td>1,884</td>
<td>0%</td>
<td>89.8%</td>
</tr>
</tbody>
</table>

(i) Liam FitzGerald was CEO until 1 February 2016. Brendan McAtamney was appointed as Group CEO from 2 February 2016. For 2016, Brendan McAtamney participated in the 2010 LTIP. Liam FitzGerald also participated in the 2010 LTIP in 2012, 2013, 2014 and 2015 financial years. Details on the vesting performance of awards under this plan are set out on page 73 and 74. In relation to the single figure of total remuneration, both Liam FitzGerald and Brendan McAtamney’s amounts have been pro-rated for their period of service as CEO.

(ii) For the 2011 and 2010 financial years, Liam FitzGerald participated in the ESOS. Awards under this scheme did not meet their performance targets in respect of either financial year. Details on the ESOS vesting conditions are set out on page 77.

The Company became a member of the FTSE 250 Index on 24 December 2012 and the Committee believes that this is the most appropriate index against which to compare the performance of the Company. The chart below compares the performance of the Company relative to the FTSE 250 Index over the eight year period to 30 September 2016.

Value (£)

This graph shows the value of £100 invested in UDG Healthcare plc on 30 September 2008 compared with the value of £100 invested in the FTSE 250. Values at each year-end date are calculated on a 3-month average basis.

Source: Thomson Reuters
DIRECTORS’ REPORT

Directors’ Remuneration Report (continued)

PERFORMANCE GRAPH AND TABLE CONTINUED
PERCENTAGE CHANGE IN TOTAL REMUNERATION OF CEO VERSUS AVERAGE EMPLOYEE
Details of the percentage change in the total remuneration of the Chief Executive relative to employees across the Group as at 30 September 2016 are set out below.

<table>
<thead>
<tr>
<th></th>
<th>Total%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Chief Executive</td>
<td>(22.4%)*</td>
</tr>
<tr>
<td>Average employee</td>
<td>1.9%</td>
</tr>
</tbody>
</table>

* The percentage change in total remuneration of the Chief Executive is calculated on the basis of a time apportioned aggregation of the total remuneration paid to Liam FitzGerald and Brendan McAtamney in respect of the period each served in the role, compared to 2015 where Liam FitzGerald occupied the role.

UDG Healthcare is an international company employing almost 8,000 people. The average employee percentage is representative of the multi-national and geographical nature of the Group.

An analysis of the overall expenditure on pay and average number of employees is set out within note 30 to the financial statements.

RELATIVE SPEND ON PAY
The following table sets out the percentage change in adjusted profit before tax, dividends and overall expenditure on pay (as a whole across the organisation).

<table>
<thead>
<tr>
<th></th>
<th>2016 €’000</th>
<th>2015 €’000</th>
<th>Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Adjusted profit before tax</td>
<td>109,150</td>
<td>107,077</td>
<td>1.9%</td>
</tr>
<tr>
<td>Dividends</td>
<td>27,386</td>
<td>25,146</td>
<td>8.9%</td>
</tr>
<tr>
<td>Overall expenditure on pay</td>
<td>462,020</td>
<td>455,536</td>
<td>1.4%</td>
</tr>
</tbody>
</table>
**DIRECTORS’ REMUNERATION POLICY REPORT**

This Directors’ Remuneration Policy Report was approved by shareholders on 4 February 2014 with 99% of shareholders voting in favour of the resolution. The Policy took effect from the financial year commencing 1 October 2014. It has been three years since this Policy was submitted to shareholders and in accordance with the remuneration reporting regulations will be re-submitted for approval at the AGM on 7 February 2017. This revised Policy will apply from this date. As UDG Healthcare is an Irish incorporated company the report will be subject to an advisory rather than binding vote.

There are no significant changes to the Policy from that approved by shareholders in 2014. Some minor changes have been made to the Policy for clarity and to reflect evolving market practice and shareholder guidance.

The following table sets out a discussion of each element of the remuneration package for directors.

<table>
<thead>
<tr>
<th>Element</th>
<th>Purpose and link to strategy</th>
<th>Operation</th>
<th>Maximum opportunity</th>
<th>Performance metrics</th>
</tr>
</thead>
<tbody>
<tr>
<td>Salary</td>
<td>Sufficient to attract and retain individuals of the necessary calibre to execute our business strategy by ensuring base salaries are competitive in the market in which the individual is employed.</td>
<td>Reviewed annually. Changes are generally effective from 1 October. The review takes into consideration the scope and responsibilities of the role, the performance and experience of the individual, overall business performance, increases in the size and complexity of the Group and potential retention issues.</td>
<td>The principal external comparator groups against which executive directors’ reward is currently reviewed include the FTSE 250. There is no maximum salary. Any salary increases will have regard to increases awarded to the overall employee population, the rate of underlying inflation, and general market conditions as well as reflecting changes in scope of role and responsibilities.</td>
<td>Individual and business performances are considered in setting base salary.</td>
</tr>
<tr>
<td>Benefits</td>
<td>Provide competitive benefits within the market in which the individual is employed.</td>
<td>Benefits typically include death, disability and medical insurance, club subscriptions, the provision of a company car or cash allowances taken in lieu of such benefits. In the case of recruitment, benefits may include relocation allowances or other benefits which are considered necessary to facilitate recruitment in line with our recruitment remuneration policy.</td>
<td>There is no maximum benefit value. Benefit entitlements are reviewed periodically.</td>
<td>Not performance related.</td>
</tr>
<tr>
<td>Pension</td>
<td>Designed to provide market competitive pension arrangements sufficient to attract and retain individuals of the necessary calibre to execute our business strategy and to honour legacy arrangements.</td>
<td>Current Irish resident executive directors receive a cash allowance in lieu of participation in a pension scheme. The current UK resident executive director’s pension entitlement is satisfied through an accrual of a supplementary allowance.</td>
<td>Maximum levels of contributions for any new Executive Director is 25% of salary. Legacy arrangements for individuals are honoured and details are provided in the Annual Remuneration Report.</td>
<td>Related to salary.</td>
</tr>
</tbody>
</table>
DIRECTORS’ REMUNERATION POLICY REPORT

<table>
<thead>
<tr>
<th>Element</th>
<th>Purpose and link to strategy</th>
<th>Operation</th>
<th>Maximum opportunity</th>
<th>Performance metrics</th>
</tr>
</thead>
<tbody>
<tr>
<td>Annual bonus</td>
<td>Rewards the achievement of annual financial and strategic business targets and individual performance.</td>
<td>Annual bonus performance measures and weightings for each executive director are reviewed at the start of each financial year to ensure they continue to support the achievement of the business strategy and represent appropriately stretching financial and non-financial targets. Pay-outs are determined by the Committee based on actual performance against the targets set at the start of the financial year. The Committee has discretion to determine appropriate bonus entitlement on cessation of employment. Bonus amounts will be based on the circumstances of the termination, the portion of the financial year elapsed and performance against targets and of the individual and other relevant factors.</td>
<td>Maximum bonus opportunity for all executive directors is currently set at 100% of base salary.</td>
<td>Performance is measured against clearly defined objectives set by the Committee. At least 75% of the maximum bonus opportunity is based on financial goals. The remainder may be based on achievement of personal and strategic goals. For financial performance, up to 10% of salary is available at threshold performance. For non-financial targets, the minimum level of performance equates to zero bonus pay-out.</td>
</tr>
<tr>
<td>Long Term Incentive Plan (LTIP)</td>
<td>Designed to incentivise execution of the business strategy over the longer term and align executives with shareholders’ interests by rewarding sustained increase in shareholder value and strong long term financial performance.</td>
<td>Awards are normally made annually by the Committee following the release of full year financial results. Performance targets are set at the time of award based on: (i) delivering long term stretching financial performance aligned with strategic plans; and (ii) delivering long term superior returns (relative to an appropriate peer group) to shareholders. Performance is normally assessed over three financial years. The vesting period for awards is five years. Dividends or dividend equivalents may be paid. The Committee has discretion to determine appropriate entitlement to unvested LTIP awards on cessation of employment. Typically, pro-rating for time served will apply and performance will be tested at the end of the performance period as part of the normal process. The LTIP scheme rules contain provisions in relation to change of control. In such a scenario, the Committee has discretion to allow outstanding awards to vest to the extent that performance targets have been met. Time pro-rating will generally also be applied.</td>
<td>Under the scheme rules, the maximum value of awards in any one year is limited to 150% of base salary for each individual.</td>
<td>Up to half of any award may be based on a share price based measure (e.g. TSR) and up to half of any award may be based on a financial measure (e.g. Cash flow). The Committee retains discretion to introduce measures (e.g. strategic) for future awards which will account for no more than one third of the award.</td>
</tr>
</tbody>
</table>
SHAREHOLDER GUIDELINES POLICY

The Company operates a shareholding guideline. Executives are generally expected to build and maintain a shareholding of 100% of base salary. New executives have a period of time from joining in which to achieve this target.

NOTES TO FUTURE POLICY TABLE

LTIP PLAN LIMITS AND CLAWBACK PROVISIONS

The LTIP scheme rules provide for the granting of awards, up to a maximum of 10% of the Company’s issued share capital over a ten year period, taking account of any other share scheme operated by the Company and also provide for a clawback of awards by the Committee, in the event that within one year of the awards vesting, the basis on which awards were determined to vest is shown to be manifestly misstated.

ANNUAL BONUS ARRANGEMENTS AND CLAWBACK PROVISIONS

In relation to annual bonuses, the Committee incorporated clawback provisions in the prior year in the event that within 3 years of payment the basis upon which a bonus payment was determined or paid, is shown to be manifestly misstated.

LEGACY AWARDS

For the avoidance of doubt, the Committee reserves the right to make any remuneration payments and payments for loss of office (including exercising any discretion available to it in connection with such payments) notwithstanding that they are not in line with the policy set out above where the terms of the payment were agreed (i) before 4 February 2014 (the date the Company’s first shareholder-approved directors’ remuneration policy came into effect (ii) before the policy set out above came into effect, provided that the terms of the payment were consistent with the shareholder-approved directors’ remuneration policy in force at the time they were agreed; or (iii) at a time when the relevant individual was not a director of the Company and, in the opinion of the Committee, the payment was not in consideration for the individual becoming a director of the Company. For these purposes ‘payments’ includes the Committee satisfying awards of variable remuneration and, in relation to an award over shares, the terms of the payment are ‘agreed’ at the time the award is granted.

CHOICE OF PERFORMANCE MEASURES

The Committee believes the choice of performance measures for the annual bonus and LTIP represent an appropriate balance between the short and long term focus of the Group’s business strategy, as well as an appropriate balance between external and internal assessments of performance.

DIFFERENCES IN POLICY

Remuneration arrangements throughout the Group are based on the principle that reward should support the business strategy and should be sufficient to attract and retain individuals of the calibre capable of executing that strategy, without paying more than is necessary.

The Group is an international organisation with employees at different levels of seniority in a number of different countries. Accordingly, the manner in which the above principle is implemented varies by level of employee and geography in which the employee is located.

The practice with regard to the remuneration of senior executives immediately below the level of executive director is consistent with the remuneration policy for executive directors. These executives all have a significant portion of their remuneration package linked to performance. Their financial and non-financial performance targets for annual bonus are cascaded from the targets for the executive directors. They are also eligible to participate either in the LTIP or other similar long term incentive plans.

Other senior managers are entitled to participate in appropriate multi-year incentive arrangements and also participate in local bonus plans with performance targets aligned with those of executive directors and senior executives. For employees in general, the Group aims to provide remuneration packages that are market-competitive in the employee’s country of employment. Where practical, the structure of employees’ remuneration cascades from that of executives and senior management.

DISCRETION

The Committee has retained the discretionary ability to adjust the value of an award under the annual bonus and LTIP schemes, if the award, in the Committee’s opinion taking all circumstances into consideration, produces an unfair result. In exercising this discretion, the Committee may take into consideration the individual’s or the Group’s performance against non-financial measures.

CONSIDERATIONS OF CONDITIONS ELSEWHERE IN THE GROUP

The Committee does not directly consult with employees when formulating executive director pay policy. However, the Committee does take into consideration information on pay arrangements for the wider employee population when determining the pay of executive directors.

SHAREHOLDER CONSIDERATIONS

The Company is committed to ongoing dialogue with shareholders and welcomes feedback on directors’ remuneration. We continue to incorporate market developments and shareholder expectations within our remuneration frameworks.
DIRECTORS’ REPORT

Directors’ Remuneration Report (continued)

RENUMERATION POLICY FOR NON-EXECUTIVE DIRECTORS
Non-executive directors are not eligible to participate in the annual bonus plan or LTIP and do not receive any benefits other than fees in respect of their services to the Company. The Company reimburses the non-executives for reasonable expenses in performing their duties and may settle any tax incurred in relation to these.

Non-executive directors receive a basic fee which covers their Board role and membership of a Board Committee. Additional fees are paid for chairing the Board and for a Committee, but only one such fee can be received by any one individual. A separate fee is paid for acting as Senior Independent Director. An additional modest travel allowance is paid to directors travelling to and from Europe, and to and from the US, for each meeting attended in person.

POLICY ON PAYMENT FOR LOSS OF OFFICE
The Company operates the following policy in respect of payments concerning loss of office:

• notice periods do not exceed 12 months;
• termination payments are negotiable but restricted to a maximum of 12 months’ salary and other contractual benefits;
• the Committee has discretion to determine appropriate bonus amounts and LTIP vesting. Bonus amounts will be determined based on time spent and the performance of the individual whilst fulfilling the duties of the role. Typically, for LTIP awards, pro-rating for time served will apply and performance will be tested at the end of the performance period as part of the normal process; and
• in any exit payment scenario, the Committee will give due consideration to the circumstances under which the director’s employment terminated.

APPROACH TO RECRUITMENT REMUNERATION
In the event of appointing a new executive director, the Committee will align the remuneration package of the new director with the policy set out in this Report. However, the Committee retains the discretion to propose remuneration arrangements on hiring a new executive director which are outside the policy set out in the future policy table in order to facilitate the hiring of an individual of the calibre required to deliver the Group’s business strategy. The intention is to stay within limits on variable pay as set out within the future policy table. However, in any event, the maximum level of variable remuneration (i.e. bonus and long term incentive) which may be granted in these circumstances shall not exceed 300% of salary.

When determining the appropriate remuneration arrangements for a new executive director, the Committee will take account of the impact on existing remuneration arrangements for other executive directors when setting the type and quantum of remuneration being offered. The Committee may make awards on hiring an external candidate to compensate the individual for variable remuneration arrangements that will be forfeited on leaving their previous employer. In doing so, the Committee will take into consideration such factors as performance conditions, vesting schedules and the form of the awards being forfeited. To the extent possible, buy-out awards will be made on a basis that closely approximates the benefit that the new director could reasonably have expected to receive had they remained with their previous employer.

SERVICE CONTRACTS
Brendan McAtamney and Alan Ralph’s service contracts can be terminated by either party giving 12 months’ notice. The Company has retained the right to make payment to the director in respect of salary and other contractual entitlements in lieu of the notice period.

Chris Corbin’s service contract can be terminated by either party giving 12 months’ notice. As previously announced, Chris Corbin has informed the Board of his intentions to retire from the Group in April 2019.

NON-EXECUTIVE DIRECTORS’ LETTERS OF APPOINTMENT
The terms of engagement of non-executive directors are set out in Letters of Appointment. Non-executive directors are currently appointed for an initial three year term subject to satisfactory performance and annual re-election by shareholders at Annual General Meetings. The appointment can be terminated by either party on giving one month’s notice.
REMUNERATION SCENARIOS

The chart below shows hypothetical values of the remuneration package for executive directors under three assumed performance scenarios and has been constructed based on the Remuneration Policy as set out in this Report and uses the same level of salary, benefits and pensions entitlement of each of the executive directors as at 1 October 2016 under all three of the scenarios.

- Minimum remuneration receivable – There is no annual bonus payment and no vesting under the LTIP.
- Remuneration for expected performance – There is a target bonus pay-out of 70% for Brendan McAtamney and Alan Ralph and 60% for Chris Corbin. There is target vesting under the LTIP of 25% of the maximum award.
- Maximum remuneration receivable – There is a maximum bonus pay-out of 100% of base salary for each executive director and maximum vesting of 150% of base salary for Brendan McAtamney and 100% for Alan Ralph. As Chris Corbin is no longer receiving any grants under the LTIP, this element of remuneration is zero.

The actual amounts earned by executive directors under the above scenarios will depend on share price performance over the vesting period. For the purpose of these illustrations, any share price appreciation has been ignored. Chris Corbin’s remuneration has been converted to Euros at the average rate for 2016.

### Brendan McAtamney

- Minimum: €500 (100%), €1,000 (55%), €1,500 (34%)
- On Target: €2,000 (29%), €2,500 (20%)
- Maximum: €2,500 (29%), €3,000 (20%)

### Alan Ralph

- Minimum: €500 (100%), €1,000 (55%), €1,500 (34%)
- On Target: €2,000 (29%), €2,500 (20%)
- Maximum: €2,500 (29%), €3,000 (20%)

### Chris Corbin

- Minimum: €500 (100%), €1,000 (55%), €1,500 (34%)
- On Target: €2,000 (29%), €2,500 (20%)
- Maximum: €2,500 (29%), €3,000 (20%)

Legend:
- LTIP
- Annual bonus
- Fixed remunerations
Nominations & Governance Committee Report

The Nominations & Governance Committee has been quite active in 2016 reflecting its involvement in succession planning for new Board members and reshaping the Board Committees to ensure they continue to comply with the highest standards of governance.

Peter Gray  
Chair of the Nominations & Governance Committee

COMPOSITION AT 30 SEPTEMBER 2016  
Peter Gray (Chair)  
Philip Toomey  
Chris Brinsmead

ATTENDANCE RECORD AND TENURE

<table>
<thead>
<tr>
<th>Member</th>
<th>Column A</th>
<th>Column B</th>
<th>Committee tenure</th>
</tr>
</thead>
<tbody>
<tr>
<td>Peter Gray (Chair)</td>
<td>5</td>
<td>5</td>
<td>10 years</td>
</tr>
<tr>
<td>Chris Brinsmead</td>
<td>5</td>
<td>5</td>
<td>4 years</td>
</tr>
<tr>
<td>Philip Toomey</td>
<td>5</td>
<td>5</td>
<td>7 years</td>
</tr>
</tbody>
</table>

Column A – Number of meetings held when director was a member.  
Column B – Number of meetings attended when director was a member.

KEY OBJECTIVE  
To ensure the Board is comprised of individuals with the skills, knowledge, experience and expertise that are appropriate for the Group’s requirements.

KEY RESPONSIBILITIES
- to evaluate the balance of skills, knowledge, experience and diversity of the Board and Committees and make recommendations to the Board with regard to any changes;
- to consider succession planning for directors and other senior executives taking into account what skills and expertise are needed for the future;
- to identify, and nominate for the approval of the Board, candidates for appointment as directors;
- to consider the re-appointment of any non-executive director at the conclusion of their specified term of office and recommend their re-appointment to the Board; and
- to review Corporate Governance developments and ensure the Group remains compliant with all aspects of governance applicable to it.

MEETINGS
The Committee met five times during the year ended 30 September 2016. Individual attendance at these meetings is set out above. The Committee is chaired by the Chairman of the Board and is comprised of non-executive directors only, considered by the Board, to be independent. The Chief Executive is present occasionally at the invitation of the Committee.
MAIN ACTIVITIES DURING THE YEAR
The committee oversaw the Chief Executive handover which took place a little ahead of schedule in February 2016.

The Committee also undertook a formal, rigorous recruitment process to manage a search for non-executive directors with relevant international experience and to ensure the Board continued to have the appropriate balance of skills and experience. Following a detailed briefing from the Chairman on behalf of the Committee, Spencer Stuart, an independent executive search firm, identified a list of potential candidates, which was reviewed by the Committee, who in turn selected candidates to bring through to the next stage of the process. A one-on-one interview was then conducted with each candidate by the Chairman and one other director who then shortlisted the candidates to then go through a further interview with the remaining members of the Committee and some other directors. The Committee then invited one of the candidates to attend a Board meeting to ensure they were a good cultural fit and to assess their non-executive abilities. Following this, the Committee then recommended Ms. Nancy Miller-Rich to the Board as a non-executive director, which was subsequently unanimously approved.

The Committee also continued its review of Board succession planning and has recently appointed an independent consultant in Ireland to facilitate a recruitment process to ensure orderly succession for appointments to the Board in recognition of Philip Toomey reaching his nine-year tenure in February 2017 and his eventual retirement from the Board. This search is focussed on candidates based in Ireland, having a financial background and experience of public companies and governance.

The Committee continues to review all external and internal governance procedures to ensure ongoing compliance and to ensure the Board and its Committees are best structured to meet the future needs of our diverse and ever-evolving Group. The Committee conducted a review of the Board Committee’s and recommended changes to the remit of each Committee. The key changes are noted below:

- The Nominations & Governance Committee now formally reviews the Group’s ongoing compliance with the corporate governance guidance applicable to it and recommends any proposed actions to the Board for its review;
- The Risk, Investment & Financing Committee now formally reviews the Group’s Viability Statement in conjunction with the review of the Group’s Risk management process and recommends the statement to the Audit Committee for its review; and
- Two Executive sub-Committees’ were established during the year – the Quality & Compliance sub-Committee and the Risk & Viability sub-Committee, with the Chair of each reporting its findings to the Risk, Investment & Financing Committee. The Chairman is a member of the Quality & Compliance sub-Committee.

These two new sub-Committees ensure the executive and non-executive Board members are able to oversee the activities of these functions as the Group grows and develops into a more global organisation.

Peter Gray  
Chair of the Nominations & Governance Committee
Risk, Investment & Financing Committee Report

A significant amount of work was conducted in the year to further enhance UDG’s Risk Management Process and the Committee is pleased to report on this progress within its report.

Chris Brinsmead
Chair of the Risk, Investment & Financing Committee

COMPOSITION AS AT 30 SEPTEMBER 2016
Chris Brinsmead (Chair)
Gerard van Odijk
Lisa Ricciardi

ATTENDANCE RECORD AND TENURE
The Committee met twice during the year ended 30 September 2016. Individual attendance at these meetings along with the tenure of each member is set out below.

<table>
<thead>
<tr>
<th>Member</th>
<th>A</th>
<th>B</th>
<th>Committee tenure</th>
</tr>
</thead>
<tbody>
<tr>
<td>Chris Brinsmead (Chair)</td>
<td>2</td>
<td>2</td>
<td>5 years</td>
</tr>
<tr>
<td>Gerard van Odijk</td>
<td>2</td>
<td>2</td>
<td>3 years</td>
</tr>
<tr>
<td>Lisa Ricciardi</td>
<td>2</td>
<td>2</td>
<td>3 years</td>
</tr>
</tbody>
</table>

Column A – Number of meetings held when director was a member.
Column B – Number of meetings attended when the director was a member.

KEY OBJECTIVE
To review the risk evaluation and risk management procedures adopted by the Group to ensure relevant risks are identified and managed appropriately.

KEY RESPONSIBILITIES
- to oversee the Group’s risk management systems and internal controls;
- to oversee the identification and assessment of the Group’s Principal Risks & Uncertainties as well as their associated mitigation strategies, and recommend them to the Board for approval;
- to oversee the review of the long term viability of the Group and the development of the Viability Statement for recommendation to the Audit Committee;
- to consider, review and approve potential transactions to be made by the Group which have a consideration value of up to €50 million;
- to consider, review and authorise the commencement of due diligence on potential transactions which have a consideration value of more than €50 million;
- to evaluate, and recommend to the Board for approval, any proposed capital expenditure requests exceeding €3 million and any debt and equity financing proposals; and
- conduct one year and three year post-acquisition reviews.

MEETINGS
The Committee met twice during the year ended 30 September 2016. Individual attendance at these meetings is set out above. The Committee is currently comprised of three independent non-executive directors. The Chief Executive, Chief Financial Officer and the Group Head of Quality & Compliance are not members of the Committee but attend meetings at the invitation of the Committee.
MAIN ACTIVITIES DURING THE YEAR

The effective understanding and management of risk is critical to the short-term success and long-term viability of the Group. It is in that context that the Group has incorporated quarterly viability reviews within the Risk Management Process ensuring that the risks associated with what the Group does are tackled in the most appropriate way.

To support this, the Group has developed and implemented a risk management system that facilitates the identification of the principal or significant risks that face the Group and which allows those risks and their associated resolutions to be actively amended and monitored.

This system is dynamic and as part of its ongoing development the Group in the past year has focused on a greater facilitation of its risk identification and management, as well as an internal review of its effectiveness. As a consequence, the Committee is satisfied that the Group’s risk management system is effective.

The Principal Risks & Uncertainties for the Group are set out on pages 21 to 23.

Two executive sub-Committee’s were established during the year, the Risk & Viability sub-Committee and the Quality & Compliance sub-Committee, both of which report its annual activities to this Committee. The Chairman of the Board sits on the Quality & Compliance sub-Committee.

The process for development of the long-term viability statement was to review the internal elements of the Group and to review key aspects of the business environment. Long-term viability forms part of the Group strategy, as one of the objectives of developing a long-term strategy is to ensure the viability of the Group. The scenario selection is based on the risks identified in the Principal Risks and Uncertainties. The Committee reviewed the process and Statement and recommended it to the Audit Committee for their review and approval.

During the year, the Committee also reviewed the financing agreements in place and completed one year post-acquisition reviews of KnowledgePoint360 LLC, Galliard Limited and Nyxeon Limited and three year post-acquisition reviews of Watermeadow Limited, Pharmexx GmbH, Bilcare CCS, Drug Safety Alliance LLC and Synopia LLC.

Chris Brinsmead
Chair of the Risk, Investment & Financing Committee
Report of the Directors

The directors present their report and audited financial statements for the year ended 30 September 2016.

DIVIDENDS
An interim dividend of 3.05 cent (2015: 2.90 cent) per share was paid on 20 June 2016. Subject to shareholder approval at the Company’s 2017 AGM, it is proposed to pay a final dividend of 8.50 cent (2015: 8.10 cent) per share on 13 February 2017, to ordinary shareholders on the Company’s register at 5.00 p.m. on 20 January 2017, thereby giving a total dividend for the year of 11.55 cent (2015: 11.00 cent) per share.

BOARD OF DIRECTORS
Nancy Miller-Rich was appointed to the Board on 20 June 2016.

In accordance with the recommendation contained in the 2014 UK Corporate Governance Code, the Board has adopted the practice of annual re-election for all directors, unless a director is stepping down from the Board.

COMPANY LISTING AND SHARE PRICE
At 30 September 2016, the Company’s shares were listed solely on the London Stock Exchange. The price of the Company’s shares ranged between Stg£4.60 and Stg£6.49, with an average price of Stg£5.69, during the year ended 30 September 2016. The share price at the end of the 2016 financial year was Stg£6.41 and the market capitalisation of the Group was Stg£1.58 billion.

SUBSTANTIAL INTERESTS
The Company received notification of the following interests of 3% or more in its ordinary share capital:

<table>
<thead>
<tr>
<th>Entity</th>
<th>Ordinary shares number</th>
<th>% of issued share capital (excluding treasury shares)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fidelity Management &amp; Research</td>
<td>20,844,890</td>
<td>8.42%</td>
</tr>
<tr>
<td>Blackrock</td>
<td>11,346,635</td>
<td>4.58%</td>
</tr>
<tr>
<td>Aviva Investors</td>
<td>10,195,640</td>
<td>4.12%</td>
</tr>
<tr>
<td>Kabouter Management</td>
<td>9,968,921</td>
<td>4.03%</td>
</tr>
<tr>
<td>Davy Stockbrokers</td>
<td>8,122,962</td>
<td>3.28%</td>
</tr>
<tr>
<td>M&amp;G Investment Management</td>
<td>7,891,459</td>
<td>3.19%</td>
</tr>
</tbody>
</table>

* 24 November is the last practicable date to verify interests before printing this report.

These entities have indicated that the shareholdings are not ultimately beneficially owned by them.

AUTHORITY TO ALLOT SHARES AND DISAPPLICATION OF PRE-EMPTION RIGHTS
At the AGM held on 2 February 2016, the directors received the authority from shareholders to allot shares up to an aggregate nominal value representing approximately one third of the issued share capital of the Company and the power to disapply the statutory pre-emption provisions relating to the issue of new equity for cash. The disapplication is limited to the allotment of shares in connection with the exercise of share options, any rights issue, any open offer or other offer to shareholders and the allotment of shares up to an aggregate nominal value representing approximately 5% of the issued share capital of the Company. The directors also received authority to allot up to 10% of the issued share capital of the Company if the issue was related to an acquisition.

These authorities are due to expire at the Company’s 2017 AGM. Consequently, at the forthcoming AGM, shareholders will be asked to renew these authorities until the date of the Company’s AGM to be held in 2018 or the date 15 months after this forthcoming AGM, whichever is the earlier.

PURCHASE OF OWN SHARES
At the AGM held on 2 February 2016, authority was granted to the Company, or any of its subsidiaries, to purchase a maximum aggregate of 10% of the Company’s shares.

Special resolutions will be proposed at the Company’s 2017 AGM to renew the authority of the Company, or any of its subsidiaries, to purchase up to 10% of the issued share capital of the Company and in relation to the maximum and minimum prices at which treasury shares (effectively shares purchased and not cancelled) may be re-issued off-market by the Company. If granted, the authorities will expire on the earlier of the date of the Company’s AGM in 2018 or the date 15 months after this forthcoming AGM.

The directors will only exercise the power to purchase shares if they consider it to be in the best interests of the Company and its shareholders as a whole.
TAKEOVER DIRECTIVE
The Group’s principal banking and loan note facilities include provisions that, in the event of a change of control of the Company, the Group could be obliged to repay the facilities together with penalties. Certain customer and supplier contracts and joint venture arrangements also contain change of control provisions. Additionally, the Company’s Long Term Incentive Plan and share option schemes contain change of control provisions which potentially allow for the acceleration of the exercisability of awards in the event that a change of control occurs with respect to the Company.

POLITICAL DONATIONS
No political donations which require disclosure in accordance with the Electoral Acts 1997 to 2012 were made by the Group during the year.

ACCOUNTING RECORDS
The directors believe that they have complied with the requirements of Sections 281 to 285 of the Companies Act 2014 with regard to maintaining adequate accounting records by employing accounting personnel with appropriate expertise and by providing adequate resources to the finance function. The accounting records of the Company are maintained at the Company’s registered office, 20 Riverwalk, Citywest Business Campus, Citywest, Dublin 24, Ireland.

AUDITOR
In accordance with the requirements of the UK Corporate Governance Code and the EU Audit Regulation 2014, the Audit Committee undertook an external audit tender process during 2016. Following this process, the Board approved a recommendation from the Committee to appoint EY as the Company’s new Auditor. This appointment will take effect for the year ending 30 September 2017 and is subject to shareholder approval at the AGM to be held on 7 February 2017.

ANNUAL GENERAL MEETING
The AGM of the Company will be held on 7 February 2017. Your attention is drawn to the letter to shareholders and the Notice of AGM available on the Company’s website, www.udghealthcare.com, which sets out details of the matters which will be considered.

MEMORANDUM AND ARTICLES OF ASSOCIATION
The Company’s Memorandum and Articles of Association set out the objects and powers of the Company and may be amended by a special resolution passed by the shareholders at a general meeting of the Company.

CORPORATE GOVERNANCE
UDG Healthcare plc is an Irish registered company and is therefore not subject to the disclosure requirements contained in the UK Companies Act 2006 (Strategic Report and Directors’ Report) Regulations 2013.

A summary of the Group’s business model and strategy is set out on pages 12 to 15 and the Group’s corporate social responsibility policies and activities are summarised on pages 40 to 51.

DIRECTORS COMPLIANCE STATEMENT
(Made in accordance with section 225 of the Companies Act, 2014)

The directors acknowledge that they are responsible for securing compliance by UDG Healthcare plc (the ‘Company’) with its relevant obligations as are defined in the Companies Act, 2014 (the ‘Relevant Obligations’).

The directors confirm that they have drawn up and adopted a compliance policy statement setting out the Company’s policies that, in the directors’ opinion, are appropriate to the Company with respect to compliance by the Company with its relevant obligations.

The directors further confirm the Company has put in place appropriate arrangements or structures that are, in the directors’ opinion, designed to secure material compliance with its relevant obligations including reliance on the advice of persons employed by the company and external legal and tax advisers as considered appropriate from time to time and that they have reviewed the effectiveness of these arrangements or structures during the financial year to which this report relates.
STATEMENT OF DIRECTORS’ RESPONSIBILITIES

The directors are responsible for preparing the Annual Report and the Group and Company Financial Statements, in accordance with applicable laws and regulations.

Company law requires the directors to prepare Group and Company Financial statements each year. Under that law, the directors are required to prepare the Group Financial Statements in accordance with IFRS as adopted by the European Union and have elected to prepare the Company Financial Statements in accordance with IFRS as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2014.

Under company law, the directors must not approve the Financial Statements unless they are satisfied that they give a true and fair view of the assets, liabilities and financial position of the Group and Company and of their profit and loss for that period. In preparing each of the Group and Company Financial Statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state that the Financial Statements comply with IFRS as adopted by the European Union as applied in accordance with the Companies Act 2014; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group and the Company will continue in business.

The directors are also required by the Transparency (Directive 2004/109/EC) Regulations 2007 and the Transparency Rules of the Central Bank of Ireland to include a management report containing a fair review of the business and a description of the principal risks and uncertainties facing the Group.

The directors are responsible for keeping adequate accounting records which disclose with reasonable accuracy, at any time, the assets, liabilities, financial position and profit and loss of the Company, and which enable them to ensure that the Financial Statements of the Group comply with the provisions of the Companies Act 2014. The directors are also responsible for taking all reasonable steps to ensure such records are kept by its subsidiaries which enable them to ensure that the Financial Statements of the Group comply with the provisions of the Companies Act, 2014. They are also responsible for safeguarding the assets of the Company and the Group, and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities. The directors are responsible for the maintenance and integrity of the corporate and financial information included in the Group’s and Company’s website (www.udghealthcare.com). Legislation in Ireland concerning the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

RESPONSIBILITY STATEMENT AS REQUIRED BY THE TRANSPARENCY DIRECTIVE AND UK CORPORATE GOVERNANCE CODE

Each of the directors, whose names and functions are listed on pages 56 and 57 of this Annual Report, confirm that, to the best of each person’s knowledge and belief:

- as required by the Transparency Regulations:
  - The Group Financial Statements, prepared in accordance with IFRS as adopted by the European Union and, in the case of the Company, as applied in accordance with the Companies Act 2014, give a true and fair view of the assets, liabilities, financial position of the Group and Company as at 30 September 2016 and of the profit of the Group for the year then ended; and
  - The Directors’ report contained in the Annual Report includes a fair review of the development and performance of the business and the position of the Group and Company, together with a description of the principal risks and uncertainties that they face;
- as required by the UK Corporate Governance Code:
  - The annual report and financial statements, taken as a whole, provides the information necessary to assess the Group’s performance, business model and strategy and is fair, balanced and understandable.
OTHER INFORMATION

Other information relevant to the Director’s Report may be found in the following sections of the Annual Report:

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<td>Long Term Incentive Plan, share options and equity settled incentive schemes</td>
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The Directors’ Report for the year ended 30 September 2016 comprises these pages and the sections of the Annual Report referred to under ‘Other information’ above, which are incorporated into the Directors’ Report by reference.

On behalf of the Board

P. Gray
Director

B. McAtamney
Director

6 December 2016