

Key Performance Indicators

The Group has a range of Key Performance Indicators (KPIs) which are used to monitor Group performance, operations and measure progress against our strategy.

Financial KPI #1

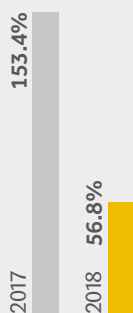
Total Shareholder Return (TSR)

Definition

TSR is the total return to an investor, being the capital gain plus reinvested dividends. The return is measured as an average return over three years.

Strategic Linkage

TSR is a key metric used to ensure the Group is delivering returns on invested capital and maintaining strong cash flows to support the combined development of the Group and its dividend payment. Principally, it is used to tie executive management remuneration to shareholder returns by linking the vesting and quantum of awards under the Long Term Incentive Plan (LTIP) to performance relative to other FTSE 250 companies.



Performance

The Group delivered a three-year average TSR of 56.8% in 2018 compared to 153.4% in 2017.

Link to Remuneration

This is a performance metric for the LTIP, accounting for 50% of any awards made.

Financial KPI #2

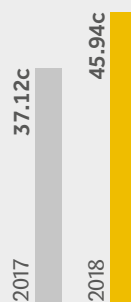
Earnings Per Share (EPS) Growth

Definition

Growth in adjusted diluted EPS achieved in the year.

Strategic Linkage

EPS is an important financial measure of corporate profitability and the Group's financial progress.



Performance

The 24% increase in EPS was primarily driven by operating profit growth from the Ashfield and Sharp divisions, as well as the acquisitions during the year. Foreign exchange translation increased EPS growth by 2% from 22% constant currency growth to 24% reported growth.

Link to Remuneration

Adjusted EPS growth is a key measure of growth and a driver of TSR, which accounts for 50% of LTIP awards made.

Financial KPI #3

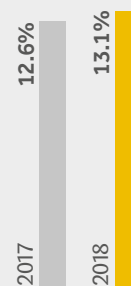
Net Operating Margin

Definition

Measures operating profit as a percentage of net revenue.

Strategic Linkage

Net operating margin is a key metric in measuring operating efficiency across the Group, divisions and business units. Continued improvements in net operating margin demonstrate the successful execution of the Group's strategy.



Performance

The overall Group net operating margin has increased from 2017. The positive margin effect of acquisitions, higher revenue growth in the higher margin businesses and savings from restructuring more than offset the impact of additional Future Fit operating costs.

Link to Remuneration

Net operating margin is a key driver of Profit Before Tax (PBT) which represents a significant element of annual bonus potential.

Key to strategic linkage in this report

Improve productivity	■
Transform through people	■
Grow and develop market-leading positions	■

Financial KPI #4

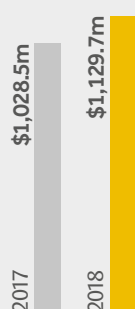
Net Revenue

Definition

Comprises gross revenue as reported in the Group Income Statement, adjusted for revenue associated with pass-through costs for which the Group does not earn a margin.

Strategic Linkage

Net revenue is a key metric in measuring growth in operations across the Group, divisions and business units. Continued growth in net revenue demonstrates the successful execution of the Group's strategy.



Performance

The Group's net revenue increased 10%, benefiting from acquisitions.

Link to Remuneration

Net Revenue is a performance metric which accounts for a portion of annual bonus potential.

Financial KPI #5

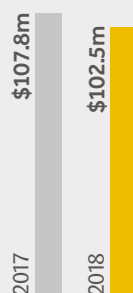
Operating Cash Flow

Definition

Operating cash flow is net cash inflow from operating activities per the Group Cash Flow Statement on page 106.

Strategic Linkage

The generation of cash from operations is a key driver of shareholder returns and also enables the Group to invest in capital expenditure and acquisitions to enhance future growth.



Performance

The Group has achieved operating cash flows of \$102.5 million. This has decreased from 2017, driven by an increase in working capital.

Link to Remuneration

The ratio of operating cash flow to operating profit forms the basis of a performance metric for the LTIP, accounting for 50% of any awards made. Operating cash flow is also an annual bonus performance metric.

Financial KPI #6

Return on Capital Employed (ROCE)

Definition

ROCE is profit before interest and tax expressed as a percentage of the Group's net assets employed. See page 170.

Strategic Linkage

ROCE is a key financial benchmark which measures both the return from, and performance of, investments in our business. The Group strives to consistently achieve returns well in excess of its cost of capital.



Performance


The Group's ROCE was 12.7% compared to 12.8% in 2017.

Link to Remuneration

ROCE is significantly influenced by PBIT and cash flow performance, both of which are key annual bonus performance metrics.

Key Performance Indicators (continued)

Key to strategic linkage in this report

Improve productivity	
Transform through people	
Grow and develop market-leading positions	

Non-Financial KPI #1

Quality & Compliance

Definition

Our vision and values are underpinned by our desire to maintain the highest ethical standards in everything that we do. We are committed to always meeting our legal and regulatory obligations. Our compliance programme sets out the system we have adopted to help ensure that we meet this commitment.

Strategic Linkage

One of the measures for ensuring that our Quality and Compliance systems and processes are providing a robust basis for our business is through our performance in audits by regulators and professional standards bodies. 25 regulator audits were carried out throughout UDG by regulators in 2018.

100%

Success rate. No material findings were observed.

Performance

All regulatory audits completed this year in both Ashfield and Sharp were successful. ISO 9001 certification was achieved in Ashfield Austria for the first time. There were no regulatory breaches during the year.

Link to Remuneration

A key objective of the Quality and Compliance system is to ensure that when audited by reporting authorities and clients we are compliant with their requirements. This means adhering to both the regulatory requirements and the professional standards applied in our sector. Management all have objectives to ensure successful audit outcomes.

Non-Financial KPI #2

Environmental, Health and Safety (EHS)

Definition

EHS audits comprise of a comprehensive and structured review whereby information is collected relating to the efficiency, effectiveness, and reliability of our businesses EHS management systems.

Strategic Linkage

Compliance with regulation and application of industry standards are essential in the delivery of our strategy.

80%

Since the introduction of our EHS audit programme in 2014, over 80% of UDG Healthcare businesses have been audited.

This year as part of our audit programme we have focused on closing EHS audit actions.

Performance

We are pleased with our performance against our internal standards as a number of our sites have achieved over 70% completion of all EHS audit actions.

Link to Remuneration

The EHS audit programme has an indirect impact on business revenue. Both internal and external client audit results demonstrate our compliance with EHS regulatory requirements and industry best practice, supporting business development and retention.

Non-Financial KPI #3

Living Our Values

Definition

How we embed UDG's values into our people processes and the method of measurement for how we live the values in our organisation.

Strategic Linkage

Our values define our culture for all employees and enable our strategy. By demonstrating the behaviours underpinning our values, our leaders continue to build a values based culture for the benefit of our clients, our people and the success of our business.

79%

The percentage of employees who see our values lived throughout the Group.

Performance

Our global employee engagement survey provided valuable feedback on culture. Our Global CEO Awards reinforce recognition of employees who demonstrate the values.

Link to Remuneration

Businesses have implemented action plans to address local opportunities for improvement identified in the survey.