

# A year of consolidation



On behalf of the Board, I am pleased to present Indivior's Corporate Governance Report for 2016.

The Board of Indivior is firmly committed to maintaining high standards of corporate governance. During 2016, the Board and its committees continued to focus on ensuring good governance practices across the business.

**“The members of the Indivior Board bring a balance of skills, knowledge and experience to ensure we are well-positioned to address this global crisis”**

The Board of Indivior monitors compliance requirements of the UK Corporate Governance Code (the Code), and at the end of 2016, Indivior was in compliance with the main principles of the Code and complied with all relevant provisions.

#### **Our Guiding Principles and culture**

Indivior's Guiding Principles shape the behavioral standards we expect all employees to uphold, and underpin the unique corporate culture that defines and differentiates us. The Board believes this culture is a key driver of our success as an organization, and will strive to ensure it is maintained. We are pleased with the progress Indivior has made in the last 12 months.

#### **Consolidation and continual improvement**

2016 was a year of consolidation for Indivior. We have now been a stand-alone company for over two years, and we remain committed to continual improvement in our governance and compliance processes, systems and structures. During the year the Nomination & Governance Committee focused on developing a best-in-class compliance function, which included taking increased oversight and responsibility for corporate compliance matters.

Meanwhile, our Audit Committee continued to have oversight of the Company's accounting and financial reporting processes, and oversaw the development of financial controls in anticipation of our US listing and compliance with the Sarbanes-Oxley Act; the US listing is temporarily on hold.

Elsewhere, our Science & Policy Committee has been closely monitoring the development of the Group's pipeline – notably the Phase 3 clinical trial for RBP-6000 buprenorphine monthly depot, the positive top-line results of which were published in August 2016.

#### **Board balance and diversity**

The transformation of addiction from a global human crisis to a treated disease worldwide must be thoughtfully navigated and guided by experience. The members of the Indivior Board bring a balance of skills, knowledge and experience to ensure we are well-positioned to address this global crisis and expand access to treatment.



The Board is supportive of diversity in its broadest form, and supports Lord Davies' recommendations on improving gender balance on Boards. During 2016, Adrian Hennah and Rupert Bondy left the Board, and we would like to thank them both for their valuable contributions. Following a robust recruitment process using an independent search consultancy, we welcomed Lizabeth Zlatkus and Tatjana May to the Board. Both Lizabeth and Tatjana bring a wealth of skills and knowledge, and extensive experience of working in US and UK-listed organizations.

### Evaluation

Following our second internal evaluation of the performance of the Board and its Committees in 2016, we have started planning our first external evaluation, which will take place in 2017. I am pleased to report the Board and its Committees continue to perform well, and will remain fully focused on the Company's strategy in 2017.

### Looking ahead

Looking to the year ahead, I will continue to work alongside my fellow Board members to further strengthen our governance processes. In this way, we will remain focused on ensuring the Company's long-term success and sustainability, and helping millions of people around the world reclaim their lives by helping to ensure access to treatment for opioid use disorder and to help patients on their journey to recovery.

**Howard Pien**  
Chairman

March 7, 2017

### Activities during the year

In addition to regular reports from the Chief Executive Officer and Chief Financial Officer, the Board also considered the following key matters:

- ◀ regularly reviewed the Company's performance;
- ◀ reviewed the Company's dividend policy;
- ◀ agreed to increase market guidance for 2016 in July and again in November;
- ◀ reviewed and approved the Company's budget for 2017;
- ◀ held the September 2016 Board Meeting at the Company's global headquarters in Richmond, VA and met with employees;
- ◀ received regular updates on the Level 2 ADR Listing (subsequently temporarily suspended);
- ◀ undertook a detailed review of the succession plans for members of the Board;
- ◀ undertook a detailed review of business development opportunities and activities for preparing to launch pipeline products on their approval;
- ◀ received regular updates from the Group's Chief Legal Officer and external counsel regarding the Group's ongoing litigation; and
- ◀ undertook a review of its performance and that of its principal committees.

# Our Board of Directors

The right combination of knowledge and experience to grow the business worldwide



## 1. Howard Pien Chairman

Skills and experience:

- › Over 30 years of pharmaceuticals and biotechnology industry experience
- › Vanda Pharmaceuticals, Inc.: Non-Executive Chairman (2010-2016)
- › GlaxoSmithKline: various executive positions (1991-2003)
- › Chiron, Corp: President and CEO (2003-2006)
- › Medarex Inc.: CEO, President and later Chairman of the Board (2007-2009)
- › Abbott Laboratories and Merck & Co.: Product Manager, Business Unit Director, cardiovasculars, anti-infectives (1986-1991)

Other current appointments:

- › Juno Therapeutics Inc.: Chairman of the Board
- › ImmunoGen, Inc.: Director
- › SAGE Therapeutics: Director

## 2. Shaun Thaxter Chief Executive Officer

Skills and experience:

- › Over 25 years of pharmaceuticals and prescription products industry experience
- › Reckitt Benckiser Pharmaceuticals Inc.: CEO and President – led the development of a global company after acquiring global marketing rights from Merck
- › Spearheaded Reckitt Benckiser Pharmaceuticals' growth since launching US Suboxone® Tablet business in 2003
- › Reckitt Benckiser: Global Category Manager for the prescription product portfolio

## 3. Mark Crossley Chief Financial Officer

Skills and experience:

- › Indivior Chief Strategy Officer
- › Reckitt Benckiser Pharmaceuticals Inc.: Global Finance Director
- › Procter and Gamble: Associate Director Corporate Portfolio Finance
- › Procter and Gamble: Associate Director Female Beauty Strategy and Business Planning
- › National Association of Corporate Directors Leadership Fellow

- A** Audit Committee
- R** Remuneration Committee
- N** Nomination & Governance Committee
- S** Science & Policy Committee

#### 4. Daniel Tassé Senior Independent Director **A** **S**

Skills and experience:

- › Over 20 years of pharmaceuticals and financial industry experience
- › Ikaria Holdings, Inc.: CEO and President (2008-2015), Chairman (2009-2015)
- › Baxter International: General Manager of Pharmaceuticals and Technologies Business Unit
- › GlaxoSmithKline: various senior management positions including President and Regional Director for Australasia (2001-2004)

Other current appointments:

- › Alcresta Pharmaceuticals Inc.: Chairman and CEO
- › Bellerophon Therapeutics: Director
- › REGENXBIO Inc.: Director

#### 5. Yvonne Greenstreet MBChB Non-Executive Director **A** **S** (Chair)

Skills and experience:

- › Over 20 years of pharmaceuticals industry experience
- › Experienced in medicines development, medical affairs and business development
- › Pfizer Inc.: SVP Medicines Development (2010-2013)
- › GlaxoSmithKline: various executive positions (1992-2010)
- › Molecular Insight Pharmaceuticals Inc., (2008-2010): Independent Director, Chairman of Compensation Committee and Member of Research Regulatory and Clinical Committee

Other current appointments:

- › Alnylam: Chief Operations Officer
- › Pacira Pharmaceuticals, Inc.: Director
- › Advance Accelerator Applications S.A.: Director
- › Moelis & Company: Independent Director
- › Bill and Melinda Gates Foundation: Advisory Board

#### 6. Tatjana May Non-Executive Director **N** **R**

Skills and experience:

- › Over 20 years of legal experience
- › Substantial knowledge and understanding of the pharmaceutical sector
- › Shire plc: General Counsel and Company Secretary, Executive Committee Member (2001-2015)
- › AstraZeneca plc: various positions including Assistant General Counsel (1995-2001)
- › Slaughter and May: Lawyer (1988-1994)

Other current appointments:

- › EIP Pharma, LLC: Board of Managers

#### 7. A. Thomas McLellan, PhD Non-Executive Director **N** **S**

Skills and experience:

- › Over 35 years as a career researcher in the treatment and policy-making around substance use and abuse field
- › Published over 400 articles and chapters on addiction research
- › Treatment Research Institute (TRI): Co-founder and CEO until September 1, 2014
- › White House Office of National Drug Control Policy (2009-2011): Deputy Director

Other current appointments:

- › Treatment Research Institute (TRI): Chairman
- › Serves on several editorial boards of scientific journals

#### 8. Lorna Parker Non-Executive Director **R** **N** (Chair)

Skills and experience:

- › Over 25 years of executive search and board consulting experience across a range of industries
- › Spencer Stuart: Partner (1989-2008); led the private equity practice across Europe and the legal search practice globally
- › Advent Venture Capital and Kleinwort Benson Investment Banking

Other current appointments:

- › Royal Horticultural Society: Trustee
- › CVC Capital Partners: Senior Advisor
- › Future Academies: Director

#### 9. Daniel J. Phelan Non-Executive Director **R** (Chair) **N**

Skills and experience:

- › Over 30 years of pharmaceuticals and executive management experience
- › Extensive experience dealing with executive remuneration and CEO succession planning
- › GlaxoSmithKline: advisor to three CEOs and various executive positions (1981-2012)

Other current appointments:

- › TE Connectivity Ltd: Board Director
- › Computer Sciences Corporation: Advisory Board Member
- › Rutgers University Board of Trustees: Member
- › RiseSmart: Advisory Board Member

#### 10. Chris Schade Non-Executive Director **A** (Chair) **S**

Skills and experience:

- › Over 20 years of pharmaceuticals and financial industry experience
- › Novira Therapeutics, Inc.: CEO (2014-2015)
- › Omthera Pharmaceuticals, Inc.: CFO, EVP (2011-2013)
- › NRG Energy, Inc.: CFO, EVP (2010-2011)
- › Medarex Inc.: CFO, SVP (2000-2009)
- › Merrill Lynch & Co.: MD, Debt Capital Markets (1992-2000)

Other current appointments:

- › Aprea Therapeutics AB: President and Chief Executive Officer
- › Integra LifeSciences Holdings Corporation: Director

#### 11. Lizabeth Zlatkus Non-Executive Director **A** **R**

Skills and experience:

- › The Hartford: various senior executive positions (1996-2011)
- › Qualified financial and risk expert
- › Audit, Risk and Nomination Committee experience
- › Legal & General: Non-Executive Director (2013-2016)
- › Connecticut Women's Hall of Fame (2013-2015)

Other current appointments:

- › Computer Sciences Corporation: Non-Executive Director
- › Boston Private: Non-Executive Director
- › Connecticut Science Center: Board of Trustees, Executive Committee member

#### 12. Kathryn Hudson Company Secretary

Skills and experience:

- › Over 15 years of experience as a Chartered Secretary
- › Kingfisher plc: Company Secretary
- › Senior Company Secretarial positions at Burberry Group plc and ICAP plc

Cary J. Claiborne was an Executive Director of the Company throughout 2016; he stood down as Chief Financial Officer on February 3, 2017 and resigned as a director on March 7, 2017.

# Our Executive Committee

Delivering strategy and results in a challenging and changing industry



**1. Shaun Thaxter**  
Chief Executive Officer  
(Executive Director)

**2. Mark Crossley**  
Chief Financial Officer  
(Executive Director)

**3. Debby Betz**  
Chief Corporate Affairs  
and Communications Officer

Industry experience:  
25+ years

Key previous roles:

- › Reckitt Benckiser Pharmaceuticals Inc.: Director of Marketing (North America) and Director of Commercial Development and Strategic Planning (North America)
- › Purdue Pharma and Stuart Pharmaceuticals: Various sales and marketing leadership roles including District Sales Manager

**4. Ingo Elfering**  
Chief Information Officer

Industry experience:  
25+years

Key previous roles:

- › GlaxoSmithKline: VP Business Transformation Core Business Service Group
- › GlaxoSmithKline: VP IT Roles (Strategy, Architecture, Global Services, eBusiness)
- › Medical Data Service Founder/CEO





### 5. Jon Fogle Chief Human Resources Officer

Industry experience:  
20+ years

Professional qualifications:

Senior Certified Professional  
in Human Resources

Key previous roles:

- › Reckitt Benckiser Pharmaceuticals Inc.:  
Global Human Resources Director
- › Reckitt Benckiser Pharmaceuticals Inc.:  
Human Resources Director for the US
- › Capmark Finance (formerly GMAC Commercial  
Mortgage): Senior Vice President of Human  
Resources, North America

### 6. Christian Heidbreder Chief Scientific Officer

Industry experience:  
25+ years

Professional experience:

- › 26 years' leadership in neurosciences  
across academia, government, industry;  
350+ publications
- › Academic roles: Affiliate Professor, Dept.  
Pharmacology and Toxicology, Virginia  
Commonwealth University School of Medicine

Key previous roles:

- › Reckitt Benckiser Pharmaceuticals Inc.:  
Global R&D Director
- › Altria: Client Services' Health Sciences
- › GlaxoSmithKline: Center of Excellence  
for Drug Discovery in Psychiatry
- › SmithKline Beecham:  
Neuroscience Department

### 7. Javier Rodriguez Chief Legal Officer

Industry experience:  
13+ years

Professional qualifications:

Admitted to practise law in New York,  
New Jersey and Virginia (Corporate Counsel)

National Association of Corporate Directors  
Governance Fellow

Key previous roles:

- › Reckitt Benckiser Pharmaceuticals Inc.:  
VP General Counsel
- › Reckitt Benckiser LLC: Senior Counsel  
(Healthcare), helping to acquire the global  
(ex-US) marketing rights to buprenorphine
- › Bayer AG and Berlex Laboratories, Inc.:  
Corporate Counsel

### 8. Richard Simkin Chief Commercial Officer

Industry experience:  
20+ years

Key previous roles:

- › Reckitt Benckiser Pharmaceuticals Inc.:  
President, North America
- › Reckitt Benckiser: General Manager Portugal
- › Reckitt Benckiser: Marketing Director  
UK Healthcare
- › Reckitt Benckiser: Two Global  
Category roles and a number  
of General Management positions

### 9. Frank Stier Chief Supply Officer

Industry experience:  
25+ years

Key previous roles:

- › Reckitt Benckiser Pharmaceuticals Inc.: Global  
Supply Director (heading logistics, customer  
service, demand planning and manufacturing)
- › Reckitt Benckiser Pharmaceuticals Inc.:  
Supply Services Director then Global  
Supply Services Director
- › Reckitt Benckiser: Supply Services Director,  
Central Europe
- › Reckitt Benckiser: Industrial Customer  
Service Manager
- › Colgate-Palmolive GMBH: Various roles

### 10. Ponni Subbiah Chief Medical Officer

Industry experience:  
18+ years

Professional qualifications:

Admitted to practise medicine in New York, NY  
Masters, Public Health

Key previous roles:

- › PATH: Global Program Leader,  
Drug Development
- › Pfizer, Inc.: Vice President , Global Access,  
Emerging Markets
- › Pfizer, Inc.: Vice President, Medical Affairs

Tony Goodman was a member of the Executive  
Committee throughout 2016 and left the  
Company on February 28, 2017.

# Corporate Governance

The Board is responsible for ensuring there is a robust and transparent governance framework in place. Indivior PLC (the Company) is subject to the UK Corporate Governance Code, published in September 2014 by the Financial Reporting Council (the Code) and available on their website [www.frc.org.uk](http://www.frc.org.uk).

At the end of the financial year, the Company confirms that it has applied the main principles of the Code and has complied with all relevant provisions.

During the year, Adrian Hennah, who is the Chief Financial Officer of Reckitt Benckiser Group plc, acted as a member of the Audit Committee. Provision C.3.1 of the Code states that an Audit Committee should comprise at least three independent Non-Executive Directors. Adrian Hennah acted as the fourth member of the Committee and the Board considered that his skill and experience were of considerable benefit to the Committee and his historic insight was invaluable during the period of transition.

Indivior Board				
Principal Board Committees	<b>Audit Committee</b> Oversight of financial reporting, audit and risk	<b>Nomination &amp; Governance Committee</b> Oversight of Board composition, succession planning, governance and corporate compliance	<b>Remuneration Committee</b> Oversight of the link of reward to strategy	<b>Science &amp; Policy Committee</b> Oversight of pipeline research & development
	<b>Executive Committee</b> Oversight of the implementation of the Company's strategic plan. Executive Committee biographies can be found on pages 60 to 61.		<b>Disclosure Committee</b> Oversight of disclosure and reporting requirements and the identification of inside information	

In addition to the Board's principal committees (Audit, Nomination & Governance, Remuneration and Science & Policy), the Board is supported by the work of the Executive Committee. The Disclosure Committee, which comprises members of the Executive Committee and the Company Secretary, provides a forum for the review and identification of inside information and the related disclosure and reporting requirements. Further details of each of the Board's principal committees, including membership, are set out in the reports from each of the committee chairmen.

## The Board

The Board has established a formal schedule of matters reserved for its approval and has delegated specific responsibilities to its principal committees: Audit Committee, Remuneration Committee, Nomination & Governance Committee and Science & Policy Committee. Each committee operates under its own clearly defined Terms of Reference, which were all reviewed and amended for compliance purposes during the year. Copies are available to view on the Company's website [www.indivior.com](http://www.indivior.com). Further information about the committees and their responsibilities is set out on pages 70 to 76.

## Board composition

The Board currently comprises eleven members: the Chairman, Howard Pien, the Chief Executive Officer, Shaun Thaxter, the Chief Financial Officer, Mark Crossley and eight Non-Executive Directors. All Non-Executive Directors are considered independent for the purposes of the Code. The Chairman was considered independent on appointment. During the year, Adrian Hennah and Rupert Bondy stepped down from the Board and Lizabeth Zlatkus was appointed. When recruiting, the balance of experience and skills of the Board was a key factor taken into consideration.

Following the end of the financial year, Tatjana May and Mark Crossley have been appointed as Directors (on February 1, and February 21, 2017 respectively). Cary Claiborne resigned as a Director on March 7, 2017. The Board has reviewed its composition and that of its committees and, as a result, Daniel Tassé stepped down from the Nomination & Governance Committee and was appointed to the Science & Policy Committee. Biographical details of each of the current Directors are set out on pages 58 to 59.

## Roles and responsibilities of the Board

The Board is responsible for the long-term success of the Company and for delivering value to shareholders. The Board's primary focus is to support and further the Company's purpose of pioneering life-transforming treatments for patients suffering from addiction and its co-morbidities.

Led by the Chairman, it approves the strategy and risk appetite for the Group and reviews and approves Indivior's product pipeline, capital structure and plans presented by management for the achievement of strategic objectives.

The Board is responsible for:

- ◀ approval of the Group's strategic aims and objectives, and performance against those aims and objectives;
- ◀ approval of the Group's annual budget and corporate plans;
- ◀ approval of the Group's annual, half-yearly and quarterly financial reports;
- ◀ approval of the Annual Report and Accounts and the reports included therein;
- ◀ approval of the Company's dividend policy;
- ◀ approval of all Board appointments or removals, remuneration arrangements and termination payments;
- ◀ approval of the membership and chairmanship of the Board and Committees and succession planning for senior management;
- ◀ appointment and removal of the Company Secretary;
- ◀ approval of major capital projects, acquisitions or divestments;
- ◀ approval of any increase in, or significant variation in, the terms of the borrowing facilities of the Company;
- ◀ approval of capital expenditure projects outside the scope of the approved annual budgets and plans; and
- ◀ approval of treasury and risk management policies.

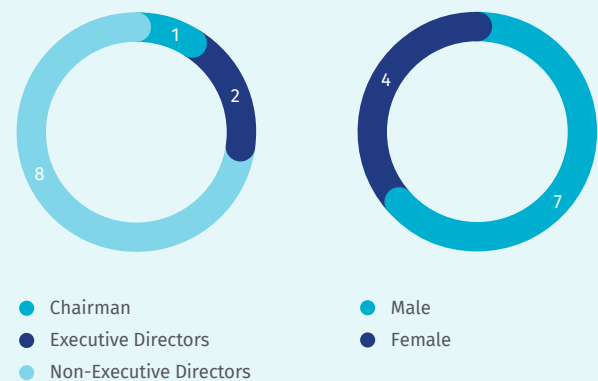
The Board has a formal schedule of matters reserved to it and has delegated certain matters to its principal committees. The Board has delegated responsibility for the day-to-day management of the business to the Chief Executive Officer.

## Diversity and Inclusion

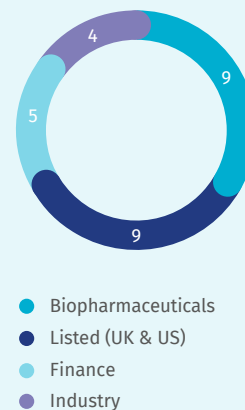
### Diversity and Indivior's Board

At Indivior we value our distinctive culture and believe it is a key source of sustainable competitive advantage. We believe diversity, in its broadest sense, is important in order for the Board to operate effectively. The Company's Corporate Diversity and Inclusion Policy was adopted by the Board in 2014 and is reviewed on an annual basis. Its main objective is to ensure that we harness the creative potential that individuals of different backgrounds and abilities bring to their work.

### Composition



### Experience





### Chairman and Chief Executive Officer

There is a formal division of responsibilities between the Chairman and Chief Executive Officer, which is set out in writing. The Chairman and Chief Executive Officer work together to set the Board's agenda.

Howard Pien is the Chairman and has led the Board since its inception. He provides leadership to the Board and is responsible for ensuring its effectiveness. He is responsible for maintaining high standards of corporate governance and probity. The Chairman is responsible for, and ensures constructive relations between, the Executive and Non-Executive Directors. He is responsible for setting the tone and culture in the boardroom.

Shaun Thaxter is the Chief Executive Officer. He is responsible for the executive management of the Company's business, for implementing the Company's strategy and for delivering performance against plans. He leads Indivior's interactions on matters of policy and reform with regard to the biopharmaceuticals industry.

Throughout the year the Chairman met and maintained contact with both the Senior Independent Directors who held office during the year, and with all the Non-Executive Directors. A part of each Board meeting is reserved for a meeting of the Chairman and the Non-Executive Directors, without executive management present.

### Senior Independent Director

Daniel Tassé is the Senior Independent Director, having taken over from Rupert Bondy in October 2016. He supports the Chairman in his role and leads the annual evaluation of the performance of the Chairman, supported by the Non-Executive Directors. The Senior

Independent Director is available to the Directors and to shareholders who have concerns that cannot be addressed through the normal channels of the Chief Executive Officer or Chairman of the Board.

### Non-Executive Directors

The Non-Executive Directors bring an independent perspective, constructively challenge and help develop proposals on strategy, scrutinize the performance of management in meeting agreed goals and objectives, and monitor the Group's risk profile and reporting of performance. The Non-Executive Directors bring a broad range of skills and experience from the business, finance, academic, scientific, private equity and pharmaceutical sectors.

The Board has considered the independence of each of the Non-Executive Directors against the criteria set out in the Code, and has concluded that all Non-Executive Directors remain fully independent of management and free from any relationship that could interfere with their judgment.

### Company Secretary

The Company Secretary, Kathryn Hudson, acts as Secretary to the Board and the Remuneration and Nomination & Governance Committees. She supports the Chairman and the Board in the execution of their duties. She advises the Chairman, Chief Executive Officer and senior management on regulatory and governance matters. The Deputy Company Secretary (a suitably qualified member of the Company Secretariat) acts as Secretary to the Audit and Science & Policy Committees.

### Role of the Board committees

The Board is supported by a number of committees including the following principal committees: Audit, Nomination & Governance, Remuneration, and Science & Policy.

The Chair of each principal committee reports on the activities of the committee at the following Board meeting and copies of the minutes of the meetings of the principal committees are circulated to all Directors. The Terms of Reference of each of the principal committees are available on the Company's website.

The reports of the Audit, Nomination & Governance and Science & Policy Committees are set out on pages 70 to 76. The report of the Remuneration Committee is set out on pages 77 to 91.

In addition to the principal committees described above, the Company also operates an Executive Committee, which is convened and chaired by the Chief Executive Officer. The Executive Committee comprises key functional leaders from the business and its purpose is to assist the Chief Executive Officer in discharging his duties. The Executive Committee meets monthly. Biographical details of the members of the Executive Committee are set out on pages 60 to 61.



# Board effectiveness

## The role of the Board and its committees

### Board and Committee attendance

The Chairman of the Board, the Chief Executive Officer and the Chief Financial Officer regularly attend committee meetings as and when appropriate.

In addition to the scheduled meetings, a number of ad-hoc meetings were held during the year to deal with specific matters.

Where Directors have been unable to attend some of the meetings due to prior commitments, they are provided with briefing materials and have the opportunity to discuss any matters that will be considered with the Chairman, Chief Executive Officer or relevant Committee Chairman. Board meetings are held in the UK and US. In September 2016 the Board held their meeting at the Company's global headquarters in Richmond, VA and took the opportunity to meet with employees.

### Activities during the year

During the year, the Board held five scheduled meetings and an additional six ad-hoc meetings.

The Board considers that it met sufficiently frequently to enable the Directors to discharge their duties effectively.

Details of the principal matters discussed at each meeting are shown in the following table.

Date of meeting	Principal topics covered
February	<ul style="list-style-type: none"> <li>&lt; Review of 2015 full-year results</li> <li>&lt; Dividend policy review</li> <li>&lt; Litigation update</li> <li>&lt; Review of Incentive Plans</li> <li>&lt; Update on commercial operations and various strategic projects</li> </ul>
March	<ul style="list-style-type: none"> <li>&lt; Approval of 2015 full-year results, Report and Accounts</li> </ul>
April	<ul style="list-style-type: none"> <li>&lt; Non-Executive Director succession planning</li> </ul>
April	<ul style="list-style-type: none"> <li>&lt; Q1 2016 results review</li> </ul>
May	<ul style="list-style-type: none"> <li>&lt; Review of business development</li> <li>&lt; Update on financial and commercial matters</li> <li>&lt; Litigation update</li> <li>&lt; AGM preparation</li> </ul>
July	<ul style="list-style-type: none"> <li>&lt; US ADR Listing</li> </ul>
July	<ul style="list-style-type: none"> <li>&lt; Review of half-year results</li> <li>&lt; Presentation on the 10-year strategic plan</li> <li>&lt; Update on US ADR Listing</li> <li>&lt; Litigation update</li> <li>&lt; Update on EU Market Abuse Regulation</li> </ul>
September	<ul style="list-style-type: none"> <li>&lt; Review of 2017 financial plan</li> <li>&lt; Review of various strategic opportunities</li> <li>&lt; Litigation update</li> <li>&lt; Governance update</li> </ul>
November	<ul style="list-style-type: none"> <li>&lt; Q3 2016 results review</li> </ul>
November	<ul style="list-style-type: none"> <li>&lt; Feedback on Board evaluation process</li> <li>&lt; Litigation update</li> <li>&lt; 2017 financial plan</li> <li>&lt; Review of pipeline and activities related to preparing for launch</li> <li>&lt; Annual Compliance program review</li> </ul>
December	<ul style="list-style-type: none"> <li>&lt; Litigation update</li> </ul>

The table below gives details of Directors' attendance at Board and committee meetings held during the year.

	Board		Audit Committee		Nomination & Governance Committee		Remuneration Committee	Science & Policy Committee
	Scheduled	Ad-hoc	Scheduled	Ad-hoc	Scheduled	Ad-hoc	Scheduled	Scheduled
<b>Chairman</b>								
Howard Pien	5/5	6/6	-	-	-	-	-	-
<b>Executive Directors</b>								
Shaun Thaxter	5/5	6/6	-	-	-	-	-	-
Cary Claiborne	5/5	6/6	-	-	-	-	-	-
<b>Non-Executive Directors</b>								
Yvonne Greenstreet	4/5	3/6	4/5	2/4	-	-	-	4/4
Tom McLellan	3/5	5/6	-	-	4/5	0/1	-	3/4
Lorna Parker	5/5	5/6	-	-	5/5	0/1	5/5	-
Dan Phelan	5/5	5/6	-	-	5/5	1/1	5/5	-
Chris Schade	5/5	5/6	5/5	4/4	-	-	-	4/4
Daniel Tassé	5/5	5/6	5/5	4/4	1/1	-	4/4	-
Lizabeth Zlatkus	2/2	2/2	2/2	1/1	-	-	1/1	-
<b>Former Directors</b>								
Rupert Bondy	3/4	4/4	-	-	3/4	1/1	3/4	-
Adrian Hennah	2/2	3/3	2/2	2/2	-	-	-	-

### Time commitment of the Chairman and Non-Executive Directors

The letters of appointment for the Chairman and Non-Executive Directors state the expected time commitment to fulfill their roles. The Chairman and Non-Executive Directors are expected to set aside sufficient time to prepare for meetings.

All Directors are subject to annual re-appointment. Non-Executive Directors are appointed for an initial term of three years and are subject to annual re-appointment by shareholders at the Company's Annual General Meeting (AGM).

### External directorships

The Nomination & Governance Committee has approved a formal policy in respect of the number of external appointments that the Executive Directors and members of the Executive Committee may hold. Executive Directors may hold one non-executive appointment, subject to the approval of the Nomination & Governance Committee. Members of the Executive Committee may hold one non-executive appointment subject to the approval of the Executive Committee.

No formal limit on other board appointments applies to Non-Executive Directors but appointments are reviewed by the Nomination & Governance Committee to ensure there is no conflict of interest. These directorships have not impacted the time and commitment required by Non-Executive Directors of the Company throughout the year.



### Performance evaluation

In accordance with the Code, the Board undertook an evaluation of its performance and that of its principal committees. The Company Secretary worked with the Chairman and the Non-Executive Directors to develop an evaluation to assess the development of the Board and its committees and identify areas for development.

The key areas of focus were:

- ◀ Strategic and operational oversight;
- ◀ Board meetings and support;
- ◀ Board effectiveness; and
- ◀ Board composition and priorities for the future.

The responses to the evaluation were collated and analyzed. The responses and analysis were circulated to each of the Directors and formed the basis of individual meetings with each Director and the Chairman and Company Secretary. The results of the survey and feedback from the meetings were discussed by the Board at its meeting in November 2016.

The Directors concluded that the Board and each of its committees continue to operate effectively and there was a culture of openness within the Boardroom.

As a result of the review, it was agreed:

- ◀ The Board would ensure that it continued to focus on the key strategic issues facing the business in the near term, whilst remaining abreast of longer-term business development plans;
- ◀ There would be a continued focus on developing Board materials that were clear and concise; and
- ◀ There would be a focus on succession planning and in particular the recruitment of a Non-Executive Director with strong legal and governance skills. Tatjana May was subsequently appointed to the Board on February 1, 2017.

The Board intends to comply with the provisions of the Code regarding performance evaluation and to conduct an externally facilitated review during 2017.

The Non-Executive Directors, led by the Senior Independent Director, carried out the review of the performance of the Chairman.

### Appointment and re-appointment of Directors

There is a formal, rigorous and transparent procedure for the appointment of new Directors to the Board. The Board may appoint an individual as a Director either to fill a vacancy or as an additional member of the Board. The process for new appointments is led by the Nomination & Governance Committee, which ultimately makes a recommendation to the Board.

All the Directors are seeking re-appointment at the forthcoming AGM to be held on May 17, 2017, at which Non-Executive Directors' terms of appointment and service contracts will be made available for inspection by shareholders.

Letters setting out the terms of appointment of each Non-Executive Director are also available for inspection at the Company's Registered Office.

### Induction and training

A bespoke training and induction program for the Board and its committees is in place to help provide the Directors with a broad understanding of the business and regulatory and governance matters. The Company Secretary monitors ongoing training needs and arranges for updates to be scheduled as required.

The Company Secretary assists in the induction of new directors and their ongoing development as required and also keeps induction processes under review so that improvements can be made on an ongoing basis. Following her appointment, Lizabeth Zlatkus received a comprehensive induction designed to assist her discharge fully her responsibilities as a Board and Committee member. The induction encompassed those topics deemed appropriate to her experience of UK listed company responsibilities and her knowledge of the pharmaceutical sector and included the provision of relevant information about the Company, together with applicable business policies. One-to-one meetings were arranged for Lizabeth to meet members of the Executive Committee and other senior managers in the business, as appropriate.

In addition, the Company Secretary, arranged training sessions for the Board and committees. This included a session focusing on the EU Market Abuse Regulation which came into effect during the year.

### Information and support

All Directors have direct access to the advice and services of the Company Secretary. Directors may also obtain independent professional advice as required at the Company's expense.

### Conflicts of interest

Processes are in place for any actual or potential conflicts of interest to be reviewed and disclosed and for Directors to avoid participation in any decisions where they may have any such conflict or potential conflict. The Nomination & Governance Committee considers the other significant commitments or external interests of potential appointees as part of the selection process and discloses them to the Board when recommending an appointment.

Non-Executive Directors are required to inform the Board of any subsequent changes to such commitments, which must be pre-cleared with the Chairman if material.

The Company's procedures for dealing with Directors' conflicts of interest continued to operate effectively during the year. No Director had a material interest or any significant contract with the Company or any of its subsidiaries during the year.

### Re-appointment of Directors

In accordance with the Code, all Directors seek re-appointment by the Company's shareholders annually at the AGM. At the 2016 AGM, the only Director who did not seek re-appointment was Adrian Hennah, who stepped down from the Board immediately following that meeting. At the 2017 AGM, all Directors who have been in office for the whole year will again seek re-appointment. In addition, Lizabeth Zlatkus, Tatjana May and Mark Crossley, who were appointed Directors between AGMs, will seek re-appointment by the shareholders.

The Board may appoint any Director to hold any employment or executive office and may revoke or terminate any such appointment. Shareholders may, by ordinary resolution, appoint a person as a Director or remove any Director before the expiration of their period of office.

### Engagement with shareholders

The Board recognizes the importance of regular, effective and constructive communications with its shareholders. The principal opportunity for shareholders to engage with the Board face-to-face is the Company's AGM.

The Company announces its financial results on a quarterly basis, and these are released to the London Stock Exchange via an authorised Regulatory Information Service and subsequently published on the Company's website. Half and full-year results are accompanied by a presentation by the Chief Executive Officer, Chief Financial Officer and other executives for investors, which is live webcast and archived on the Company's website. The Chief Executive Officer also presented financial and operational results, together with future strategy, at the Company's AGM in May 2016. Q1 and Q3 results are accompanied by a conference call with the Chief Executive Officer, Chief Financial Officer and other executives for investors and analysts – such calls are also live webcast.

During the year, the Chief Executive Officer, Chief Financial Officer and the Director of Investor Relations met regularly with the Company's major shareholders and financial analysts to discuss matters relating to the Company's business strategy and current performance. When required to do so, the Chairman and Non-Executive Directors may attend meetings with major shareholders. In addition, the Chief Executive Officer, Chief Financial Officer and members of the senior management team held a Research & Development Day in New York on December 9, 2016, hosted by Dr Christian Heidbreder, the Company's Chief Scientific Officer. The Company also presented at and attended various healthcare sector investor conferences for the purposes of meeting investors. Over the course of the year, management held smaller group meetings with investing institutions in the US, UK and Europe.

The Non-Executive Directors regularly receive presentations and updates from the Chief Executive Officer, Chief Financial Officer and the Director of Investor Relations, covering discussions with the Company's institutional shareholders and are informed of any issues or concerns raised during those discussions. Shareholders and analysts briefings are circulated to all Non-Executive Directors. This process enhances Non-Executive Directors understanding of the views of shareholders and enables the Board to judge what future action would further assist investors' understanding of the Group's objectives.





### Board accountability

The Board is responsible for the integrity of Indivior's consolidated and the Company's financial statements, and recognizes its responsibility to present a fair, balanced and understandable assessment of the Company's position and prospects. The Board has assessed, together with the Audit Committee, all information available in considering the overall drafting of the Company's financial statements and the process by which they were compiled and reviewed. In doing so the Board ensured that adequate time was dedicated to the drafting process so that linkages and consistencies were worked through and tested. Drafts were received by knowledgeable executives and senior management not directly involved in the year-end process. The Board recognizes that this responsibility extends to interim and other inside information, information required to be presented in relation to statutory requests, and reports to regulators. In relation to these requirements, reference is made to the Statement of Directors' Responsibilities for preparing the financial statements, set out on pages 95 and 96.

### The Audit Committee

The Committee makes formal and transparent arrangements for considering how financial reporting and internal control principles are applied, and for maintaining an appropriate and transparent relationship with the independent External Auditor, PricewaterhouseCoopers LLP. Details of the role and activities of the Committee are set out on pages 70 to 74.

### Further disclosures

Information fulfilling the further disclosure requirements contained in the Companies Act 2006, Schedule 7 of the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 and the FCA's Listing Rules and Disclosure Guidance and Transparency Rules are set out on page 92 of the Directors' Report which are incorporated by reference into this Corporate Governance Report.

### Annual General Meeting

The Annual General Meeting ('AGM') provides all shareholders with an opportunity to vote on the resolutions put to the meeting and is used as the main opportunity for the Directors to meet directly with shareholders. The AGM is attended by the Directors, and shareholders can ask questions of the Chairman, the chairs of Board committees and the Board as a whole.

All resolutions are voted on by way of poll, with one vote for each share. The results of the poll are announced to the London Stock Exchange and published on Indivior's website shortly after the conclusion of the AGM.

# Introduction to Board committees

## Audit Committee



On behalf of the Board I am pleased to present the Audit Committee Report for the financial year ended December 31, 2016.

### Committee composition

The Committee comprises four Non-Executive Directors, all of whom are considered independent for the purposes of the Code:

- ◁ Chris Schade (Chair)
- ◁ Yvonne Greenstreet
- ◁ Adrian Hennah (member until May 11, 2016)
- ◁ Daniel Tassé
- ◁ Lizabeth Zlatkus (member from September 1, 2016)

### Role of the Committee

In accordance with its Terms of Reference, the Committee's primary responsibility is to provide effective governance by overseeing the Group's financial reporting processes including the Internal Audit Function and External Auditor, and to maintain oversight of the Group's system of internal control and risk management activities. Accordingly, the Committee's primary purposes are:

- ◁ to monitor the integrity of the Group's financial reporting, compliance with auditing standards and to review going concern assumptions;
- ◁ to challenge, where necessary, the consistency of, and any changes to, accounting and treasury policies;

- ◁ to review the effectiveness of the Group's internal financial controls including the policies and overall processes for assessing established systems of internal financial control and effectiveness of corrective action taken by management;
- ◁ to review the Group's strategy for the management of key financial risks and to ensure the Company has followed appropriate accounting policies and made appropriate estimates and judgments;
- ◁ to review the Annual Report and Accounts and advise the Board on whether, taken as a whole, it is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's position and performance, business and strategy;
- ◁ to monitor any formal announcements relating to the Company's performance and to review significant financial reporting judgments contained in them before their submission to the Board;
- ◁ to assist with the Board's assessment of the principal risks facing the Company;
- ◁ to monitor and review the effectiveness of the Group's Internal Audit Function in the context of the Group's overall financial risk management system;
- ◁ to oversee the relationship between the Group and the External Auditor and advise the Board how the External Auditor has contributed to the integrity of the Company's financial reporting process and to report to the Board whether it considers the audit contract should be put out to tender, thereby conforming to the requirements for tendering or rotation of the audit services contract;
- ◁ to review and monitor the External Auditor's objectivity and independence, agree the scope of their work and fees paid for the audit, assess the effectiveness of the audit process and agree the policy in relation to the provision of non-audit services; and
- ◁ to monitor the Group's policies, procedures and controls for preventing bribery, money laundering and the Group's arrangements for whistleblowing.

The Committee met nine times during the year, of which five were scheduled meetings and four ad-hoc meetings. The agendas were linked to events in the Group's financial calendar. Details of attendance at committee meetings are on page 66.

Two members of the Committee constitute a quorum. The Committee requires that at least one member is financially qualified with recent relevant financial experience and competence in accounting or auditing. Adrian Hennah and Lizabeth Zlatkus fulfilled this requirement during the year, as did Chris Schade during the interim period following the Company's Annual General Meeting (AGM), and the appointment of Lizabeth Zlatkus. All Committee members are expected to be financially literate and to have an understanding of the following areas:

- ◁ the principles of, and developments in, financial reporting including the applicable accounting standards and statements of recommended practice;
- ◁ key aspects of the Company's operations including corporate policies and the Group's internal control environment;
- ◁ the role of internal and external auditing and risk management;
- ◁ matters which may influence the presentation of accounts and key figures; and
- ◁ the regulatory framework for the Group's business.



The Committee has unrestricted access to Company documents and information as well as employees and the External Auditor. The Committee may also take independent professional advice on any matters covered by its Terms of Reference at the Company's expense.

The Committee normally invites the Chief Financial Officer, Group Financial Controller, Head of Internal Audit and a partner and other representatives from the External Auditor to attend meetings of the Committee, although it reserves the right to request any of these individuals to withdraw. For part of each meeting, the Committee will meet separately with representatives from the External Auditor and the Head of Internal Audit without any other persons present.

#### Activities in 2016

In order to fulfill the Committee's Terms of Reference, the Committee received and considered presentations and reports from the Group's senior management and, where necessary, consulted with the External Auditor.

During the year the Committee:

- ◁ reviewed the integrity of externally reported financial information and financial statements for 2016. This included reviewing the Group's quarterly trading announcements, including the Annual Report and trading updates;
- ◁ reviewed litigation, investigations and contingent liabilities affecting the Group;
- ◁ evaluated important accounting issues and the judgments of management in relation to financial reporting, with particular emphasis on:
  - Going Concern confirmation;
  - monitoring and review of risk management and internal control;

- ◁ reviewed the accounting principles, policies and practices adopted in the Group's financial statements, any proposed changes to them, and the adequacy of their disclosure;
- ◁ oversaw and reviewed matters connected to the filing of Form 20-F, relating to the proposed Level 2 ADR Listing as a Foreign Private Issuer;
- ◁ provided oversight of the Group-Wide Enterprise Resource Planning project, separating the Group's existing IT systems from those operated by Reckitt Benckiser Group plc with particular emphasis on the new SAP platform;
- ◁ provided oversight of the establishment of, and assumed responsibility for, the Group's whistleblowing policy and the continued provision of a whistleblowing hotline; and
- ◁ evaluated measures and the conclusions reached, with respect to significant transactions, judgments and estimates.

#### Significant issues and material judgments

An important responsibility of the Committee is to review and agree the most significant management judgments and issues. To satisfy this responsibility, the Committee receives an update at every Committee meeting from the Chief Financial Officer and other senior managers within the finance and treasury function of the Company. The Committee also receives regular reports from the External Auditor at each Committee meeting. The Committee carefully considers the content of these reports, and the most significant issues and areas of judgment raised. The key areas of judgment in the year are detailed on page 72.

The significant issues considered in relation to the financial statements are set out on page 72, together with a summary of the outcomes. In addition, the Committee and the External Auditor have discussed the significant issues addressed by the Committee during the year and the areas of particular focus as described in the Independent Auditor's Report on pages 97 to 102.

Significant issues the Committee considered	How the issue was addressed by the Committee
Future dividend policy	The Committee considered in detail the future dividend policy for the Company and particularly shareholders' expectations as to future dividend payments. The Company's current financial position, strategy and prospects were all reviewed. The Committee considered that given the uncertainties facing the Company, including challenges to the Company's intellectual property and other associated legal proceedings, it would support a change in the dividend policy of the Company and recommend a zero-dividend policy be implemented for the financial year 2016 onwards.
Strategic initiatives	Together with the Board, the Committee reviewed various strategic initiatives and implementation timelines in the event of a potential negative ruling regarding the ANDA litigation against Actavis Laboratories Inc. and Par Pharmaceutical Companies Inc.. The Committee also considered the appropriate type of communication to be entered into with shareholders and the Market in the event any strategic initiative was actioned.
Investment Policy	The Committee continued to review the Group's Investment Policy and ensured the activities of the Group Treasury department were in line with the Group's policy on risk.
Going Concern	Given the uncertainties associated with ongoing litigation and investigations involving the Company, the Committee undertook a detailed evaluation of whether the Company was a Going Concern when preparing the annual, quarterly and half-yearly financial statements. To assist, the Committee consulted throughout with the Company's External Auditor and also evaluated detailed Company forecasts, budgets, the medium- and long-term plan, borrowing facilities, contingent liabilities and operational risk management.
Provisioning for litigation and regulatory investigations	Together with the Board, the Committee continued to receive updates from management throughout the year regarding ongoing litigation and investigations. As part of the provisioning process, the Committee monitored the level of provisioning and corresponding disclosure requirements. As a result, the Committee agreed an increase in the level of provisioning for litigation matters and ongoing regulatory investigations. At December 31, 2016, the Group held provisions of \$220m in respect of actual legal claims brought against the Group and disclosures have been made in Note 4 in relation to these recognized provisions, as well as the disclosure of contingent liabilities in Note 20 relating to ongoing regulatory investigations where no claim has been brought at the balance sheet date.
Level 2 ADR Listing	The Company prepared for a Level 2 ADR Listing of its shares as a Foreign Private Issuer. As part of the listing process, the Committee engaged in continuous dialogue and review with management and legal and accounting advisors, culminating in a preliminary submission to the US Securities and Exchange Commission of Form 20-F. The preliminary submission was made prior to the Company temporarily suspending the listing process pending clarification of the Company's position relating to outstanding litigation and investigations.
Sarbanes-Oxley (SOX)	Work relating to SOX compliance, including effective internal controls, was a constant feature for the Committee throughout the year. The Committee reviewed the scope of the implementation process and also the testing of operational effectiveness with assistance from the Internal and External Auditors.

**Internal Audit**

The Committee is required to assist the Board in fulfilling its responsibilities regarding the adequacy of resourcing and the planning of the Internal Audit function of the Group. Accordingly, during the year, the Committee reviewed:

- ◁ the Internal Audit function, including reporting lines and its access to the

Committee and all Board members. The review included input from members of the Committee, Executive Committee and External Auditor. The results of the review were considered by the Committee. No significant issues were identified or highlighted and the Committee concluded the Internal Audit function remained effective and continued to meet the needs of the Group;

- ◁ results of key audits and the adequacy of management's response and the timeline for resolution;
- ◁ Internal Audit's plans and its achievement of planned activity; and
- ◁ assessment of Principal Risks.

During the year, the Committee also considered and approved the Internal Audit Plan for 2017.



The Committee receives updates at each scheduled meeting, from the Head of Internal Audit, on the work carried out by the Internal Audit function.

### **Risk management and internal control**

The Committee acknowledges its responsibilities for the Group's risk management and internal control systems and its duty to facilitate the identification, assessment and management of risk, and the protection of Group assets and shareholder investments. The Committee also acknowledges that it is responsible for providing a return to shareholders, consistent with responsible assessment and mitigation of risks.

All business areas of the Group prepare annual operating plans and budgets and these are regularly reviewed and updated as necessary throughout the year. Performance against budget is monitored centrally and at operational level. The cash position of the Group is monitored daily and variances from expected levels are thoroughly investigated.

Clear guidelines are in place for capital expenditure and investment decisions. These include budget preparation, appraisal and review procedures and delegated authority levels.

Effective controls ensure that the Group's exposure to avoidable risk is minimized and that proper accounting records are maintained, financial information used within all business areas is reliable and up-to-date, and the financial reporting processes comply with relevant regulatory reporting requirements.

The Company has in place internal controls and risk management systems in relation to the Company's financial reporting process for preparation of consolidated accounts. These systems include policies and procedures that relate to the maintenance of records which accurately and fairly reflect transactions, provide reasonable assurance that transactions are recorded as necessary to permit the preparation of financial statements,

require representatives of the Company to certify that their reported information gives a true and fair view of the state of affairs of the business and its results for the period, and review and reconcile reported data.

Management accounts are reviewed by senior management and the Board. Performance against budget and forecasts is discussed at Committee and Board meetings, including key performance indicators covering all areas of the business. The adequacy of key performance indicators is reviewed regularly.

It should be recognized that all control processes are designed to manage, rather than eliminate, the risk of assets being unprotected and guard against their unauthorized use, culminating in the failure to achieve business objectives. Internal controls will only provide reasonable and not total assurance against material misstatement or loss.

Accordingly, the Committee confirms there is a process for identifying, evaluating and managing risks faced by the Group and the operational effectiveness of the appropriate controls, all of which have been in place throughout the year and up to the date of approval of the 2016 Annual Report and Accounts.

### **Reviewing the effectiveness of internal control**

As referred to above, throughout the financial year the Board, through the Committee and assisted by the Internal Audit function, reviews the effectiveness of internal control and the management of risk. The Internal Audit function reports into the Committee and has authority to review any relevant part of the Company or its business and has a planned schedule of reviews that coincide with the Company's risks. In addition to financial and business reports, the Committee has reviewed medium- and longer-term strategic plans, reports on key operational issues, tax, treasury, risk management,

legal matters and Committee reports, including Internal and External Auditors' reports.

### **Significant failings or weaknesses**

The Committee confirms that no significant weaknesses or failings were identified during the year and, therefore, no remedial actions were required.

### **Misstatements**

Management reported to the Committee that they were not aware of any material or immaterial misstatements made intentionally to achieve a particular presentation. The External Auditor reported to the Committee the misstatements they had found in the course of their work. After due consideration, the Committee agreed with management that these misstatements were not material and that no adjustments were required.

### **Whistleblowing**

The Group's whistleblowing policy contains arrangements for an independent external service provider to receive, in confidence, complaints on accounting, risk issues, internal control, auditing issues and related matters for reporting to the Committee as appropriate. The Committee reviewed reports from Internal Audit, provided by the external service provider and the actions arising therefrom.

### **External Auditor**

PricewaterhouseCoopers LLP (PwC) were appointed as the Company's External Auditor on demerger and were appointed by shareholders at the Company's AGM in May 2015.

The Committee oversees the work undertaken by the External Auditor, PwC. During the year, the Committee met with PwC following each Committee meeting, without members of management being present, and reviewed key issues within their sphere of interest and responsibility.



### Auditor effectiveness

To assess the effectiveness of the External Auditor and fulfill its responsibilities for oversight of the external audit process, the Committee reviewed:

- ◀ the fulfillment by the External Auditor of the agreed Audit Plan and variations from it;
- ◀ reports highlighting the major issues that arose during the course of the audit and their resolution;
- ◀ a report from the Audit Partner at each Committee meeting;
- ◀ the terms, areas of responsibility, associated duties and scope of the audit as set out in the engagement letter with the External Auditor;
- ◀ the overall Audit Plan and fee proposal;
- ◀ key accounting and audit judgments;
- ◀ the level of errors identified during the audit; and
- ◀ recommendations made by the External Auditor in their management letters and the adequacy of management's response.

To further assist the Committee in assessing the effectiveness of the External Auditor, the Committee undertook their annual assessment of the External Auditor via a questionnaire completed by key internal stakeholders. Participants in the questionnaire were drawn from individuals who have continuous contact with the External Auditor throughout the year and included members of the Committee, as well as members from the Finance, Treasury, Internal Audit and Legal teams, plus senior management. All replies were returned on a confidential basis. An analysis of the replies was undertaken by an independent third party and the results were discussed with the Committee and the External Auditor at the Committee meeting held in July 2016.

The Committee reviews annually the appointment of the External Auditor, taking into account the Auditor's effectiveness, independence and audit partner rotation, and makes a recommendation to the Board accordingly.

Any decision to open the external audit to tender would be taken on the recommendation of the Committee. To date, no tender has yet been conducted. There are no contractual obligations that restrict the Company's current choice of External Auditor.

The External Audit Partner will retire during 2017 and there will be a transition to a new Audit Partner.

Full details of the External Auditor's remuneration for the year are disclosed in Note 5 to the financial statements.

Further details on the responsibilities of the Committee regarding the engagement of the External Auditor and the supply of non-audit services can be found in the Committee's Terms of Reference on the Company's website [www.indivior.com](http://www.indivior.com).

### External Auditor independence

Indivior has a formal policy in place to safeguard Auditor independence. The Committee and the Chief Financial Officer keep the independence and objectivity of the External Auditor under review. The Committee will review the nature and level of non-audit services undertaken by the External Auditor during the year to satisfy itself that there is no effect on their independence.

### Non-audit services

The Committee keep under review the nature and level of non-audit services undertaken by the External Auditor. It is recognized that in certain circumstances, the nature of the advice required may make it more timely and cost-effective to appoint the External Auditor, who already have a good understanding of the business.

The Company's policy on non-audit fees states that, on an annual basis, non-audit fees should not normally be in excess of 70% of the Group's external audit and audit related fees billed over the last three years.

Non-audit service fees for the year are disclosed in Note 5. Other non-assurance services related to advisory services in support of potential financing initiatives to prepare for the possibility of a negative ANDA ruling in June 2016.

### External Auditor re-appointment

The Committee has recommended to the Board that PwC be proposed for re-appointment by shareholders as the Company's External Auditor at the May 2017 AGM.

### The Statutory Audit Services for Large Companies Market Investigation (Mandatory Use of Competitive Tender Process and Audit Committee Responsibilities Order 2014) – statement of compliance

The Company confirms that it complied with the provisions of the Competition and Markets Authority's Order for the financial year under review.

### The Committee evaluation

During the year, the Committee undertook an evaluation of its own performance to measure its degree of effectiveness. The evaluation concluded that the objectives and terms of the Committee, membership, attendance and frequency of meetings were thought to be acceptable. The role and workings of the Committee were thought to be good in terms of fulfilling its remit, the volume of work and the efficient management of the Committee's time. The members accepted the role of the Committee was still evolving, given the relatively short time period since the Company demerged from Reckitt Benckiser Group plc.

### Chris Schade

Chair of the Audit Committee

March 7, 2017



## Nomination & Governance Committee



On behalf of the Board I am pleased to present the Nomination & Governance Committee Report for the financial year ended December 31, 2016.

### Committee composition

At December 31, 2016, the Nomination & Governance Committee comprised four independent Non-Executive Directors:

- ◁ Lorna Parker (Chair)
- ◁ A. Thomas McLellan
- ◁ Daniel J. Phelan
- ◁ Daniel Tassé (member from October 3, 2016 – February 14, 2017)

Rupert Bondy resigned as the Chair and as a member of the Committee on September 30, 2016. Lorna Parker, who was already a member of the Committee, was appointed Chair of the Committee with effect from October 3, 2016.

Tatjana May was appointed a member of the Committee on February 1, 2017. Following her appointment, the composition of the Board and its committees was reviewed. Following the recommendation of the Committee, Daniel Tassé stepped down as a member of the Committee and was appointed a member of the Science & Policy Committee.

At the invitation of the Committee, the Chairman of the Board, the Chief Executive Officer, the Chief Legal Officer and the VP Corporate Compliance attended meetings of the Committee throughout the year.

### Role of the Committee

The Nomination & Governance Committee has delegated authority from the Board, which is set out in its Terms of Reference and available to view on the Company's website [www.indivior.com](http://www.indivior.com).

The primary purposes of the Nomination & Governance Committee are:

- ◁ to review the size, composition, diversity and balance of skills and experience on the Board and its committees, and make recommendations to the Board regarding any proposed changes;
- ◁ to conduct the search and selection process for new Directors and recommend appointments to the Board and its committees;
- ◁ to review succession plans for the Directors and senior executives within the Company;
- ◁ to oversee the Group's Corporate Compliance program;
- ◁ to evaluate the procedures relating to Directors' conflicts of interest;
- ◁ to evaluate any conflicts of interest notified by Directors, and recommend authorizations or other measures to the Board; and
- ◁ to oversee compliance with the UK Corporate Governance Code and keep under review other corporate governance matters.

The Chair of the Committee reports on the activities of the Committee at the following Board meeting, and copies of the minutes of Committee meetings are circulated to all Directors.

The Nomination & Governance Committee is supported by the Company Secretary. The Committee has authority to appoint search consultants and other advisors at its discretion.

### Meetings

The Committee met six times during the year, which included one ad-hoc meeting. Attendance at committee meetings are detailed on page 66.

The Committee regularly meets without members of the executive management team being present.

### Activities in 2016

During the year, the Nomination & Governance Committee conducted the following:

- ◁ reviewed the succession plans for members of the Board and of the Executive Committee. The succession arrangements for the Chief Executive Officer and Chief Financial Officer were considered by the Board as a whole;
- ◁ instigated a search process using an independent external search firm, Zygos LLP, to identify Non-Executive Directors following the resignations of Adrian Hennah and Rupert Bondy from the Board. Following a robust process, the Committee recommended the appointment of Lizabeth Zlatkus. Tatjana May was appointed in February 2017;
- ◁ considered key elements of the Group's risk assessment and risk management process, including supply chain, culture, pharmacovigilance crisis preparedness;
- ◁ increased oversight of the Group's Corporate Compliance Program, with a formal report on corporate compliance matters presented to each meeting. In addition, private sessions with the VP Corporate Compliance are held without executive management present;
- ◁ received training regarding the EU Market Abuse Regulation; and
- ◁ conducted a review of its own performance and reported to the Board on the results of that review.

### Lorna Parker

Chair of the Nomination & Governance Committee

March 7, 2017

### Science & Policy Committee



On behalf of the Board I am pleased to present the Directors' Science & Policy Committee Report for the financial year ended December 31, 2016.

#### Committee composition

The Science & Policy Committee comprises three independent Non-Executive Directors:

- ◁ Yvonne Greenstreet (Chair)
- ◁ A. Thomas McLellan
- ◁ Chris Schade
- ◁ Daniel Tassé was appointed a member of the Committee on February 14, 2017

#### Role of the Committee

The Science & Policy Committee has delegated authority from the Board, which is set out in its Terms of Reference and available to view on the Company's website [www.indivior.com](http://www.indivior.com). The primary purposes of the Science & Policy Committee are:

- ◁ to provide assurance to the Board regarding the quality, competitiveness and integrity of the Company's Research & Development (R&D) activities, by way of meetings and dialogue with the Company's R&D leaders and other scientist employees, and visits to Company R&D sites;
- ◁ to review the approaches adopted in respect of Indivior's chosen therapy area of addiction and its co-morbidities;
- ◁ to review the scientific technology and R&D capabilities deployed within the business;

- ◁ to assess the decision-making processes for R&D projects and programs;
  - ◁ to review benchmarking against industry and scientific best practice, where appropriate; and
  - ◁ to review relevant and important bioethical issues and assist in the formulation of, and agree on behalf of the Board, appropriate policies in relation to such issues.
- ◁ conducted a review of its own performance and reported to the Board on the results of that review; and
  - ◁ received extensive briefings on the process of the Comprehensive Addiction and Recovery Act 2016 (CARA) and also the Substance Abuse and Mental Health Services Administration (SAMHSA) ruling.

#### Yvonne Greenstreet

Chair of the Science & Policy Committee

March 7, 2017

The Chair of the Committee reports on the activities of the Committee at the following Board meeting and copies of the minutes of Committee meetings are circulated to all Directors.

The Committee is supported by the Deputy Company Secretary. The Committee has authority to appoint consultants and other advisors at its discretion.

#### Meetings

The Committee met four times during the year. Details of attendance at Committee meetings are detailed on page 66.

At the invitation of the Committee, the Chief Scientific Officer regularly attended meetings of the Committee throughout the year. Going forward, the Chief Medical Officer will also be invited to attend meetings of the Committee.

#### Activities in 2016

During the year, the Science & Policy Committee considered the following matters:

- ◁ monitored and reviewed the progress and development of the Company's product pipeline and early stage asset development opportunities;
- ◁ monitored and reviewed the progress of RBP-6000 buprenorphine monthly depot, which resulted in positive Top-line Phase 3 Pivotal Study Results;
- ◁ reviewed progress plans for the new R&D site developments in Hull, UK and Fort Collins, USA;