Remuneration Committee Report

As AVEVA continues its growth journey, the Remuneration Committee wants to ensure that our Remuneration Policy continues to support our growth strategy, promoting the long-term sustainability of what is now a larger scale, more complex business. As such, we will be seeking shareholder approval to refresh the Policy to align with investor expectations whilst ensuring we remain competitive in the global market.

Jennifer Allerton
Remuneration Committee Chair

"I am proud to present the Directors' Remuneration Report for the year ended March 2020 which has seen further significant transformational work undertaken by AVEVA to continue its successful growth journey."

Highlights of the year

- New Remuneration Policy
- A single global bonus scheme
- A strong result for the year

ANNUAL STATEMENT

Dear Fellow Shareholder,

I am pleased to present the Directors' Remuneration Report for the year ended 31 March 2020 which we have prepared in compliance with the revised 2018 UK Corporate Governance Code.

As a summary, this report is divided into four key sections:
- This Annual Statement
- The 'Remuneration at a Glance' section
- The Directors' Remuneration Policy (Part A)
- The Implementation Report (Part B)

Introduction

The year ending March 2020 was a year of substantial change and continued growth for AVEVA. This year we committed ourselves to being a leader in industrial software for a sustainable future working with our employees, our customers and our shareholders. We aspire to a world where economic growth supports environmental sustainability with better living standards for the communities where we and our customers operate. Our purpose, values and strategy create long-term value for customers, employees and shareholders.

The merger of AVEVA with SES in March 2018 was one of the largest business combinations that has occurred in the UK for many years. Management focus on integration and operational excellence has been a success, yielding a unique, best-in-class and highly competitive global technology company based in Cambridge and listed on the London Stock Exchange.

Our current Remuneration Policy was approved by over 96% of shareholders at the 2018 AGM when AVEVA was a member of the FTSE 250 and with a market capitalisation of £4.1 billion. We are presenting a new policy to shareholders at the 2020 AGM, one year earlier than required. This is due to the fact that we are now a very different business, post-merger, in terms of size, geographic coverage, complexity, scale and as a FTSE 100 company.

The Remuneration Policy we are proposing continues to build on the policy approved in 2018, supporting our growing global software business. We are proactive in ensuring that we understand the expectations of our investors and the policy being proposed will ensure management reward is well aligned with our shared objectives. The proposed policy is also reflective of the changes and broader scope of the new UK Code. We have sought to incorporate both investor expectations and market practice, taking into consideration that we are now a FTSE 100 company and have significantly increased our market capitalisation over recent years.

Board changes during the year

There were no changes in membership of the Remuneration Committee during the year. However, since the year end, Emmanuel Babeau retired from the Board effective 30 April 2020. We are very pleased to welcome Olivier Blum, formerly CHRO of Schneider Electric and now Chief Strategy & Sustainability Officer, who will bring a wealth of executive pay experience to the Board.

Context for FY20 incentive outcomes

The Company has delivered another very strong set of results against the background of mixed macroeconomic and market conditions. Positive top line revenue growth of 8.8% coupled with an increase in margin to 26% has demonstrated the ongoing synergies post-merger and as the Company shifts towards more of a subscription model the proportion of recurring revenue exceeded the three year target of 60% delivering an impressive 62% of recurring revenue within the year.

For FY20 the annual bonus award was based on financial and strategic measures. As a result of a strong performance and achievement of strategic measures, the Executive Directors received an outcome of 71% of maximum. In line with policy, 40% of the bonus earned is deferred into shares.

Over the three-year performance period of the 2017 LTIP, AVEVA has performed exceptionally well. We have seen growth in our share price of circa 175% over this period combined with EPS growth of more than 15% p.a. and strong total revenue performance. Accordingly, all three performance metrics were outperformed for the 2017 LTIP, resulting in both Executive Directors achieving 100% of maximum.

The Committee is satisfied that the annual bonus and LTIP targets were sufficiently stretching and that the resulting outcomes are appropriate in light of AVEVA's performance. The Committee, therefore, decided not to apply any discretion to the incentive outcomes.

We have included a double page spread, clearly describing remuneration arrangements and outturns in FY20 and FY21 on pages 84–85.

Shareholder engagement

We were naturally disappointed with the result of our 2019 AGM, where we received a vote of 79% for our Remuneration Report. In light of this, we have actively engaged with our shareholder base and have sought to fully understand their views and the rationale behind the voting outcome.

Ahead of the 2020 AGM, we have listened to feedback and made changes where appropriate to do so. We have expanded the disclosure around our incentive objectives, particularly the strategic elements of both the annual bonus and LTIP award. We have also sought to address concerns raised around the legacy use of retention arrangements which were related to the successful completion of a transformational merger that has driven exceptional returns for shareholders. Whilst this is a historic issue, we note shareholders' strong views and for the final tranche of the retention payment, we have expanded disclosure in this report.

Regarding the proposed policy, we have again been receptive to shareholders and their feedback. For the incentive awards, we are not implementing maximum opportunities for either annual bonus or LTIP, and for FY21 we will not increase LTIP opportunity for either Executive Director. We have also introduced a formal two year post-employment shareholding guideline.

Policy review

The Committee undertook an extensive review of our Remuneration Policy in FY20. We are proposing a number of changes to ensure we are both competitive in the global markets where we operate and aligned with investor expectations. We have taken into account the current Covid-19 crisis and the views of our shareholders. An 'At a Glance' summary of the proposed changes to the policy are set out on pages 82–83. Outlined below are some of the key decisions regarding implementation of the FY21 policy:

- Salary: for FY21, the Directors will not receive a salary increase in line with the wider workforce.
- Pension: the Directors remain aligned to the wider workforce and receive a pension contribution of 10% of salary.
- Bonus: maximum opportunity will be increased from 125% to 200% for the CEO and 175% for the CFO. However, for FY21, the CEO is to receive a maximum opportunity of 165% and the CFO 150%. Deferral is to be increased from 40% to 50% of the award.
- LTIP: maximum opportunity will be increased from 250% to 300% for the CEO, and from 175% to 250% for the CFO. However, for FY21, the increased maximums will not be utilised and both Executive Directors will remain on their current maximum LTIP opportunities.
- In-employment shareholding requirement: increased to market-leading levels from 200% of annual salary to the variable pay opportunity (415% for the CEO and 325% for the CFO in FY21).
- Post-employment shareholding requirement: a formal post-employment shareholding guideline has been introduced.

Other Committee activities during FY20

We have continued to work hard to transform from a remuneration perspective both the heritage AVEVA and Schneider Electric industrial software businesses. Key deliverables this year have included:

- harmonising nine variable bonus plans globally into one uniform AVEVA global bonus plan for approximately 4,000 employees;
- rolling out job levels to ensure consistency and equality globally;
- designing and building a proposed new Global Employee Share Scheme; and
- revising the Remuneration Report, taking into account market data, investor expectations and global technology trends.

In addition to the transformational work undertaken this year, we also appointed new remuneration advisors and are pleased to have partnered with Deloitte.

The Board has continued its internal dialogue with employees during the year which has again seen us meeting business leaders and employees. In January, we held our first meeting at our newly-opened London offices in Cannon Street and met many of the London-based employees. The office provides a useful central London hub for AVEVA. We continue to value these direct face-to-face discussions with employees. As with many companies, we have adapted our working style during the Covid-19 global lockdown and in March conducted our first fully virtual Remuneration Committee meeting. As we globally assess the new ways of working we will also be looking at how virtual employee representation can be incorporated into the Committee's ways of working to provide greater internal transparency and accountability.

In conclusion

I hope you find the contents of this report clear and transparent and the reasoning for our proposed revisions to the Remuneration Policy sensible.

Jennifer Allerton
Remuneration Committee Chair
9 June 2020

Remuneration

At a Glance

Proposed changes to the current policy

The table below summarises the key differences between the proposed policy and the current policy. The proposed policy will be put to a binding shareholder vote at the 2020 AGM and is set out on pages 87 to 95.

		Existing policy	Proposed policy
Fixed pay	Base salary	Salaries are reviewed annually although there is no automatic entitlement to an increase. Base salary increases are normally in line with the wider UK workforce. On occasion we may need to recognise an increase in scope, size or responsibility of the role and/or developments in the wider market.	No change to current policy. No proposed changes to Executive Directors' base salaries in FY21. Our market positioning on salaries remains competitive based upon our company size when compared with the FTSE 31–100 peer group.
	Benefits	In line with benefits provided for other senior employees in the Group, Executive Directors currently receive a mobility allowance or company car, a fuel allowance and an annual allowance toward a range of benefits.	No change to current policy.
	Pensions	In line with best practice, pensions for Executive Directors have been aligned to the wider UK workforce for a number of years with no additional benefits being offered to Executive Directors. Both Executive Directors are members of the AVEVA Group Personal Pension Plan (a defined contribution scheme). Executive Directors receive a cash in lieu allowance equivalent to 10% of salary, reduced for the effect of employers' National Insurance contributions.	No change to current policy.

The focus of our new policy is to address the variable and performance-related elements of the packages as discussed below. This will ensure alignment to shareholders' objectives. The proposed increase in incentive opportunities requires additional stretch in the performance delivered so that more pay is delivered only for more performance. This is totally aligned with the philosophy of the Company and with the changes we have made to the broader workforce.

		Existing policy	Proposed policy
Variable pay	Annual Bonus opportunity	The maximum bonus opportunity is **125%** of base salary.	The maximum bonus opportunity is proposed to increase from 125% of salary for both Directors to **200%** for the CEO and **175%** for the CFO. Reflects the fact that we are a very different business post the merger of AVEVA with the Schneider Electric industrial software business in March 2018, in terms of size, geographic coverage, complexity and scale. Current maximum award level is uncompetitive in the market against the FTSE 31–100 and AVEVA's US peers. In FY21, we propose an increase from 125% of salary for both Directors to **165%** for the CEO and **150%** for the CFO. The Committee acknowledges that increased quantum requires additional stretch so that more pay is delivered only for the achievement of more stretching performance targets.
	Annual Bonus deferral	**40%** of any bonus earned is deferred into shares under the Deferred Share Scheme.	The amount of bonus deferral is proposed to increase from 40% of any bonus earned to **50%** of any bonus earned. Once the increased shareholding guidelines set out below are met the bonus deferral will be relaxed to half the usual amount i.e. 25% of any bonus to be deferred but will continue to be subjected to the existing three year bonus deferral holding period.

Variable pay

	Existing policy	Proposed policy
Long-term incentive opportunity	Awards over shares worth no more than **250%** of salary may be made each year for the CEO and **175%** for the CFO.	The maximum LTIP opportunity to increase from 250% of salary to **300%** of salary for the CEO. For the CFO, the policy maximum will increase from 175% to **250%** of salary. The overall incentive opportunity remains within market competitive ranges for the UK but below the US market and below competitive technology companies outside the UK. We strongly believe that it is important to have the additional flexibility in the Policy to ensure we can retain and recruit increasing numbers of employees and leadership positions in niche technical skills areas, which are highly competitive. Use of this additional headroom will not be automatic. This increased headroom will be balanced with the Policy changes noted below (reduction in threshold vesting level and market leading shareholding guidelines). Increased quantum will also require additional stretch on performance to ensure we pay for more performance only. There are **no proposed increases in LTIP opportunity for FY21** for the CEO or CFO. The maximum LTIP award will remain unchanged at 250% of base salary for the CEO and 175% of salary for the CFO. No changes are proposed to the structure or performance measures.
Long-term incentive threshold vesting	Where a sliding scale of targets is used, attaining the threshold level of performance for any measure will not typically produce a vesting of more than **25% of the maximum**.	In the event of an increase in LTIP quantum above 250% of salary for the CEO and 175% of salary for the CFO the LTIP vesting at threshold would be reduced from 25% of maximum to **20%** of maximum.

	Existing policy	Proposed policy
Shareholding requirements In-employment	Shareholding requirement of **200%** of salary for both Executive Directors.	The shareholding guidelines are being increased to market leading levels. The level of shareholding required shall be the total of both annual bonus and annual LTIP opportunity maxima. The increased shareholding requirements will apply to any newly issued deferred bonus award and LTIPs granted in respect of FY21 and later years. **In FY21:** For the CEO this will be 165% for annual bonus and 250% for LTIPs giving a new increased shareholding requirement of **415%** of salary. For the CFO an annual bonus opportunity of 150% and 175% LTIP opportunity equates to a new increased shareholding of **325%** of salary.
Shareholding requirements Post-employment	No formal post-employment shareholding policy in place.	A new two-year post-employment shareholding guideline is being introduced, following feedback from major investors, which will apply to shares acquired through awards granted under the new Policy. With **100%** of the increased shareholding guidelines (or actual shareholding, if lower) retained for the first-year post employment and **50%** for the second-year post employment.

	Existing policy	Proposed policy
Malus and clawback Strengthened provisions	The provisions apply to the annual bonus, deferred bonus scheme and LTIPs.	We have formally enshrined within the Policy a strengthening of the malus and clawback provisions and discretion to override formulaic outturns on variable pay, in each case to take account of the UK Corporate Governance Code. For further details see page 90

Remuneration At a Glance continued

How we performed in FY20

Revenue growth	Recurring revenue	Adjusted EBIT	Adjusted diluted EPS
+8.8% to £833.8m	+840 bps to 62.2%	+23.3% to £216.8m	+24.9% to 108.15p

Remuneration of our Executive Directors in FY20

The table below summarises how Executive Directors were remunerated for FY20, alongside how the proposed policy will be implemented for FY21.

	Key elements	Applies to	How we paid our Executive Directors in FY20	Implementation of our proposed policy for FY21
Fixed pay	Base salary	Craig Hayman	£718k	£718k (0% salary increase)
		James Kidd	£513k	£513k (0% salary increase)
	Pensions	Both EDs	10% of salary	
	Benefits	Craig Hayman	Mobility allowance, US and UK medical cover	
		James Kidd	Car allowance, fuel allowance and £600 of flexible benefits	

	Key elements	Applies to	How we paid our Executive Directors in FY20	Implementation of our proposed policy for FY21
Annual bonus	Performance period	Both EDs	FY20	FY21
	Opportunity applied	Craig Hayman	125% of salary	165% of salary
		James Kidd	125% of salary	150% of salary
	Criteria	Both EDs	Group revenue 10% Recurring revenue 30% Group adjusted EBIT 40% Strategic objectives 20%	Short-term financial measures 30% Recurring revenue 25% Group adjusted EBIT 25% Strategic objectives 20%
	Payable	Craig Hayman	£635k (71% of maximum)	n/a
		James Kidd	£454k (71% of maximum)	n/a

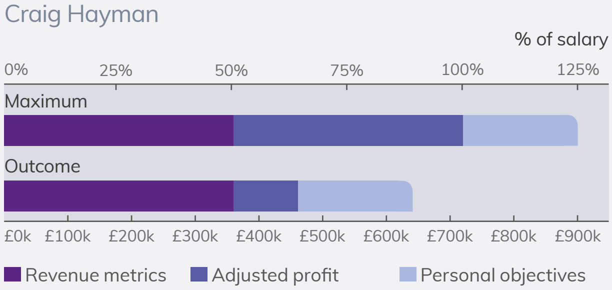
	Key elements	Applies to	2017 award	2020 award
Long-term incentives	Performance period	Both EDs	1 April 2017 – 31 March 2020	1 April 2020 – 31 March 2023
	Opportunity applied	Craig Hayman	250% of salary Pro-rated for service	250% of salary
		James Kidd	150% of salary	175% of salary
	Time horizon	Both EDs	3-year performance period, followed by a 2-year holding period.	
	Criteria	Both EDs	EPS growth 50% Relative TSR performance 25% Strategic objectives 25%	
	Payable	Craig Hayman	£581k (100% of maximum)	n/a
		James Kidd	£1,521k (100% of maximum)	n/a

			FY19		FY20	
			Using the single figure table	Excluding effect of buy-out awards	Using the single figure table	Excluding effect of buy-out awards
CEO ratios	CEO pay compared to UK employee pay	75th percentile	87:1	19:1	62:1	23:1
		50th percentile	118:1	26:1	85:1	32:1
		25th percentile	163:1	36:1	119:1	44:1

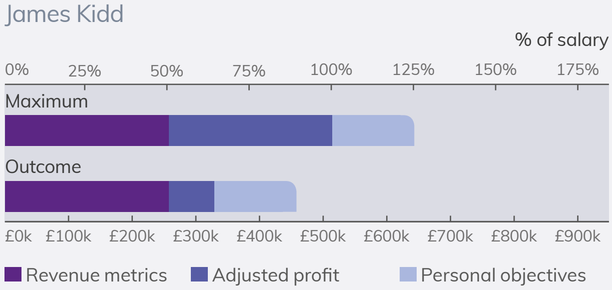
1 The CEO pay ratio has been calculated by comparing the single figure of remuneration of the CEO to the 25th, 50th and 75th percentile UK employees. Remuneration includes salary, benefits, pension, bonuses and share awards. All amounts are on a full time equivalent basis.

Annual Bonus

Craig Hayman

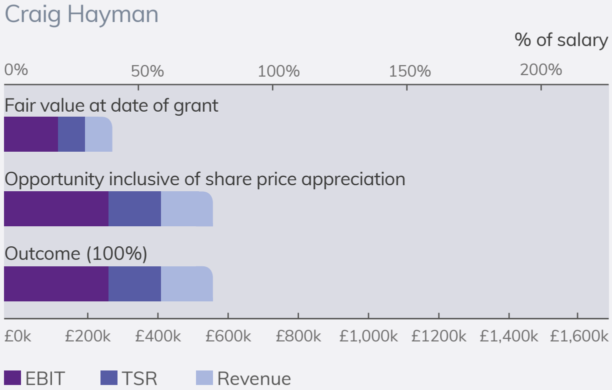


James Kidd



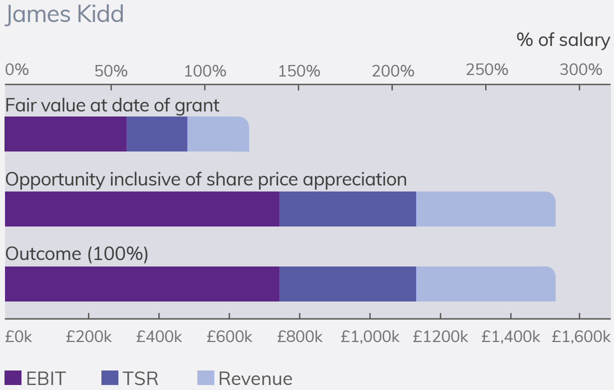
Long-term Incentive Scheme

Craig Hayman

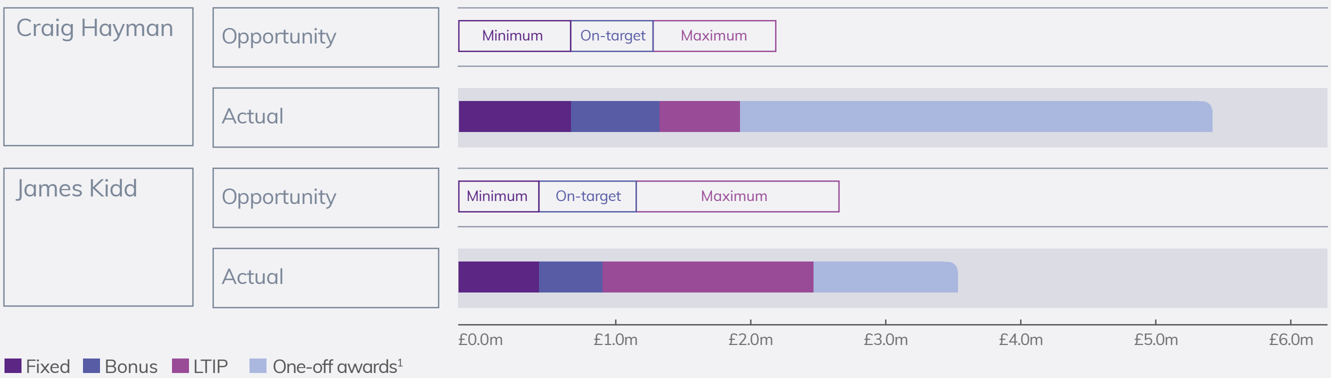


The 2017 LTIP awards granted to Craig Hayman were pro-rated in the year of his joining AVEVA.

James Kidd



Maximum total remuneration opportunity compared to actual remuneration received for the year ending 31 March 2020



1 For Craig Hayman these relate to his buy-out awards (see page 100). For James Kidd these relate to his Performance and Retention Awards (see page 100).

Remuneration Committee Report continued

Our approach to setting pay

AVEVA operates in the 'UK plc' executive remuneration environment but needs to attract and retain talent from a technology sector with a high US influence. Half of our leadership team are based outside of the UK and the majority of senior technology positions (R&D, Business Unit, Portfolio heads) are based in the US. We need to recruit increasing numbers of employees and leadership positions in niche technical skill areas, which are highly competitive.

The Remuneration Committee undertook a thorough benchmarking exercise in FY20 to support the revisions to the Remuneration Policy. Based upon the market capitalisation of the Company we selected the FTSE 31–100 companies to provide an initial comparison for remuneration. Specifically, the company also identified a UK and US peer group of technology and software companies to provide further comparisons before deciding upon the proposed remuneration approach.

UK Comparison Peer Group	US Comparison Peer Group
– Avast Software s.r.o.	– Ansys Inc
– Micro Focus International	– Aspen Technology Inc
– Ocado Group plc	– Autodesk Inc
– The Sage Group plc	– Cadence Design Systems Inc
– Smiths Group plc	– Honeywell International Inc
– Sophos Group plc	– PTC Inc
	– Rockwell Automation Inc

Whilst market data provides a valuable insight into pay levels and structures, the Committee recognises that benchmarking should not be the sole determinant when considering Executive Directors' remuneration. In line with AVEVA's general approach to setting pay, the Committee considered many factors alongside benchmarking when reviewing the proposed revisions to the Remuneration Policy.

How the new policy aligns with the UK Corporate Governance Code

Clarity	– The Committee welcomes open dialogue with shareholders on any aspect of the Company's remuneration. As part of the recent review of our Remuneration Policy during FY20 shareholders were consulted which provided valuable insights into their views on the proposed changes. – A key principle of the Committee is to ensure consistency across the Company from the Executive Directors down through the entire organisation. In FY20 we conducted an extensive bonus harmonisation programme which consolidated nine bonus plans into one global bonus plan for all non-sales employees. This change ensures all employees are measured and remunerated in the same way, on the same plan using the same metrics in a clear and transparent manner.
Simplicity	– Each component of our Remuneration Policy is clearly laid out and explained in a clear and simple manner. – Across the Company we ensure our remuneration arrangements are simple by design, communicated clearly and understood by all participants. – Although the quantum will vary, the policies and practices of remuneration are consistently applied across all levels of the Company.
Risk	– When determining award outcomes the Committee assesses the performance of the Company and the individual in order to ensure sound judgement and appropriate risk management are applied so that excessive rewards do not take place, reputational risk is protected and behavioural risks are identified and mitigated. – The Remuneration Policy includes a two year holding period on LTIPs and the proposed changes increase the level of risk management by increasing the annual bonus deferral, increasing the in-employment shareholding guidelines and introducing post-employment shareholding guidelines. – As a final safeguard our robust malus and clawback provisions apply to both the annual bonus and the long-term incentive programme.
Predictability	– The Remuneration Policy clearly states the threshold, on-target and stretch levels of performance opportunity required, with achievement being measured against pre-determined targets defined in advance of the programme launch. – Targets and measures are not altered or amended mid-programme to ensure performance achievement is aligned to original goals and objectives at all times.
Proportionality	– The annual bonus programme rewards achievement against annual operating growth targets of the Company together with personal objectives for the individual whilst the long-term incentive plan rewards long-term achievement of goals and the creation of shareholder value both of which are aligned to the overall Company strategy. – The Committee has the ability to apply discretion to reduce outcomes of both the annual bonus and long-term incentive scheme if needed for both Company and individual performance.
Alignment to culture	– When reviewing the annual bonus programme performance, the Committee assesses performance against a range of objectives including those related to AVEVA customers, AVEVA employees and the Company culture, strategy and risk to ensure incentive outcomes are aligned to the values and purpose.

Remuneration Committee Report continued

Part A: The Directors' Remuneration Policy

Introduction

The Directors' Remuneration Policy below sets out the information required by Part 4 of Schedule 8 to the Large and Medium-Sized Companies and Groups (Accounts and Reports) Regulations 2008 (as amended) (the 'Regulations').

If approved by shareholders at the forthcoming Annual General Meeting on 21 July 2020, the Directors' Remuneration Policy set out below will replace the existing policy for which shareholder approval was obtained at the 2018 Annual General Meeting, and will become binding immediately thereafter. The material differences between the existing and proposed new policy (which has also been designed with due account taken of the UK Corporate Governance Code 2018) are explained on pages 82–83. It is currently intended that the policy will remain valid until the 2023 Annual General Meeting.

The Remuneration Committee aims to ensure that: the Executive Directors are provided with appropriate incentives to align them with the achievement of the Company's long-term strategy and the future creation of shareholder value; enhanced performance is encouraged; and the Executive Directors are, in a fair and responsible manner, rewarded for their individual contributions to the success of the Group. Excessive risk-taking is neither encouraged nor rewarded.

It also aims for a combination of fixed and variable payments, benefits and share-based awards that will achieve a balance in incentives to deliver short and long-term goals. The Company's policy is that a substantial proportion of remuneration of Executive Directors should be performance-related and should be delivered in shares to create alignment with shareholders' interests. Remuneration for Executive Directors is set in the context of the economic environment in which the Group operates, the outcome of the wider pay review for all Group employees as well as the financial performance of the Group. When determining remuneration arrangements, the Committee takes into consideration relevant external considerations as well as the remuneration for employees of the Group generally.

The Directors' Remuneration Policy

Purpose and link to strategy	Operation	Maximum opportunity	Performance measures
Base salary			

– Helps recruit and retain employees
– Reflects experience and role
	– Base salary is normally reviewed annually with changes effective from 1 April, although salaries may be reviewed more frequently or at different times of the year if the Committee determines this is appropriate.
	– The Committee determines base salary taking into account factors including, but not limited to:
	  – The individual's role, experience and performance.
	  – Salaries at other companies of a similar size and complexity as well as global technology peers.
	  – Remuneration of different groups of employees within the Company.
	  – Total organisational salary budgets.
	– The Committee takes a phased approach to new salaries where appropriate.
	– Paid in cash.
		– In determining salary increases the Committee generally considers the factors outlined in the 'operation' column.
		– Salary increases will normally be in line with the range of increases in the broader workforce salary (in percentage terms), although higher increases can be made in appropriate circumstances, for example:
		  – an increase in the individual's scope of responsibilities;
		  – in the case of Executive Directors who are positioned on a lower initial salary while they gain experience in the role; or
		  – where the Committee considers that salary is behind appropriate market positioning for a company of AVEVA's size and complexity.
		– However, no salary increase will be paid to an incumbent to the extent that this increases the salary beyond £900,000.
			None

Remuneration Committee Report continued

Part A: The Directors' Remuneration Policy continued

Purpose and link to strategy	Operation	Maximum opportunity	Performance measures
Pensions			
– Provides a competitive means of saving for retirement in a way that is cost effective to the Company	– The CEO and CFO are members of a defined contribution scheme. – The intention is that new appointments to the Board would also participate in a defined contribution pension scheme or receive an equivalent cash payment. – However, if appropriate the Committee may determine that alternative arrangements for the provision of retirement benefit may apply. When determining pension arrangements for new appointments the Board will give regard to the cost of the arrangements, market practice and the pension arrangements received by the wider workforce.	– The maximum employer contribution (which may be provided as a pension contribution or cash alternative or a combination thereof) is 10% of base salary which is aligned with the employer contribution available to the wider workforce; this limit may be increased to reflect any increase in the level of employer contribution for the wider workforce. – If an alternative pension arrangement were introduced as referred to in the 'Operation' column, the maximum opportunity would not exceed the maximum opportunity for members of the wider workforce who participate in such an arrangement.	None
Benefits			
– Help recruit and retain employees – Provide a competitive range of valued benefits – Assist toward early return to work in the event of illness or injury	– The benefit policy is to provide an appropriate level of benefit taking into account market practice at other companies of similar size and complexity and the level of benefits provided for other employees in the Group. – In line with benefits provided for other senior employees in the Group, Executive Directors currently receive a mobility allowance or company car, a fuel allowance, dental and medical cover, life assurance cover, and an annual allowance toward a range of benefits. – If an Executive Director was required to re-locate to undertake their role, the Committee may provide additional benefits to reflect the relevant circumstances (on a one-off or ongoing basis). – Benefits are reviewed by the Committee in the context of market practice from time to time and the Committee may introduce or remove particular benefits if it is considered appropriate to do so. – If the Company were to operate a share plan in the future in which participation was open to the wider workforce, Executive Directors would be entitled to participate in the plan on the same terms as other employees.	– The cost of benefit provision will depend on the cost to the Company of providing individual items and the individual's circumstances. – However, the addition of further benefits to those already provided (excluding relocation/recruitment-related benefits and participation in any other share plan) will not result in the aggregate benefit provision for any Executive Director increasing to over £50,000.	None

<table>
<tr><th>Purpose and link to strategy</th><th>Operation</th><th>Maximum opportunity</th><th>Performance measures</th></tr>
<tr><td colspan="4">Annual Incentive Scheme</td></tr>
<tr><td>– Incentivises and rewards the achievement of targets and objectives aligned with AVEVA's strategy
– Deferred element encourages long-term shareholding, helps retention and discourages excessive risk-taking</td><td>– The Committee determines an individual's maximum incentive opportunity taking into account the responsibilities of the role and market practice at comparable companies.
– Performance targets are set by the Committee on an annual basis and ordinarily disclosed retrospectively.
– The Committee determines the level of bonus paid taking into account performance against targets, the underlying performance of the business and Executive Directors' performance during the year.
– A portion of any bonus earned is deferred into shares for three years, with the portion being:
  – 25% of the bonus earned if the Executive Director meets or exceeds the applicable shareholding requirement set out below; or
  – 50% of the bonus earned if the Executive Director does not meet the applicable Shareholding Requirement set out below.
– Deferred awards will normally vest in three equal tranches, one in each of the three years following the year in which an award is granted. The Committee has discretion to determine an alternative vesting profile.
– Deferred share awards can take the form either of the Executive Director being required to invest the after tax amount of the relevant portion of the bonus in shares, or the grant to the Executive Director of a share award in respect of such number of shares as have a value equal to the relevant portion of the bonus.
– Deferred awards are subject to malus and clawback provisions as noted at the end of this table.
– Dividends and any other income or capital distribution can accrue on deferred shares up until the point at which the Executive Director is entitled to acquire the shares.</td><td>– The maximum bonus opportunity is 200% of base salary in the case of the CEO and 175% of base salary in the case of any other Executive Director.
– However, for FY21, the maximum bonus opportunity will be 165% of base salary in the case of the CEO and 150% of base salary in the case of the CFO.</td><td>– The performance measures applied may be financial or non-financial and corporate, divisional or individual and in such proportions as the Committee considers appropriate.
– Where a sliding scale of targets is used, attaining the threshold level of performance for any measure will not typically produce a payout of more than 20% of the maximum portion of overall annual bonus attributable to that measure, with a sliding scale usually up to 50% for on-target performance and to full payout for maximum performance. However, the annual bonus plan remains a discretionary arrangement and the Committee retains a standard power to apply its judgement to adjust the outcome of the annual bonus plan for any performance measure should it consider that to be appropriate (e.g. if the provisional bonus outturn does not in the Committee's view reflect overall shareholder expectations).</td></tr>
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Remuneration Committee Report continued

Part A: The Directors' Remuneration Policy continued

Purpose and link to strategy	Operation	Maximum opportunity	Performance measures
The AVEVA Group Long-Term Incentive Plan (the LTIP)			
– Establishes a motivational and performance-orientated structure to incentivise Directors to focus on the creation of shareholder value aligned with the longer-term strategy for the Group	– Awards vest based on performance over a period of three years and are subject to a subsequent two-year holding period. – The holding period can take the form either of the Executive Director being required to retain the vested shares for the holding period (other than shares they may dispose of to cover tax liabilities), or the Executive Director not being able to acquire the vested shares until the end of the holding period. – Awards under the LTIP may be granted in the form of conditional awards or nominal cost options. – Dividends and any other income or capital distribution can accrue on shares up until the point at which the Executive Director is entitled to acquire the shares. – The Committee determines targets each year to ensure that targets are stretching and represent value creation for shareholders while remaining motivational for management. – The Committee shall determine the extent to which the awards will vest based on performance against targets and taking into consideration the wider performance of the Group. – LTIP awards are subject to malus and clawback provisions as noted at the end of this table.	– Awards over shares worth no more than 300% of salary in the case of the CEO or 250% of salary in the case of any other Executive Director may be made in respect of any year. – However, for FY21, the maximum award will be 250% of base salary in the case of the CEO and 175% of base salary in the case of the CFO.	– The Committee may set such performance conditions on awards as it considers appropriate, whether financial or non-financial and whether corporate, divisional or individual. – Performance periods will be at least three years long. – Where a sliding scale of targets is used, attaining the threshold level of performance for any measure will not typically produce a vesting of more than 25% of the maximum portion of overall award attributable to that measure (or not more than 20% in respect of any award granted in excess of the proposed awards for FY21), with a sliding scale to full payout for maximum performance. – The Committee may in its judgement adjust the vesting outturn should it consider that to be appropriate (e.g. if the provisional vesting outturn does not in the Committee's view reflect the underlying financial performance of the Group over the performance period).

Malus and clawback provisions

The annual bonus (including any deferred bonus award) and the LTIP are subject to malus and clawback provisions. These may be applied in the event of:

- Material misstatement of audited Group results;
- Payments made based on erroneous or misleading data;
- Calculation error;
- Fraud and/or gross misconduct;
- Group reputational damage and/or financial loss;
- Risk management failure resulting in serious harm to reputation or financial loss to the Group; and
- Corporate failure.

The provisions can be applied until the date that falls three years from payment in the case of the cash bonus, until the date that falls three years after grant in the case of the deferred bonus, and until the date that falls two years after the end of the performance period in the case of LTIP awards.

Shareholding Requirement

In-Service Shareholding Requirement

The Company has adopted an In-Service Shareholding Requirement pursuant to which a serving Executive Director must build up and maintain a holding of AVEVA shares with a value (as determined by the Committee) at least equal to the aggregate of their variable remuneration opportunity (being 415% of salary in the case of the CEO and 325% of salary in the case of the CFO in FY21). Shares subject to deferred bonus arrangements, shares subject to LTIP awards which are in a holding period, and shares subject to other share awards which are no longer subject to any performance condition (including any exercisable but unexercised deferred bonus awards and LTIP awards) count towards the requirement, on a net of assumed tax basis where relevant. This is a change from FY19, where only shares owned outright were counted towards the shareholding guidelines.

There is no specified time period within which an Executive Director must achieve the Shareholding Requirement, but Executive Directors will be required to retain half of the after-tax shares acquired pursuant to the LTIP and deferred bonus arrangements:

- in respect of years up to and including FY20 until a holding of 200% of salary is achieved; and
- granted in respect of FY21 and later years until the higher Shareholding Requirement is achieved.

The Committee retains discretion to vary the In-Service Shareholding Requirement to take account of compassionate circumstances.

Post-employment Shareholding Requirement

The Company has adopted a post-employment Shareholding Requirement pursuant to which an Executive Director must retain for 12 months following cessation of employment such of their 'relevant shares' as have a value (as determined by the Committee) equal to the In-Service Shareholding Requirement most recently applicable to them, and for a further 12 months such of their 'relevant shares' as have a value (as determined by the Committee) equal to 50% of the In-Service Shareholding Requirement most recently applicable to them.

Shares which the Executive Director has purchased or which they acquire pursuant to share plan awards granted before this Policy came into effect are not "relevant shares" for these purposes. The Committee retains discretion to vary the In-Service Shareholding Requirement to take account of compassionate circumstances.

Stating maximum amounts for the Remuneration Policy

The regulations and related investor guidance encourages companies to disclose a cap within which each element of the Directors' Remuneration Policy will operate. Where maximum amounts for elements of remuneration have been set within the Directors' Remuneration Policy, these will operate simply as caps and are not indicative of any aspiration.

Travel and hospitality

While the Committee does not consider it to form part of benefits in the normal usage of that term, it has been advised that corporate hospitality, whether paid for by the Company or another, and business travel for Directors and in exceptional circumstances their families may technically come within the applicable rules and so the Committee expressly reserves the right for the Committee to authorise such activities within its agreed policies.

Committee discretion

The Committee reserves the right to make any remuneration payments and payments for loss of office (including the exercise of any discretions 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 the Policy came into effect, provided that the terms of the payment were consistent with any applicable shareholder-approved Directors' Remuneration Policy in force at the time they were agreed or were otherwise approved by shareholders or (ii) at a time when the relevant individual was not a Director of the Company (or other person to whom the Policy set out above applies) 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' include the Committee satisfying awards of variable remuneration and an award over shares is 'agreed' at the time the award is granted. For the avoidance of doubt, this discretion includes the settlement of the 'buy-out' award granted to Craig Hayman in respect of his appointment.

The Committee may operate the LTIP, the annual bonus and the deferred bonus arrangements in accordance with their terms. This includes:

- The selection of participants;
- The timing of grant of an award/bonus opportunity;
- The size of an award/bonus opportunity subject to the maximum limits set out in the policy table;
- The determination of performance against targets and resultant vesting/bonus payouts;
- Discretion required when dealing with a takeover, change of control or restructuring of the Group;
- Determination of the treatment of leavers based on the rules of the plan and the appropriate treatment chosen;
- Adjustments required in certain circumstances (e.g. rights issues, corporate restructuring events, distributions and special dividends);
- The annual review of performance measures, weightings and targets from year to year; and
- The ability to settle awards in part or in whole in cash (or to grant awards as cash based 'phantom' awards), although the Committee would only settle an Executive Director's award in cash (or grant an Executive Director a phantom award) in exceptional circumstances, such as where there is a regulatory restriction on the grant of a share award.

In addition, while performance measures and targets used in the annual bonus plan and LTIP will generally remain unaltered, if events occur which, in the Committee's opinion, would make a different or amended target a fairer measure of performance, the Committee can make such amendments to the targets as it considers appropriate.

Any use of these discretions would, where relevant, be explained in the Directors' Remuneration Report and may, where appropriate and practicable, be the subject of consultation with the Company's major shareholders.

Remuneration Committee Report continued

Part A: The Directors' Remuneration Policy continued

Remuneration arrangements throughout the Group

Throughout the Group, remuneration is determined based on substantially the same principles: that remuneration arrangements should be appropriate for the role without paying more than is necessary and that pay should be structured to incentivise individuals to deliver the objectives of their role. AVEVA employs over 4,600 employees in over 80 locations with roles ranging from administrators to technical specialists and sales staff. The structure and level of reward therefore differs from role to role depending on skills, experience, level of seniority and market practice for the role. AVEVA's sales employees participate in sales incentive plans that are designed to encourage the growth objectives of the Group. More senior employees have annual bonus plans, with the Executive Leadership Team receiving a portion of bonus in shares which is deferred for up to three years. Senior employees within the Company participate in the LTIP and a Restricted Share Plan.

Selection of performance measures

The Committee's guiding principle is that remuneration arrangements that operate throughout the Group should support the delivery of our long-term business strategy and therefore the creation of shareholder value. Our key long-term strategic priority is to deliver strong but sustainable revenue and profit growth to support the delivery of this strategic priority. The metrics used in our annual bonus arrangements and LTIP are chosen with this in mind, with the payment of bonuses and the vesting of long-term incentives subject to stretching targets established by the Committee at the beginning of each performance period. These targets are set taking account of internal forecasts of performance over the performance period, the markets in which the Group operates, our long-term growth ambitions and the expectations of the investment community on the Group's future potential performance.

Remuneration Policy for new hires

When determining the remuneration package for a newly appointed Executive Director, the Committee would seek to apply the following principles:

- The package should be market competitive to facilitate the recruitment of an individual of sufficient calibre to lead the business. At the same time, the Committee would intend to pay no more than it believes is necessary to secure the required talent.
- The structure of the ongoing remuneration package would normally include the components set out in the policy table for Executive Directors. Circumstances in which other elements of remuneration may be awarded include:
  - an interim appointment being made to fill an Executive Director role on a short-term basis;
  - if exceptional circumstances require that the Chairman or a Non-Executive Director takes on an executive function on a short-term basis;
  - if an Executive Director is recruited at a time in the year when it would be inappropriate to provide a bonus or LTIP award for that year as there would not be sufficient time to assess performance; subject to the limit on variable remuneration set out below, the quantum in respect of the months employed during the year may be transferred to the subsequent year so that reward is provided on a fair and appropriate basis.
- Where an individual forfeits outstanding variable pay opportunities or contractual rights as a result of their appointment, the Committee may offer compensatory payments or awards, in such form as the Committee considers appropriate taking into account relevant factors, which may include the form of awards, expected value and vesting timeframe of forfeited opportunities. When determining such 'buy-outs' the guiding principle would be that awards would generally be on a 'like-for-like' basis to those forfeited unless not considered appropriate.
- To facilitate awards outlined above, in the event of recruitment, the Committee may grant awards to a new Executive Director in accordance with Listing Rule 9.4.2. This provision permits the granting of awards to facilitate, in unusual circumstances, the recruitment of an Executive Director, without seeking prior shareholder approval.
- The maximum level of variable remuneration which may be awarded (excluding any 'buy-out' awards) is 500% of base salary in the case of a CEO and 425% of base salary in the case of any other Executive Director.
- Where an Executive Director is required to relocate to take up their role the Committee may provide reasonable assistance with relocation (either via one-off or on-going payments or benefits) taking into account the individual's circumstances and prevailing market practice.
- If an internal candidate is promoted to the Board, legacy terms and conditions would normally be honoured, including pension entitlements and any outstanding incentive awards.

Executive Director service contracts and policy on payment for loss of office

When determining leaving arrangements for an Executive Director the Committee takes into account any contractual agreements including the provisions of any incentive arrangements, typical market practice and the performance and conduct of the individual.

The service contracts for current and non-current Executive Directors include the following terms:

Name	Date of contract	Date of appointment	Continuous service date
Current Executive Directors			
Craig Hayman	19 February 2018	19 February 2018	19 February 2018
James Kidd	17 February 2017	1 January 2017	5 January 2004

The service agreements are available to shareholders to view on request from the Company Secretary.

Notice period	The CEO's service contract can be terminated by the Company or the Executive Director on nine months' notice. The CFO's service contract can be terminated by the Company or the Executive Director on nine months' notice. The service agreements provide for a period of gardening leave. The Committee will determine the appropriate notice period for any new Director taking into account the circumstances of the individual and market practice. Any notice period will normally be no longer than 12 months.
Payment in lieu of notice	In the event of termination of contract without notice, the Executive Director shall be entitled to a payment in respect of salary for the period of notice. Such payment will normally be made in instalments and subject to mitigation but the Committee shall have discretion to make a single payment if this is considered appropriate.
Annual bonus	The Executive Director may, at the discretion of the Committee, remain eligible to receive an annual bonus for the financial year in which they ceased employment. Such Annual Bonus award will be determined by the Committee taking into account the circumstances for leaving, time in employment and performance. Any such bonus will ordinarily be paid at the same time and in the same way as for a continuing Executive Director. The Committee retains discretion to pay the bonus early and not to apply deferral where it would otherwise apply, but would do so only in compassionate circumstances.
Deferred bonus arrangements	**Death:** In the event of a participant's death unvested awards shall vest. Where awards are in the form of options they may be exercised for a period of up to 12 months from death. **Good leavers (at the discretion of the Committee, leaving by reason of injury, disability, redundancy, the Company for which the participant works leaving the Group or any other reasons determined by the Committee):** Awards shall continue in full and vest on the originally anticipated vesting dates. Alternatively, the Committee may determine that awards should vest when the participant ceases employment. Awards in the form of options may be exercised in accordance with the rules of the applicable scheme. **Leavers in other circumstances:** Awards will normally lapse.
Long-Term Incentive Plan	**Good leavers (at the discretion of the Committee, leaving as a result of death, injury, disability, redundancy, retirement, the Company for which the participant works leaving the Group or any other reason):** – Unvested awards shall ordinarily continue in existence for the remainder of the performance period, following which they will vest subject to the satisfaction of the performance conditions and, unless the Committee determines otherwise, then reduced to reflect the period that elapsed from the start of the performance period to the date of cessation as a proportion of the performance period. Any holding period will ordinarily continue to apply. The Committee retains discretion to vest the award before the end of the originally anticipated performance period, and to assess performance accordingly, and to waive the continuation of the holding period or to shorten its application, but would do so only in compassionate circumstances. – Vested awards which are subject to a holding period will ordinarily continue to be subject to the holding period, although the Committee retains discretion to waive the continuation of the holding period or to shorten its application but would do so only in compassionate circumstances. **Leavers in other circumstances:** Awards will normally lapse. Vested but unexercised options held by participants who leave employment other than due to gross misconduct may be exercised for a period following cessation of employment.
Other payments	An Executive Director who joined the Company before January 2008 and who is made redundant, may receive, in addition to a payment in lieu of notice, any statutory redundancy payment and any other payment to which he is entitled, a payment under the Company's enhanced redundancy policy. This policy applies to all employees who joined the Company before January 2008. Under the policy, an eligible person will receive a payment calculated by reference to their length of service and weekly pay (by reference to gross annual salary) as follows: – 7 weeks' pay for service of up to 6 years; plus – 1.5 weeks' pay for each completed year of service over 7 years up to 20 years; plus – 2 weeks' pay for each completed year of service over 20 years. Under the Company's enhanced redundancy policy, eligible participants, including Executive Directors, may also receive a payment in lieu of a 90 day redundancy consultation period. In the event of termination of an Executive Director's employment, a payment may be made in lieu of any accrued but untaken holiday. The Remuneration Committee would be responsible for considering the circumstances of the early termination of an Executive Director's contract and determining whether in exceptional circumstances there should be compensation payments in excess of the Company's contractual obligations.

The Company has the power to enter into settlement agreements with Directors and to pay compensation to settle potential legal claims. In addition, and consistent with market practice, in the event of the termination of an Executive Director, the Company may make a contribution towards that individual's legal fees and fees for outplacement services as part of a negotiated settlement. Any such fees will be disclosed as part of the detail of termination arrangements. For the avoidance of doubt, the policy does not include an explicit cap on the cost of termination payments.

Remuneration Committee Report continued

Part A: The Directors' Remuneration Policy continued

Change of control

In the event of a change of control or a voluntary winding-up of the Company and ultimately at the discretion of the Remuneration Committee:

1. Unvested deferred bonus awards will normally vest in full at the time of change of control or winding-up.
2. Unvested awards granted under the 2014 LTIP rules will vest having regard to the extent to which performance conditions have been met and unless the Committee determines otherwise, the proportion of the performance period that has elapsed at the date of the change of control or winding-up.

Employee context

When setting Executive Directors' pay, the Committee considers the remuneration arrangement of other senior managers and employees in the Group more generally to ensure that Executive remuneration arrangements are appropriate in this context. AVEVA undertakes an annual salary review in April each year and uses this opportunity to reward strong performance and ensure salaries are in line with market rates. It manages this in a competitive environment particularly in the fast-growing economic areas. When determining salary increases for Executive Directors the Committee considers the outcome of the wider pay review for the Group. The Committee does not consult directly with employees regarding Executive Directors' remuneration. However, at regular intervals the Company conducts a survey of the views of employees in respect of their experience of working at AVEVA including their own reward.

Dialogue with shareholders

The views of our shareholders on remuneration matters are important to the Committee and prior to making any material changes to remuneration arrangements the Committee consults with major shareholders and their representative bodies to obtain their views. The Company remains committed to engaging with shareholders in relation to remuneration issues. We consulted with shareholders and discussed the proposed Policy before finalising it, and there was widespread general support for our proposals. We made changes to the proposed Policy having regard to the feedback received, in particular in relation to our phased approach to increases in incentive opportunities, as further described on page 89.

External appointments

The Board believes that accepting Non-Executive appointments with other companies enhances the experience of Executive Directors and therefore they are entitled to accept appointments outside of the Company provided that Board approval is sought prior to accepting the appointment. Whether or not the Director concerned is permitted to retain their fees is considered on a case-by-case basis.

Remuneration outcomes in different performance scenarios

The remuneration package at AVEVA is structured so that the package rewards performance over both the short and long term to ensure that reward is aligned with shareholder value creation.

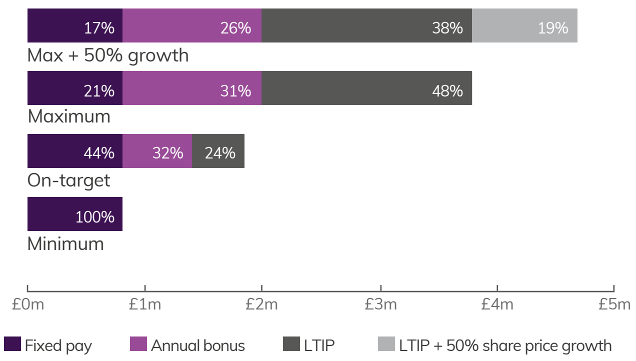
The table and charts below and opposite show hypothetical values of the remuneration package for the current Executive Directors under four assumed performance scenarios.

In each scenario, fixed remuneration is the most recently known salary (£718,200 in the case of the CEO and £513,000 in the case of the CFO), the value of benefits included in the single total figure of remuneration table for FY20, and a pension contribution based on 10% of the most recently known salary.

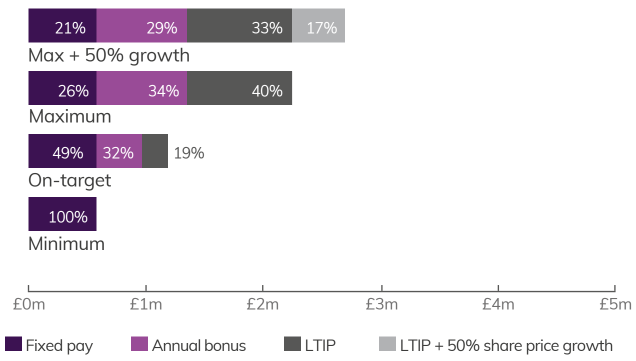
Other than in the "Maximum performance plus share price" scenario, no share price growth has been assumed. Potential benefits under all employee share schemes and dividend or distribution equivalents have not been included for any scenario.

		Awards as a % of salary	
		CEO	CFO
Maximum performance plus share price	Annual bonus scheme (full pay-out)	165%	150%
	LTIP (maximum vesting plus assumed 50% share price growth)	375%	262.5%
	Total	**540%**	**412.5%**
Maximum performance	Annual bonus scheme (full pay-out)	165%	150%
	LTIP (maximum vesting)	250%	175%
	Total	**415%**	**325%**
On-target performance	Annual bonus scheme (50% pay-out)	82.5%	75%
	LTIP (25% vesting)	62.5%	43.75%
	Total	**145%**	**118.75%**
Minimum performance	Annual bonus scheme (nil pay-out)	0%	0%
	LTIP (nil vesting)	0%	0%
	Total	**0%**	**0%**

Craig Hayman



James Kidd



Remuneration Policy for Non-Executive Directors

Approach to setting fees	Basis of fees	Other items
– Fees for the Chairman and the Non-Executive Directors are determined taking account of the individual's responsibilities, the expected time commitment for the role and prevalent market rates. – The Board is responsible for setting fees for the Non-Executive Directors with the Remuneration Committee being responsible for setting fees for the Chairman. – Fees are reviewed at appropriate intervals, usually on an annual basis.	– Basic fees are subject to the aggregate limit set in accordance with the Company's Articles of Association. Any changes in this limit would be subject to shareholder approval. – Non-Executive Directors are paid a basic fee for membership of the Board with additional fees being paid to Non-Executive Directors who hold the position of Committee Chairman to take into account the additional responsibilities and workload. Additional fees may also be paid for other Board responsibilities or roles if this is considered appropriate. – Fees are normally paid in cash.	– Non-Executive Directors do not receive incentive pay or share awards. – Non-Executive Directors do not currently receive any benefits or pension arrangements. Benefits may be provided in the future if, in the view of the Board (or, in the case of the Chairman, the Committee), this was considered appropriate. – Travel and other reasonable expenses (including fees incurred in obtaining professional advice in the furtherance of their duties) incurred in the course of performing their duties are reimbursed to Non-Executive Directors (including any associated tax liability).

The Non-Executive Directors have appointment letters, the terms of which recognise that their appointments are subject to the Company's Articles of Association and their services are at the direction of the shareholders.

The letters of appointment for Non-Executive Directors include the following terms:

Name	Date of appointment	Date of contract	Expiry/review date of current contract	Notice period in months
Philip Aiken	1 May 2012	1 May 2018	30 April 2021	3
Jennifer Allerton	9 July 2013	1 July 2019	30 June 2022	3
Christopher Humphrey	8 July 2016	27 June 2019	26 June 2022	3
Ron Mobed	1 March 2017	1 March 2020	28 February 2023	3
Peter Herweck	1 March 2018	1 March 2018	28 February 2021	3
Paula Dowdy	1 February 2019	1 February 2019	31 January 2022	3
Olivier Blum	24 April 2020	30 April 2020	29 April 2023	3

All Non-Executive Directors submit themselves for re-election at each Annual General Meeting.

There are no predetermined special provisions for Non-Executive Directors with regard to compensation in the event of loss of office. Non-Executive Directors are not entitled to any payments in lieu of notice.

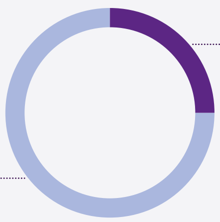
The letters of appointment are available for shareholders to view from the Company Secretary upon request.

Remuneration Committee Report continued

Part B: The Implementation Report

Jennifer Allerton
Remuneration Committee Chair

Independence split



Membership and attendance

Chair	
Jennifer Allerton	6/6
Committee members	
Ron Mobed	6/6
Paula Dowdy	6/6
Emmanuel Babeau[1]	6/6
Olivier Blum[2]	0/0
Attending by invitation	
CEO	
CFO	
CHRO	

The Committee usually meets six times a year.

1 Resigned 30 April 2020.
2 Appointed 30 April 2020.

The Remuneration Committee membership, role and remit

The Remuneration Committee is appointed by the Board. The current members are Jennifer Allerton (Chair), Ron Mobed, Paula Dowdy and Olivier Blum. Emmanuel Babeau served during the year and resigned on 30 April 2020. All the Committee members except for Olivier are regarded by the Board as independent Non-Executive Directors. Jennifer has been a member of the Remuneration Committee since 2013 and became Chair in July 2017. Committee meetings are also regularly attended by the CEO, CFO and Chief Human Resources Officer (CHRO) at the invitation of the Chair, to provide company insight and advice to help the Committee consider appropriate remuneration. No Committee member or invited attendee is present during the discussion of their own remuneration.

The role of the Committee is set out in its Terms of Reference which are available on the Company's website at www.aveva.com. The Committee's primary responsibility is to develop and determine the remuneration framework, policy and pay levels for the Executive Directors, the Chair and the Executive Leadership Team in overall alignment with the general workforce. The Committee also has visibility of our employee engagement activities and overall Human Resource strategy which affects all AVEVA employees.

The remuneration framework includes establishing stretching performance-related targets for rewards to support AVEVA's long-term growth strategy in alignment with the Company's purpose, values and culture. This has been achieved by:

- Determining the remuneration and benefits of the Executive Directors, including fixed pay, annual bonus, long-term incentives and pensions
- Determining the remuneration for Executive Leadership below Board level
- Reviewing the wider workforce remuneration and related policies and taking these into account when setting the policy for Executive Director remuneration
- Providing remuneration recommendations to the Board based upon AVEVA's remuneration framework
- Approving share awards

The principles of our Remuneration Policy

A significant part of the total reward is related to share price performance and is paid in shares, a portion of which must be retained until the minimum shareholding guidelines have been met. This ensures that our Executive Directors' interests are aligned with those of other shareholders.

A considerable part of the total reward is determined by the Company's success over both the short and the long term. Failure to achieve threshold levels of performance results in no payout for these elements. A key focus of the Committee is to ensure a suitable level of stretched performance is determined in order to align with maximum levels of potential rewards.

Advice and auditors

In FY20 the Committee conducted a market review of our remuneration advisors and after assessing a number of firms we are pleased to have partnered with Deloitte from 1 October 2019. Advice up until this date was provided by FIT Remuneration Consultants. Deloitte's role is to provide the Committee with independent advice on comparator information and general remuneration trends and, most recently, to advise on the new Remuneration Policy which shareholders will be asked to approve at the 2020 AGM including engagement with shareholders. Fees are charged on a time spent basis and the fees paid during the year to Deloitte and FIT in relation to the advice provided to the Committee were £60,710 and £18,060 respectively (FY19 fees to FIT: £39,685). In addition, Deloitte also provide tax advisory, due diligence and other consultancy services to the company. The Committee are content that their advice is objective and independent. Deloitte is a founding member of the Remuneration Consultants Group and adheres to its Code of Conduct in relation to Executive remuneration consulting in the UK.

The auditors have reported on certain sections of Part B and stated whether, in their opinion, those parts have been properly prepared in accordance with the Companies Act 2006. Those sections of Part B which have been subject to audit are clearly indicated.

Shareholder voting and engagement

The table below shows the results of the most recent votes on the Policy (July 2018) and Implementation Report (July 2019).

	Votes for	Percentage	Votes against	Percentage	Votes withheld
Directors Remuneration Policy – 2018 AGM	140,852,022	96.31	5,402,475	3.69	2,247,992
Directors Remuneration Report – 2019 AGM	117,496,525	78.97	31,296,986	21.03	1,002,830

The Committee was disappointed with the vote against the Directors' Remuneration Report ('DRR') in FY19 and undertook an engagement exercise with shareholders to understand their views, for the Committee to listen and address their concerns, which in turn provides an opportunity for actions to be taken in the formation of the FY20 revised DRR. The feedback provided from shareholders detailed key concerns falling into two main categories:

- Legacy use of retention arrangements, which were related to the successful completion of a transformational merger that has driven exceptional returns for shareholders. This is now an historical item and the Committee is aware of investors' strong views in this area should similar circumstances arise again. Having said that, we have the larger final tranche of retention payments due to vest this year. We acknowledge the need for increased transparency on the payout, but would like to highlight that the retention payments were approved in advance by the shareholders as part of approving the merger in 2017, and also that they have been successful in retaining key executives who have been instrumental in driving the growth of the business over the last two years.
- Disclosure and increased transparency. We are committed to providing more detail on the strategic objectives and Total Shareholder Return comparators under both our short-term and long-term incentives. This will be evidenced by enhanced disclosures in this year's FY20 DRR.

Implementation of policy for the year ended March 2020

Single total figure of remuneration for Executive Directors (audited)

The following table sets out the single figure of total remuneration for Executive Directors for the current and previous financial years.

	Salary £'000	Taxable benefits[1] £'000	Pension[2] £'000	Annual bonus £'000	LTIPs[3] £'000	One-off awards[4] £'000	Non-taxable benefits[1] £'000	Total £'000
Craig Hayman FY20	**718**	**14**	**62**	**635**	**581**	**3,408**	**9**	**5,427**
Craig Hayman FY19	700	20	60	857	—	5,708	—	7,345
James Kidd FY20	**513**	**20**	**44**	**454**	**1,521**	**1,038**	**—**	**3,590**
James Kidd FY19	500	20	43	613	1,651	550	—	3,377

1 Craig Hayman changed tax jurisdiction in the year and his benefits altered on 1 September. From this date he is in receipt of a (taxable) mobility allowance of £10,000 per annum and (non-taxable) US family medical cover. For more information please see page 98.

2 See page 98 for further information on pensions.

3 For FY20, the 2017 LTIP has been valued based on the number of options (Craig 16,621; James 43,550) multiplied by the closing share price at 31 March 2020 of 3,494p and a vesting outcome of 100%, as referred to on page 100. Of the estimated vested amount of £1,521k, 44% (£675k) relates to a 100% performance achievement, 24% (£364k) relates to the return of value adjustment, and 32% (£482k) relates to share price appreciation over the performance period. The 2016 LTIP value for FY19 has been restated from the year-end share price at 31 March 2019 of 3,226p to reflect the share price at the date of vesting of 3,954p, and a vesting outcome of 89.9%. This increased the single figure of total remuneration for James Kidd by £304k. Of the vested amount of £1,651k, 29% (£472k) relates to a 89.9% performance achievement, 15% (£255k) relates to the return of value adjustment, and 56% (£924k) relates to share price appreciation over the performance period. The Committee did not exercise any discretion in relation to share price changes for the 2016 LTIP or the 2017 LTIP. The 2016 award is due to be released at the end of the two year holding period on 13 July 2021. Craig Hayman's FY20 LTIPs were awarded in FY18, and pro-rated for his term of service in that year.

4 For Craig Hayman, these are the value of his buy-out awards. 97,537 options vested, and have been valued using the year end share price of 3,494p. For James Kidd, these are the value of his performance and retention awards, calculated as £500k for the retention element and £538k for the performance element (see page 101).

Remuneration Committee Report continued

Part B: The Implementation Report continued

Additional information on the amounts which make up the Single Total Figure of Remuneration

Base salary

As set out in the DRR last year, Craig Hayman joined AVEVA as CEO on 19 February 2018 with a salary of £700,000 and his salary remained unchanged for FY19. James Kidd's salary was £500,000 for FY19. Salaries for Craig Hayman and James Kidd were increased by 2.6% in line with the UK workforce average on 1 April for FY20.

Benefits

In FY20, Executive Directors were provided with a car and fuel allowance totalling £19,200, and a £600 annual allowance towards a range of flexible benefits. In September 2019, the payroll for Craig Hayman was agreed to be split between the UK and the US. This was created to better reflect the travel patterns and time spent in both jurisdictions. Included in the change was the inclusion of a US medical plan. Craig Hayman agreed to relinquish the UK car and fuel allowance in return for a new mobility allowance of £10,000 per annum and US medical coverage for himself and US-based family totalling £15,500 per annum.

Pension

The Company's defined benefit scheme is not open to new members, and neither of the Executive Directors in the year are or have ever been a member. Craig Hayman and James Kidd are members of the AVEVA Group Personal Pension Plan (a defined contribution scheme). Both Directors receive a cash in lieu allowance equivalent to 10% of salary, reduced for the effect of employers' National Insurance contributions. During FY20, James Kidd received cash in lieu of contributions of £44,221 (FY19: £43,100), and Craig Hayman received cash in lieu of contributions of £61,909 (FY19: £60,340).

How is pay linked to performance for the year ended 31 March 2020

Annual Incentive Scheme

For FY20, the maximum opportunity for Executive Directors under the annual incentive was 125% of base salary, requiring a stretch level of performance for full payout.

The performance targets were based on:
(1) adjusted Earnings Before Interest and Tax (EBIT) targets, with a maximum weighting of 50% of salary;
(2) total revenue, with a maximum weighting of 12.5% of salary;
(3) recurring revenue, with a maximum weighting of 37.5% of salary; and
(4) key performance objectives, with a maximum of 25% of salary available. The key individual performance objectives are agreed with the Remuneration Committee at the start of each financial year, although this element will be capped at a maximum achievement of 12.5% of salary should the Group adjusted EBIT target not be met.

In line with best practice, 50% of the maximum bonus is payable for delivering an on-target level of performance.

For FY20, 40% of any award made under the Annual Incentive Scheme, irrespective of the amount, is payable in deferred shares, and is subject to a three-year vesting period, but with no further performance conditions. Deferred awards deliver the shares to participants in three equal tranches, one in each of the three years following the year in which an award is granted.

Performance against the targets set and the total annual incentive earned based on performance for the year ended 31 March 2020 is set out below. This includes both the cash element of the bonus and the portion deferred into shares under the deferred share scheme.

Metric	Thresholds (Min), Budget (Mid) and Targets (Max)	Actual	% of Max achieved	Craig Hayman Max	Craig Hayman Actual	James Kidd Max	James Kidd Actual
Group revenue	Min: £800.0m	£833.8m	100%	12.5%	12.5%	12.5%	12.5%
	Mid: £821.5m						
	Max: £821.5m						
Recurring revenue proportion	Min: 54.0%	62.2%	100%	37.5%	37.5%	37.5%	37.5%
	Mid: 56.0%						
	Max: 58.0%						
Group adjusted EBIT	Min: £200m	£216.8m 26.0%	26.9%[1]	50.0%	13.5%	50.0%	13.5%
	Mid: £213.5m						
	Max: 26% margin						
Strategic objectives	see opposite	see opposite	100%	25.0%	25.0%	25.0%	25.0%
Totals as a % of salary				125.0%	88.5%	125.0%	88.5%
Bonus receivable					£635,320		£453,800
Granted in cash (60%)					£381,192		£272,280
Granted in shares (40%)					£254,128		£181,520

1 The 26% margin underpin must be maintained net of paying all bonuses.

Further details on the key individual and strategic objectives and performance outcomes for both Directors are detailed below:

Craig Hayman

Objective	Evaluation
1. Establish a baseline for employee engagement and deliver increases across the Company, by:	
a. Delivery of new employee engagement baseline.	All employee engagement survey implemented across 4,708 employees. Over 30,000 comments made by employees and over 5,000 interactions with line managers. Baseline engagement score established.
b. Greater than 10x improvement in AVEVA Action for Good program employee participation (disclosed in annual report)	AVEVA Action for Good employee participation across 1,546 employees (34%) vs 44 employees (1%) in FY19. Represents one day of charitable work by each participating employee together with AVEVA financial support aligned around UN SDGs.
c. Lead evolution of company culture with an increased focus on learning.	Lead cultural transformation across the Group, establishing baseline and change management to drive increased focus on learning. Reinforced across facilitated culture cafe workshops across the company by team and by location, eight in person meet and greet sessions around the world, six videos/podcasts, two ELT live session, press releases and customer wins.
2. Deliver a competitively compelling Cloud portfolio with customer verification and market traction plus establish a Cloud 'heatmap' and demonstrate clear momentum covering:	
a. Product portfolio.	Established a new Cloud business unit, and a new Cloud product portfolio launched: https://sw.aveva.com/cloud-computing.
b. Development operations capacity.	Development operations capacity in place and publicly reported: https://status.connect.aveva.com/.
c. New customer wins and substantial growth in orders.	Three-fold increase in Cloud Total Contract Value (TCV), including 14 deals over £1 million. Cloud customer demonstrations were delivered at our new 30 Cannon Street, London customer centre.

James Kidd

Objective	Evaluation
1. Value creation programme:	
a. Ensure that the value creation projects are on track vs plan and deliver value as planned.	The value creation programme is on plan and has generated revenue from the initiatives in excess of the in-year target. These initiatives are aligned to the overall company strategy and included customer care, channel excellence, pricing, global services transformation and the company's transition to subscription.
b. Communication to ELT, Board and investors (as appropriate).	These initiatives have been reported monthly to the ELT and Board as required. Progress against plan has been tracked by the integration organisation, working with the functional leaders with updates and actions at the monthly steering committee meetings.
2. Establish M&A process. Includes process from target identification to assessment and execution including:	
– Approvals process; – Minimum criteria to assess candidates; – Stage gates; – Business case template; – Valuation methodology; and – Diligence checklists.	In the first half following the appointment the Head of Strategy, the M&A process was updated to reflect the structure and operations of the enlarged AVEVA. This has been used during the course of the second half of the year to screen and select targets. There is consistent reporting of the status of the pipeline to the Board and the ELT. Business cases have been brought to the Board for various projects during the year.
3. Performance metrics for the business:	
Develop metrics for the business which are aligned with our strategic objectives which measure progress against those objectives and underlying performance. Help improve ELT, Board and investors' understanding of the underlying past and future performance, including subscription transition, Cloud, services, customer growth, and market share.	From an internal perspective, Annualised Recurring Revenue (ARR), TCV, and Annual Contract Value have begun to be reported during the year and are included in the relevant monthly report pack. Analysis of the impact of multi-year contracts has also been included in the Board papers in October 2019 and March 2020, and factored into the budget for FY21. Net Retention Rate (NRR) is reported each month to the ELT as part of the Global Customer Support review.

Remuneration Committee Report continued

Part B: The Implementation Report continued

Long-Term Incentives vesting in respect of the year ended 31 March 2020

The LTIP awards granted under the Long-Term Incentive Plan in 2017 that were capable of vesting based on performance over the three-year period ended 31 March 2020 were subject to the following performance targets:

– delivery of diluted adjusted EPS growth performance targets (50% of maximum);
– relative Total Shareholder Return (TSR) against the comparator group as detailed below (25% of maximum); and
– strategic objectives – Total Revenue Growth (25% of maximum).

A summary of the LTIP targets and actual performance is provided below:

LTIP performance element	Weighting	Threshold	Maximum	Actual performance	Vesting (% of maximum)
Diluted EPS (CAGR)[1]	50%	5% p.a.	15% p.a.	17.4%	100%
TSR vs peer group[2]	25%	Median	Upper quartile	Upper quartile	100%
Total revenue growth[3]	25%	£735m	£794m	£834m	100%
Overall % vesting					100%

1 For LTIPs granted in 2017 and beyond, non-linear vesting applies: threshold (25% vesting), mid (80% vesting for 10% p.a. EPS growth) and maximum (100% vesting).
2 Straight-line vesting applies between threshold (25% vesting) and maximum (100% vesting). The TSR comparator group for these awards was the FTSE 250 (excluding Investment Trusts, Financial Services and Real Estate sector companies).
3 Straight-line vesting applies between threshold (25% vesting) and maximum (100% vesting).

Buy-out awards for Craig Hayman

As disclosed in previous Annual Reports, in order to secure Craig Hayman as CEO the Company had to commit to compensate him by way of a 'buy-out' for the loss of significant outstanding equity awards on leaving PTC which had a maximum potential value of over £9 million. The maximum value of the awards granted to Craig Hayman was £5.5 million, using the share price on his date of appointment, and the structure of the awards was detailed in the FY19 Remuneration Report. The table below summarises the awards vesting for FY20 as disclosed in the single figure table.

Basis of award	Performance outturn	Number of shares vesting	Value of award vesting[1]
Retention award: Fair value equivalence with awards forgone in previous employment. Subject to continued employment to 15 November 2019.	n/a	66,238	£2,314,356
Performance award: AVEVA Group plc's relative TSR performance is measured against the 'modified' FTSE 250 index as used for the 2017 LTIP grant. It is measured over the performance period 1 October 2016 to 30 September 2019. 25% vesting for median performance increasing to 100% vesting for upper quartile performance).	Upper quartile performance: 100% vesting	31,299	£1,093,587
Overall vesting FY20		97,537	£3,407,943

1 Based on the year end share price of 3,494p.

The awards are subject to an additional requirement that Craig Hayman would normally be required to pay back any amounts vesting (net of tax) if he resigns within 2.5 years of joining (or be dismissed for gross misconduct or under one of the summary termination provisions in his service agreement within 3 years of joining).

Revaluing the awards using the year-end share price of 3,494p, the total value of the awards is estimated at £10.3 million, with £3.4 million (FY19: £5.7 million) having vested in FY20. None of the vested awards were exercised in the year.

Performance and Retention Awards (PRAs) for James Kidd

As noted above, the value of the PRA awards included in the single figure for James Kidd relates to the final tranche of legacy retention arrangements approved by shareholders at the 2018 AGM. A one-off performance and retention award was put in place for James Kidd relating to the successful completion of a transformational merger that has driven exceptional returns for shareholders. This is now an historic item and the Committee is aware of its investors' strong views in this area should similar circumstances arise again.

As previously disclosed, the gross initial grant value was £1.5 million. The award was divided into two equal parts: (i) the retention award, subject to continued employment within AVEVA Group, as well as the satisfaction of a performance underpin; and (ii) the performance award, subject to the same conditions as the retention award and in addition, further subject to satisfaction of stretching and challenging business and integration-related targets and objectives. Subject to the extent to which these performance targets and objectives are satisfied, the portion of the performance award that shall vest will be between 75% and 125% of the initial value.

Note that the performance award was also subject to a performance underpin, and the Remuneration Committee could, at its absolute discretion, reduce the amount payable if it determined that, in its opinion, the amounts payable did not reflect the underlying performance of the Group or of James Kidd during the relevant vesting period.

One-third of the total award vested and became payable from the first anniversary of the date of completion (i.e. 1 March 2019) and the remaining two-thirds vested and became payable on the second anniversary (i.e. 1 March 2020).

We acknowledge the need for increased transparency on the payout and accordingly further details on the payout and performance measures and achievements for the awards vesting on the second anniversary of completion (1 March 2020) are detailed below.

	Performance measures	Performance evaluation over the period to 1 March 2020	Value vested
Retention award (50%)	Performance underpin – based on assessment of personal KPIs (see below) and the underlying performance of the Group.	The Committee reviewed performance against the personal KPIs outlined below and took into account the strong underlying performance of the Group and concluded the retention award would vest in full.	£500,000
Performance award (50%)	APM Revenue (40% of the award)	APM Revenue: targets: Base: £115m Stretch: £132.5m Actual: £118.8m Vesting level: Between base and target: 86%	£172,000 (i.e. £500,000 x 40% x 86%)
	Cost synergies (40% of the award)	Cumulative cost saving targets: Base: £18.75m Stretch: £31.25m Actual: £32.9m Vesting level: Above stretch: 125%	£250,000 (i.e. £500,000 x 40% x 125%)
	Personal KPIs (20% of the award)	The progress against, and details of, the integration-related metrics are as follows: – Delivery of a clear and integrated technology strategy. Implementation on track and costs in line with forecast for entire project. Overall on-target performance, – Communication of our strategic plan for the enlarged Group, second highest performing stock in FTSE All Share during 2019. Entered FTSE 100 in June 2019 and retained position between 60 and 70 in the Index. Overall stretch performance. – Real estate strategy plan. Executed successfully, FY20 costs below budget. Overall stretch performance. Overall vesting level: Above stretch: 116%	£116,000 (i.e. £500,000 x 20% x 116%)
Overall value			£1,038,000

In the DRR last year, the revenue synergy targets and the cost synergy targets for the awards vesting on the first anniversary of completion (1 March 2019) were regarded as commercially sensitive. Further details of these targets and performance evaluation are set out below.

Revenue synergies, valued (40% of the award)	Revenue synergy: targets: Base: £3.75m Stretch: £6.25m Actual: £10.2m Vesting level: Above stretch: 125%
Cost synergies (40% of the award)	Cost saving targets: Base: £5.625m Stretch: £9.375m Actual: £19.8m Vesting level: Above stretch: 125%

50% of the net cash amounts paid under the awards are required to be invested into acquiring ordinary shares in AVEVA Group plc, at market value, from the open market. These shares must be held for at least two years from the date of the share purchase, save for circumstances which the Committee determines to be exceptional, or if the individual is classified as a 'good leaver'.

The awards shall be subject to clawback, which shall be operable for a period of three years of the date of payment, if it is later determined that there has been an overpayment as a result of a misstatement of the accounts, an error or reliance upon incorrect information, assumptions or facts, or the individual's misconduct.

Remuneration Committee Report continued

Part B: The Implementation Report continued

Other information in relation to FY20

Scheme interests awarded in the year (audited)

The following tables set out details of the LTIP and deferred share awards made to the Executive Directors during FY20:

Executive Director	Date of grant	Basis of award	Face value of awards[1]	Performance period
Craig Hayman	19 July 2019	250% of base salary	£1,795,500	1 April 2019 – 31 March 2022
James Kidd	19 July 2019	175% of base salary	£897,750	

1 To determine the number of shares over which these awards were made, a share price was used of 3,980p for Craig Hayman and James Kidd's July 2019 grant, being the average share price of the five days prior to the award.

The structure of the LTIP granted during the year are as summarised below:

LTIP performance element	Weighting	Minimum performance	Mid performance	Maximum performance
EPS growth	50%	25% vesting for growth of 5% p.a.	80% pays out for growth of 10% p.a.	100% vesting for growth of 15% p.a.
Relative TSR performance	25%	25% vesting at median performance (50th percentile)	Linear vesting between min and max performance	100% vesting if in the upper quartile (75th percentile)
Total revenue growth	25%	25% vesting at threshold	Linear vesting between min and max performance	100% vesting at maximum

For the 2018 LTIP awards, the relative TSR comparison group is a combination of the FTSE 350 Technology Sector and the S&P Mid Cap 400 Software companies. This group has been chosen to provide alignment with technology companies and to better reflect the global scale of the company. For the 2019 award, this resulted in a group of 25 companies, 16 of which are based in the UK, and 9 of which in the USA. Of the TSR element, 25% of this element will vest at median, with 100% vesting at the upper quartile.

Name	Country	Sector	Subsector
Alfa Financial Software Holdings	UK	Technology	Software & Computer Services
Avast	UK	Technology	Software & Computer Services
Batm Advanced Communications	UK	Telecommunications	Telecommunications Equipment
Computacenter	UK	Technology	Software & Computer Services
Fdm Group	UK	Technology	Software & Computer Services
Funding Circle Holdings	UK	Technology	Software & Computer Services
Kainos Group	UK	Technology	Software & Computer Services
Micro Focus Intl	UK	Technology	Software & Computer Services
Aptitude Software Group	UK	Technology	Software & Computer Services
Nanoco Group	UK	Technology	Technology Hardware & Equipment
NCC Group	UK	Technology	Software & Computer Services
Sage Group	UK	Technology	Software & Computer Services
SDL	UK	Technology	Software & Computer Services
Softcat	UK	Technology	Software & Computer Services
Sophos Group	UK	Technology	Software & Computer Services
Spirent Communications	UK	Telecommunications	Telecommunications Equipment
ACI Worldwide	US	Technology	Software & Computer Services
Blackbaud	US	Technology	Software & Computer Services
CDK Global	US	Technology	Software & Computer Services
Commvault Systems	US	Technology	Software & Computer Services
Fortinet	US	Technology	Software & Computer Services
J2 Global	US	Technology	Software & Computer Services
Manhattan Associates	US	Technology	Software & Computer Services
PTC	US	Technology	Software & Computer Services
Ultimate Software Group	US	Technology	Software & Computer Services

Due to commercial sensitivity, the Committee does not believe it to be in shareholders' interests to prospectively disclose details of the revenue growth targets. However, they will be objectively measurable over a three-year period, significant outperformance will be required to deliver full vesting, the targets will be disclosed retrospectively following vesting, and vesting will only occur if the Committee is satisfied that the Company's underlying financial performance warrants such payment.

Deferred Share Awards

Executive Director	Date of grant	Basis of award	Face value of awards[1]	Performance period
Craig Hayman	26 July 2019	Deferred element of FY19 annual bonus	£301,986	No performance period. Awards vest in equal tranches on the date of announcement in May 2020, May 2021 and May 2022
James Kidd	26 July 2019		£215,685	

1 This is calculated as the amount of deferred annual bonus divided by year end share price (3,494 pence)

Remuneration policy implementation for the year ended 31 March 2021

As referred to in the statement from the Remuneration Committee's Chairman on page 80, in accordance with applicable legislation we are seeking shareholder approval for a new Directors' Remuneration Policy at the 2020 Annual General Meeting. We intend to implement the 2020 policy as follows.

Base salary FY21

In line with the wider UK workforce, there are no proposed increases to the base salaries of either Craig Hayman or James Kidd for FY21.

Base salary with effect from	Craig Hayman	Increase	James Kidd	Increase
1 April 2019	£718,200		£513,000	
1 April 2020	£718,200	0.0%	£513,000	0.0%

Our market positioning on salaries remains modest compared to the size of the Company we have become (in particular for our CEO). We recognise that we may need to address this competitiveness in future cycles if our significant growth and strong performance continues to be sustained. However, the focus of our new policy is to address the variable and performance-related elements of the packages as discussed below. This will ensure alignment to shareholders' objectives.

Benefits and pension FY21

As part of the harmonisation of both heritage AVEVA and Schneider Electric industrial software business employees in the UK, employees have been offered a revised set of terms and conditions which contain key changes to their employee benefits. All UK employees (including Executive Directors) received an invitation to update their terms and conditions. Part of the change included a maximum 9% pension contribution being applied from 1 April 2020 with an increase in flexible benefits from £600 to £1,080 plus three additional vacation days. Acceptance of the new terms and conditions is voluntary. Both Executive Directors have chosen to remain on the existing terms and conditions and therefore there will be no changes to either the benefits structure or quantum for FY21.

In line with best practice, as we have aligned the terms and conditions of AVEVA and SES in the UK, the pension benefits for both Executive Directors are now aligned to all other UK employees who remained on existing terms and conditions.

Annual incentive scheme FY21

Under the proposed changes to the Remuneration Policy there is a proposed change to the annual bonus quantum for FY21 from 125% of base salary for both Executive Directors to 165% of base salary for the CEO and 150% of base salary for the CFO. As described in more detail on page 81, this reflects the fact that we are a very different business post the combination of AVEVA with the Schneider Electric industrial software business in March 2018, in terms of size, geographic coverage, complexity and scale. The Committee considers that this increase is essential to ensuring appropriate internal relativities across all levels and to maintaining our market competitiveness against the FTSE 31–100 and AVEVA's US peers.

The level of deferred bonus is also being increased from 40% to 50%, although per the new Policy this will immediately fall to 25% for both Directors as the shareholding guidelines are met. This means that the increase in the cash value of the CEO's on-target annual bonus for FY21 would be £175,000 (£350,000 at maximum) and the value of the deferred shares would fall by £31,000 (£62,000 at maximum). For the CFO, the result of increasing the CFO opportunity to 150% of salary would be an increase in on-target cash bonus for FY21 of £96,000 (£192,000 at maximum), and the value of the deferred shares would fall by £32,000 (£64,000 at maximum). Alignment with shareholders' interests is considered met given the significant shareholding held by both Directors.

The Committee also acknowledges that increased quantum requires additional stretch so that more pay is delivered only for the achievement of more stretching performance targets taking into account our internal budgets, forecasts and external market conditions. This will be borne out in the targets set and disclosed and is totally aligned with the philosophy of the Company and with the changes we have made to the broader workforce annual bonus plans. For FY21, despite the uncertain economic backdrop the proposed targets reflect absolute growth and improved business quality. The maximum bonus will only be earned for materially improved year-on-year performance.

Remuneration Committee Report continued

Part B: The Implementation Report continued

The Committee has reviewed the performance measures for FY21 to ensure they are appropriately aligned with the Group's strategic plan for the coming year. It is proposed that performance for FY21 will be measured against the following performance measures.

Measure	Weight (% of maximum)
Short-term financial measures (including operating cash flow before tax)	30%
Adjusted EBIT	25%
Recurring revenue	25%
Personal KPIs	20%

For the short-term financial measures it is proposed that H1 and H2 half year targets will be set focused on priorities for those periods. The H1 target will be based on operating cash flow before tax. As the position regarding Covid-19 develops further consideration to the H2 target will be given to ensure that the measures and targets are appropriate in the context of all relevant factors. The key individual performance objectives are agreed with the Remuneration Committee at the start of each financial year, although this element will be capped at a maximum achievement of 12.5% of salary should the Group adjusted EBIT target not be met. At year end, when we determine the performance outcomes for the year, we will be thoughtful in our assessment of results, balanced with the shareholder and workforce experience.

The Board believes that, given the annual incentive scheme rewards the achievement of the company's annual business plan, the targets are market sensitive and therefore should not be disclosed in advance, but ordinarily disclosed retrospectively.

Long-term incentive plan FY21

There are no proposed increases in LTIP opportunity for FY21 for the CEO or CFO. The maximum LTIP award will remain unchanged at 250% of base salary for the CEO and 175% of salary for the CFO. No changes are proposed to the structure or performance measures which will remain as set out on page 102 for the 2020 LTIP awards.

Shareholding guidelines

The shareholding guidelines are being increased to market leading levels to flexibly and directly include both annual bonus and LTIPs and are proposed to increase from 200% of annual salary to 415% for the CEO (FY21 annual bonus opportunity of 165% plus 250% LTIP opportunity) and from 200% of annual salary to 325% for the CFO (FY21 annual bonus opportunity of 150% plus 175% LTIP opportunity). The increased shareholding requirements will apply to any deferred bonus awards and newly-issued LTIPs granted in respect of FY21 and later years. Once these increased shareholding guidelines are met, as is the case with both Executive Directors, the bonus deferral will be relaxed to half the usual amount i.e. 25%. The deferral will continue to be subject to the existing three-year holding period.

A new two year post-employment shareholding guideline is being introduced, following feedback from investors, which will apply to shares acquired through awards granted under the new Policy. With 100% of the increased shareholding guidelines (or actual shareholding, if lower) retained for the first year post employment and 50% for the second year post employment.

Shareholding guidelines and interests in shares (audited)

Executive Director share ownership guidelines are set out in the Remuneration Policy on page 90. The interests of the Executive Directors in office at 31 March 2020 in the share capital of the Company as a percentage of base salary were as follows. Shares are valued for these purposes at the financial year-end price, which was 3,494p at 31 March 2020.

	Share ownership guideline as a % of base salary	Have guidelines been met?	Actual share ownership (as a % of base salary)		Shareholding for the purposes of meeting guidelines[1]	
			FY20	FY19	FY20	FY19
Craig Hayman	200%	Yes	845%	0%	173,791	–
James Kidd	200%	Yes	523%	154%	76,847	23,809

1 Shares subject to deferred bonus arrangements, shares subject to LTIP awards which are in a holding period, and shares subject to other share awards which are no longer subject to any performance condition (including any exercisable but unexercised deferred bonus awards and LTIP awards) count towards the requirement, on a net of assumed tax basis of 45% income tax and 2% national insurance. Methodology amended from FY19, which only counted shares owned outright towards the shareholding guidelines.

Interests in shares (audited)

The interests (both beneficial and their connected person) of the Executive Directors in office at the date of this report in the share capital of the Company as at 31 March 2020 were as follows:

	Shares owned outright at 31 March 2020	Shares owned outright at 31 March 2019	LTIP unvested and subject to performance conditions	Deferred bonus unvested and subject to holding period	Buy-out retention awards unvested and subject to continued employment	Vested and not exercised	Total interests
Craig Hayman	–	–	110,293	9,414	22,433	296,061	438,201
James Kidd	47,056	23,809	54,936	12,660	–	43,550	158,202

Outstanding scheme interests (audited)

	As at 1 April 2019 Number[1]	Normal grants during the year	Dividend equivalent	Exercised during the year	Lapsed/ forfeited during the year	As at 31 March 2020	Exercise price (p)	Gain on exercise of share options
Craig Hayman								
LTIP	80,413	45,113	971	–	–	126,497	3.556	n/a
Deferred shares	767	8,618	29	–	–	9,414	nil	n/a
Buy-out awards[2]	300,990	–	1,300	–	–	302,290	nil	n/a
James Kidd								
LTIP	121,762	22,556	848	(41,982)	(4,698)	98,486	3.556	n/a
Deferred shares	10,080	6,155	84	(3,659)[3]	–	12,660	nil	147,019[3]

1 Opening balances adjusted to reflect dividend equivalents granted in February 2019.
2 During the year, 97,537 shares vested.
3 Market value at exercise date was 4,018p.

Summary of LTIP targets for all LTIPs in issue

Existing AVEVA LTIPs

The following table sets out a summary of the performance targets attached to outstanding long-term incentive awards.

Performance measures are based on diluted adjusted EPS compound annual growth over a three-year period. 25% vests for diluted adjusted EPS growth of threshold, and 100% vests for diluted adjusted EPS growth of the maximum. For LTIs issued in 2016, linear interpolation applied between these points. For LTIs issued in 2017 and beyond, non-linear vesting applies, as outlined in the table below.

	Proportion of vesting	
Adjusted EPS growth targets p.a.	2017 LTIP and beyond	2016 LTIP and previous
Threshold	25%	25%
Midpoint	80%	62.5%
Maximum	100%	100%

Date of award	Options granted to Executive Directors	Period of performance measurement	Diluted adjusted EPS[1] growth threshold	Diluted adjusted EPS[1] growth midpoint	Diluted adjusted EPS[1] growth maximum	Diluted adjusted EPS growth achieved	Achievement
13 July 2016	86,712	FY17 – FY19	5%	10%	15%	13.7%	Target partially met; 89.9% of award vested
8 September 2017 (James Kidd) 6 March 2018 (Craig Hayman)	43,550 16,621	FY18 – FY20	5%	10%	15%	17.4%	100% of award vested
28 September 2018	95,454	FY19 – FY21	5%	10%	15%		Performance period not yet completed
31 July 2019	67,669	FY20 – FY22	5%	10%	15%		Performance period not yet completed

1 The definition of and figures used for adjusted diluted EPS are provided in note 13 in the notes to the consolidated financial statements.

Dilution

The number of shares which may be allocated on exercise of any options granted under any of the Company's share option schemes (including employee schemes) shall not, when aggregated with the number of shares which have been allocated in the previous ten years under these schemes, exceed 5% of the ordinary share capital of the Company in issue immediately prior to that date.

Payments made to past Directors (audited)

Richard Longdon exercised vested shares granted in a previous period, which vested as per the scheme rules in the outgoing Remuneration Policy.

Consistent with the PRA calculation on page 96 for the CFO James Kidd, David Ward received the final element of the 2019 PRA award in FY20 – a £283,333 retention award and a £300,333 performance award totalling £583,666. David Ward continues to be employed with the Group and was rewarded in line with the terms and conditions of his employment.

No other payments were made during FY20.

Remuneration Committee Report continued

Part B: The Implementation Report continued

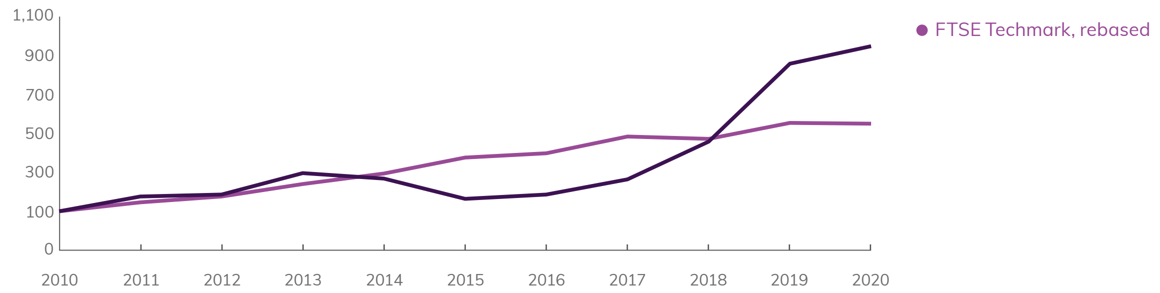
Payments for loss of office (audited)

No payments were made for loss of office during FY20.

Total shareholder return vs. techMARK All-Share Index 2010–2020

The graph below shows performance, measured by total shareholder return, compared with the performance of the techMARK All-Share Index. Total shareholder return is the share price plus dividends reinvested compared against the techMARK All-Share Index, rebased to the start of the period. The Directors consider this index to be an appropriate choice as it includes AVEVA Group plc.

Total shareholder return (GBP)



CEO single figure ten-year history

The table below shows the ten year history of the CEO single figure of total remuneration:

£000	FY11	FY12	FY13	FY14	FY15	FY16	FY17	FY18	FY19	FY20
Richard Longdon (to 31 December 2016)	695	1,003	963	1,163	517	561	395	–	–	–
James Kidd (1 January 2017 to 18 February 2018)	–	–	–	–	–	–	127	949	–	–
Craig Hayman (19 February 2018 onwards)	–	–	–	–	–	–	–	137	7,346	5,427
CEO single figure of total remuneration	695	1,003	963	1,163	517	561	522	1,086	7,346	5,427
Annual incentive pay-out (% of maximum)	100%	68%	94%	50%	8%	8%	18%	91%	98%	71%
LTIP pay-out (% of maximum)	0%	100%	33%	94%	0%	0%	0%	0%	n/a[1]	100%

1 The relevant payout for LTIPs vesting in FY19 was 90%, but Craig Hayman had no LTIPs that vested in the year.

Change in remuneration of the Director undertaking the role of CEO (audited)

The table below illustrates the percentage change in salary, benefits and annual incentive for the Group CEO and two selected sub-sets of employees (including only those employees who were employed at the start of FY19 through to the end of FY20). The UK and US employee base have been chosen because the Group offices of heritage AVEVA and SES are headquartered in these countries respectively, and together employ approximately one-third of its workforce. Typical salary inflation in some other AVEVA locations is materially higher than the UK and US, which would distort the comparison.

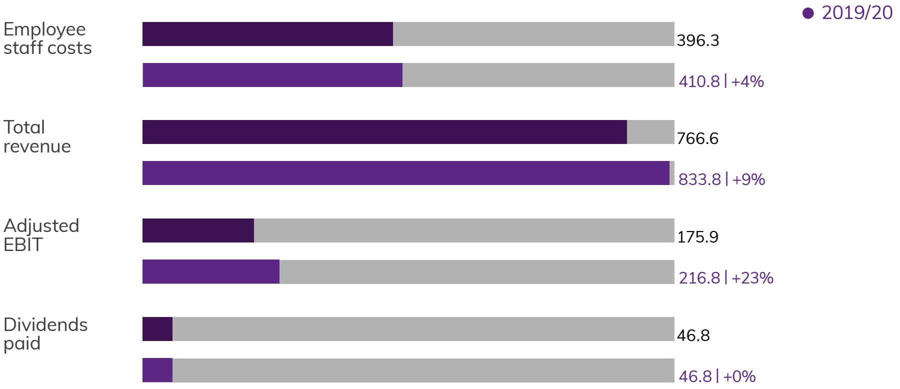
% change (FY19 to FY20)	CEO	ELT	UK & USA employees
Base salary	3%	4%	3%
Benefits	17%[1]	0%	0%
Annual bonus	(28)%	(28)%	(33)%

1 From 1 September 2019, the payroll for Craig Hayman was agreed to be split between the UK and the US. This was created to better reflect the travel patterns and time spent in both jurisdictions. Included in the change was the inclusion of a US medical plan. Craig Hayman agreed to relinquish the (taxable) UK car and fuel allowance worth £19,800 in return for a new (taxable) mobility allowance of £10,000 per annum and (non-taxable) US medical coverage for himself and US-based family totalling £15,500 per annum. For more information please see page 98.

Relative importance of spend on pay

The chart below illustrates the year-on-year change in total remuneration for all employees in the Group compared to total revenue, adjusted EBIT and distributions to shareholders. The Committee determined total revenue and adjusted EBIT were appropriate measures for this chart as they are the primary measures for the annual incentive scheme.

Relative importance of spend on pay (GBP millions)



CEO pay ratio

The table below discloses the ratio of the Chief Executive Officer's pay for FY20. The CEO total remuneration is his FY20 total single figure as disclosed on page 84. The calculation uses total remuneration on a consistent basis for the 25th (lower), 50th (median) and 75th (upper) percentiles against the UK employee total remuneration (calculated on a full-time equivalent basis). The 25th, 50th and 75th UK employees were selected from the UK employee population as at 31 March 2020. The employees identified were subsequently reviewed and deemed to be a true reflection of the UK workforce. The total pay, benefits and salary of each employee who is the best equivalent of the 25th, 50th, and 75th ranked employee is as follows:

	Year	Method	25th percentile pay ratio	50th percentile pay ratio	75th percentile pay ratio
Total pay and benefits	FY20	Option A	119:1	85:1	62:1
As above, excluding buy-out awards			44:1	32:1	23:1
Salary only			18:1	13:1	10:1

Movements in ratio from FY19 are mainly due to the vesting of the buy-out awards granted to the CEO on joining as well as the inclusion and performance of the LTIPs which are offered to senior executives within the business. As performance fluctuates between years the level of performance-linked remuneration becomes a larger factor in the movements of the ratio and impacts those employees with higher proportions of performance-linked pay. The employment model and proportion of 'employed' versus 'contracted' has remained consistent and is not a significant factor in the ratio movement.

We chose Option A as it is felt this is the most accurate, consistent and robust method to identify the 25th, 50th and 75th ranked UK employee. In line with this Option, the ratios are calculated using single figure valuation methodology. The company applied the same Option A calculation as FY19.

The total remuneration in respect of FY20 for the employees identified at 25th, 50th and 75th is £45k, £64k, and £87k, respectively. The base salary in respect of FY20 for the employees identified at 25th, 50th and 75th is £40k, £56k, and £72k, respectively.

The Committee has reviewed the FY20 pay ratios and is satisfied that the overall picture is consistent with the remuneration policies of the Group's UK employees.

- Salaries are set annually using a range of factors including role scope, experience, market benchmarks, impact of role (including the Executive Directors).
- Benefit entitlement and level of benefit depending upon role and level of seniority is consistently applied.
- Participation in the annual bonus scheme and level of opportunity varies by level of seniority with all participants measured against the same strategically-aligned financial metrics together with personal KPI achievement.
- None of the comparator employees participated in the 2019 long-term incentive scheme. Executive Directors and senior executives receive a greater proportion of performance related variable pay plus share-based awards reflecting their greater influence over performance outcomes.

Whilst the CEO is based in the UK, AVEVA is a global company with the UK representing less than 15% of the entire workforce.

Outside appointments

The Board believes that accepting Non-Executive appointments with other companies enhances the experience of Executive Directors and therefore they are entitled to accept appointments outside of the Company provided that Board approval is sought prior to accepting the appointment. Whether or not the Director concerned is permitted to retain their fees is considered on a case-by-case basis. Neither Craig Hayman nor James Kidd held any outside appointments during the year.

Remuneration Committee Report continued

Part B: The Implementation Report continued

Non-Executive Directors

Single total figure of remuneration for Non-Executive Directors (audited)

As noted in the Policy Report, the fees for the Chairman and the Non-Executive Directors are determined taking account of the individuals' responsibilities, time devoted to the role and prevalent market rates.

The table below shows a single figure of remuneration for each of our Non-Executive Directors.

	FY20 fees £	FY19 fees £
Philip Aiken (Chairman)	**277,000**	270,000
Jennifer Allerton	**73,750**	71,500
Christopher Humphrey	**85,550**	83,000
Ron Mobed	**61,500**	60,000
Paula Dowdy[1]	**61,500**	10,000
Emmanuel Babeau[2]	**–**	–
Peter Herweck[2]	**–**	–
Olivier Blum[2]	**–**	n/a

1 Paula Dowdy was appointed on 1 February 2019. FY19 fees were pro-rated for period of service.
2 Emmanuel Babeau, Peter Herweck and Olivier Blum have waived their fees for their first three-year term.

Implementation of Remuneration Policy for NEDs in FY21

NEDs do not participate in any of the Company's incentive arrangements nor do they receive any benefits. Their fees are reviewed at appropriately regular intervals, usually annually, against those for companies of a similar scale and complexity to AVEVA. The Chairman's fees are set by the Committee and the Chief Executive; those for the NEDs are set by the Board as a whole. For FY21, it has been decided not to increase the fees of the Chairman or NEDs at this point but we reserve the right to review them later in the year, once the impact of Covid-19 is clearer. The table below shows the annual fees payable for each of the NED roles held in the year.

Role	**FY21 fees £**	FY20 fees £
Chairman	**277,000**	277,000
Basic Non-Executive Director fee	**61,500**	61,500
Vice Chairman	**40,000**	40,000
Committee Chairman fee (Audit and Remuneration)	**12,250**	12,250
Senior Independent Director	**11,800**	11,800

NEDs' interests in shares (audited)

The table shows the interests in AVEVA ordinary shares of Non-Executive Directors and their connected persons.

	Shares owned outright at 31 March 2020	Shares owned outright at 31 March 2019
Philip Aiken (Chairman)	**2,337**	2,337
Jennifer Allerton	**6,000**	10,300
Christopher Humphrey	**4,000**	4,000
Ron Mobed	**3,000**	3,000
Paula Dowdy	**–**	–
Olivier Blum	**–**	–
Peter Herweck	**2,500**	–

There have been no changes to Directors' holdings between the year-end date and the publication of this report.

This Remuneration Committee report has been approved by the Board of Directors and is signed on its behalf by:

Jennifer Allerton
Remuneration Committee Chair
9 June 2020