# Remuneration Committee report

## Annual Statement

**Jennifer Allerton**
Remuneration Committee Chair

### Membership and attendance

| **Chair** | |
|---|---|
| Jennifer Allerton | 8/8 |
| **Committee members** | |
| Ron Mobed | 8/8 |
| Paula Dowdy | 8/8 |
| Olivier Blum[1] | 8/8 |
| **Attending by invitation** | |
| CEO | |
| CFO | |
| CPO | |

1. Appointed 30 April 2020.

### This report is in four sections:

- this Annual Statement;
- Remuneration at a glance;
- a summary of the key elements of the Directors' Remuneration Policy, approved at the 2020 AGM (part A); and
- the Implementation Report (part B).

### Dear Fellow Shareholder

I am pleased to present the Directors' Remuneration Report for the year ended 31 March 2021.

### Covid-19 at AVEVA

The financial year ended 31 March 2021 featured unprecedented changes in how we conduct our business and significant impact on our customers, partners, shareholders and employees.

Covid-19 has reinforced the importance of the health and wellbeing of our global employees. Reassuringly, AVEVA moved quickly to protect and ensure the safety of our employees, customers, partners, suppliers and investors.

Although it was a year of more difficult market conditions, AVEVA reacted in an agile and virtual manner to maintain productivity across all business functions globally.

The focus of our remuneration decisions during the year was on ensuring we take a balanced approach reflecting the huge range of challenges facing individuals, businesses and governments in light of the Covid-19 pandemic. We also recognise the significant contributions of all employees across the Group who have continued to deliver for our customers, partners and shareholders. The Committee made the following key deliberations against the backdrop of AVEVA's great resilience in the markets in which we operate, the wider general economy and developing corporate governance and shareholder views:

- As a response to Covid-19, our Executive Directors, Non-Executive Directors and Executive Leadership Team members donated 10% of their base salary/fees for a six month period to further AVEVA's Action for Good work – an initiative that supported medical care, medical workers, food and education in the response to the pandemic.
- No salary reductions or pay deferrals were implemented for any employees.
- AVEVA took no government assistance or furloughed any employees during the year in any of the countries where we operate.
- Globally bonuses for 2020 were paid on time as reported.
- There were no reductions to our overall bonus and incentive schemes globally or benefits programmes in any country, although thresholds, targets and maximum targets were all set at levels that were more challenging relative to the Board approved budget. This ensured that incentives were only paid in the current climate for strong performance.
- Overall global headcount grew during the year as the business continued to invest in Cloud, AI and customer-support roles.
- We made no redundancies related to Covid-19.
- 2021 salary increases for employees globally will go ahead from 1 April with continued focus on improving the competitive pay of the wider workforce.
- AVEVA maintained its dividends during the year as it prudently managed its cash flow during Covid-19 and continued unhindered with its normal investor activities.

As the world starts to recover from Covid-19, business carries on. It is against this backdrop that I am proud to announce a solid set of financial results for this year.

## Acquisition of OSIsoft

Despite the impact of Covid-19, AVEVA made a strategic decision to acquire OSIsoft in August 2020. OSIsoft is a San Francisco-based software business specialising in application software for real-time data management. The transaction provides an exciting opportunity to combine both companies and reinforces AVEVA as a true global leader in industrial software.

AVEVA worked hard during the year to close this transaction before the year end. This included a significant mid-year rights issue which was positively received by shareholders with a take-up rate of 99.1%.

## Incentive outcomes for FY21

AVEVA has delivered a solid set of results during a challenging year. While revenue growth was flat year on year, we achieved a higher level of margin than in FY20. Our key focus for the first half of the year was on maintaining and protecting cash flow while maintaining normal business activities.

As AVEVA moves more towards a subscription model and using software as a service (SaaS), the proportion of recurring revenue maintained its momentum, increasing over the year from 62% to 68%.

The FY21 annual bonus award was based on the delivery of key financial and strategic measures. Accordingly, the financial performance and the achievement of the strategic measures resulted in the Executive Directors receiving a bonus of 57% and 56% of maximum bonus for the CEO and CFO respectively. Consistent with the current policy and due to shareholding requirements having been met, the 50% bonus deferral is reduced to 25%. It will be deferred into shares vesting over three years.

The 2018 Long-Term Incentive Plan (LTIP) award has performed very well during the three-year measurement period. Our strong TSR, EPS and total revenue performance have resulted in both Executive Directors achieving 88% of maximum.

The Remuneration Committee gave careful consideration to the incentive outcomes for FY21, taking into account various internal and external factors. These included the Company's overall performance, with our share price increasing significantly over the course of the year, our response to Covid-19 and the stretching nature of the targets set. Despite the full year revenue growth being flat, but taking into account the efforts to protect cash flow in H1 and the strong H2 performance, the Committee decided to award 19% of the 30% maximum opportunity for the short-term bonus metrics. The Committee is satisfied that the annual bonus and long-term incentive resulting outcomes are appropriate and consistent with the experience of shareholders and will be consistently applied to the wider workforce.

Similar to previous year's statements, we have included a double-page 'at a glance' summary that clearly describes the remuneration arrangements and performance outturns in FY21 and FY22. You can see this analysis on pages 96 to 97.

## Board changes

During the year, Emmanuel Babeau retired from the Board. We were pleased to welcome Olivier Blum to the Remuneration Committee, who was appointed as Non-Executive Director on 30 April 2020. There were no other changes to the Remuneration Committee's membership during the year.

On 27 April, AVEVA announced that Craig Hayman had decided to return to the USA for personal reasons and will leave the Group after the AGM in July 2021. His employment will cease at the end of his notice period (31 January 2022). A summary of the remuneration arrangements in respect of Craig Hayman's cessation of employment, which are in line with the Directors' Remuneration Policy, are set out on page 98.

Peter Herweck has been transferred from Schneider Electric on request of the AVEVA Board to the role of AVEVA's CEO, effective 1 May 2021. An overview of the remuneration arrangements for Peter Herweck, which are in line with our recruitment policy, are outlined below. In broad terms, the overall package for Peter maintains his overall compensation opportunity compared to his Schneider Electric package and reflects the nature of his appointment as CEO of AVEVA.

- Base salary: £760,000 with effect from 1 May 2021
- Maximum annual bonus: 200% of salary (50% of any bonus earned is deferred into shares under the Deferred Share Scheme).
- Housing allowance £130,000.
- Car allowance: £14,400.
- Tax equalised – income tax and social security burden will remain the same as if he had worked and lived exclusively in his home country (i.e. Germany).
- Personal liability insurance and personal insurance protection.
- Private medical insurance scheme for his benefit, his spouse or civil partner.
- Peter Herweck will not participate in the AVEVA LTIP and will not receive a pension or cash in lieu of pension contributions from AVEVA. He will retain his Schneider Electric LTIPs and will continue to participate in his Schneider Electric pension arrangement (the cost of which is being met by Schneider Electric).

## Annual Statement continued

### Remuneration Policy

The Remuneration Committee undertook a full review of the Remuneration Policy last year. Looking to the future, no changes to the Policy are being proposed at this time. It is the Committee's opinion that the Policy operated as intended over the last financial year. We also believe the changes implemented last year allow us to remain competitive in the global market and are aligned with investor expectations.

Taking into account the views of our shareholders, the impact of the OSIsoft acquisition and the current Covid-19 circumstances, we outline below the key decisions regarding the implementation of the Policy for FY22.

**Salary:** for FY22, James Kidd received a salary increase of 3.3% with effect from 1 April 2021. This increase reflects the increased size and complexity of the business and the increased scope of the CFO role following the acquisition of OSIsoft as disclosed in the acquisition prospectus. Following the announcement on 27 April 2021 that Craig Hayman will leave the Group after the AGM in July 2021, it was agreed that the base salary increase to £825,000 disclosed in the acquisition prospectus for Craig with effect from 1 April 2021 would not be implemented.

**Bonus:** in line with FY21, the maximum annual bonus opportunity for FY22 will be 150% of salary for James. As detailed on page 116, Craig will be eligible to earn a reduced and time pro-rated bonus for the period 1 April 2021 to 7 July 2021 (the date on which he steps down from the Board in relation to the financial year FY22).

**Pensions:** Craig and James will remain aligned to the wider workforce and receive a pension contribution of 10% of salary.

**LTIP:** for FY22, the maximum LTIP opportunity will remain unchanged, at 175% of salary for James. Craig Hayman and Peter Herweck will not be granted an LTIP award for FY22.

**LTIP performance measures:** the Committee considered replacing the Total Revenue Growth measure with Annualised Recurring Revenue (ARR) for the FY22 LTIP award. Although ARR is an important measure to AVEVA, as it provides an indication of the health of recurring revenue and is aligned to the future strategy of the business, the Committee is mindful that the use of ARR is not yet an established KPI. The Committee therefore agreed that for the LTIP award to be granted in 2021 performance will be based on EPS growth (50%); and relative Total Shareholder Return (50%). The use of ARR as a LTIP performance measure will be kept under review for future LTIP awards.

- In-employment shareholding requirements for Craig and James will remain unchanged and continue to be at market-leading levels, equivalent to 415% and 325% of salary respectively.
- Post-employment shareholding requirements for Craig and James remain unchanged and aligned to the formal post-employment shareholding guidelines approved at the AGM in 2020.

## Committee activities during the year

Remuneration activities continue to change at pace as AVEVA completed transformational work following the merger with Schneider Electric.

Key deliverables this year included:

- successfully launching the global employee share scheme across 20 countries with an impressive take-up rate of 60%, and 50% participation;
- implementing job architecture globally to ensure consistency and fairness in the mapping of employees to job levels;
- completing an external compensation benchmarking exercise for the Executive Leadership Team;
- constructing global salary scales which will help ensure we remain a competitive payer and provide a key focus on reducing our gender pay gap;
- facilitating the implementation of the rights issue impacting all external and internal shareholders; and
- launching a new global recognition scheme for all employees to ensure we never forget to say thank you to each other.

Given the impact of the OSIsoft acquisition, the Committee believes strongly that performance measures for outstanding LTIP awards should be measured on a 'like-for-like' basis. To maintain stretch in the performance targets for the LTIP awards granted in 2018 and 2019, the EPS and revenue growth targets will be measured based on the average of three annual growth figures across each year in the performance period. (This replaces a CAGR from a base year based on AVEVA's performance on a standalone basis.) The LTIP awards granted in 2020 were based on three measures: EPS growth (50%); total revenue growth (25%); and relative Total Shareholder Return (25%). The combined Group pro-forma financials will be used as the base year for CAGR, EPS and revenue growth over the three-year performance period ending 31 March 2023.

During the year, we increased our focus on and investment in Diversity and Inclusion (D&I), with a commitment to reporting our ethnicity pay gap in FY22 alongside our global gender pay gap results.

Working virtually proved challenging for all employees during the year, and the Remuneration Committee completed eight virtual separate remuneration meetings during the year.

As discussed on page 76 , workforce engagement activities during FY21 concentrated on engaging with our employees during monthly virtual town hall meetings conducted by the Executive Leadership Team. These have proved vital in keeping the global workforce in touch with each other during a difficult year, as well as providing an upward channel for views, comments and debate. They have also provided opportunities to share remuneration updates with the global workforce. Subjects have included the Global AVEVA bonus plan, how it has tracked during the year and the Company's quarterly financial performance.

We have been restricted in our efforts to engage more fully with employees during the year. The Board has acknowledged that more needs to be done in FY22 to ensure the wider workforce is represented. Efforts are therefore underway to create greater transparency on the activities of each of the Committees and the outcomes regarding remuneration. These also aim to ensure employees' views and feedback are listened to and form part of our decision-making process going forward.

## In conclusion

I hope you find this report useful and that it provides clarity and transparency on the remuneration landscape at AVEVA as we continue our growth journey. As always, if shareholders have any questions or comments, the Remuneration Committee will be delighted to receive them and will respond.

**Jennifer Allerton**
Remuneration Committee Chair

# At a Glance

## Current policy

The table below summarises the key remuneration elements and the Remuneration Policy approved by shareholders at the 2020 AGM.

| | | Remuneration Policy approved at the 2020 AGM | Implementation for FY22 |
|---|---|---|---|
| Fixed pay | Base salary | Salaries are reviewed annually, although there is no automatic entitlement to an increase.<br>Base salary normally increases in line with the wider UK workforce.<br>On occasions, there may be a need to recognise an increase in the scope, size or responsibility of the role and/or developments in the wider market. | To reflect the increased size and complexity of the business and the increased scope of the role following the acquisition of OSIsoft, as disclosed in the acquisition prospectus, with effect from 1 April 2021 the CFO's base salary increased to £530,000 (FY21: £513,000).<br>As detailed previously, following the announcement on 27 April 2021 that Craig Hayman will leave the Group after the AGM, his base salary remained unchanged at £718,200.<br>Peter Herweck's base salary has been set at £760,000 with effect from 1 May 2021.<br>As part of the Remuneration Policy renewal last year, the Remuneration Committee undertook an extensive review of the Executive Directors' remuneration against the market. It was noted that our market positioning was modest compared to the size of the company we have become.<br>Our market positioning on salaries ensures we remain competitive as an established FTSE100 company with a market cap of over £9 billion, competing in the global industrial software market. We recognise that increasing this level of competitiveness in salaries will require the continued delivery of performance, coupled with stretching targets for variable and long-term compensation. This will ensure alignment to shareholders' objectives as we continue to grow. During the year, other significant salary increases were awarded to below-Board employees whose roles will change in size and nature as a result of the OSIsoft acquisition.<br>Base salary increases of 3.6% for FY22 for the wider workforce were made with effect from 1 April 2021. |
| | 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 changes from FY21 for Craig Hayman and James Kidd.<br>Peter Herweck will receive: housing allowance, car allowance, medical insurance, tax equalisation, personal liability insurance and personal insurance protection. |
| | Pensions | Craig Hayman and James Kidd 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. | Craig Hayman and James Kidd will remain aligned to the wider workforce and receive a pension contribution of 10% of salary.<br>Peter Herweck will not participate in the AVEVA pension plan and will not receive cash in lieu of pension contributions from AVEVA. He will retain his Schneider Electric pension arrangement. |

The focus of our Remuneration Policy is to provide competitive variable and performance-related elements of the packages which are aligned to shareholders' objectives. The proposed increases in incentive value as a result of proposed FY22 salary increases will require additional stretch in the performance delivered, so that more pay is delivered only for more performance. This is fully aligned with AVEVA's philosophy and with the changes we have made to variable remuneration for the wider workforce.

| | | Remuneration Policy approved at the 2020 AGM | Implementation for FY22 |
|---|---|---|---|
| Variable pay | Annual bonus – opportunity | The maximum bonus opportunity is 200% of base salary for the CEO and 175% of base salary for the CFO. | The FY22 maximum bonus opportunity for the CFO will remain at 150% of base salary.<br>As detailed on page 116, Craig Hayman will be eligible to earn a reduced and time pro-rated bonus for the period 1 April 2021 to 7 July 2021 (the date on which he steps down from the Board in relation to the financial year FY22).<br>The maximum annual bonus opportunity for Peter Herweck is 200% of salary.<br>The Committee acknowledges that increased FY22 salary levels for James Kidd and Peter Herweck result in increased bonus opportunity and therefore require additional stretch so that more pay is delivered only for the achievement of more stretching performance targets. |
| Variable pay | Annual bonus – deferral | 50% of any bonus earned is deferred into shares under the Deferred Share Scheme.<br>If shareholding guidelines are met, the bonus deferral will be reduced to half the usual amount (i.e. 25% of any bonus to be deferred). The existing three-year bonus deferral holding period remains. | No changes are proposed for FY22.<br>Deferred element of FY22 bonus for Craig Hayman will not be granted (see page 116). |
| Variable pay | Long-term incentive – opportunity | Under the Policy the maximum LTIP opportunity is 300% of base salary for the CEO and 250% of base salary for the CFO. | No change to the LTIP opportunity for the CFO at 175% of base salary is being proposed.<br>Performance measures for FY22 will be based on EPS growth (50%) and relative Total Shareholder Return (50%). A revised Total Shareholder Return (TSR) comparator group is also being proposed to reflect a larger group of similarly-sized companies. Further details are set out on page 117.<br>Neither Craig Hayman nor Peter Herweck will be granted an LTIP award for FY22. |
| Variable pay | 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 20% of the maximum. | No changes proposed for FY22. |
| Shareholding requirements – in-employment | | Shareholding requirements were increased last year to market-leading levels. Both annual bonus and annual LTIP opportunity maximums would apply:<br>• For Craig, this will be 165% for annual bonus and 250% for LTIPs, giving a shareholding requirement of 415% of annual salary.<br>• For James, an annual bonus opportunity of 150% and 175% LTIP opportunity equates to a shareholding of 325% of annual salary. | For Peter, shareholding requirements would be 200% for annual bonus only, as he will not be issued any AVEVA LTIPs.<br>No other changes proposed for FY22. |
| Shareholding requirements – post-employment | | A two-year post-employment shareholding guideline was introduced last year with 100% of the shareholding guideline for the first year and 50% for the second year post employment. | No changes proposed for FY22. |
| Malus and clawback – provisions | | The provisions apply to the annual bonus, the deferred bonus scheme and LTIPs. | No changes proposed for FY22.<br>For further details, see page 104. |

# At a Glance continued

## How we performed in FY21

| Revenue growth | Adjusted diluted EPS | TSR | Adjusted EBIT |
|---|---|---|---|
| **(1.6)% to £820.4m** | **(6.3)% to 81.31p** | **7th out of 22 companies** | **+ 4.4% to £226.4m** |

## Remuneration of our Executive Directors for FY21 and FY22

The table below summarises how Executive Directors were remunerated for FY21, together with the implementation of the policy for FY22.

| | Key elements | Applies to | How we paid our Executive Directors in FY21 | Implementation of the current policy for FY22 |
|---|---|---|---|---|
| Fixed pay | Base salary | Craig Hayman | £718k<br>(0% salary increase) | £718k<br>(0% salary increase) |
| | | James Kidd | £513k<br>(0% salary increase) | £530k<br>(3.3% salary increase) |
| | | Peter Herweck | Not applicable – appointed CEO<br>1 May 2021 | £760k |
| | Pensions | Executive Directors other than Peter Herweck | 10% of salary for Craig Hayman & James Kidd<br>Not applicable for Peter Herweck | |
| | Benefits | Craig Hayman & James Kidd | Mobility allowance, US and UK medical, car allowance, fuel allowance and £600 of flexible benefits | |
| | | Peter Herweck | FY22 only: Housing allowance, car allowance, medical insurance, tax equalisation, personal liability insurance and personal insurance protection. | |

| | | | | |
|---|---|---|---|---|
| Annual bonus | Performance period | | FY21 | FY22 |
| | Opportunity applied | Craig Hayman | 165% of salary | 16% of salary<br>(see page 116) |
| | | James Kidd | 150% of salary | 150% of salary |
| | | Peter Herweck | Not applicable – appointed CEO<br>1 May 2021 | 200% of salary |
| | Criteria | | Short-term financial 30%<br>Adjusted EBIT 25%<br>Recurring revenue 25%<br>Strategic objectives 20% | OSIsoft New Revenue 10%<br>Adjusted EBIT 50%<br>Annualised recurring revenue 20%<br>Strategic objectives 20% |
| | Payable | Craig Hayman | £673k (57% of maximum) | n/a |
| | | James Kidd | £429k (56% of maximum) | |

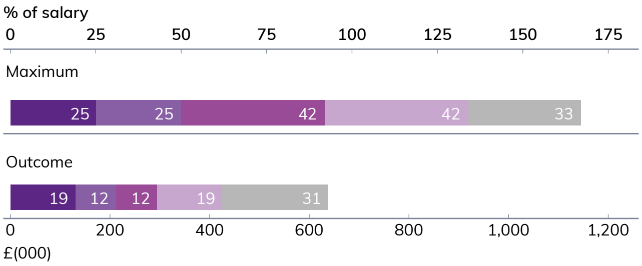
| | | | | |
|---|---|---|---|---|
| Long-term incentives | | | Vesting in respect of FY21 | Awarded in respect of FY22 |
| | Performance period | Both EDs | 1 April 2018 – 31 March 2021 | 1 April 2021 – 31 March 2024 |
| | Opportunity applied | Craig Hayman | 250% of salary | n/a |
| | | James Kidd | 175% of salary | 175% of salary |
| | Time horizon | Both EDs | Three-year performance period, followed by a two-year holding period. | |
| | Criteria | | EPS growth 50%<br>Relative TSR performance 25%<br>Strategic objectives 25% | EPS growth 50%<br>Relative TSR performance 50% |
| | Payable | Craig Hayman | £2,445k (88% of maximum) | n/a |
| | | James Kidd | £1,222k (88% of maximum) | |

| | | | FY20 | | FY21 | |
|---|---|---|---|---|---|---|
| CEO ratios | | | Using the single figure table | Excluding the effect of buy-out awards | Using the single-figure table | Excluding the effect of buy-out awards |
| | CEO pay compared to UK employee pay[1] | 75th percentile | 62:1 | 23:1 | 59:1 | 47:1 |
| | | 50th percentile | 85:1 | 32:1 | 78:1 | 63:1 |
| | | 25th percentile | 119:1 | 44:1 | 106:1 | 85:1 |

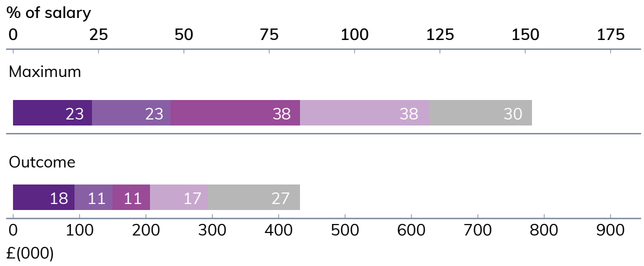
1. The CEO pay ratios have been calculated by comparing the single figure of remuneration of the CEO to the 25th, 50th and 75th percentile UK employees. Remuneration includes salary, benefits, pension, bonuses and share awards. All amounts are on a full-time equivalent basis.

## Annual Incentive Scheme

### Craig Hayman



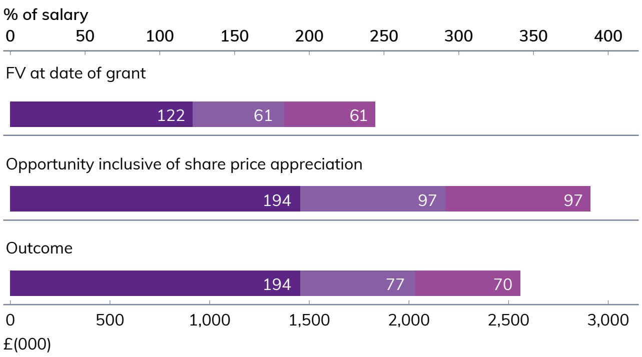

### James Kidd



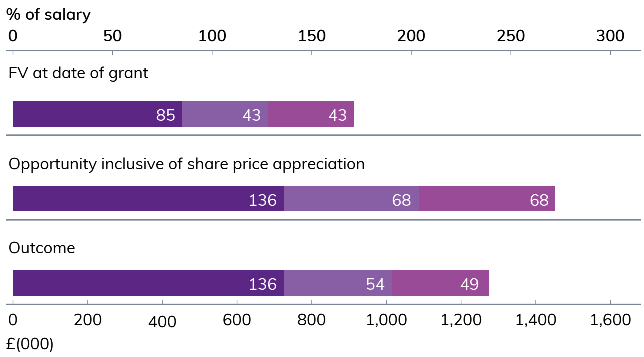

H1 H2 Rec Rev Adjusted EBIT Personal objectives

## Long-Term Incentive Plan

### Craig Hayman

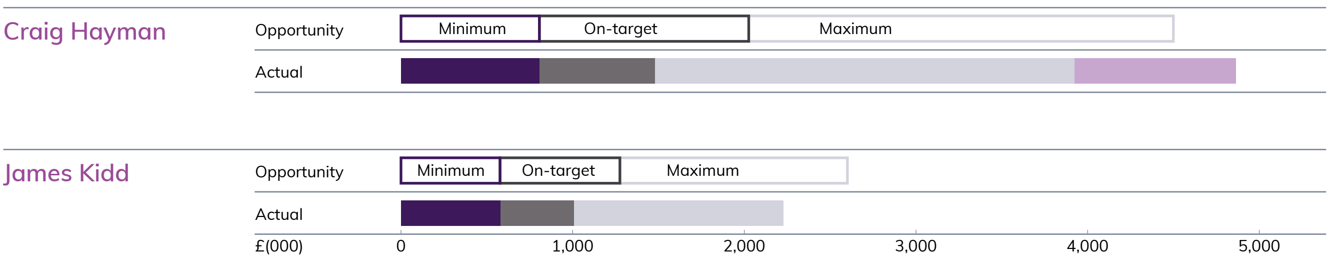



### James Kidd




EPS TSR Revenue

## Maximum total remuneration opportunity compared to actual remuneration received for the year ending March 2021




Fixed Bonus LTIP One-off awards[1]

1. These relate to the final tranche of Craig's buy-out awards.

# At a Glance continued

## Leaving remuneration arrangements for Craig Hayman

| | |
|---|---|
| Salary, pension and benefits | Following the announcement on 27 April 2021 that Craig will leave the Group after the AGM in July 2021, it was agreed that the base salary increase to £825,000 disclosed in the Prospectus with effect from 1 April 2021 would not be implemented.<br><br>Craig's base salary therefore remained unchanged at £718,200. As an employee, he will receive his base salary, pension allowance and benefits until the end of his contractual notice period on 31 January 2022. |
| Annual bonus | As Craig served as an employee for the whole of the Company's FY21 financial year, he will remain eligible to earn a bonus for the year ended 31 March 2021, full details of which are set out on page 111. The deferred share award element of that bonus will continue and be released from deferral at its ordinary times.<br><br>Craig will be eligible to earn a reduced and time pro-rated bonus for the period 1 April 2021 to 7 July 2021 (the date on which he steps down from the Board in relation to the financial year FY22).<br><br>The maximum performance-related opportunity of 165% of salary will be reduced by: (i) time pro-rationed for the period 1 April 2021 to 7 July 2021; (ii) limiting the amount to an on-target payment (i.e. multiplying by 50%); and (iii) further limiting the amount to the cash element only (i.e. multiplying by 75%). Any amount will be paid in cash only at the usual time in 2022, with no deferred share element, based on performance assessment related to a successful hand-over of the Chief Executive role. Full details will be included in the Directors' Remuneration Report for the year ending 31 March 2022. |
| Deferred annual bonus plan | Craig will retain his other deferred annual bonus awards, which were awarded in relation to the bonuses earned in respect of the FY19 and FY20 financial years. Each award will continue to be subject to the existing three-year bonus deferral holding periods and be released from deferral at their ordinary times. |
| Long-Term Incentive Plan (LTIP) | Craig holds LTIP awards, which will be treated as follows:<br><br>• The 2017 LTIP award vested by reference to performance to 31 March 2020 and is subject to a holding period. The award will continue and is due to be released at the end of the originally envisaged holding period on 8 September 2022.<br>• The 2018 LTIP award vested by reference to performance to 31 March 2021, and details of the vesting amount are included on page 114. Craig will retain the award to the extent it vested by reference to the performance conditions. No time pro-rating will be applied given that the performance period was completed prior to his resignation. The award will remain subject to its original holding period, and is due to be released in September 2023.<br>• The 2019 LTIP award will be reduced to reflect the portion of the performance period that has elapsed up to 31 March 2021. The retained award will then vest subject to the satisfaction of the original performance conditions assessed over the usual period. To the extent it vests, the award will remain subject to the original holding period and is due to be released in July 2024.<br>• The 2020 LTIP award will lapse in full.<br><br>Craig will not receive a LTIP award for the FY22 financial year. |

Craig received a contribution of up to £10,000 plus VAT in respect of reasonable legal fees incurred in obtaining advice in relation to the cessation of his employment. He will not receive any other remuneration payment or payment for loss of office.

## 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 is based outside the UK, and the majority of senior technology positions (R&D, Business Unit, Portfolio heads) are based in the US. As outlined above, we need to recruit increasing numbers of employees and leadership positions in niche technical skill areas, which are highly competitive.

To ensure we maintain competitive, we monitor the compensation of a select UK and US peer group of technology and software companies to give further benchmark comparisons for total remuneration.

| UK comparison peer group | | |
|---|---|---|
| Avast | Ocado | Smiths Group |
| Microfocus | Sage | Sophos |

| US comparison peer group | | |
|---|---|---|
| Ansys | Cadence Design | Rockwell Automation |
| Aspen | Honeywell | |
| Autodesk | PTC | |

While 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 therefore considered many factors, alongside benchmarking, when reviewing the proposed revisions to the Remuneration Policy.

## How does the Remuneration Policy align with the UK Corporate Governance Code?

| | |
|---|---|
| Clarity | The Committee welcomes open dialogue with shareholders on any aspect of remuneration. We consulted shareholders as part of last year's review of our Remuneration Policy. This provided valuable insights into their views on the proposed changes, which received widespread support.<br>A key principle for the Committee is to ensure consistency across the Company, from the Executive Directors down through the entire organisation. Following the bonus harmonisation in FY20, we continue to adopt a global, 'one-design' approach to variable pay for non-sales employees. This global scheme 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.<br>Across the Company, we ensure our remuneration arrangements are simple by design, communicated clearly and understood by all participants.<br>Although the quantum will vary, the policies and practices of remuneration are consistently applied across all levels. |
| Risk | When determining award outcomes, the Committee assesses the performance of the Company and the individual in order to ensure that sound judgement and appropriate risk management are applied. This ensures that excessive rewards do not take place, reputational risk is protected and behavioural risks are identified and mitigated.<br>The Remuneration Policy balances the level of risk management by applying the annual bonus deferral, adopting the shareholding period and shareholding quantum and enforcing post-employment shareholding guidelines.<br>As a final safeguard, our robust malus and clawback provisions apply to both the annual bonus and the Long-Term Incentive Plan. |
| Predictability | The Remuneration Policy clearly states the threshold, on-target and stretch levels of performance opportunity required. Achievement is measured against predetermined targets defined in advance of the programme launch.<br>Targets and measures are not altered or amended mid programme, ensuring that performance achievement is aligned to original goals and objectives at all times. |
| Proportionality | The annual bonus programme rewards achievement against AVEVA's annual operating growth targets together with personal objectives for the individual. The Long-Term Incentive Plan, meanwhile, rewards long-term achievement of goals and the creation of shareholder value, both of which are aligned to the overall strategy.<br>The Committee may apply discretion if and when needed to reduce outcomes of both the annual bonus and Long-Term Incentive Plan, for both Company and individual performance. |
| Alignment to culture | The Committee assesses performance under the annual bonus programme against a range of objectives, including those related to AVEVA customers, AVEVA employees and our culture, strategy and risk. This ensures the values and purpose are aligned to incentive outcomes. |

# Part A: the Directors' Remuneration Policy

## Introduction

Our Directors Remuneration Policy was approved by shareholders at the previous Annual General Meeting held on 21 July 2020 and is set out in full on pages 87 to 95 of the 2020 Annual Report and Accounts, which are available on the Company's website at investors.aveva.com. We have set out below a summary of those parts of the Policy that we think shareholders will find most useful. This includes the table of service contracts updated to reflect Peter Herweck's appointment as CEO with effect from 1 May 2021.

The Directors' Remuneration Policy became binding from 1 April 2020. It continues to be our intention that this current 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<br>• 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.<br>• The Committee determines base salary taking into account factors including, but not limited to:<br>  • The individual's role, experience and performance.<br>  • Salaries at other companies of a similar size and complexity as well as global technology peers.<br>  • Remuneration of different groups of employees within the Company.<br>  • Total organisational salary budgets.<br>• The Committee takes a phased approach to new salaries where appropriate.<br>• Paid in cash. | • In determining salary increases the Committee generally considers the factors outlined in the 'Operation' column.<br>• 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:<br>  • an increase in the individual's scope of responsibilities;<br>  • in the case of Executive Directors who are positioned on a lower initial salary while they gain experience in the role; or<br>  • where the Committee considers that salary is behind appropriate market positioning for a company of AVEVA's size and complexity.<br>• However, no salary increase will be paid to an incumbent to the extent that this increases the salary beyond £900,000. | None |

| 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.<br>• The intention is that new appointments to the Board would also participate in a defined contribution pension scheme or receive an equivalent cash payment.<br>• 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.<br>• 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<br>• Provide a competitive range of valued benefits<br>• 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.<br>• 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.<br>• 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).<br>• 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.<br>• 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.<br>• 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 |

## Part A: the Directors' Remuneration Policy continued

| Purpose and link to strategy | Operation | Maximum opportunity | Performance measures |
|---|---|---|---|
| **Annual Incentive Scheme** | | | |
| • Incentivises and rewards the achievement of targets and objectives aligned with AVEVA's strategy<br>• Deferred element encourages long-term shareholding, helps retention and discourages excessive risk-taking | • The Committee determines an individual's maximum incentive opportunity taking into account the responsibilities of the role and market practice at comparable companies.<br>• Performance targets are set by the Committee on an annual basis and ordinarily disclosed retrospectively.<br>• 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.<br>• A portion of any bonus earned is deferred into shares for three years, with the portion being:<br>  • 25% of the bonus earned if the Executive Director meets or exceeds the applicable Shareholding Requirement set out below; or<br>  • 50% of the bonus earned if the Executive Director does not meet the applicable Shareholding Requirement set out below<br>• 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.<br>• 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.<br>• Deferred awards are subject to malus and clawback provisions as noted at the end of this table.<br>• 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. | • 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.<br>• For FY21, the maximum bonus opportunity applied was 165% of base salary in the case of the CEO and 150% of base salary in the case of the CFO. | • The performance measures applied may be financial or non-financial and corporate, divisional or individual and in such proportions as the Committee considers appropriate.<br>• Where a sliding scale of targets is used, attaining the threshold level of performance for any measure will not typically produce a pay-out of more than 20% of the maximum portion of overall annual bonus attributable to that measure, with a sliding scale 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). |

| 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.<br>• The holding period can take the form either of the Executive Director being required to retain the relevant portion of the 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 relevant portion of the shares until the end of the holding period.<br>• Awards under the LTIP may be granted in the form of conditional awards or nominal cost options.<br>• 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.<br>• The Committee determines targets each year to ensure that targets are stretching and represent value creation for shareholders while remaining motivational for management.<br>• 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.<br>• 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.<br>• For FY21, the maximum award applied was 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.<br><br>Performance periods will be at least three years long.<br><br>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 awards for FY21), with a sliding scale to full payout for maximum performance.<br><br>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). |

# Part A: the Directors' Remuneration Policy continued

## 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.
- 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 FY22). 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.

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 until the 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.

## 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 4,700 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 commission 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 ongoing 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 appointment | Date of contract | Continuous service date | Notice period |
|---|---|---|---|---|
| **Current Executive Directors** | | | | |
| Craig Hayman | 19 February 2018 | 1 April 2018 | 19 February 2018 | 9 months |
| James Kidd | 1 January 2011 | 19 February 2018 | 5 January 2004 | 9 months |
| Peter Herweck | 1 May 2021 | 26 April 2021 | 1 May 2021 | 3 months |

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

| | |
|---|---|
| Notice period | Craig Hayman'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 garden 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 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. |

## Part A: the Directors' Remuneration Policy continued

| | |
|---|---|
| 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.<br><br>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.<br><br>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):<br>• 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, reduced reduction 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 date of, 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.<br>• 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.<br><br>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:<br>• 7 weeks' pay for service of up to 6 years; plus<br>• 1.5 weeks' pay for each completed year of service over 7 years up to 20 years; plus<br>• 2 weeks' pay for each completed year of service over 20 years.<br><br>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.

### Employee context

When setting Executive Directors' pay, the Committee considers the remuneration arrangements 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 specifically 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 and during FY21 conducted quarterly town hall meetings with all employees globally where details of the bonus tracking outcome and financial performance of the Group was shared and discussed openly.

Due to the unprecedented business conditions at the beginning of FY21 AVEVA took the prudent decision to not provide an annual salary review for all employees globally. There were however additional limited opportunities during the year for key high performing / high potential employees to be recognised, promoted and compensated where it was deemed appropriate.

## 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.

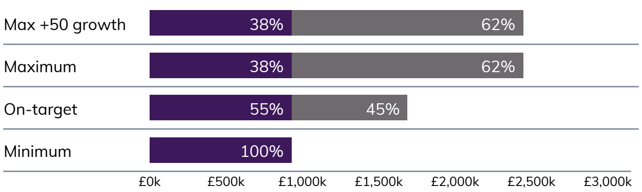
The table and charts below and opposite show hypothetical values of the remuneration package for the current Executive Directors (Peter Herweck and James Kidd) under four assumed performance scenarios.

In each scenario, fixed remuneration is the most recently known salary (£760,000 in the case of the CEO and £530,000 in the case of the CFO), and the value of proposed benefits and employer pension contributions for the coming year. Peter Herweck is retaining his Schneider Electric pension and LTIP arrangements and so these elements of remuneration have been excluded from these hypothetical performance scenarios.

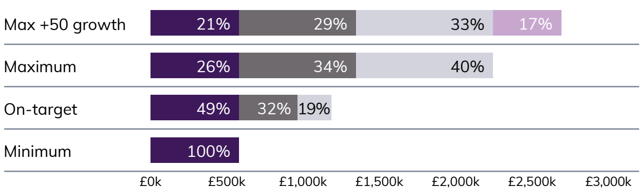
Other than in the 'Maximum performance plus share price' scenario, no share price growth has been assumed. Potential benefits under all employee share schemes and dividend or distribution equivalents have not been included for any scenario.

| | | Awards as a % of salary | |
|---|---|---|---|
| | | CEO | CFO |
| **Maximum performance plus share price** | Annual bonus scheme (full pay-out) | 200% | 150% |
| | LTIP (maximum vesting plus assumed 50% share price growth) | 0% | 262.5% |
| | **Total** | **200%** | **412.5%** |
| **Maximum performance** | Annual bonus scheme (full pay-out) | 200% | 150% |
| | LTIP (maximum vesting) | 0% | 175% |
| | **Total** | **200%** | **325%** |
| **On-target performance** | Annual bonus scheme (50% pay-out) | 100% | 75% |
| | LTIP (25% vesting) | 0% | 43.75% |
| | **Total** | **100%** | **118.75%** |
| **Minimum performance** | Annual bonus scheme (nil pay-out) | 0% | 0% |
| | LTIP (nil vesting) | 0% | 0% |
| | **Total** | **0%** | **0%** |

### Peter Herwick




### James Kidd




Fixed pay
Annual bonus
LTIP
LTIP +50% share price growth

# Part A: the Directors' Remuneration Policy continued

## 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.<br>• The Board is responsible for setting fees for the Non-Executive Directors with the Remuneration Committee being responsible for setting fees for the Chairman.<br>• 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.<br>• 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.<br>• Fees are normally paid in cash. | • Non-Executive Directors do not receive incentive pay or share awards.<br>• Non-Executive Directors do not currently receive any benefits nor 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.<br>• 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 | 5 November 2020 | 31 March 2022 | 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 |
| Paula Dowdy | 1 February 2019 | 1 February 2019 | 31 January 2022 | 3 |
| Oliver Blum | 30 April 2020 | 30 April 2020 | 29 April 2023 | 3 |

All Non-Executive Directors submit themselves for election at the Annual General Meeting following their appointment and subsequent intervals of no more than three years.

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.

# B: The Implementation Report

## 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 who we welcomed as a new member on 30 April 2020. 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 People Officer (CPO) 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 that must be retained until the minimum shareholding requirements 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

Following a competitive tender process, the Committee appointed Deloitte as remuneration adviser with effect from 1 October 2019. Deloitte's role is to provide the Committee with independent advice on comparator information, general remuneration trends and most recently to advise on the remuneration implications of the recent acquisition of OSIsoft and the resulting rights issue. Deloitte also provided advice on the remuneration arrangements for Craig Hayman and Peter Herweck. Fees are charged on a time spent basis and the fees paid during the year to Deloitte in relation to the advice provided to the Committee were £85,140 of which £12,050 related to the OSIsoft acquisition and £8,000 related to remuneration arrangements for Craig Hayman and Peter Herweck (FY20 fees: £60,710). In addition, Deloitte also provide tax advisory, employment law, due diligence and other consultancy services to the Company. The Committee is 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 2020) and Implementation Report (July 2020).

| | Votes for | Percentage | Votes against | Percentage | Votes withheld |
|---|---|---|---|---|---|
| Directors' Remuneration Policy – AGM 2020 | 133,179,299 | 88.45% | 17,397,282 | 11.55% | 561,717 |
| Directors' Remuneration Report – AGM 2020 | 139,482,063 | 93.23% | 10,128,590 | 6.77% | 1,527,644 |

The Committee was very pleased with the vote in favour of the Directors' Remuneration Report (DRR) in 2020 and the revised Remuneration Policy. Ahead of the 2020 AGM, we actively engaged with our shareholder base and sought to fully understand their views and the rationale behind the voting outcome at the 2019 AGM. We expanded the disclosure around our incentive objectives, particularly the strategic elements of both the annual bonus and LTIP award. We also expanded disclosure in the 2020 report related to legacy retention arrangements. For FY21, we did not implement the maximum opportunities for either annual bonus or LTIP under the Remuneration Policy. We also introduced a formal two-year post-employment shareholding guideline with effect from the 2020 AGM.

# Part B: The Implementation Report continued

## Implementation of policy for the year ended 31 March 2021

### 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 year ended 31 March 2021 and the previous financial year.

| | Salary £'000 | Benefits[1] £'000 | Pension[2] £'000 | Total Fixed Pay £'000 | Annual bonus £'000 | LTIPs[3] £'000 | One-off awards[4] £'000 | Total Variable Pay £'000 | **Total £'000** |
|---|---|---|---|---|---|---|---|---|---|
| **Craig Hayman FY21** | **718** | **26** | **62** | **806** | **672** | **2,445** | **939** | **4,056** | **4,862** |
| Craig Hayman FY20 | 718 | 23 | 62 | 803 | 635 | 804 | 3,408 | 4,847 | 5,650 |
| **James Kidd FY21** | **513** | **20** | **44** | **577** | **429** | **1,222** | **–** | **1,651** | **2,228** |
| James Kidd FY20 | 513 | 20 | 44 | 577 | 454 | 2,106 | 1,038 | 3,598 | 4,175 |

1. Benefits for Craig Hayman include a mobility allowance of £10,000 per annum, medical insurance for himself and his US based family totalling £15,500 per annum, and a £600 annual flexible benefits allowance. Benefits for James Kidd include a UK car allowance and fuel allowance totalling £19,200 plus a £600 annual flexible benefits allowance.
2. See below for further information on pensions.
3. For FY21, the 2018 LTIP has been valued based upon the number of options (Craig: 81,299; James: 40,646) multiplied by the closing share price on 31 March 2021 of 3,422p, and a vesting outcome of 87.9% as referred to on page 114. Of the vested amount, 64.5% (£1,577k Craig, £788k James) relates to performance achievement, and 35.5% (£868k Craig; £434k James) relates to share price appreciation over the performance period. The 2017 LTIP value for FY20 has been restated from the year end share price at 31 March 2020 of 3,494p to reflect the share price at the date of vesting of 3,880p and a vesting outcome of 100.0%. This increased the single figure of total remuneration by £223k for Craig and by £585k for James. The Committee did not exercise any discretion in relation to share price changes to the 2017 LTIP or the 2018 LTIP. The 2017 LTIP is due to be released at the end of the two-year holding period on 8 September 2022.
4. For Craig Hayman, 22,015 buy-out options vested on 15 November 2020 (this equates to 27,443 shares post the rights issue adjustment) and have been valued using the 31 March 2021 year end share price of 3,422p. This is the final tranche of his buy-out awards. In FY20, 97,537 buy-out options vested (shown before the rights issue adjustment) and have been valued using the 31 March 2020 year end share price of 3,494p. For James Kidd, these are the value of his performance and retention awards vesting for FY20 calculated as £500k for the retention element and £538k for the performance element (see page 101 of the FY20 Directors' Remuneration Report for further details).

## Additional information on the amounts which make up the single total figure of remuneration

### Base salary

In FY21, Craig Hayman as CEO received a salary of £718,200 which was unchanged from the previous year. James Kidd as CFO received a salary of £513,000 which also remained unchanged. Both Executive Directors and the wider Executive Leadership Team voluntarily decided to contribute 10% of their annual salary to the AVEVA Action For Good programme at the beginning of FY21 in response to the global Covid-19 pandemic. The values in the single figure are shown before this contribution.

### Benefits

In FY21, both Executive Directors were provided with a £600 annual allowance towards a range of flexible benefits. In addition, Craig Hayman received a mobility allowance of £10,000 per annum and a US medical benefit for himself and his family totalling £15,500 per annum. For FY21, Craig Hayman continued to be split from a payroll perspective between the UK and the US. James Kidd also received a car allowance of £14,400 per annum and a fuel allowance of £4,800 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 employer's National Insurance contributions. The UK scheme and contribution levels are consistent for the wider workforce. During FY21, James Kidd received cash in lieu of contributions of £44,221 (FY20: £44,221), and Craig Hayman received cash in lieu of contributions of £61,909 (FY20: £61,909).

## How is pay linked to performance for the year ended 31 March 2021

### Annual incentive scheme

For FY21, the maximum opportunity for Executive Directors under the annual incentive was 165% of base salary for the CEO and 150% for the CFO, requiring a stretch level of performance for full payout.

The performance targets were based on:

1. Short-term financial measures with a maximum weighting of 30% of bonus opportunity. As detailed in the Directors' Remuneration Report last year, for this element of the annual incentive scheme H1 and H2 half year financial targets were set focused on priorities for those periods. The H1 target was based on operating cash flow before tax. The H2 short-term financial metric was based on an assessment of overall H2 financial performance.
2. Adjusted EBIT profit with a maximum weighting of 25% of bonus opportunity.
3. Recurring revenue, with a maximum weighting of 25% of bonus opportunity.
4. Key performance objectives, with a maximum of 20% of bonus opportunity. The key individual performance objectives were agreed with the Remuneration Committee at the start of each financial year, although this element would have been capped at a maximum achievement of 13.33% of bonus opportunity had the Group adjusted EBIT target not been met.

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

For FY21, 50% 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. However, if shareholding requirements are met this level of bonus deferral is reduced by half to 25% of any award. 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 2021 is set out below. This includes both the cash element of the bonus and the portion deferred into shares under the deferred share scheme.

The Committee gave careful consideration to this outcome in respect of various internal and external factors including the fact that no employee was furloughed or made redundant as a result of Covid-19 during FY21, and that our share price has increased significantly over the course of the year. Despite the full year revenue growth being flat, but taking into account the efforts to protect cash flow in H1 and the strong H2 performance, the Remuneration Committee decided to award half of the maximum opportunity of 30% in assessing overall H2 financial performance. The Committee is satisfied that the annual bonus resulting outcomes are appropriate and consistent with the experience of shareholders and will be consistently applied to the wider workforce.

| Metric | Thresholds (Min), Budget (Mid) and Targets (Max) | Actual | % of Max achieved | Craig Hayman (% of salary) | | James Kidd (% of salary) | |
|---|---|---|---|---|---|---|---|
| | | | | Max | Actual | Max | Actual |
| Short-term financial measures H1 (operating cash flow before tax) | Min: £10.0m<br>Mid: £22.5m<br>Max: £43.5m | £34.3m | 78.1% | 24.8% | 19.3% | 22.5% | 17.6% |
| Short-term financial measures H2 | No specific targets set – see note below | | 50.0% | 24.8% | 12.4% | 22.5% | 11.3% |
| Group adjusted EBIT | Min: £204.5m<br>Mid: £216.0m<br>Max: £240.0m | £218.3m | 45.8% | 41.3% | 18.9% | 37.5% | 17.2% |
| Recurring revenue | Min: £500m<br>Mid: £570m<br>Max: £623m | £549.7m | 28.4% | 41.3% | 11.7% | 37.5% | 10.6% |
| Strategic objectives | see overleaf | see overleaf | 90-95% | 33.0% | 31.4% | 30.0% | 27.0% |
| Totals as a percentage of salary | | | | 165.0% | 93.6% | 150.0% | 83.6% |
| Bonus receivable | | | | | £672,534 | | £429,015 |
| Granted in cash (75%) | | | | | £504,400 | | £321,761 |
| Granted in shares (25%) | | | | | £168,134 | | £107,254 |

Note: As set out above, the H2 short-term financial metric was based on an assessment of overall H2 financial performance for standalone AVEVA. Whilst no specific H2 targets were set, the Remuneration Committee noted that, despite the full year revenue growth being flat:

- Revenue increased 6.4% to £470.4 million (FY20 H2: £441.9 million);
- EBIT increase 27.2% to £160.5 million (FY20 H2: £126.2 million); and
- Recurring revenue increased 21.8% to £336.2 million (FY20 H2: £276.0 million).

# Part B: The Implementation Report continued

Notwithstanding this strong H2 performance, the Remuneration Committee applied discretion to reduce the H2 short-term financial measure to 50% of the maximum opportunity for this element (i.e. 7.5% of the 15%). As shown in the table on the previous page, the H1 operating cash flow measure vested at 78.1% of the maximum opportunity for this element (i.e. 11.7% of the 15%).

Further details on the key individual and strategic objectives and performance outcomes are detailed below.

## Executive Director

### Craig Hayman, CEO

| Objective | Weighting (as % of maximum bonus opportunity) | Actual vesting (as % of maximum bonus opportunity) |
|---|---|---|
| **ESG focus: Environmental & social assessed by:** | | |
| **Environmental. Increase focus on environmental sustainability as measured by portfolio, end-market and customer activity** | | |
| Established first company Chief Sustainability Officer and established AVEVA as a values-based organisation focused on becoming a leader in sustainability.<br>Conducted a review of AVEVA's global GHG emissions profile, identified key data and process gaps. Cross-functional working group and governance structure has objective to achieving net-zero emissions across operations (Scope 1 & 2) by 2030.<br>22 sustainability customer references published for sales and on aveva.com. Sustainability case studies include Schneider Electric Smart Factory, Neste, Anglian Water, Fujirebio and Nava Raipur all included in global brand campaign with a 30% increase in video completions. Benchmarking research demonstrates a 9 basis-point improvement in sustainability brand attribution as a result of FY21 activities. 13% outperformance compared to the ideal brand as a values-based organisation.<br>AVEVA Sustainability Customer Advisory Board established with senior level cross industry membership. | 7.5% | 100% |
| **Social. Broaden diversity focus beyond women to include LGBT and racial diversity. Raise awareness and learning across Company on unconscious bias. Integrate into AVEVA LIFE values. Increase AVEVA Action for Good employee participation.** | | |
| Q1 – CEO dialog with managers and employees. CEO statement on policy.<br>Q2 – New worldwide gender pay gap published, new regional D&I social networks established.<br>Q3 – New Global D&I director recruited, new Peakon survey on D&I and wellbeing.<br>Q4 – Martin Luther King Day recognised for first time in USA. New global D&I policy published together with training program. Two thirds of employees completed D&I training by end of FY21.<br>Action for Good featured extensively on social media highlighting work with Water Aid, Save the Children, World Central Kitchen, NHS Charities, Front line Covid-19 support in India and China, and a £100k donation to UNICEF's Covid-19 relief programme to deliver vaccines into under-served communities. | | |
| **Cloud focus: Deliver competitively compelling Cloud portfolio with customer verification and market traction covering:** | | |
| **Growth in Cloud portfolio** | | |
| Overachieved bookings objective at £82 million and 95% growth (vs £75 million objective) including £39 million in AVEVA SaaS and £43 million in customer cloud.<br>One-third of all sellers closed one or more cloud opportunity including 47 all-new logos.<br>Cloud metrics growing rapidly including functional offers (grew to over 30), Cloud adoption (grew from 1,000 to 4,000) and user activity (weekly logins growing from 50,000 to 100,000). New cloud dev-ops team achieved 99.95% uptime.<br>Project Apollo established to remove selling and back office friction to continue scale out.<br>Demonstration of AVEVA Connect cloud platform interoperating with OSIsoft OCS cloud solution at transaction close to investors, customers, press and Board. | 7.5% | 90% |
| **Total** | **20%** | **19%** |

### James Kidd, CFO

| Objective | Evaluation | Weighting (as % of maximum bonus opportunity) | Actual vesting (as % of maximum bonus opportunity) |
|---|---|---|---|
| **Cash conversion:** | | | |
| **Improve AVEVA's cash conversion (operating cash flow / adjusted EBIT) from 74% (FY20) to 80% for FY21** | | | |
| The cash conversion result was 40% for the year, but this was heavily impacted by exceptional costs related to the OSIsoft acquitision, as well as a number of multi-year contracts signed in FY21 (Nestle, Wood, Worley, Aker). This impacts cash conversion as revenue is booked earlier than we collect the cash. | | 6.66% | 70% |
| **M&A Projects:** | | | |
| **– Complete assessment of strategic divestments of non-core businesses**<br>**– Complete carve out where applicable**<br>**– Set up process for potential disposal** | | | |
| Successful acquisition in FY21 of OSIsoft and related rights issue.<br>Establishment of a staffed M&A team with new additions including Head of M&A and Head of Integration.<br>Effected one strategic disposal of a non-core asset to Schneider Electric.<br>Completed the assessment of strategic opportunities during the course of the year. | | 6.66% | 100% |
| **Cyber security: Implement new plan for cyber security and new measures required to ensure AVEVA is secure.** | | | |
| **– New technology implemented e.g. Multi Factor Authentication**<br>**– Management of cyber exposures**<br>**– Complete training and education of staff**<br>**– Metrics driven assessment of cyber exposure** | | | |
| Policies and procedures updated, MFA and new VPN implemented.<br>Cyber security posture substantially improved year-on-year whilst operating remotely.<br>Launched mandatory cyber security training for all employees.<br>Hired new Chief Information Security Officer and established a new security organisation. | | 6.66% | 100% |
| **Total** | | **20%** | **18%** |

# Part B: The Implementation Report continued

### Long-term incentives vesting in respect of the year ended 31 March 2021

The LTIP awards granted under the Long-Term Incentive Plan in 2018 that were capable of vesting based on performance over the three-year period ended 31 March 2021 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, details below (25% of maximum); and
- Strategic objectives – Total Revenue Growth (25% of maximum).

LTIP targets and actual performance are summarised below:

| Performance condition | Weighting (% of award) | Threshold | Maximum | Actual performance | Vesting (% of maximum) |
|---|---|---|---|---|---|
| Diluted EPS (CAGR)[1, 4] | 50% | 5% p.a. | 15% p.a. | 16.25% | 100% |
| TSR vs peer group[2] | 25% | Median | Upper quartile | 7th out of 22 companies | 79% |
| Total Revenue Growth[3, 4] | 25% | 3.0% | 7.0% | 5.88% | 72% |
| Overall % vesting | | | | | 87.9% |

1. For the EPS measure, non-linear vesting applies: threshold (25% vesting); mid (80% vesting for 10% p.a. 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 a combination of the FTSE350 Technology Sector and the S&P Mid Cap 400 Software companies resulting in a group of 24 companies (PTC, Fortinet, Sage, CDK Global, Ultimate Software Group, Micro Focus International, Fair Isaac, Blackbaud, Sophos, Commvault Systems, Manhattan Associates, ACI Worldwide, Fidessa, Computacenter, Softcat, FDM Group, Alfa, Financial Software, Laird, NCC, Kainos Group, SDL, Nanoco Group and Spirent Communications).
3. Straight-line vesting applies between threshold (25% vesting) and maximum (100% vesting).
4. As a result of the OSIsoft acquisition, to ensure that performance is measured on a like-for-like basis and to maintain stretch in the performance targets, the EPS and Total Revenue Growth targets were measured based on the average of three annual growth figures across each year in the performance period. This replaces a CAGR from a base year based on AVEVA's performance on a standalone basis.

The Committee reviewed the outcome against internal and external factors including the impact of Covid-19. Given the Group's execution of strategy over the performance period and the significant growth in share price, the Committee concluded that the vesting levels were warranted.

## Vesting of final tranche of buy-out award for Craig Hayman

As disclosed in previous annual reports, when Craig joined AVEVA as CEO in February 2018, he was granted buy-out awards to compensate him for the loss of significant outstanding equity awards on leaving PTC. The final tranche of the buy-out award which was subject to Craig's employment vested on 15 November 2020. Under the Directors' Remuneration Report regulations these awards are included in the single figure for the year in which they are granted rather than the year in which they vest. However, for transparency, the table below summarises the awards vesting for FY21.

| Basis of award | Performance outturn | Number of shares vesting | Value of award vesting based on year end share price of 3,422p |
|---|---|---|---|
| **Retention award:**<br>Fair value equivalence with awards forgone in previous employment.<br>Subject to continued employment to 15 November 2020. | n/a | 22,015 x 1.2466 rights issue adjustment factor = 27,443 | £939,099 |
| **Final tranche of buy-out award vesting during FY21** | | 27,443 | £939,099 |

None of the vested awards were exercised in the year.

## Other information in relation to FY21

## 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 FY21:

### Long-term incentives granted during the year ended 31 March 2021

| Executive Director | Date of grant | Basis of award | Face value of awards[1] | Performance period |
|---|---|---|---|---|
| Craig Hayman | 11 September 2020 | 250% of base salary | £1,795,500 | 1 April 2020 – 31 March 2023 |
| James Kidd | 11 September 2020 | 175% of base salary | £897,750 | 1 April 2020 – 31 March 2023 |

1. To determine the number of shares over which these awards were made, a share price was used of 4,008p prior to the rights issue adjustment for Craig and James' Sept 2020 grant, being the average share price for the five days to 1 September 2020 (i.e. the five days following the lifting of the restricted dealing period).

In line with the UK Corporate Governance Code, LTIP awards are subject to a two-year holding period following the end of the three-year performance period.

The structure of the LTIPs granted during the year are summarised below:

| LTIP performance element | Weighting | Minimum performance | Mid performance | Maximum performance |
|---|---|---|---|---|
| EPS growth[1] | 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[1] | 25% | 25% vesting at threshold | Linear vesting between min and max performance | 100% vesting at maximum |

1. As a result of the OSIsoft acquisition, to ensure that performance is measured on a like-for-like basis and to maintain stretch in performance targets the combined Group pro-forma financials (AVEVA + OSIsoft) will be used as the base year for the CAGR EPS and revenue growth over the three-year performance period to ended 31 March 2023.

For the FY21 LTIP award, the Committee reviewed the TSR comparator group in light of the increased size and complexity of the Company. It was decided that the comparator group should reflect a more comparable list of similar sized and larger organisations, resulting in a list of 27 UK and US Software and Technology companies. The TSR element vesting schedule remains in line with the structure outlined above (25% of this element will vest at median, with 100% vesting at the upper quartile).

## TSR comparator group for the FY21 award

| | Name | Market Cap[1] | Sector | | Name | Market Cap[1] | Sector |
|---|---|---|---|---|---|---|---|
| 1 | ABB Group | £45,399m | Electrical Components | 15 | IBM | £81,605m | Computer Services |
| 2 | Altair Engineering | £3,150m | Software | 16 | Micro Focus International | £1,399m | Software |
| 3 | Amadeus | £23,367m | Computer Services | 17 | Nemetschek | £6,195m | Software |
| 4 | Ansys | £22,595m | Software | 18 | Oracle | £134,293m | Software |
| 5 | Aspen Technology | £6,895m | Software | 19 | PTC | £10,430m | Software |
| 6 | Autodesk | £47,354m | Software | 20 | Rockwell Automation | £21,549m | Electronic Equipment |
| 7 | Avast | £5,217m | Software | 21 | SAP | £114,687m | Software |
| 8 | Bentley Systems | £8,241m | Software | 22 | Siemens | £91,481m | Diversified Industrials |
| 9 | Dassault Systems | £38,569m | Software | 23 | Software N | £2,283m | Software |
| 10 | Emerson Electric | £35,822m | Electronic Equipment | 24 | Teamviewer | £7,538m | Software |
| 11 | ESI Group | £235m | Software | 25 | Temenos N | £7,153m | Software |
| 12 | General Electric | £70,641m | Diversified Industrials | 26 | The Sage Group | £6,479m | Software |
| 13 | Hexagon | £23,758m | Software | 27 | Trimble | £12,288m | Electronic Equipment |
| 14 | Honeywell | £107,172m | Diversified Industrials | | | | |

1. Market capitalisation used is a three-month average to 15 February 2021.

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 | 11 September 2020 | Deferred element of FY20 annual bonus | £218,563 | No performance period. Awards vest in equal tranches on the date of announcement in May 2021, May 2022 and May 2023 |
| James Kidd | 11 September 2020 | Deferred element of FY20 annual bonus | £156,112 | No performance period. Awards vest in equal tranches on the date of announcement in May 2021, May 2022 and May 2023 |

1. Deferred bonus for FY20 is calculated as 40% of the actual bonus outcome for that year.

# Part B: The Implementation Report continued

## Base salary FY22

As previously disclosed in the acquisition prospectus from November 2020, James Kidd's base salary was increased to £530,000 from 1 April 2021. Following the announcement on 27 April 2021 that Craig Hayman will leave the Group after the AGM in July 2021, it was agreed that the base salary increase disclosed in the Prospectus for Craig Hayman with effect from 1 April 2021 would not be implemented. Craig Hayman's base salary therefore remains unchanged at £718,200.

| | Base salary with effect from 1 April 2020 | Base salary with effect from 1 April 2021 | Increase |
|---|---|---|---|
| Craig Hayman | £718,200 | £718,200 | 0% |
| James Kidd | £513,000 | £530,000 | 3.3% |

As detailed in the Annual Statement from the Remuneration Committee Chair, Peter Herweck's base salary was set at £760,000 with effect from 1 May 2021.

During the year, other significant salary increases were awarded to below Board employees whose roles will change in size and nature as a result of the OSIsoft acquisition. Base salary increases of 3.6% for FY22 for the wider workforce were made with effect from 1 April 2021.

As part of the Policy renewal last year, the Committee undertook an extensive review of the Executive Directors' remuneration against market. It was noted that our market positioning was modest compared to the size of the company we have become. The Committee is also mindful of the need to ensure that our market positioning on salaries ensures we remain competitive as a mid-FTSE100 company, competing in the global industrial software market. In addition, the OSIsoft acquisition is expected to further increase the size and complexity of the business. We recognise that increasing the level of competitiveness in salaries will require the continued delivery of performance coupled with stretching targets for variable and long-term compensation. This will ensure alignment to shareholders' objectives as we continue to grow.

## Benefits and pension FY22

Both Craig Hayman and James Kidd have unchanged terms and conditions for FY22 which are aligned to the wider UK workforce and there are no planned changes to either the benefits structure or quantum.

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

As detailed in the Annual Statement from the Remuneration Committee Chair, Peter Herweck will not participate in the AVEVA pension plan and will not receive cash in lieu of pension contributions from AVEVA. He will retain his Schneider Electric pension arrangement. Peter Herweck will receive the following benefits: housing allowance, car allowance, medical insurance, tax equalisation, personal liability insurance and personal insurance protection.

## Annual incentive scheme FY22

The FY22 maximum bonus opportunity for the CFO will remain at 150% of base salary.

Craig Hayman will be eligible to earn a reduced and time pro-rated bonus for the period 1 April 2021 to 7 July 2021 (the date on which he steps down from the Board in relation to the financial year FY22). His annual bonus eligibility of 165% will be halved, and further reduced by 25%, representing the forfeiture of the deferred shares element of his standard annual incentive. Further, the time pro-ration of the bonus reduces his annual incentive eligibility to 16% for the year.

The maximum annual bonus opportunity for Peter Herweck is 200% of salary. The level of deferred bonus is remaining unchanged from FY21 at 50%, with this amount being reduced by 25% in the event of the shareholding requirement having been met.

The Committee acknowledges that increased salary levels for James Kidd and Peter Herweck result in an increase in annual incentive opportunity and can confirm that they continue to require additional stretch to targets so that more pay is delivered only for the achievement of more stretching performance targets taking into account revised growth budgets, forecasts and external market conditions. This annual incentive scheme operates for all non-sales employees globally from the Executive Directors down through all levels of the Company, with the same metrics, targets and financial outcomes applying to all eligible employees. For FY22, the proposed targets reflect the enlarged Group, absolute growth above FY21 and improved operating efficiency. Consistent with prior years, the maximum bonus will only be earned for material improved year on year performance.

The Committee has reviewed the performance measures for FY22 to ensure they are appropriately aligned with the Group's strategic plan for the coming year. It is proposed that performance will be measured against the following performance measures:

| Measure | Weight (% of maximum bonus opportunity) |
|---|---|
| Combined Group Adjusted EBIT | 50% |
| Annualised Recurring Revenue for standalone AVEVA | 20% |
| Personal KPIs | 20% |
| OSIsoft New Revenue | 10% |

For FY22, the annual incentive scheme will see both AVEVA and OSIsoft employees use a similar structure designed to encourage cross company collaboration, partnership and efficiencies to drive integration. Annualised Recurring Revenue provides the Company with a key strategic objective and aligning it to the short-term incentive ensures all employees are aligned globally on this critical deliverable. 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 10% of the maximum opportunity should the Group adjusted EBIT target not be met. At year-end, when we determined 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 FY22

There are no proposed increases in LTIP opportunity for FY22 for the CFO. The maximum LTIP award will remain unchanged at 175% of salary for the CFO. Craig Hayman and Peter Herweck will not be granted an LTIP award for FY22.

For the FY22 LTIP award to be granted in 2021, the Committee considered replacing the Total Revenue Growth measure with Annualised Recurring Revenue (ARR). Although ARR is an important measure to AVEVA, as it provides an indication of the health of recurring revenue and is aligned to the future strategy of the business, the Committee is mindful that the use of ARR is not yet an established KPI. The Committee therefore agreed that for the LTIP award to be granted in 2021 performance will be based on EPS growth (50%) and relative Total Shareholder Return (50%). The use of ARR as a LTIP performance measure will be kept under review for future LTIP awards.

The TSR peer group was further refined, with 25 companies selected to form a bespoke peer group. These companies were chosen on the basis that they accurately reflected AVEVA's projected size, industry specialism and global reach. The companies are listed below:

| | Name | Market Cap[1] | Sector |
|---|---|---|---|
| 1 | ABB Group | £45,399m | Electrical Components |
| 2 | Amadeus | £23,367m | Computer Services |
| 3 | Ansys | £22,595m | Software |
| 4 | Aspen Technology | £6,895m | Software |
| 5 | Autodesk | £47,354m | Software |
| 6 | Avast | £5,217m | Software |
| 7 | Bentley Systems | £8,241m | Software |
| 8 | Cadence | £26,538m | Software |
| 9 | Dassault Systems | £38,569m | Software |
| 10 | Emerson Electric | £35,822m | Electronic Equipment |
| 11 | General Electric | £70,641m | Diversified Industrials |
| 12 | Hexagon | £23,758m | Software |
| 13 | Honeywell | £107,172m | Diversified Industrials |
| 14 | IBM | £81,605m | Computer Services |
| 15 | Manhattan Associates | £5,160m | Software |
| 16 | Nemetschek | £6,195m | Software |
| 17 | PTC | £10,430m | Software |
| 18 | Rockwell Automation | £21,549m | Electronic Equipment |
| 19 | ServiceNow | £78,049m | Software |
| 20 | Siemens | £91,481m | Diversified Industrials |
| 21 | Synopsys | £28,361m | Software |
| 22 | Teamviewer | £7,538m | Software |
| 23 | Temenos N | £7,153m | Software |
| 24 | The Sage Group | £6,479m | Software |
| 25 | Trimble | £12,288m | Electronic Equipment |
| | AVEVA | £8,936m | Software |

1. Market capitalisation used is a three-month average to 15 February 2021.

## The performance targets for the FY22 LTIP award are to be as follows:

| 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 | 50% | 25% vesting at median performance (50th percentile) | Linear vesting between min and max performance | 100% vesting if in the upper quartile (75th percentile) |

## Shareholding guidelines

Last year, the shareholding guidelines were increased to market leading levels, including both annual bonus and LTIPs and increased from 200% of annual salary to 415% for Craig Hayman and from 200% to 325% for the CFO. The increased shareholding requirements applied to all newly issued LTIPs and deferred bonus shares granted in respect of FY21 and later years. If these increased shareholding guidelines are met the bonus deferral will be relaxed to half the usual amount i.e. 25% of any bonus to be deferred. The deferral will continue to be subject to the existing three-year bonus holding period.

A two-year post-employment shareholding guideline was also introduced in FY20 which applied to shares acquired through awards granted under the new Remuneration 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.

# Part B: The Implementation Report continued

## Shareholding guidelines and interests in shares (audited)

### Shareholding guidelines (audited)

Executive Director share ownership guidelines are set out in the Remuneration Policy on page 95. The interests of the Executive Directors in office at 31 March 2021 in the share capital of the Company as a percentage of base salary were as follow. Shares are valued for these purposes at the financial year-end price, which was 3,422p at 31 March 2021.

| | Number of shares held as at 31 March 2021[1] | Value as at 31 March 2021 | Value of shares as % of base salary | Share ownership guideline as a % of base salary | Guideline met |
|---|---|---|---|---|---|
| Craig Hayman | 335,991 | 11,497,612 | 1,601% | 415% | Yes |
| James Kidd | 115,594 | 3,955,627 | 771% | 325% | Yes |

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.

## 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 2021 were as follows:

| | Shares owned outright at 31 March 2021 | Shares owned outright at 31 March 2020 | LTIP unvested and subject to performance conditions | LTIP unvested and subject to holding period | Deferred bonuses unvested and subject to continued employment | Vested and not exercised | Total interests |
|---|---|---|---|---|---|---|---|
| Craig Hayman | 326,347 | – | 183,140 | – | 13,956 | 4,241 | 526,684 |
| James Kidd | 105,033 | 47,056 | 91,565 | – | 13,530 | 6,397 | 216,525 |

## Outstanding scheme interests (audited)

| | As at 1 April 2020 Number | Normal grants during the year | Dividend equivalent | Rights issue | Exercised during the year | Lapsed/ forfeited during the year | As at 31 March 2021 | Exercise price p | Gain on exercise of share options £ |
|---|---|---|---|---|---|---|---|---|---|
| Craig Hayman | | | | | | | | | |
| LTIP | 126,497 | 35,939 | 806 | 40,805 | (20,907) | – | 183,140 | 3.556 | 742,408[2] |
| Deferred shares | 9,414 | 5,110 | 37 | 3,636 | – | – | 18,197 | n/a | – |
| Buy-out awards[1] | 302,290 | – | 349 | 42,656 | (345,295) | – | – | n/a | 14,586,513[3] |
| Total | 438,201 | 41,049 | 1,192 | 87,097 | (366,202) | – | 201,337 | | 15,328,921 |
| James Kidd | | | | | | | | | |
| LTIP | 98,486 | 17,969 | 627 | 29,265 | (54,782) | – | 91,565 | 3.556 | 2,012,143[4] |
| Deferred shares | 12,660 | 3,650 | 45 | 3,982 | (410) | – | 19,927 | n/a | 20,976[5] |
| Total | 111,146 | 21,619 | 672 | 33,247 | (55,192) | – | 111,492 | | 2,033,119 |

1. During the year, 27,443 shares vested.
2. Market value at exercise date was 3,551p.
3. Market value at exercise date was 3,551p for 234,202 shares, and 4,750p for 132,000 shares.
4. Market value at exercise date was 3,673p.
5. Market value at exercise date was 5,116p.

## Summary of LTIP targets for all LTIPs in issue

### Existing AVEVA LTIPs

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

| Adjusted EPS growth targets p.a. | Proportion of vesting |
|---|---|
| Threshold | 25% |
| Midpoint | 80% |
| Maximum | 100% |

25% vests for diluted adjusted EPS growth of threshold, and 100% vests for diluted adjusted EPS growth of the maximum. Non-linear vesting applies between these points, as outlined in the table above.

| Date of award | Options granted to Executive Directors | Period of performance measurement | Threshold vesting | Maximum vesting | Achievement |
|---|---|---|---|---|---|
| 8 September 2017 (James Kidd) | 45,994 | FY18 – FY20 | 25% | 100% | 100% of award vested |
| 6 March 2018 (Craig Hayman) | 16,204 | | | | |
| 28 September 2018 | 95,454 | FY19 – FY21 | 25% | 100% | 87.9% of award vested |
| 31 July 2019 | 67,669 | FY20 – FY22 | 25% | 100% | Performance period not yet completed |
| 11 September 2020 | 53,908 | FY21 – FY23 | 25% | 100% | 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)

No payments were made to past Directors during FY21. David Ward continues to be employed with the Group and was rewarded in line with the terms and conditions of his employment.

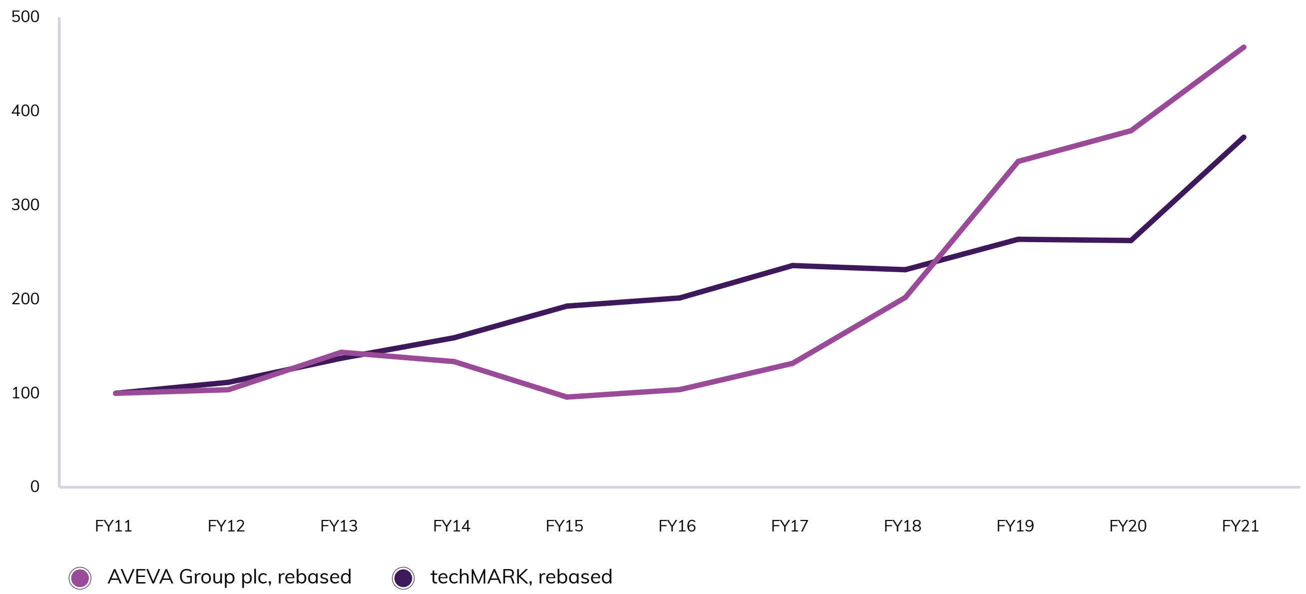
## Payments for loss of office (audited)

No payments were made for loss of office during FY21.

## Total shareholder return v. techMARK All-Share Index FY11–FY21

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)



# Part B: The Implementation Report continued

## CEO single figure ten-year history

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

| | FY12 | FY13 | FY14 | FY15 | FY16 | FY17 | FY18 | FY19 | FY20 | FY21 |
|---|---|---|---|---|---|---|---|---|---|---|
| Richard Longdon (to 31 December 2016) | 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 | 5,650 | 4,862 |
| **CEO single figure of total remuneration (£'000)** | **1,003** | **963** | **1,163** | **517** | **561** | **522** | **1,086** | **7,346** | **5,650** | **4,862** |
| Annual incentive pay-out (% of maximum) | 68% | 94% | 50% | 8% | 8% | 18% | 91% | 98% | 71% | 57% |
| LTIP pay-out (% of maximum) | 100% | 33% | 94% | 0% | 0% | 0% | 0% | n/a[1] | 100% | 88% |

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

## Change in remuneration of Directors and all employees (audited)

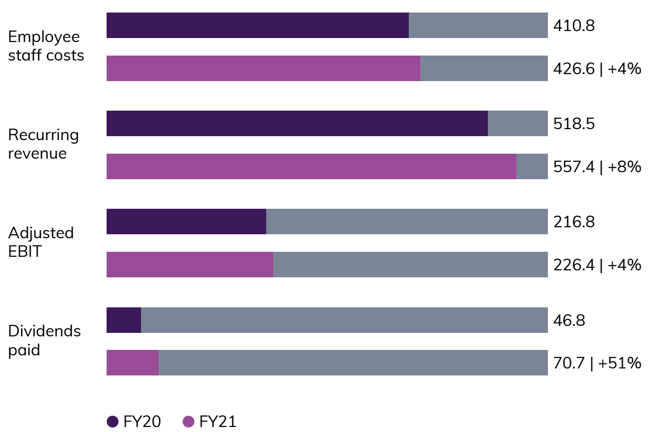
The table below illustrates the percentage change in salary, benefits and annual incentive of each Executive Director and Non-Executive Director against two selected sub-sets of employees (including only those employees who were employed at the start of the FY20 financial year through to the end of the FY21 financial year) calculated on an FTE basis. AVEVA Group plc only employs the Directors and a very small proportion of the workforce. Therefore, the comparator data for the average employee has been calculated by reference to UK and US employees. This is considered to provide a more representative comparison than the employees of the Parent Company only and reflects that the Group offices of heritage AVEVA and SES are headquartered in these countries respectively, and together employ just over one-quarter of its workforce. Typical salary inflation in some other AVEVA locations is materially higher than the UK and US, which would distort the comparison.

| | Executive Directors | | Non-Executive Directors | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| % change (FY20 to FY21) | CEO | CFO | Phillip Aiken | Jennifer Allerton | Christopher Humphrey | Ron Mobed | Paula Dowdy | Peter Herweck | Olivier Blum | Average UK & US employee |
| Base salary | 0% | 0% | 0% | 0% | 0% | 0% | 0% | 0% | 0% | 1.6% |
| Benefits | 0% | 0% | n/a | n/a | n/a | n/a | n/a | n/a | n/a | 0% |
| Annual bonus | 5.9% | (5.5)% | n/a | n/a | n/a | n/a | n/a | n/a | n/a | 7.3% |

## 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 recurring revenue, adjusted EBIT and distributions to shareholders. The Committee determined recurring 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 FY21. The CEO total remuneration is his FY21 total single figure as disclosed on page 110. 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 2021. The employees identified were subsequently reviewed and deemed to be a true reflection of the UK workforce.

| Year | Method | 25th percentile (P25) pay ratio | Median (P50) pay ratio | 75th percentile (P75) pay ratio |
|---|---|---|---|---|
| FY21 | Option A | 106:1 | 78:1 | 59:1 |
| FY20 | Option A | 126:1 | 88:1 | 65:1 |

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:

| | 25th percentile pay ratio | 50th percentile pay ratio | 75th percentile pay ratio |
|---|---|---|---|
| Total pay and benefits | £46,080 | £62,419 | £82,642 |
| Salary only | £43,000 | £57,559 | £73,017 |

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

The total remuneration in respect of FY21 for the employees identified at 25th, 50th and 75th is £46k, £63k, and £84k, respectively. The base salary in respect of FY21 for the employees identified at 25th, 50th and 75th is £43k, £58k, and £73k, respectively.

The total remuneration for the 25th, 50th and 75th ranked employees broadly unchanged, yet the CEO pay ratios fell year-on-year. This was because Craig's single figure of total remuneration fell by 14%, with FY20 representing the year when a large proportion of his buy-out awards vested. Offsetting this, FY21 was the first year where Craig had a full complement of performance-related LTIPs vesting. The quantum for these LTIPs was less than for the FY20 buy-out awards.

The Committee has reviewed the FY21 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 2020 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.

## 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 nor James held any outside appointments during the year.

# 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.

| | FY21 fees £ | FY20 fees £ |
|---|---|---|
| Philip Aiken (Chairman) | **277,000** | 277,000 |
| Jennifer Allerton | **73,750** | 73,750 |
| Christopher Humphrey | **85,550** | 85,550 |
| Ron Mobed | **61,500** | 61,500 |
| Paula Dowdy | **61,500** | 61,500 |
| Peter Herweck[1] | – | – |
| Olivier Blum[1] | – | – |

1. Peter Herweck and Olivier Blum have waived their fees for their current three-year term.

The Non-Executive Directors voluntarily decided to contribute 10% of their fee for a six month period to further AVEVA's Action For Good programme at the beginning of FY21 in response to the global Covid-19 pandemic. The values in the single figure table are shown before this contribution.

### Implementation of Remuneration Policy for NEDs in FY22

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 FY22, it has been decided that the fees for Chairman and Committee Chairman be increased to reflect the revised size and complexity of the Company and the additional workload resulting from the acquisition of OSIsoft. The table shows the annual fees payable for each of the NED roles held in the year.

| Role | FY22 fees £ | FY21 fees £ |
|---|---|---|
| Chairman | **320,000** | 277,000 |
| Basic Non-Executive Director fee | **65,000** | 61,500 |
| Vice Chairman | **40,000** | 40,000 |
| Committee Chair fee (Audit and Remuneration) | **16,000** | 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 2021 | Shares owned outright at 31 March 2020 |
|---|---|---|
| Philip Aiken (Chairman) | **4,154** | 2,337 |
| Jennifer Allerton | **17,777** | 6,000 |
| Christopher Humphrey | **7,110** | 4,000 |
| Ron Mobed | **5,333** | 3,000 |
| Paula Dowdy | – | – |
| Olivier Blum | – | – |

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

25 May 2021