

# AVEVA

AVEVA Group plc  
Annual Report and Accounts 2021

## Redefining Digital Transformation



# Enabling industries to drive sustainable growth

In FY21, AVEVA shifted to operate from home, extended our Cloud capabilities and accelerated subscription sales. Our transformative integration with OSIsoft deepened our industrial information management capabilities. In 12 months of unprecedented disruption, we delivered a solid performance.

Integrating our industrial software with OSIsoft's PI System enables us to connect our customers' information with artificial intelligence and human insight, empowering their teams to make precise decisions and drive sustainable growth. We call this Performance Intelligence and we believe it's set to redefine how industries can engineer, operate and innovate.

In this report, learn how we are helping industries use Cloud, big data, artificial intelligence and the IIoT to drive engineering efficiency, operational excellence, resiliency, and agility, shaping a sustainable future.

## FY21 financial highlights

### Revenue

**£820.4m**

Down 1.6% (FY20: £833.8m)

### Adjusted<sup>1</sup> EBIT

**£226.4m**

Up 4.4% (FY20: £216.8m)

### Net cash

**£286.9m**

Up 150.3% (FY20: £114.6m)

### Diluted EPS

**11.27p**

Down 67.4% (FY20<sup>3</sup>: 34.60p)

### Profit before tax

**£34.2m**

Down 62.8% (FY20: £92.0m)

### Recurring revenue<sup>2</sup>

**67.9%**

Up 570 bps (FY20: 62.2%)

### Adjusted<sup>1</sup> EBIT margin

**27.6%**

Up 160 bps (FY20: 26.0%)

### Adjusted<sup>1</sup> diluted EPS

**81.31p**

Down 6.3% (FY20<sup>3</sup>: 86.75p)

1. Adjusted figures are calculated before amortisation of intangible assets (excluding other software), share-based payments, gain/loss on fair value of forward foreign exchange contracts and exceptional items. Where relevant this also includes the tax effect of these adjustments.

2. Recurring revenue is defined as subscription plus maintenance revenue.

3. FY20 EPS has been restated to reflect a bonus factor of 0.8 arising on the November 2020 rights issue.

Front cover image: Worker interacts with a digital infrastructure display.

## Strategic report

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View our interactive Online Annual Report at:  
<https://investors.aveva.com/annualreport/annualreport.html>

# Redefining digital transformation through Performance Intelligence

At AVEVA, we relentlessly pursue innovation. Combining broader, deeper industrial data and AI-infused analytics with Cloud and Digital Twin, we empower teams with insight, freeing our customers to elevate what they can achieve. We call this Performance Intelligence.

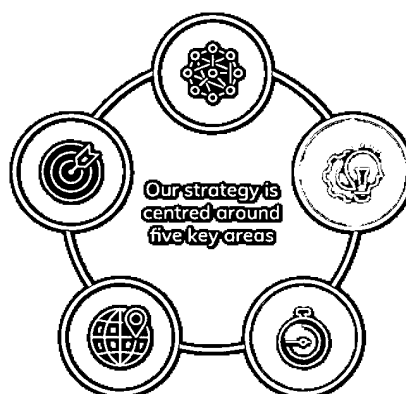
From water and energy to food and infrastructure, we enable industries to leverage the capabilities of our hardware-agnostic software to drive engineering efficiency and operational agility. Using digital insight, teams can transform opportunity into sustainable business value.

We'll take you there™



SCG Chemicals drives operational agility using AVEVA APM software and OSIsoft's PI System

Read more on pages 6 to 7



We evolved our strategy to focus on engineering efficiency and operational agility

Read more on pages 24 to 25



Our Action for Good programme puts our people at the heart of sustainable innovation

Read more on page 56

Redefining engineering  
efficiencies with AVEVA's  
Unified Engineering solution

# Optimising EDF's power generation value chain

## Enabling engineering efficiency with AVEVA Unified Engineering

EDF, the world's largest power company, is committed to tackling climate change. The company's vision is to produce low-carbon electricity and achieve carbon neutrality across its portfolio by 2050. Digital transformation is critical to delivering EDF's vision, and to preserving the company's competitiveness. In addition, the French nuclear industry identified software solutions as a key step towards realising a new, safe and competitive nuclear sector.

### SWITCH to the next level

In 2018, EDF launched the SWITCH transformation programme. SWITCH was designed to overhaul its nuclear engineering operations to embed efficient processes and innovative operating models. Engineering and building a plant to EDF's Extended Producer Responsibility blueprint is a long-term project. EDF wished to select a trusted partner who is fully aligned with its innovative priorities. Having signed a strategic agreement with AVEVA, SWITCH will be able to accelerate its digital transformation agenda,

elevating nuclear engineering to the cutting edge of innovation and performance using AVEVA's Unified Engineering solution.

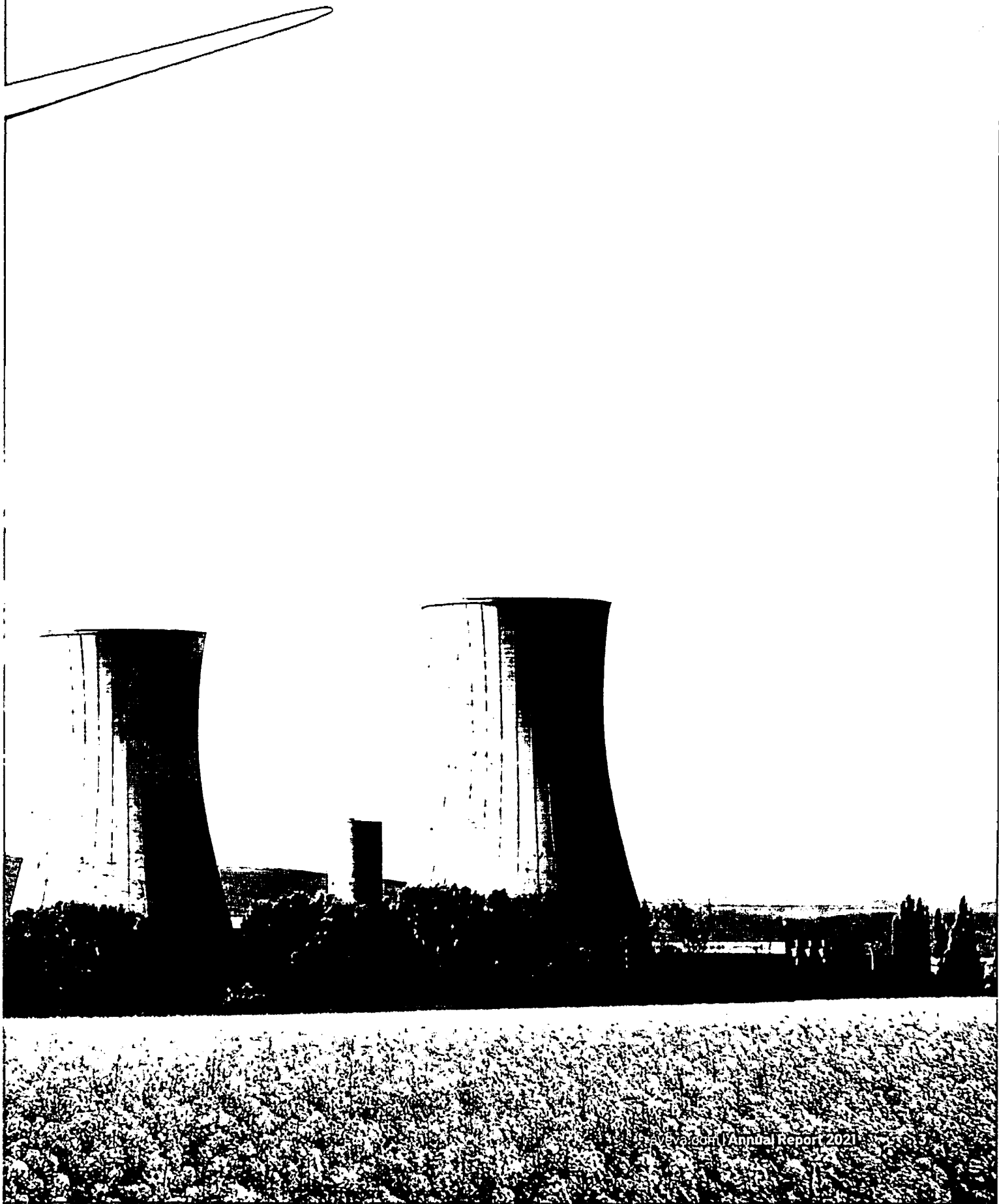
Leveraging AVEVA E3D Design, EDF will elevate its engineering design tools to a new level of conceptual methodology using AVEVA's unique industrial software capabilities to support the SWITCH vision. By empowering EDF's teams with a trusted, data-centric solution, AVEVA provides complete digital continuity and boosts engineering efficiency, all founded on the Digital Twin.

### Analytics-led operational efficiency

In parallel, EDF also uses AVEVA Predictive Analytics and AVEVA's operational data management, PI System, to operate its power plants. Together, these solutions provide EDF's team with real-time operations information, enabling them to make precise decisions to optimise assets across the company's portfolio.

Image: A nuclear facility in the French countryside.







Redefining operational agility through  
intelligent information management

# Enabling BASF to optimise chemicals manufacturing

Image: BASF employees at the Ludwigshafen plant, Germany.



## AVEVA Asset Information Management deployment supports BASF's global digital strategy

BASF operates one of the world's largest AVEVA Asset Information Management installations at the Verbundsite Ludwigshafen, with over 120 plants connected. The first investment, made over eight years ago, was designed to enable BASF's teams to unify disparate data stacks into a unified dashboard that spanned their engineering and operations information, providing a holistic perspective on business operations.

Called the myPlant Asset Information Portal (AIP), the system provides object- and asset-related information at the click of a button. BASF teams can access the technical sheet, inspection documents, drawings,

3D models, and more. The web-based browser of the AIP displays the data directly and logically, consolidating data and facilitating information transfer between teams. Now, BASF's teams can take an enhanced approach to asset documentation, using a process-oriented system with intuitive navigation which provides the team with consistent information and drives operational agility.

In the past year, the AIP has become ever more important to BASF's operations, providing accurate, real-time information on chemical manufacturing processes and enabling teams to share best practices intuitively.

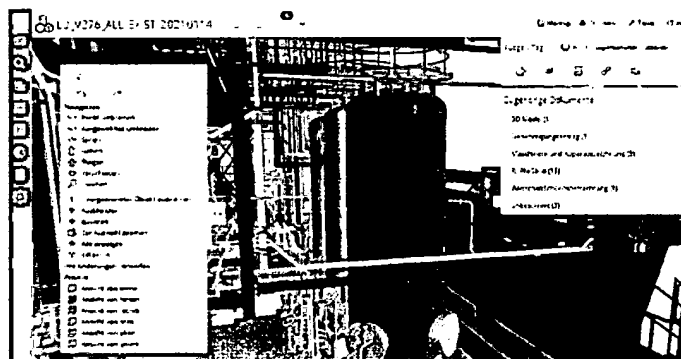


Image: Accessing BASF's MyPlant AIP using an internet browser.

**"AVEVA's flexible approach has been the foundation of our business collaboration for many years. With the introduction of the AIP for myPlant Lifecycle Management, we further boosted efficiency for operational and technical processes because we can find and display information and asset documents faster than conventional searches, and object- and topic-related, associative, networked, dynamic information provides a more intuitive and useful interface for collaboration and knowledge sharing. This year, during lockdown, we have used the system to identify further opportunities to optimise our operations and streamline our production."**

Frank Tillwick, BASF Senior Manager Process-Ownership

**"Having worked with BASF for many years, I have been delighted in the past year to see how our deployment of AVEVA Asset Information Management has enabled the team to optimise key business operations and improve operational agility, keeping core essential processes up and running during times of disruption."**

Utrecht Wolf, AVEVA project lead

Fleet-wide performance monitoring  
using AVEVA Predictive Analytics  
enables optimal performance

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# Elevating operations and collaboration at SCG Chemicals

Image: SCG Chemicals team working in Bangkok, Thailand



## Innovative model integrates data, analytics and artificial intelligence

When the leadership of SCG Chemicals (SCG), one of Thailand's largest integrated petrochemical complexes, wished to improve efficiency across its value chain, the team selected AVEVA™ Asset Performance Management (APM) software to help deliver the resilience, agility and maintenance savings they needed to accelerate the transformation of their operations.

SCG aimed to unify all operational data in a holistic Digital Reliability Center with AVEVA's APM software at its heart. This enabled them to build a virtual 3D plant to visualise all operating and engineering information, using rich analytics so that they could predict faults and prescribe pre-emptive actions.

AVEVA's expert team worked closely with SCG, building a highly innovative model that draws on Digital Twin and connected worker approaches to unify IIoT data, analytics and artificial intelligence together into a single, easy-to-access interface in the Cloud.

The results have been highly impressive. Plant reliability has risen from 98% to 100%, achieving ROI of 9x. Better efficiency and improved scheduling cut maintenance costs by 40%.

Such results mean that today the Digital Reliability Center is seen as a best-practice solution for the wider petrochemicals industry.



Image: SCG Chemicals' team use shared, accurate data to optimise the entire value chain.

**"The Digital Reliability Platform is an unprecedented step forward for ensuring reliability. AVEVA was the only company able to provide an end-to-end solution spanning engineering, operations and maintenance. We've successfully brought together big data, AI, machine learning and predictive analytics into a practical solution that will empower our workers and improve our performance. This is a great achievement for SCG Chemicals."**

Mr. Mongkol Hengrojanasophon, Vice President – Olefins Business and Operations, SCG Chemicals

**"We were delighted to have been part of this highly innovative project, which brings together multi-dimensional elements of our APM software into a holistic interface. AVEVA's solution has the potential for broad application throughout the chemicals industry, and the opportunity to explore further deployments is incredibly exciting."**

Sittichai Lumpikarnon, AVEVA project lead

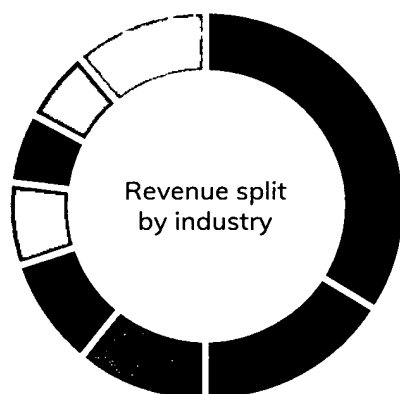
## AT A GLANCE

# Accelerating industries with intelligence

AVEVA industrial software connects the power of information, artificial intelligence and Cloud with human insight to drive Performance Intelligence. We enable the teams managing essential industries to unify, visualise and analyse their data, driving operational agility and realising sustainable growth.

Our customers span the process, batch and hybrid industries. They use our software to simplify design processes, optimise production, reduce wastage and maximise performance with software that predicts outcomes and provides guidance, enabling teams to accelerate innovation.

## Empowering diverse industries



- Energy
- Power
- Food & Beverage, Consumer Packaged Goods, Life Sciences
- Chemicals
- Metals, Mining and Minerals
- Infrastructure
- Marine
- Other

## Customers in 100 countries worldwide



**6,250**  
employees

**95**  
global offices

**30**  
countries in which we operate

With over 50 years of innovation, two million licences installed, and annual revenue of over £820 million, our proven and trusted solutions are founded on deep industry understanding. We are committed to driving digital transformation by empowering teams and enabling open, integrated data-centric operations. We are committed to developing and growing our capabilities. We invest over £110 million each year in Research & Development, ensuring that our customers can drive optimisations that save up to 20% in operating expenditure, increase efficiency and drive sustainability.

Learn more about our people on pages 54 to 57.

## Key statistics

Acquisition of OSIsoft  
makes AVEVA the

# largest

software company listed on the  
London Stock Exchange

# 23.5p

final dividend

# >£9bn

market capitalisation

Schneider Electric is a

# 58.6%

shareholder and strategic partner

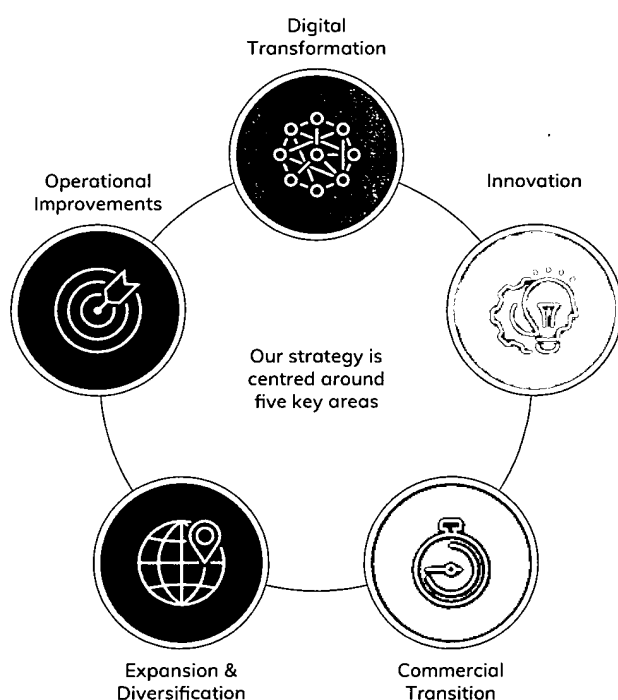
# £820m

revenue

# 4.4%

increase in adjusted EBIT

Combining information and AI  
with human insight



We empower customers by connecting their teams, providing digital agility and operational resilience to enable them to keep step with rapid market transformation.

Learn more about our Group strategy  
on pages 24 to 25.

Shaping a sustainable future



We manage sustainability through the lens of our technology handprint, operational footprint, and inclusive culture. We place it at the heart of our business strategy. Our actions and investments are guided by our values.

Learn more about our environmental sustainability commitments and our diversity and inclusion policies on pages 28 to 35.



Strength,  
progress and  
strategic growth



The last year was one of strong progress for AVEVA, despite the challenges posed by the Covid-19 pandemic. The Group adapted swiftly to the new operating environment, with the business demonstrating resilience.

### Overview

Although the first half of the financial year was significantly impacted by disruption, business improved in the second half as our customers and employees got used to new ways of working.

We continued to invest in AVEVA's future growth increasing our investment in core areas of Research & Development, such as Cloud and Artificial Intelligence, while completing the acquisition of OSIsoft, a global leader in real-time industrial data software and services.

We are proposing a final dividend of 23.5 pence per share, which represents a small increase after adjusting for the bonus factor in relation to the rights issue.

### Strategic developments

Three years after the combination of heritage AVEVA and the Schneider Electric industrial software business created a global leader in industrial software, AVEVA acquired OSIsoft, further enhancing the Group's ability to accelerate the digital transformation of the industrial world, as a leading independent, hardware-agnostic software company. I would like to extend a warm welcome from the Board to all our new colleagues who have joined the Group from OSIsoft.

Combining the complementary product offerings of AVEVA and OSIsoft, which brings together industrial software applications with the market-leading industrial data platform, will enable AVEVA to broaden and deepen its relationships with customers, while further diversifying the Group's end markets and developing its ability to assist customers on their energy transition journeys. This is expected to result in substantial revenue synergies, in addition to £20 million of cost synergies.

We continue to align all aspects of our business to ESG best practice, creating products that meet the current and future needs of our customers whilst ensuring that we are encouraging an organisational ethos that embraces diversity and inclusion, such that AVEVA remains a great place to work and an employer of choice in a highly competitive marketplace.

### Board developments

As I covered in my Statement last year, Emmanuel Babeau resigned as a Non-Executive Director, Vice Chairman of the Board and member of the Remuneration Committee effective 30 April 2020. Emmanuel was replaced by Olivier Blum as a Non-Executive Director and member of the Remuneration Committee. Peter Herweck assumed the role of Vice Chairman on the same date.

Peter Herweck stepped up to become AVEVA's CEO on 1 May 2021. He is very familiar with AVEVA's business having served on AVEVA's Board since 2018 and was instrumental in the creation of the AVEVA Group as it is now structured. Peter played a key role in both bringing together AVEVA and the Schneider Electric industrial software business and more recently AVEVA and OSIsoft.

Craig Hayman stepped down as CEO on 1 May and will retire from the Board following our AGM in July. During his three-year tenure, Craig has overseen the successful integration of the Schneider Electric industrial software business, the progress of the Group to a FTSE100 position, and the completion of the acquisition of OSIsoft. The Board would like to thank Craig for his service as CEO and wish him all the best for the future.

### Summary

The Board would also like to thank all our employees for their hard work and flexibility over the last year, particularly given the additional challenges arising from the Covid-19 crisis. We also thank our customers, shareholders and other stakeholders for their continued support, and we look forward to a successful future together.

Philip Aiken AM  
Chairman

25 May 2021

DocuSigned by:

Philip Aiken  
901F53793998423...

## Section 172 statement

Our Directors are aware of their duty under section 172 of the Companies Act 2006 to act in the way that they consider, in good faith, would be most likely to promote the Company's success for the benefit of all our stakeholders.

To operate effectively, it is important for us to understand the impact we have upon those stakeholders we interact with most. We have identified our key stakeholders on pages 22 to 23 of the Strategic Report and highlighted how we engage with them.

The Board may sometimes engage directly with certain stakeholders. However, most engagement takes place at an operational level. Where there is no direct engagement at Board level, senior managers regularly report to the Board on key areas, for it to use in its decision-making.

Find out about:

- our stakeholders: why they are important to us, their interests and how we engage with them: page 22
- how the Board engages with our employees: page 76
- the stakeholders affected by the Board's activities: page 74
- how the Board keeps informed about our stakeholders: page 68
- how we considered stakeholders in the principal decisions made during the year: page 70
- how we considered stakeholders during the OSIsoft acquisition process: page 73
- how we establish the independence of our Directors and manage potential conflicts of interest: page 77

# Elevating industries through Performance Intelligence

AVEVA made strong operational and strategic progress during the financial year, making good headway on our subscription transition journey and completing the acquisition of OSIsoft.



## Summary

During the first half of the year, revenue for the standalone AVEVA Group was impacted by the disruptions of the Covid-19 pandemic, although performance improved significantly during the second half, resulting in broadly flat year-on-year revenue on an organic constant currency basis.

The OSIsoft business experienced a similar pattern to the financial year, with a strong second half leading to 6.6% growth in organic constant currency revenue. This resulted in combined Group pro forma revenue growing by 2.2% on the same basis. Although this is well below longer-term trends, it was an acceptable outcome given the global challenges faced during the period. Cost control measures, together with saving on expenditure such as travel due to the Covid-19 restrictions, led to an improvement in overall Group adjusted EBIT of 8.1% to £354.7 million (FY20: £328.1 million) and adjusted EBIT margin to 29.7% (FY20: 27.0%) on a pro forma basis.

The standalone AVEVA business increased recurring revenue as a percentage of total revenue to 67.9% (FY20: 62.2%). This was ahead of the Group's medium-term target of 60%. AVEVA remains committed to its subscription transition journey. With the standalone AVEVA target exceeded and the addition of OSIsoft to the Group, AVEVA is formulating new Subscription transition targets and will disclose increased targets at the forthcoming Capital Markets Day on 1 July.

## Operating during the Covid-19 pandemic

AVEVA adapted quickly to a new way of working, with a focus on the safety and wellbeing of employees.

From a demand generation perspective, we made substantial investments in digital marketing, for example by hosting virtual AVEVA World Digital conferences. In the context of the experiences since the beginning of the Covid-19 pandemic, the Group has undertaken a 'Dynamic Work' project and will retain many of the efficiency and productivity gains achieved into the longer-term, for example with less travel and more flexible working practices.

## Redefining sustainable innovation

Sidebar with Lisa Johnston,  
Chief Marketing  
and Sustainability Officer



In 2020, climate change-related gas emissions dropped by 17% owing to the pandemic. Across the world, communities benefitted from cleaner air and quieter, less polluted environments. As economies reopen, we have an opportunity to realise a sustainable future through digital transformation.

The next ten years will be critical to our success in tackling climate change and achieving the UN Sustainable Development Goals (SDGs) – it's been named the Decade of Action. It has never been more important for industries to harness the full potential of technology to make a difference.

Digital solutions are already helping to cut carbon emissions by up to 15%, in energy, manufacturing, agriculture, buildings, services and transportation. This corresponds to more than the combined carbon footprints of the EU and the US put together. Analysis by the World Economic Forum and PwC has shown that current applications of advanced technologies could have a high impact on at least ten of the SDGs and enable 70% of the 169 targets underpinning them. This represents a huge opportunity for our industry.

At AVEVA, we have the expertise, the network and the software capabilities to help realise the sustainable industries of the future. We recognise that technology has a core part to play, including driving energy efficiency, circularity, traceability and resilience across global industries.

We take our responsibility seriously. We are increasing investment in R&D, extending our capabilities and building new solutions that enable our customers to drive sustainability throughout engineering and operations. We are proud to be supporting the front-line, advancing sustainable industries worldwide.

## CHIEF EXECUTIVE'S REVIEW CONTINUED

**Acquisition of OSIsoft**

On 25 August 2020, AVEVA announced that it had reached agreement to acquire OSIsoft at an enterprise value of \$5.0 billion. OSIsoft is a global leader in real-time industrial data software. Through OSIsoft's PI System, customers draw insights, make better decisions, optimise operations, and drive digital transformation.

The acquisition completed on 19 March 2021. This followed a successful rights issue and the securing of a \$900 million term loan in order to part finance the purchase, and the receipt of regulatory approvals.

AVEVA is now the clear global leader in operational industrial software, with Engineering software representing around one-third of Group revenue and Operational software representing two-thirds.

OSIsoft performed well during the year ended 31 March 2021, achieving 6.6% growth on a constant currency basis. As with standalone AVEVA, OSIsoft experienced more difficult trading conditions in the first half of the year, followed by a recovery in the second half. Revenue growth in the second half was 10.6%, up from 2.0% in the first half on an organic constant currency basis. On an end market basis, growth was driven by a strong performance in OSIsoft's largest market, Power. Chemicals and Pharma & Life Sciences also saw strong growth, while Energy saw a moderate decline.

**Our people**

Sidebar with Caoimhe Keogan,  
Chief People Officer



Our employees are the driving force behind Performance Intelligence. It's their relentless pursuit of innovation that puts industrial data and artificial intelligence at our customers' fingertips.

We are constantly striving to create an environment and culture where people feel empowered, supported and able to do their best work.

Learning is a mindset that we cultivate at AVEVA. We're proud to facilitate it through challenging work that supports personal growth as well as more formal development programmes.

Over the last 12 months of global remote working, we've increased our focus on employee wellbeing, and this will continue. We're using many ways to reach our employees on a personal level and ensure they can bring their whole, healthy and authentic selves to work. These include mental health campaigns, Employee Assistance Programmes, toolkits for managers, diversity and inclusion initiatives, worldwide exercise challenges and more.

We've also learned that where we work does not impact how we work. We are excited about introducing a new, more dynamic approach to our workplaces, where our people have more flexibility to work remotely, without losing the option of meaningful face-to-face interaction.

As we push forward into a new chapter for AVEVA, welcoming 1,500 new colleagues from OSIsoft, we will take the best of both companies, learning from each other's skills and experiences as we bring the right people into the teams where they can have the biggest positive impact.

This is an incredibly exciting time to be part of AVEVA, and that is down to the hard work, dedication and enthusiasm of our 6,250 brilliant employees.

AVEVA expects substantial revenue synergies from areas including cross selling, expanding OSIsoft's global reach and developing and launching new combined products. In addition to this, pre-tax cost synergies are expected of not less than £20.0 million per annum on a run rate basis by the end of FY23.

AVEVA has appointed a Senior Vice President to lead the integration function, reporting to the Deputy CEO and CFO. The integration of OSIsoft has begun, with a management structure for the combined Group having been implemented. The next stage of integration is to begin the implementation of value capture opportunities. These include both revenue and cost synergies.

Of these, the revenue synergy opportunity is the largest. OSIsoft's global market-leading data platform provides an unrivalled base from which to run and integrate industrial software applications and discussions with key customers have been very positive, showing demand for integrated products. An example of this is AVEVA's plan to integrate Predictive Analytics with OSIsoft's capabilities and bring a combined offer to Power customers. In terms of cost synergies, work to remove duplicate overhead costs, systems and processes has begun. For example, AVEVA has a programme to consolidate offices in 17 locations where there is overlap.

**Trading and market trends**

AVEVA and OSIsoft were run separately during the financial year, with the acquisition completing shortly before the year end. Notwithstanding this, both businesses experienced similar market trends during the year and so the commentary below relates to the wider Group. We have reported this on a pro forma basis, which is unaudited.

The industries that AVEVA serves are making ever-greater use of technology to reduce both capital and operating costs in the context of competitive pressures to increase efficiency, output, flexibility and improve overall sustainability. This is being enabled by ongoing technological mega trends that are driving the digitalisation of the industrial world, notably the industrial internet of things, Cloud, data visualisation and AI.

# AVEVA PERFORMANCE INTELLIGENCE

## Bringing together Engineering & Operational Data, Digital Twin, Artificial Intelligence and Cloud to realise Performance Intelligence

Digital, data-led strategies enable companies to benefit from broader, more precise and accurate insights that empower them to drive sustainable growth. This is why Performance Intelligence is key to unlocking success in today's operating environment.

GlaxoSmithKline, for example, uses OSIsoft's PI System together with AVEVA™ System Platform to optimise vaccine production.

**"Using AVEVA System Platform together with PI System operational data management empowers our team to execute our automation strategy to drive efficiencies in manufacturing. We benefit from the integration of our automation platform with our plant information, using AVEVA's digital and data analytics capabilities."**

**Antonio Buendía, Director of Global Automations, GlaxoSmithKline**

Performance Intelligence from AVEVA's industrial information management combined with insight from AI-infused analytics, Digital Twins and visualisation enables industries to simplify design processes, optimise operations, minimise energy use and maximise performance in real time. Leveraging the Cloud, AVEVA integrates solutions and connects teams with their data, freeing them to predict outcomes, collaborate faster and target sustainable growth.

We are committed to being open and hardware agnostic. We use the power of our ecosystem to drive engineering efficiency, operational agility and growth for our customers.

This is driving long-term growth in demand for industrial software. AVEVA is optimally placed to help its customers digitalise, due to its end-to-end product portfolio, which runs from simulation through design and construction and into operations and now also includes OSIsoft's rich industrial data layer.

AVEVA primarily serves process, batch and hybrid industries. These industries provide staple requirements for basic consumption, such as energy, food, and transport. As such, they have some level of resilience to Covid-19 disruption. Notwithstanding this, the Group experienced tough trading conditions in the first half of the financial year across most markets. This was primarily due to general disruption and uncertainty impacting the speed of customers' decision making.

AVEVA's largest end market is Energy at around 35% of pro forma revenue, which includes upstream, mid-stream and downstream Oil & Gas and the emerging renewable energy sector. Power is AVEVA's second largest market at around 15% of revenue, while Packaged Goods (such as Food & Beverage and Pharma) and Chemicals both account for around 10% of revenue. Other end markets include Metals & Mining, Marine and Infrastructure.

Energy was particularly challenged due to the extreme volatility in oil prices. Other large markets have been more resilient, including Power, Food & Beverage, Packaged Goods and Pharma. The shipbuilding market has continued to experience depressed trading conditions.

### Standalone AVEVA Cloud

Demand for Cloud products was good with overall SaaS and customer-hosted Cloud sales increasing strongly. In line with AVEVA's 'Cloud First' focus, several key products were launched on AVEVA Connect, the Group's Cloud platform. These included AVEVA Unified Engineering, providing key engineering products such as E3D, Engineering and Simulation in a single Cloud environment; AVEVA Unified Supply Chain; AVEVA Insight Guided and Advanced Analytics; and AVEVA Asset Information Management. The number of customers using AVEVA Connect increased substantially.

### Standalone AVEVA business unit performance

During the year, AVEVA was organised into four business units: Engineering, Monitoring & Control, Asset Performance Management and Planning & Operations.

Following the year end, this structure has been simplified, with AVEVA's business being organised into two areas, Engineering and Operations. Engineering contains products that are focused on the capital expenditure lifecycle of industrial assets and Operations contains products that are focused on the operating lifecycle of these assets. The new Operations business unit consists of the software that was previously in Monitoring & Control, Asset Performance Management, Planning & Operations and OSIsoft.

In terms of the performance of the former business units, **Engineering** consists of simulation, design and project execution software. It contributed 42% of revenue for the standalone AVEVA during the year. On an organic constant currency basis, revenue declined by 4.3%, while recurring revenue declined by 2.4%, which in the context of the difficult global capital expenditure environment was robust, helped by our ability to help customers mitigate risk in capital project execution and use engineering information management in operations.

## Creating scale, extending reach, sustainably: The OSIsoft acquisition

Sidebar with Dr J. Patrick Kennedy,  
Founder OSIsoft



In 1980, I started a consultancy to advise Oil & Gas companies on advanced control. We built some in-house software to capture data from newly-introduced digital control systems, and found that it was of interest to our customers as well. That software became the PI System, now used every day by industrial professionals in 146 countries. Over 20,000 sites depend on

the PI System to improve operational performance, protect health and safety, and maintain quality and reliability to drive financial and environmental sustainability. This is a big and humbling responsibility.

I believe we have only scratched the surface of what is possible from digitisation. Enabling better control of a particular asset, plant or enterprise-wide operations is a great start. Combining what we have learned with advances in software will be transformative, such as Cloud-based services to help our customers better collaborate with their customers, suppliers, regulators and other partners.

Industrial processes rely on three fundamental flows: materials, energy and information. Through the power of shared data, we have a huge opportunity to accelerate the third flow—information—to create stronger industrial value chains for our customers. We have witnessed this potential recently as the pharmaceutical industry developed, manufactured and delivered Covid-19 vaccines in months rather than years.

This vision is a big part of what drove us to join forces with AVEVA, and I am excited to be a part of it.

AVEVA's strength across both engineering and operational software, and the associated benefits to customers of using AVEVA as a supplier for both, led to an increase in orders from owner operators managing engineering information as the core of their digitalisation strategies to build the Digital Twin within their existing plant facilities. We saw significant wins from Shell and BHP Group.

From our EPC customers, we saw significant contract wins from Wood, Worley and Petrofac. Although the Covid-19 crisis had an impact on planned capital projects being postponed, we saw demand shift from 3D design software to project execution software, as AVEVA continues to drive digital transformation with these customers.

In terms of end markets, there was a reduction in orders from Oil & Gas and Marine, but assisted by the energy transition, we saw an increase in orders from the Power end market with significant contract wins, for example from EDF.

Monitoring & Control represented 32% of total revenue for the standalone AVEVA. On an organic constant currency basis, revenue grew by 6.4%, while recurring revenue increased by 28.5%. Customers continued to focus on operations efficiency, remote operations and collaboration. Enterprise visibility and performance management are being realised by AVEVA's Unified Operations Center solutions. Transition to AVEVA's Flex Subscription offer continued successfully. In terms of end markets, AVEVA saw strength in mid-stream Oil & Gas with a number of key wins including from SoCalGas, and in other sectors AVEVA achieved significant order wins from customers including BHP Group.

Asset Performance Management represented 14% of total revenue for the standalone AVEVA. On an organic constant currency basis, revenue declined by 2.1% while recurring revenue increased by 15.0%. This was due to lower sales of perpetual licences and services as part of AVEVA's Subscription transition, with strong growth in Subscription. AVEVA won its first mining customer in APM and continued a substantial global roll-out with an Energy major.

Planning & Operations represented 12% of total revenue for the standalone AVEVA. On an organic constant currency basis, revenue grew by 2.9% while recurring revenue increased by 20.3%. Growth was supported by sales of Supply Chain planning solutions to help customers in the Energy sector operate efficiently in the context of the disrupted market. AVEVA also saw growth in the Food & Beverage and Metals & Mining sectors for Manufacturing Execution software.

### Standalone AVEVA regional performance

EMEA revenue was £328.4 million, representing a small increase on the previous year (FY20: £327.1 million). On an organic constant currency basis, sales grew 5.4%. In the first half of the year we saw our customers respond to the challenges of remote working with the successful conclusion of new business based on AVEVA Connect Cloud supporting access to AVEVA's solutions. As the second half saw customers adopt to new ways of working, AVEVA saw material new contract extensions in the Food & Beverage, Marine, and Energy sectors, with notable new customer wins addressing renewable energy and carbon capture.

Sales growth was helped by the renewal of large Global Account contracts in the second half, reflecting AVEVA's long standing strategic engagements with the world's largest EPC contractors and new wins with global Super Majors. In addition, EMEA won a new commitment with our largest and longest standing customer in nuclear power generation, which lays the foundation of the next 20 years of strategic engagement.

Americas revenue was £255.8 million, representing a decline of 8.4% on the previous year (FY20: £279.2 million). On an organic constant currency basis, sales declined 3.7%, with significant reductions in perpetual licences and services partly offset by good growth in Subscription and Cloud sales. Trading conditions were challenging due to the depressed economy and difficult conditions in the Oil & Gas sector in particular.

Asia Pacific revenue was £218.8 million, representing a 3.8% decline on the previous year (FY20: £227.5 million). On an organic constant currency basis, sales declined 2.4% against a very tough comparative in the previous year, which included a large Global Accounts contract. AVEVA delivered strong double-digit growth during the second half of the year, following a difficult first half due to the Covid-19 pandemic.

The Group delivered successfully on an end market diversification strategy, with Chemicals and Metal & Mining delivering very strong performance while Oil & Gas has been under pressure and the Marine market was challenging. AVEVA grew its business in South Korea and Japan, while performance in China was broadly flat due to the strong pandemic influence at the beginning of the year and with strong recovery in the second half. Due to a reduction in capital expenditure, Engineering revenue declined as anticipated, however Operations solutions showed strong growth, particularly in the area of Asset Performance and Planning & Operations.

### Environmental, Social and Governance

Many of AVEVA's customers are focused on sustainability, as they transition to business models that are aligned with objectives such as carbon reduction and circularity.

The Group's software supports the development of industries such as clean power generation. In more mature industries it increases energy efficiency, helps reduce waste and boosts circularity throughout engineering and operations to maximise sustainable performance.

During the year, the remote deployment of AVEVA Unified Operations Centre enabled Saudi Aramco to monitor emissions and optimise energy usage; while Neste, the world's leading producer of renewable diesel and sustainable aviation fuel, used AVEVA's Unified Supply Chain to drive collaboration between its remote teams, boosting efficiency. Several of AVEVA's EPC customers used AVEVA™ Unified Engineering to help pioneer hydrogen production designs while other engineering companies use our software for onshore windfarms.

The acquisition of OSIsoft has significantly strengthened AVEVA's position in the power generation, transmission and distribution end markets, where software is essential to help power networks cope with intermittent supply from wind and solar.

AVEVA has accelerated investment in the area of sustainability and hosts a sustainability Customer Advisory Board, with members including global market leaders across the process, batch and hybrid industries.

In addition to the strong contribution that AVEVA is making to sustainability through its products, the Group also invested in other areas of ESG during the year. For example, AVEVA recruited a Head of Diversity & Inclusion (D&I) and has run global D&I training and is implementing a five-year D&I strategy.

### Outlook

The ongoing digitalisation of the industrial world continues to drive demand for AVEVA's software. Notwithstanding the continued uncertainties in relation to Covid-19, trading conditions have largely normalised in our major markets following the global disruption at the start of the crisis. Organic currency neutral growth rates for the AVEVA and OSIsoft business are expected to be similar to their long-term trends in the current financial year. As such, the outlook for AVEVA remains in line with the Board's expectations. AVEVA will update its long-term targets to include the acquisition of OSIsoft at its upcoming Capital Markets Day on 1 July.



**Peter Herweck**  
Chief Executive Officer

25 May 2021

DocuSigned by:

*Peter Herweck*

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## MARKET REVIEW

# Capturing the opportunity

We pay close attention to the trends shaping the sectors in which our customers operate. With the effects of the Covid-19 pandemic transforming our world, below are some of the most powerful market developments we have identified as affecting the industries we serve – and how our customers are responding.

## Market trends

### Everything as a Service (XaaS)

The trend towards XaaS continues to grow. The speed of change is shown by the fact that SaaS vendors already account for 75% of all software revenue<sup>1</sup>.

#### What this means for our customers

Adoption is accelerated by Covid-19 as customers grow their investments in SaaS solutions. This is bringing them greater flexibility and a potentially reduced time to benefit, better scalability and easier deployment. SaaS is therefore a very attractive offering for most customers.

(See the Stakeholders and Strategy sections for more.)

### Sustainability and energy transition

The shift towards green energy, with solar power as a key driver, emphasises the overwhelming importance of sustainability. With power generation becoming increasingly de-centralised, transmission networks and grids are becoming an area of focus. Sustainability criteria apply to all industries and their supply chains. Several industries such as Food & Beverage and Pharmaceuticals are additionally facing challenges resulting from changing, health-driven demand.

#### What this means for our customers

Countries and enterprises across all industries are setting up programmes to become carbon neutral and conserve resources. This is creating demand for solutions that enable the monitoring and control of energy use and carbon emissions. Production processes need to become more efficient, enabling companies to produce more with less energy and fewer resources while allowing maximum flexibility.

### Workforce and people

The 'connected worker' – a person whose working life is changing thanks to digitisation – will continue to be a strategic focus for the years ahead across various industries. Connected working frees companies to grow productivity by empowering their workers with better collaboration tools and unified information.

Today, 94% of executives cite the connected worker as an essential element in delivering their strategies<sup>2</sup>. Compromising safe operations, worker safety, and wellbeing in the workplace are not acceptable.

#### What this means for our customers

With people costs rising, companies must equip their employees with the best available technology to reduce the time spent collecting and verifying information. Losses resulting from disconnected systems damage productivity. Companies therefore need to invest in digitalisation and AI-powered automation. In addition, teams need access to information on premise and via the Cloud to enable remote and mobile working, often as part of a collaborative global team. This trend is driving towards increased adoption of autonomous operations strategies with fewer workers on site and reduced safety risks as a result.

### Continued pressure on operating margins

Operating margins continue to be a key focus for investors. Industries with a higher level of digitalisation tend to deliver higher margins<sup>3</sup>.

#### What this means for our customers

Driving digitalisation to increase margins is essential, and companies are seeking ways of improving their business and production processes. Unscheduled and scheduled downtime needs to be avoided to maximise production. Supply chain management and planning will be a key focus area in future.

1. McKinsey, 'The next software disruption: How vendors must adapt to a new era', P2, 2020

2. Accenture Research

3. SAP and Oxford Economics, '4 Ways Leaders Set Themselves Apart'



## Technology trends

### Industrial IoT and Edge

IoT markets continue to grow. It is estimated that they will generate an annual value of US \$11+ trillion by 2025. Industrial IoT (IIoT) will represent more than 40% of that value<sup>4</sup>.

#### What this means for our customers

Performance Intelligence – acquiring data and using AI to analyse and make predictions – is the leading use case for IIoT. It is anticipated that it will ultimately drive reduced operational costs. When that occurs, IIoT will become a cornerstone for Digital Twins. Companies need to select vendors that allow them to remove silos and apply the latest AI-based solutions.

### (Distributed) Cloud

The Distributed Cloud allows data to be created and processed at the point where it is needed. The types include public and private Cloud as well as IoT Edge Cloud.

#### What this means for our customers

A growing number of business-critical solutions are available in a Cloud environment. The combination of Cloud, Edge Cloud and Hybrid Cloud is enabling customers to be flexible in their journey from on-premises systems to the Cloud. When using Cloud solutions, customers will need to focus on cyber security and service availability.

### Visualisation including extended reality (XR)

Today 70% of Fortune 500 companies are actively using or prototyping solutions that include mixed and extended reality<sup>5</sup>. This trend will soon be picked up by small and medium-sized enterprises as the technology becomes widely available.

#### What this means for our customers

Data visualisation, information and 3D models are essential elements of the connected worker's environment. The technology is becoming available on mobile devices, and companies will increasingly need to make the content available to their employees.

### Artificial Intelligence, Machine Learning and Analytics

AI, ML and Analytics will play a larger role in the future. According to studies, by 2022 40% of all software projects will have AI co-developers<sup>7</sup>. The technology is becoming increasingly available and can be adapted for multiple specific tasks.

#### What this means for our customers

Companies will increasingly need to be able to make more use of the growing quantities of project-based operational data being collected by IoT sensors. AI, ML and Analytics, tailored for specific environments and tasks, are increasingly providing the basis for better and faster decision-making. Using AI can raise the level of automation and help reduce the quantities of distracting, irrelevant data on an employee's desk. In addition, AI and Analytics provide the basis for predictive and prescriptive maintenance, which leads to cost reductions.

### Data, information and Digital Twin

The Digital Twin is one of the top ten technology trends. Data acquisition and contextualising provide the basis for a Digital Twin. It is not limited to representing the physical object; it also includes its behaviour, condition, how it operates and its organisational structures.

#### What this means for our customers

Companies will continue to invest in Digital Twins, as they support safer and more efficient operations. As one of the building blocks for serving connected workers, the Digital Twin is on a trajectory to become mainstream. Digital Twins exist at multiple levels, including equipment, asset and enterprise. To generate maximum value, they need to be connected and integrated.

4. McKinsey

5. Statista, 'Industrial IoT: Leading Use Cases Worldwide 2019'

6. McKinsey

7. Mark Driver, Gartner, 2019

## OUR BUSINESS MODEL

# Enabling sustainable growth

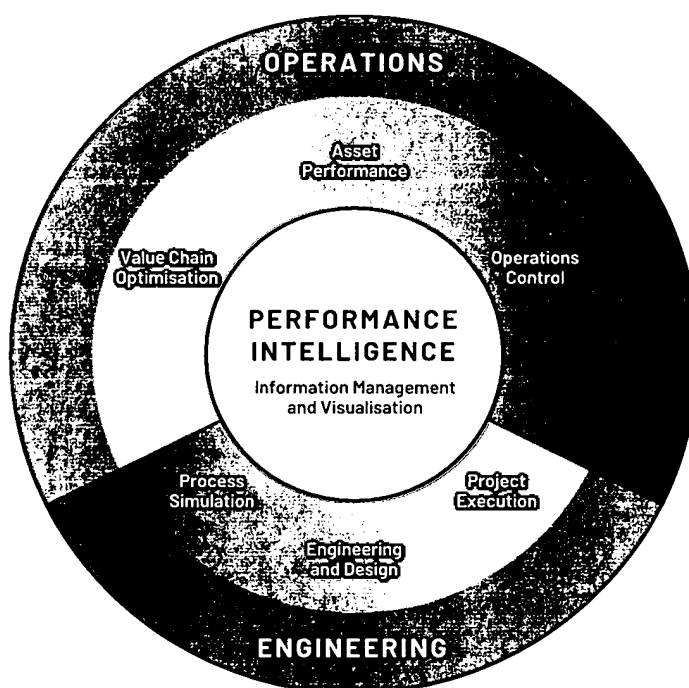
We sell industrial software and supporting services to customers and partners across various markets and geographies. We provide software both as a horizontal industrial information platform and as domain-specific applications. We primarily license and sell it by subscription, with the balance as perpetual licensing.

## Empowering diverse industries

### 1. Our capabilities

Our solutions and expertise accelerate transformation while optimising engineering, operations and performance for our customers.

Our **Operations** software orchestrates control, maintenance and production planning to safely and efficiently produce finished goods or provide infrastructure for services such as power or water. Customers use our **Engineering** software to define and design elements of process simulation, plant design and construction management, ensuring cost-effective and efficient construction management for their critical assets.



### 2. Our partnerships

We work with our customers and harness the power of our ecosystem to deliver operational agility and human expertise.

Because we continuously strive to deliver the very best solutions for our customers, it is essential for us to build and maintain close relationships with a number of strategic partners. They bring additional value to our customers in areas where highly specialist domain knowledge and capabilities are key success factors.

### 3. Software as a Service

Our customers have access to more than 20 solutions through our AVEVA Connect Cloud platform and the AVEVA Flex subscription programme.

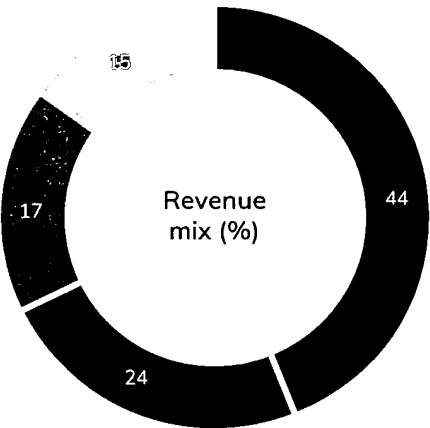
The data of our customers is sensitive. We have therefore put measures and services in place to protect and manage this data, ensuring it is always trusted, reliable and accessible. Our ambitious development programmes will allow us to offer more capabilities and solutions as a service over the coming years.

Over 100 markets worldwide

We create economic value primarily through customer subscriptions to our software solutions. Most are delivered through our direct sales channel, with around one-third generated through our global network of partners and distributors.

We also provide support for industrial companies that are building their digitalisation strategies. Our experts deliver application support and professional services around software implementations, empowering our customers to achieve maximum value from our technology. We also provide customer training courses on request.

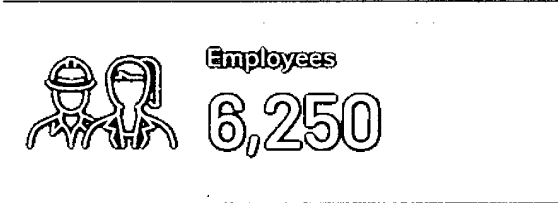
During the year, we added 11 patents to our portfolio to protect our intellectual property. These patents, now totalling 148, help us secure our future revenue streams.



- Subscription
- Perpetual licences
- Maintenance
- Services

Shaping a sustainable future

We listen to and work with our stakeholders to evolve our business, supporting the continuing digital evolution of the industries we serve.



Learn more about how we engage with stakeholders on pages 22 to 23.

## OUR STAKEHOLDERS

# Engaging with stakeholders in a year like no other

Key considerations	Why we engage
<b>Investors</b>	
<p>We have designed our investor-engagement activities to adhere to all relevant regulatory requirements; while achieving an appropriate balance between the benefits of extensive engagement with the resources available, such as Directors' time.</p>	<p>We engage with investors to gain and maintain support for our strategy, which in FY21 included a capital raise to fund the acquisition of OSIsoft, to help facilitate an orderly market in the Group's shares and to listen to feedback. Over the last year feedback on Environmental, Social and Governance (ESG) issues and in particular sustainability has been valuable.</p>
<b>Employees</b>	
<p>Covid-19 transformed operating practices for companies including AVEVA, and we were delighted with how rapidly our employees were able to pivot to work from home.</p> <p>We need to be very understanding and supportive of flexible working arrangements in terms of hours and locations, ensuring people can work in an open, welcoming environment where they can be themselves. There is also a need to maintain fair pay and working conditions, as well as to deliver opportunities for professional advancement and development.</p> <p>Following lockdown we recognise that we may wish to retain some of the flexibility benefits of working from home.</p>	<p>Our employees are core to the success of AVEVA. Our ambition is to have an inclusive culture and we have a strong cadence of communications activity that allows employees to contribute and have their voices heard.</p> <p>Regular engagement improves collaboration and visibility of our successes, achievements and progress. Communication this year has transformed into more targeted and regular updates with an emphasis on the employee experience and Executive visibility.</p> <p>We have supported the creation and growth of employee networks and have started to hold bold conversations around diversity and inclusion and mental health. We want every employee to feel they have a voice and to be able to bring their true authentic selves to the workplace.</p>
<b>Communities</b>	
<p>As a FTSE100 company with a global reach and influence, we have responsibilities for the economic, social and environmental wellbeing of the communities where we, our customers and our partners operate. During the Covid-19 pandemic, these responsibilities have been more significant than ever. Please see page 56 for a fuller analysis and description of our community support activities during the year.</p>	<p>We engage with communities at a local, regional and global level because making a positive difference fits with our corporate culture. Our employees feel passionately about their obligation to support people and communities in need. Our community focus is therefore an important source of motivation and team spirit. Quite simply, it is the right thing to do, delivering a valuable sense of achievement that inspires people to do even more.</p>
<b>Customers</b>	
<p>Customer demands evolved rapidly during the pandemic, as they responded to diverse challenges by region and industrial sector. With widespread disruption, many companies increased their investment in Cloud, artificial intelligence and digital operating models to enable operational agility, helping to secure supply chains and ensure resiliency.</p> <p>As economies begin to adjust to the new market environment, our core industries are focusing more than ever on sustainability and environmental, social and governance requirements, and the role that digital solutions can play in helping to shape a sustainable future.</p>	<p>We believe that by building strong relationships with customers in times of crisis, we lay the foundation for future growth together.</p> <p>Supporting our customers' vision for digital transformation is also key to enabling Industry 4.0 and supporting sustainability throughout the sectors we serve.</p> <p>The transformational acquisition of OSIsoft also redefines our offer to customers. Combining the PI System's intelligent operational data management with the AI-infused capabilities of our industrial software, and bringing both to the Cloud, transforms what industries can achieve.</p>

## How we engage

We have an ongoing dialogue with existing and potential new investors and equity analysts. Over the last year, we had over 500 virtual meetings and calls with investors based across the globe. Our aim is to discuss AVEVA's strategy with investors with a high degree of availability and openness. The Head of Investor Relations is always available to speak at short notice, and the CEO and CFO place high importance on investor

communications, as do other members of the AVEVA management team such as the Head of Strategy. Non-Executive Directors, including the Chairman, are also available to engage with investors when requested and when there are issues to discuss proactively, such as governance and remuneration.

We launched a number of campaigns and mechanisms to support the mental health and wellbeing of our colleagues in lockdown. Flexible working arrangements were encouraged, and we also offered all employees a home office allowance to help with the physical transition.

We elevated our social intranet and launched weekly #WEAREAVEVA campaigns designed to provide employees with a chance to connect with one another over a particular theme. Some of the most popular campaigns have included pets, working from home selfies and a welcome board set up to greet our new OSIssoft colleagues in March.

We also increased the frequency of management and all-employee All Hands Calls with the ELT. These calls all include dedicated time for live Q&A, with all questions and answers published on the intranet. Our CEO also delivered a regular podcast to increase visibility and highlight important

information. In addition, we continued to deliver a range of established activities during the year, including but not limited to:

- regular global email notification of successes, programmes and training updates;
- twice-yearly engagement surveys; and
- future of work surveys.

During the year, we launched the first phase of our global employee share purchase plan. This went live in most countries, giving our employees the opportunity to become shareholders.

We also hosted our first Sustainability Jam which invited all employees to participate in the discussion on how we can make AVEVA a more sustainable organisation and come forward with actionable ideas we can implement.

We are committed to helping our employees support their communities. Despite the impact of the pandemic, the paid time off and other financial support we provided during the year enabled the donation of 3,750 hours to community activities.

Many events were organised by our employees in their own communities. On a more collective front, we also set up committees to support regional efforts. In addition, we support several STEM-related education programmes around the world, including engagement with universities to promote STEM subjects by supporting competitions and providing awards. In another major initiative, we launched AVEVA Forest in December 2020.

When face-to-face engagement was challenging, we launched a range of new digital events, AVEVA World Digital, which were attended by more than 5,000 customers and prospects.

We also offered existing solutions to customers in the Cloud free of charge for three months, supporting their digital resiliency in the early months of the pandemic.

In addition, we launched a new website, Digital 2.0, with improved digital metrics and tracking.

Our new brand campaign also helped to differentiate us from our competition, achieving significant increases in our key brand attributes: empowering, sustainable, adaptable.

## OUR STRATEGY

# A strategy for growth and continuous improvement

## Strategic pillars

We build our strategy on five strategic pillars, enabling us at all times to focus on priorities and react fast and decisively to changes in our operating environment.



**Digital Transformation**  
Driving the digital transformation of the industrial world

A confluence of global market dynamics, digital technologies and changing business models is disrupting industrial markets, and Covid-19 has further exacerbated the situation. The adoption and maturity of digital technology by industrial businesses lag behind those of sectors such as banking and retail.

However, industrial customers are increasingly using digital technology and industrial data to optimise the integrated value chain, exploring new business models and avenues for growth and profitability. This has accelerated growth in demand for industrial software, creating unique opportunities for us. We are constantly increasing the number of solutions available in the Cloud to make digital transformation easier for industrial customers while at the same time we broaden our portfolio to cover more business processes for our customers.



**Innovation**  
Providing a leading software portfolio that delivers operations, engineering and Performance Intelligence

Our relationships with customers and universities have created a culture of open innovation, resulting in many solutions unrivalled in our industry. Our customers acknowledge this, choosing to partner with us into the future. Above all, they choose us for our unique ability to digitise and integrate operations and engineering, helping them achieve new levels of Performance Intelligence that reduces costs and drives efficiency gains.

Our Operations software orchestrates control, maintenance and production planning to safely and efficiently produce finished goods or provide infrastructure for services such as power or water. Our Engineering software is used to define and design elements of process simulation, plant design and construction management, ensuring cost-effective and efficient construction management for critical assets.

Digitising these combined disciplines creates a tremendous amount of process, production and design data that enables additional levels of value creation. Collecting and organising this data into an industrial Digital Twin, where it is refined and infused with AI and analytics, generates new levels of Performance Intelligence. All this is then delivered through our integrated hybrid-Cloud portfolio.

Performance metrics and how we will achieve them

Number of products available in the Cloud

**20**

FY20: 10

- We will continue to invest heavily in our Cloud transition

Number of new patents awarded in the year

**11**

FY20: 16

- Extending our portfolio with new AI-infused solutions
- Focus on integration scenarios
- Continue to patent new products and ideas



### Commercial Transition

Accelerating the shift to subscription and Cloud, driving increased Annualised Recurring Revenue

Our commercial business model continues to transition to subscription and a Cloud-based Software as a Service (SaaS) model, as measured by Annualised Recurring Revenue (ARR). The subscription model brings commercial and technical flexibility for customers, giving them easy access to our entire portfolio via a single subscription mechanism that scales with use.

As a result, our customers and partners can realise additional value by gaining easy access to more of our portfolio. We can then further monetise more of our portfolio investments, accelerating growth and profitability over the long term.



### Expansion & Diversification

Driving growth through a focus on end-market, geography and portfolio area

We continue to improve diversification and business expansion through a focus on three key areas: end-market, geography and portfolio area.

End-market diversification enables expansion in hybrid end-markets (such as Life Sciences, Food and Beverage, and Consumer Packaged Goods) and infrastructure end-markets including data centres, cities, power and renewable energy. This will provide new avenues for growth and enable additional resilience in cyclical and market downturns.

We will continue to increase our geographic coverage in EMEA, APAC and the Americas through additional direct sales, supporting investments and forming additional partnerships.

We are diversifying our portfolio by expanding select areas of engineering and design, planning and operations, Monitoring & Control and Maintenance. Each portfolio area services a diverse mix of end-user customers, owner operators, OEMs, and engineering, procurement and construction (EPC) firms across engineering and operations-focused businesses.



### Operational Improvements

Systems, processes, and commercial rigour

We continue to make operational improvements across several functional areas of the business including:

- service and support transformation (to drive increased margin and customer satisfaction);
- improving our gender and ethnic diversity within our teams, in recognition that breadth of experience brings rigour and challenge to existing processes and operations;
- leveraging and applying our experience and technical skills in the area of Cloud development to accelerate OSIsoft's Cloud programme (reducing operating costs);
- portfolio rationalisation and divestments (to shape investment decisions and reduce costs); and
- general process, automation and system-level improvements (to realise general efficiency gains).

Strong growth in Annualised Recurring Revenue<sup>1</sup>

# £704.8m

FY20: £648.9m

- Growing the number of SaaS-based solutions

1. On a pro forma constant currency basis.

Recurring revenue as a proportion of total revenue

# 67.9%

FY20: 62.2%

- Driving our Sales teams to deliver more rental and subscription sales contracts

Revenue from cyclical markets post-acquisition

# 50%

Pre-acquisition: 60%

- The integration of OSIsoft will lead to new solutions, allowing us to address a larger market
- Growing faster in non-cyclical markets with focus on sustainability
- Acquisition of OSIsoft will lead to increased presence in industries to which we had limited access in the past

Females in the workforce

# 26.5%

FY20: 25.8%

- Several programmes for D&I have been started (for details see pages 34 to 35)
- We will be launching our first ethnicity pay gap report in FY22

Adjusted EBIT margin

# 27.6%

FY20: 26.0%

- Limit cost control to inflation and targeted, strategic investments
- Focus on high margin revenue growth

## KEY PERFORMANCE INDICATORS

## How we measure our progress

Our KPIs measure performance against our strategy and highlight progress towards longer-term goals.

## Financial measures

Our financial KPIs are centred around growing our revenues and improving our revenue mix, improving earnings growth for our shareholders, and generating sustainable cash flows. For further commentary see the Finance Review on pages 48 to 53.

Total revenue growth<sup>1</sup>

**(1.6)%**  
(FY20: 8.8%)

## Adjusted EBIT margin

**27.6%**  
(FY20: 26.0%)

## Performance

FY21		(1.6)%
FY20		8.8%
FY19		57.6%
FY18		n/a

FY21		27.6%
FY20		26.0%
FY19		22.9%
FY18		22.2%

## Why it is important to us

Revenue is a measure of our business growth.

Adjusted EBIT margin is a measure of our profitability and the efficiency of our operations.

## What has happened during the year

Revenue declined as a result of disruption caused by the Covid-19 pandemic. Strengthening GBP negatively impacted revenue, offset by £17.4 million contributed by OSIsoft since acquisition. Revenue growth on an organic constant currency basis was 0.1%.

Pro forma<sup>4</sup> organic constant currency revenue growth was 2.2%, driven by improved OSIsoft performance year-on-year.

Adjusted EBIT margin increased as a result of tighter cost control and reduced travel due to Covid-19.

Pro forma<sup>4</sup> adjusted EBIT margin was 29.7% (FY20: 27.0%), driven by a combination of cost savings arising due to Covid-19 and OSIsoft revenue growth.

## How it aligns to strategic pillars



## Link to remuneration

Recurring revenue is included as a metric within the Group bonus scheme.

Total revenue growth is also a performance element within the Group's LTIP schemes.

Adjusted EBIT margin is not a direct target within any remuneration package. However, adjusted EBIT is a performance element within the Group bonus scheme.

## Non-financial measures

Our non-financial KPIs track our transition to a Cloud business, our commitment to D&I, and us giving back to wider communities.

## AVEVA Action for Good days

**469**  
(FY20: 1,536)

Women as a percentage of all new hires<sup>3</sup>

**34.3%**  
(FY20: 30.8%)

## Performance

FY21		469
FY20		1,536
FY19		44
FY18		0

FY21		34.3%
FY20		30.8%
FY19		33.0%
FY18		n/a

## Why it is important to us

We are committed to donating 1% of net profits each year to charitable causes through AVEVA Action for Good, either through paid time off for our employees to spend on charitable activities, or direct donation.

We are committed to encouraging and supporting women in all areas of our business. We aim to increase the proportion of women in our workforce every year.

## What has happened during the year

As a result of Covid-19 and lockdowns being in place globally, the opportunities for our employees to take paid days off for charitable activities have been reduced. This will be offset by an increase in charitable donations.

26.5% of our employees are women as at 31 March 2021. This is up from 25.8% in FY20.

## How it aligns to strategic pillars



## Link to remuneration

An increase in the number of AVEVA Action for Good days was a personal objective for the CEO in FY21.

D&I was a personal objective for the CEO in FY21.



Growth in adjusted diluted EPS<sup>2</sup>

**(6.3)%**

(FY20: 24.9%)

FY21		(6.3)%
FY20		24.9%
FY19		21.3%
FY18		5.9%

Adjusted diluted EPS is a measure of shareholder earnings growth, and is important as the Group aims to maintain a progressive dividend policy.

Adjusted diluted EPS declined principally as a result of an increase in issued ordinary shares following the November 2020 rights issue, offsetting an increase in adjusted EBIT year-on-year.

Pro forma<sup>4</sup> adjusted diluted EPS was 105.3p (FY20: 94.1p), an increase of 11.9%. This was caused by a year-on-year increase in adjusted profit.



Adjusted diluted EPS is a performance element within the Group's LTIP schemes.

Recurring revenue as a proportion of total revenue

**67.9%**

(FY20: 62.2%)

FY21		67.9%
FY20		62.2%
FY19		53.8%
FY18		42.4%

Recurring revenue is revenue earned from customers for the provision of goods over a contractual term, where future contract renewal is required for ongoing use of the product.

Recurring revenue increased due to strong growth in subscriptions revenue.

Pro forma<sup>4</sup> recurring revenue was 66.9% of total pro forma revenue (FY20: 61.2%), increasing because of good subscription performance in AVEVA, and subscription and maintenance performance in OSIsoft.



Recurring revenue is included as a metric within the Group bonus scheme.

Cash conversion

**40.3%**

(FY20: 74.4%)

FY21		40.3%
FY20		74.4%
FY19		96.1%
FY18		84.4%

Cash conversion tracks whether profitability is effectively being converted into cash for use in future operations or as a return to shareholders.

Cash conversion declined significantly, due to operating cash outflows on exceptional items of £63.2 million (FY20: £23.3 million) and the timing of revenue recognition on multi-year subscription contracts.

Underlying cash conversion, which excludes the impact of exceptional cash flows, was 68.2% (FY20: 85.2%).



Cash conversion is a personal objective for the CFO, and H1 cash conversion formed part of the Group bonus scheme.

New Cloud customers

**220**

(FY20: 98)

FY21		220
FY20		98
FY19		37
FY18		20

We are transitioning to a Cloud-based, business model. New Cloud customers is a measure of how rapidly this transition is occurring.

Demand was good, with an increasing number of customers signed up to SaaS and customer hosted Cloud products.



New customer wins in Cloud and growth in Cloud orders was a personal objective for the CEO in FY21.

Link to strategic pillars



Digital Transformation



Innovation



Commercial Transition



Expansion & Diversification

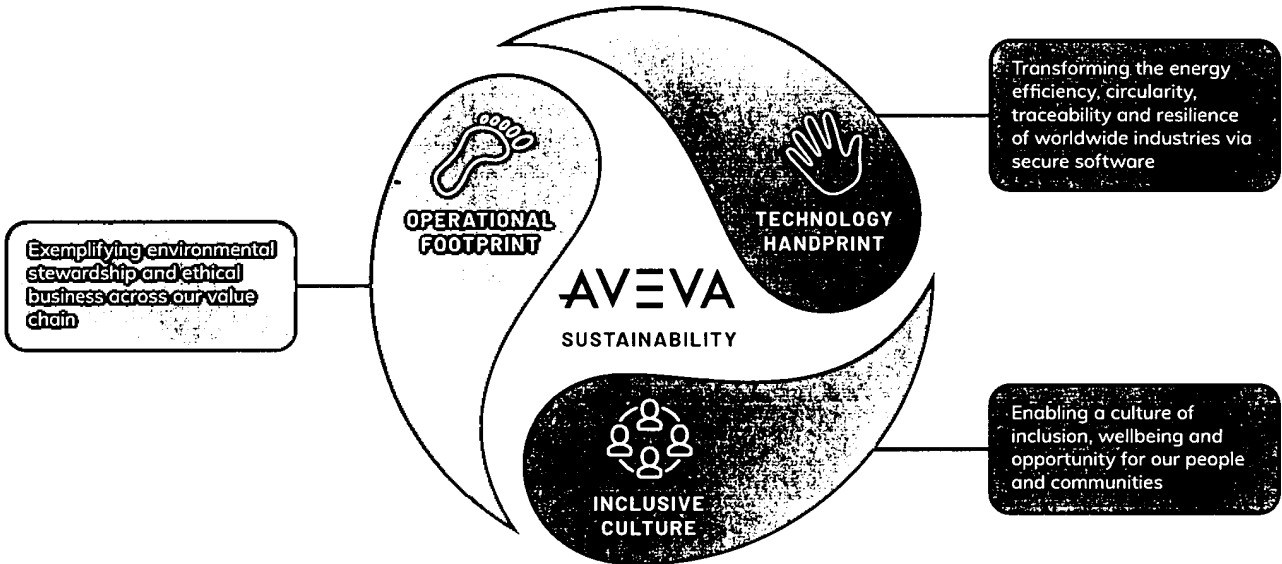


Operational Improvements

1. During FY18, heritage AVEVA merged with SES. Therefore, FY18 did not represent a full year of revenue from the enlarged Group and this data is not presented.
2. As a result of the November 2020 rights issue, all comparative EPS figures have been restated to reflect a bonus factor of 0.80.
3. 2018 data is unavailable. Excludes OSIsoft employees joining AVEVA as part of the OSIsoft acquisition.
4. Pro forma results represent the combined results for AVEVA and OSIsoft as if the acquisition and associated financing has occurred on 1 April 2019.

## SUSTAINABILITY

# The AVEVA approach



Following the disruption in 2020 to markets, society and economies, there is now a growing momentum and renewed will to build back better and drive innovation for a more sustainable future. Global industries have already been forced to pivot to new ways of working to ensure continual and safe operations during the pandemic. They have had to adjust and localise supply chains, re-evaluate assets, upskill employees and accelerate the digitisation of key business processes simply to continue operating during periods of lockdown.

At AVEVA, we are well positioned to support sustainable digital transformation. We are proud to be working closely with some of the world's most sustainable companies to optimise business agility and accelerate sustainability ambitions while creating lasting value for all stakeholders. We recognise the importance of the environmental, social and governance aspects of business performance, including their impact on creating long-term sustainable value. We are pleased to have joined the UN Global Compact as a Participant member in FY21, and look forward to collaborating with other members who share our values.

## Our Environmental, Social and Governance (ESG) framework

To inform our areas of focus and advance our work on setting enterprise-wide sustainability goals, we conducted a detailed assessment to determine the ESG issues that are most material to our business. These issues align to the three pillars of our sustainability framework, which we call our technology handprint, our operational footprint and our inclusive culture.



Our **technology handprint** is the positive environmental, operational and social impact that our products can offer our customers. As a technology leader, this handprint is where we believe we have the biggest opportunity to make a positive global impact, including by helping our customers reduce their greenhouse gas emissions. We are committed to demonstrating we are a trusted and secure software partner who can enable new levels of energy efficiency, circularity, traceability and resilience for industries worldwide (see pages 30 to 31).



We define our **operational footprint** as our efforts to demonstrate ethical business practices and manage the environmental impacts of our operations in line with the highest standards. We aspire to lead by example on how we measure and reduce our own GHG emissions and are committed to minimising our use of all natural resources. We are also focused on strengthening our resilience and mitigating risks as part of our work to indicate climate leadership (see page 32 to 33).



As a company, we are passionate about embracing and supporting a **diverse, equitable and inclusive culture** for our people and communities around the world. In addition to our employee-led support networks, we have a comprehensive diversity and inclusion action plan in place (see pages 34 to 35). We are committed to ensuring all our colleagues feel a sense of belonging and wellbeing (see page 56). Through our various giveback initiatives and the Action for Good programme, we strive to share those core values with our communities (see page 56).

We look forward to sharing more details on our materiality assessment, strategic framework, goal-setting process and contributions to the United Nations Sustainable Development Goals (SDGs) in our upcoming Sustainability Report, to be published later in 2021.

## SUSTAINABILITY CONTINUED

## Our technology handprint

We aspire to being part of a world where economic growth supports environmental sustainability, with better living standards for all. Our software has been driving sustainable outcomes for our customers for decades. However, in recent years we have seen an increasing desire among our customers to apply our technology to transform the environmental and social impacts of their business.

### Understanding our customers' sustainability drivers

Our stakeholders and customers cite three main recurring themes which are driving their sustainability agendas:

Tackling climate change and advancing the transition to low-carbon energy sources

Boosting circularity and moving away from 'take-make-waste' business models

Enhancing resilience and traceability in their operations and supply chains

Our software enables these transitions, and we are working with forward-thinking businesses to deliver against measurable sustainability goals and meet planetary needs.

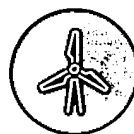


### Supporting our customers' energy-transition journeys



#### Optimising biofuels production

Neste, the world's leading producer of renewable diesel and sustainable aviation fuel, uses AVEVA Unified Supply Chain in the Cloud to drive efficiency and share best practices across its global team.



#### Supporting renewable energy generation

Our design software is used in the construction of top-sides for offshore windfarms, including Ørsted's North America South Fork Wind project and Schlattner's North Sea projects.



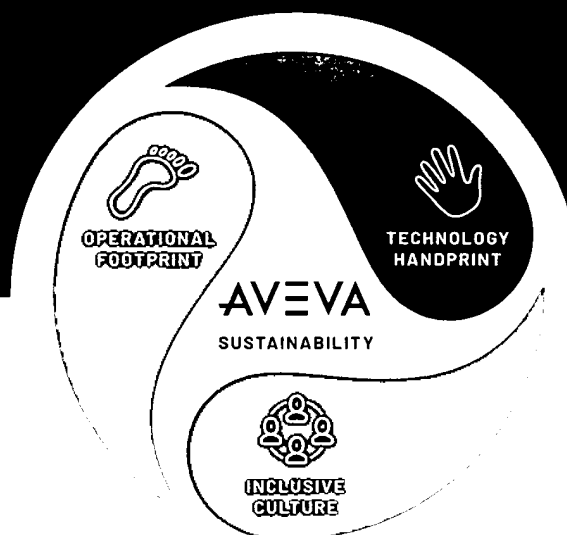
#### Advancing the hydrogen economy

Numerous engineering, procurement and construction companies, including Technip Energies and Wood Group, use our design tools to support energy-transition technologies including the production of green hydrogen.



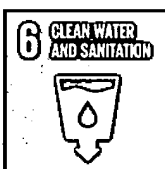
#### Enabling power grids to cope with intermittent supply

Spanish power leader Sener's Noor Complex in Morocco uses AVEVA Predictive Analytics to optimise the performance of the world's largest thermosolar complex.



## Our technology and the Global Goals

Beyond enabling the global transition to a lower-carbon energy system, our software solutions are being used to help to make progress on meeting the world's most pressing sustainability challenges, as articulated by the United Nations Sustainable Development Goals.



Veolia Water Technologies, global leaders in optimised resource management, use our software to support agile collaboration in the Cloud. AVEVA Connect helps boost collaboration by 20%, empowering teams to leverage centralised real-time data to enhance operational efficiency, share best practices and accelerate sustainable performance. Veolia maximises each drop of water produced by harnessing their collective expertise with unified data.



Ballard Power Systems, a leading global provider of innovative clean-energy solutions, was looking to build a standardised, scalable model to enable remote monitoring, diagnostics and optimisation of fuel cells in the field. To do so, it leveraged AVEVA's Cloud-based Insight solution, empowering its team to visualise and analyse fuel-cell performance across its entire operational fleet around the world.



Global leaders in consumer goods and chemicals, Henkel uses AVEVA Manufacturing Execution System to realise the sustainability goals of its Laundry and Home Care division. Working closely with us, Henkel built a digital backbone that connects its global operations in a proprietary Cloud system, unifying 1.5 billion data points to help optimise energy and resource efficiency. This contributes directly to Henkel's climate-positive ambitions, reducing energy usage by 16% in just six years. This is equivalent to EUR 8 million in savings each year.



The City of Seattle uses AVEVA software to gather data from across diverse municipal systems. During the pandemic, the city's authorities needed teams and processes to be seamlessly connected to drive resiliency and agile decision-making. Using AVEVA software, the team was able to centralise technology operations data, enabling the authorities to transition to almost 100% remote operations early in the outbreak. As a result, thousands of critical employees were able to keep the city services functioning safely and seamlessly, supporting citizens on the frontline of the crisis.

## SUSTAINABILITY CONTINUED

# Our operational footprint

We are committed to measuring and mitigating our environmental footprint by continuing to adapt to a more sustainable operating model. This includes minimising our carbon emissions, improving the sustainable use of our real estate and working with our people to find ways of reducing our use of valuable natural resources. One way we measure our footprint is via our greenhouse gas (GHG) emissions across Scopes 1, 2 and 3.

## Tonnes of CO<sub>2</sub>e

	FY21 UK & offshore	FY21 Other	FY20 UK & offshore	FY20 Other
Scope 1 – Combustion of fuel from direct operation of facilities	167	645	202	1,013
Scope 2 – Electricity, heat, steam, and cooling purchased for own use	322	4,081	521	7,686
Scope 3 – Mainly business travel	16	630	4,790	13,975
	505	5,356	5,513	22,674
Intensity measurement				
Tonnes CO <sub>2</sub> e/£m revenue	12.7	6.9	145.8	28.5
Energy consumption / mWh				
Energy used to calculate CO <sub>2</sub> e	2,169	13,402	2,892	19,469

Note 1: FY20 numbers have been restated. This is due to changes in the emission factors used, as well as updates to the energy consumption figures.

Note 2: Data relating to OSISoft was unavailable due to the transaction completing near the end of the reporting period. We will report on this in FY22.

## FY21 emissions data

For the purposes of reporting emissions data, we use an operational control approach to define our organisational boundary. We also currently take a location-based approach to reporting our Scope 2 emissions results. Our GHG emissions fell by just over 79% compared to FY20, primarily driven by a 97% reduction in Scope 3 emissions. By comparison, our Scope 1 emissions declined by 33% and Scope 2 emissions by 46%.

The primary driver of these reductions was the significant change in working practices that resulted from the Covid-19 pandemic. As our employees' safety and wellbeing is our greatest priority, we pivoted swiftly to a remote working model for all employees in March 2020. The majority of our workforce continued to work remotely for the remainder of the calendar year. Emissions associated with business travel, air travel in particular, fell due to the shift to a digital format of customer marketing events and customer support work, including software training and implementation projects.

Despite the scale of the global pandemic's impact on our emissions, we have also made further efforts to manage and mitigate our emissions footprint. These include, wherever possible, starting the active transition of our offices to renewable energy sources.

As an example, we partnered with our UK energy broker to join an Optimal Green portfolio that powers our Head Office in Cambridge and offices in Chesterfield and Manchester. This provides electricity from renewable energy sources with zero carbon emissions and is certified as 100% renewable by the Carbon Trust.

We also aim to find buildings with best-in-class energy ratings when sourcing new office locations. For example, our office in Brisbane, Australia is the first building in Queensland to achieve a WELL Platinum rating. It has achieved 74% savings in embodied carbon, energy reductions of 46% and a 29% reduction in water consumption.

We also focus on ensuring new offices are as close as possible to public transport networks. In parallel, we are retrofitting legacy office space to bring it into line with appropriate sustainability standards wherever possible. We remain committed to doing more over time to achieve model environmental stewardship, from recycling to reducing waste and sourcing environmentally conscious products for our offices. We have also launched a 'Dynamic Work' project, to review how we can optimise remote and office-based working in the future, including better support for our environmental objectives.

GHG emissions down

**79%**

Scope 1 emissions reduced by

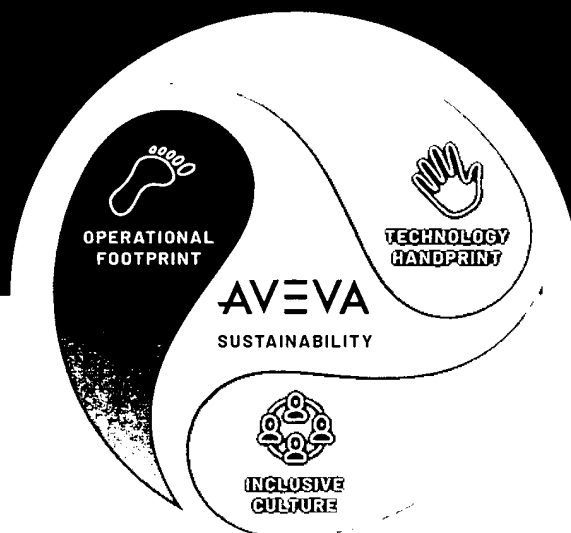
**33%**

Scope 2 emissions reduced by

**46%**

Scope 3 emissions reduced by

**97%**



### Continuously improving our GHG reporting

AVEVA is committed to continuously improving our GHG emissions reporting and transparency and the management of our environmental footprint. In support of this commitment, working with an expert third party, we launched a detailed review of the processes we use to collect and manage GHG data. The review is also designed to help us validate our GHG baseline as a step towards setting the enterprise-wide mitigation targets we aim to disclose in next year's Annual Report.



AVEVA's Brisbane office is in Queensland's most sustainable building. The location was selected for its environmental credentials.

As part of this effort, we plan to start dual reporting for Scope 2 emissions from purchased electricity. This will involve using both a location-based (our current approach) and a market-based approach. Taking a market-based accounting approach will allow us to track the emissions associated with the actual electricity products we buy from the market, including renewable electricity. We are preparing to expand our Scope 3 reporting to go beyond the current GHG Protocol categories of Business Travel to include other material categories throughout our value chain, including Employee Commuting, Purchased Goods and Services, and Use of Sold Products. We are also engaging directly with our data centre and Cloud providers to better understand and track over time the emissions associated with our use of their services.

In addition, we will report to the Carbon Disclosure Project (CDP) in FY22. We are also conducting a Task Force on Climate-related Financial Disclosures (TCFD) readiness assessment. This will inform the steps we need to take to better align our ESG reporting, corporate governance and business practices with the TCFD recommendations starting in FY22. It will provide our stakeholders with a deeper level of insight into our ongoing plans to address climate-related risks and opportunities.

### Modelling ethical business practices

Beyond our environmental stewardship practices, we are committed to aligning our strategy and operations with universally-held principles on human rights, labour, environment and anti-corruption. We believe that a principled approach to business and profits go hand in hand, as outlined in our Business Conduct Guidelines.

Our strong ESG practices were recognised again this year when we were included in the FTSE4GOOD Index Series for the fourth consecutive year. As good governance is key to making progress on all other sustainability-related objectives, we are especially proud to have again scored full marks for corporate governance.

You can find more information on our related practices in the Governance section.

# Our inclusive culture

## Diversity and inclusion

Our vision is of an 'inclusive organisational culture', with a focus on making the changes that will achieve the biggest positive difference, such as developing the capabilities of our leaders who have a critical role in driving the business and enhancing our working culture and creating a safe space for all employees to have open conversation through our Employee Support Network groups. We aim to treat people fairly, equitably and without bias, creating conditions that encourage and value diversity, and promoting respect, dignity and belonging. We follow and promote diversity and inclusion legislation, complying with its letter and spirit, recognising we can continue to improve the employee experience.

In March 2021, we shared our first Global Diversity and Inclusion policy with all employees, asking them to take part in comprehensive mandatory training to support their understanding of the policy. We continue to make progress on pay equity, reducing our global gender pay gap by more 430bps in FY21 and have made significant investments in understanding our ethnicity pay gap so that we can begin reporting on it before the end of the year.

Our employee networks play a vital role in raising awareness, facilitating dialogue, providing feedback and fostering connections so that all employees have a clear sense of belonging and purpose. This year, these networks have enabled us to have open and candid conversations about diversity, equality and inclusion, both at a corporate level and among colleagues. These employee networks will continue to have a voice as we strive to make a workplace that is truly equitable.

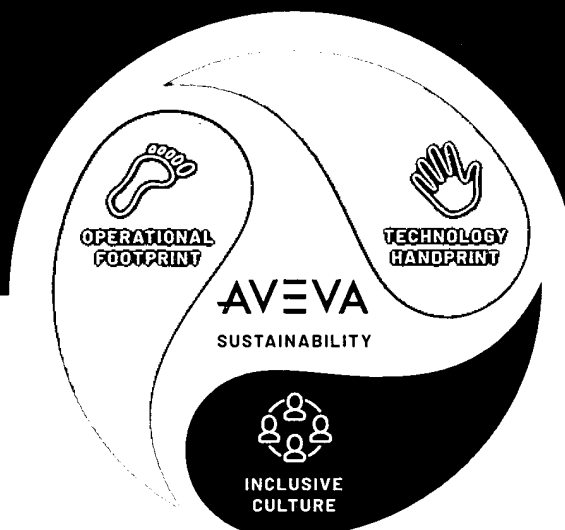
## Ethnicity

AVEVA's approach to diversity, equity and inclusion goes beyond a focus on gender. We are committed to having a better baseline understanding of our ethnicity pay gap, as we know that having data is foundational to making progress. We launched that process this year with a data collection effort and will be producing our first-ever ethnicity pay gap report later this year. This is an important step to understanding the dynamics of ethnicity and race in AVEVA. We plan to use its findings to develop an action plan that will help us to close any gaps and build an inclusive, equitable culture for everyone.

You can find more information about our people and communities on pages 54 to 57.







## Gender

The overall proportion of female employees in the workforce is 26.5%, an increase from 25.8% in FY20.

Data we use to measure gender diversity includes turnover rates, and representation by job level, role type, starters and leavers.

We have reported the UK gender pay gap since FY18. In FY21 we introduced reporting in the top 20 AVEVA countries by size.

The overall gender pay gap for AVEVA reduced globally from 24.7% to 20.4% in FY21, a reduction of more than four percentage points. This was achieved by taking a number of steps, including job levelling that provides transparency in career ladders and helps management in making equitable hiring and promotion decisions. We recognise that we still have more work to do in this area but are committed to building on the significant progress we have made this year.

# 430bps

reduction in our overall gender pay gap globally to

# 20.4%

## Summary of gender facts

Male:

# 73.5%

Female:

# 26.5%

## Manager gender split:

Male:

# 77.4%

Female:

# 22.6%

## Strategic Leadership Team statistics:

Male:

# 68.2%

Female:

# 31.8%

**"I am proud that, at AVEVA, we strive to embrace our differences, leverage the diversity of our people and be free from bias and favouritism – and do so with the same great energy that we bring to work every day. I will do everything I can so that we all feel part of our journey in creating an inclusive culture and that our customers, partners and colleagues recognise us for our aim to excel in diversity, equity and inclusion."**

Peter Herweck, CEO

## PRINCIPAL RISKS AND UNCERTAINTIES

# Management of principal risks and uncertainties

FY21 has seen an overall increase to our risk profile following the completion of the OSIsoft acquisition, the impact of Covid-19 on our operations and people, and our ongoing transition to a Cloud business model.

## Approach to risk management

The Board of Directors has overall responsibility for risk management at AVEVA. The CEO also chairs the Executive Risk Committee, which comprises the Executive team, the Chief Information Officer (CIO), SVP Integration, the Head of Integration & Transformation and the Head of Internal Audit & Risk. The Committee meets formally each quarter with a clear risk-management agenda. In addition, senior leaders across the business actively monitor and manage risk as a core part of operational management.

A dedicated risk-management session was held with the Board during the year, which included reviews of principal risks, emerging risks and risk appetites. The Audit Committee also reviewed risk-management processes and governance throughout the year.

Meeting quarterly, the Executive Risk Committee has continued to make good progress since it was first established in January 2020. Its main responsibilities are to monitor how principal and key Group risks are managed and mitigated, and to ensure the effectiveness of risk management within our functions and business units.

Functional and business-unit leadership teams are responsible for ensuring their key risks are captured and effectively mitigated as part of their day-to-day operations.

## Executive Risk Committee – core areas covered in the year to March 2021

### Principal risks: deep dives

- Regulatory compliance
- Cyber security
- Talent (including pandemic disruption)
- OSIsoft acquisition and integration

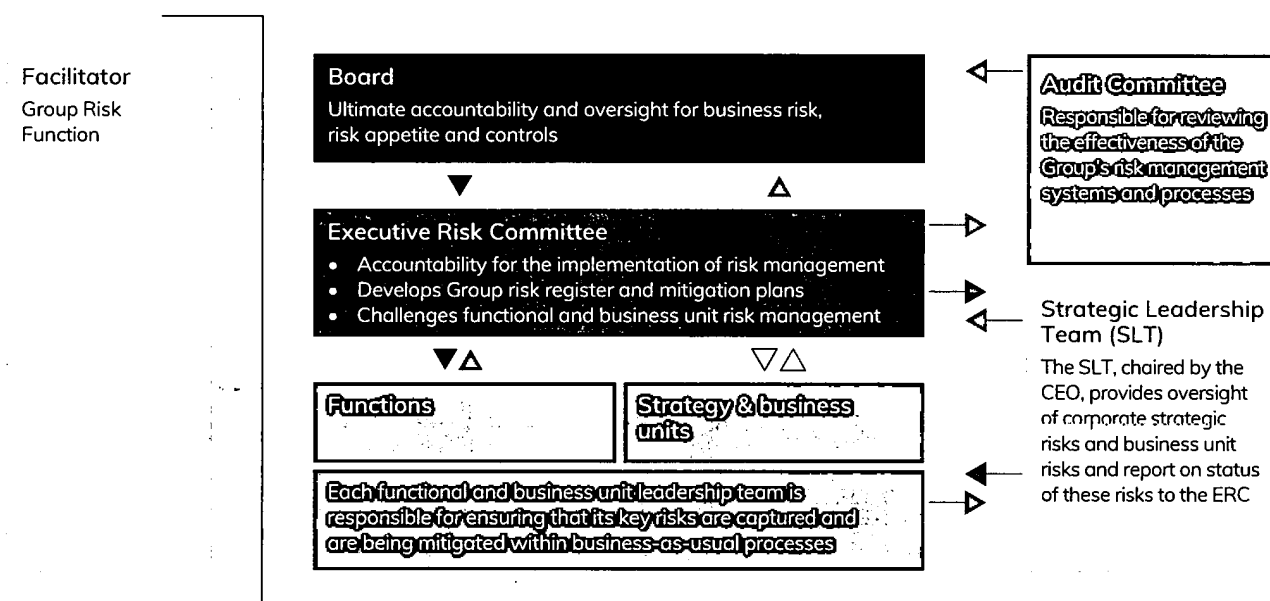
### Other risk areas: deep dives

- Pandemic disruption and remote working, including impact on existing principal and key risks
- AVEVA licence compliance and piracy
- Brexit

### General reviews

- Principal and key risk measurements, appetites and mitigation status
- Integration and transformation risks
- Sustainability
- Emerging risks

The diagram represents our 2021 risk governance structure:



## Risk appetite

The Board formally sets a risk appetite for each principal risk. To achieve a balance between protecting and enhancing value and to support the Group's strategic objectives, these appetites range from 'Risk Tolerant' to 'Risk Averse'. The appetites also set the necessary tone from the Board for all enterprise category-related risks across the Company. For example, the appetites relating to cyber security and sustainability dictate how these areas are managed operationally. We use key risk indicators to show how each principal risk is measured and reported against its appetite. We have defined risk appetites for other corporate risks besides the principal risks, and this is increasing as we extend the risk-management programme across the business.

## Principal risks

Our Executive team continually assess and monitor the risks we face as a company. All the risks they identify are measured on both an inherent and residual risk basis using predetermined risk scales. The Board consider 14 risks to be the principal risks we will face over the next 12 to 18 months.

We use the following four risk category headings when identifying these risks:

- 1 **Strategic** – risks identified as threats to our strategic goals and that influence internal decision-making
- 2 **External** – risks that could materialise externally and impact on us
- 3 **Operational** – risks that could materially disrupt our day-to-day operations
- 4 **Disruptive** – risks that threaten our value offering

## Emerging risks

The Board and the Executive Risk Committee recognise the value of identifying emerging risks and longer-term threats to our business model. The Board and the Executive Risk Committee therefore kept areas of emerging risk under review during the year. Emerging risks will also be a focus area for the Executive Risk Committee in the year ahead. This area will continue to be discussed and closely monitored alongside principal risks as regular agenda items.

## Brexit

We include a risk for Brexit on the corporate risk register, and the Executive Risk Committee is keeping this under review. Brexit is not a principal risk for our business. Because we are a technology business, many Brexit-related threats to businesses, such as labour mobility, supply chain friction and customs tariffs, do not apply. However, macroeconomic, legal, tax and regulatory risks do apply, and we therefore continue to monitor and manage these internally. As from 31 December 2020, a deal between the UK and the EU was reached, meaning the risk of a 'no-deal Brexit' did not materialise. Although this deal is intended to provide certainty for the government of relationships between the UK and the EU, many of the risks previously under review in relation to Brexit still exist. Any changes affecting us therefore require review and implementation. Some reviews involving external legal advice are therefore ongoing. Some actions, such as a review of higher-risk contracts, will also continue over the coming year.

## Key changes in the year

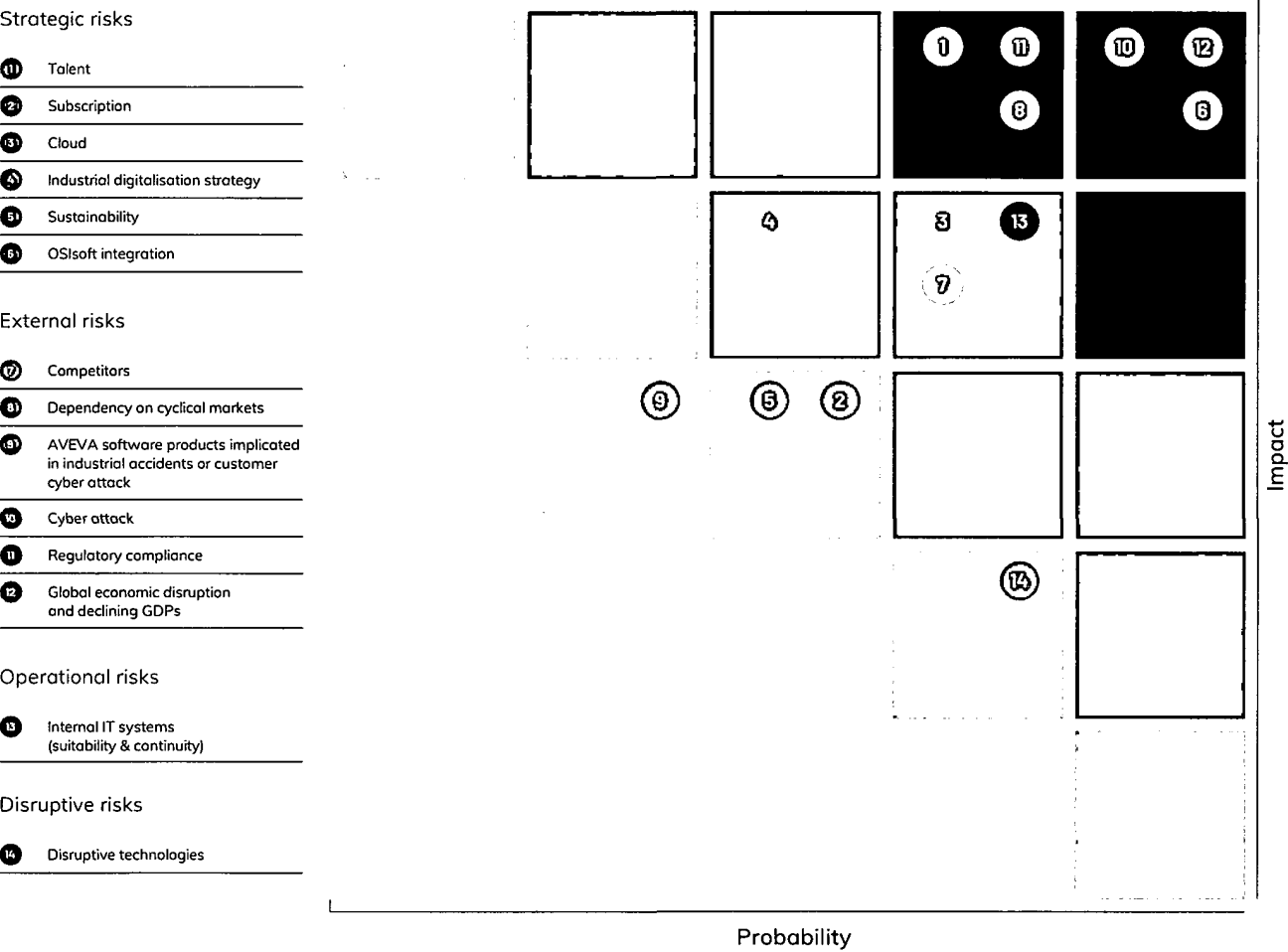
**OSIsoft integration** – We have added a new principal risk regarding the acquisition and integration of the OSIsoft business. The acquisition is transformational and represents significant financial and operational commitments by the Board to our stakeholders, as part of a major strategic initiative executed with a risk-tolerant appetite. As such, we are keeping the principal risk and key project risks continually under review. These will be part of standing business for the Executive Risk Committee and the Board for the year ahead.

**Covid-19 pandemic, remote working and operational resilience** – The Covid-19 pandemic remains a significant global issue. By continuing to create high levels of uncertainty across the world, it makes it difficult to reach clear risk management judgements. In light of our proven ability to operate remotely over the last year, the Board has decided to remove the dedicated Extended period of remote working principal risk that we reported in March 2020. The principal Global economic disruption & declining GDPs risk remains, however. The Board also considers that the pandemic continues to impact the existing principal risks relating to Talent, Cloud, Competitors, Cyclical markets and Customer cyber attack.

PRINCIPAL RISKS AND UNCERTAINTIES CONTINUED

Our principal risks

We have graded the principal risks below for likelihood and impact on a gross basis (i.e. without accounting for existing mitigation). They are not presented in order of priority.



## Strategic risks

	Description	Mitigation
<b>1</b> <b>Talent</b> Gross probability <b>High</b> <hr/> Gross impact <b>High</b> <hr/> Change in risk level <b>Increased</b> <hr/> Ownership <b>Chief People Officer</b> <hr/> Categorisation <b>Industry general</b>	<p>At AVEVA, we are heavily reliant on the people we employ. If we are unable to attract or retain the niche skills and experience we need to drive the business forward, creating innovation and growth, this could materially impact the success of our business.</p> <p>The technology sector is increasingly competitive when seeking talent. The AVEVA brand must therefore remain attractive, particularly for in-demand skills such as developers, technical sales, services, consultants and leadership.</p> <p>Impacts from the continuing Covid-19 pandemic have increased this risk. There are now further challenges involved in protecting, retaining and acquiring talent during an extended period of disruption, particularly when continued remote-working requirements and government restrictions are in place. Employee wellbeing becomes an increasing priority.</p> <p>This risk will grow further with the OSIsSoft acquisition and the additional complexity this brings to factors including talent bench, retention of key individuals, competitive compensation and clear career-development paths. The success of the integration will depend significantly upon the enlarged organisation's ability to engage and retain critical talent from both heritage organisations through the integration.</p>	<p>We recruited a new Chief People Officer in January 2021 whose responsibilities include the continued development of Talent risk mitigation initiatives.</p> <p>Mitigating activities include building our in-house talent acquisition expertise, partnerships with universities, our employee referral programme, evolving our learning culture, embedding Diversity &amp; Inclusion practices, investing in our talent management systems, succession planning, technical and non-technical training schemes, and compensation benchmarking. We will also use these actions to manage Talent risk for the incoming OSIsSoft business.</p> <p>We have responded to increased Talent risk caused by the Covid-19 pandemic with multiple additional mitigations; these include virtual interview rooms and on-boarding to support new hires and investing significantly in wellbeing initiatives to support our employees. Throughout the period of disruption, our leadership has continually supported and communicated with employees, enabling them and providing the tools to work remotely as effectively as possible while staying connected with colleagues and customers. Our HR and Executive Leadership teams are continually reviewing the best approaches.</p> <p>To support these mitigations, we also operate a comprehensive employee-engagement programme. Detailed reporting on it is frequently reviewed and discussed by the CEO and senior leadership.</p> <p>We continually endeavour to ensure that employees are appropriately recognised for their contributions to AVEVA's success. There is an annual Group-wide salary review that rewards strong performance and ensures salaries remain competitive. Both short and long-term incentives along with commission schemes are deployed to reward individual achievement appropriately.</p>

## PRINCIPAL RISKS AND UNCERTAINTIES CONTINUED

Strategic risks		
	Description	Mitigation
<b>2</b> <b>Subscription</b> Gross probability <b>Medium</b> <hr/> Gross impact <b>Medium</b> <hr/> Change in risk level <b>No change</b> <hr/> Ownership <b>Chief Strategy &amp; Chief Cloud Officer</b> <hr/> Categorisation <b>Industry general and company specific</b>	<p>Our continued strategic move towards a subscription-based licence model is designed to offer customers improved flexibility when addressing their software needs; it also creates improved recurring revenue and cash flow generation for our business.</p> <p>Customers may be reluctant to move to a subscription model or they may transition at a slower pace than anticipated. This is more likely during and following the Covid-19 pandemic. The level and pace of adoption of a subscription model are also likely to vary by customer, industry and product area. In addition, we might experience internal challenges in presenting customers with an effective subscription value offering.</p> <p>Should any of these areas of risk be realised, we might fail to achieve expected key milestones for the subscription model.</p>	<p>We are keen to gain the benefits of the wider adoption of subscription-based licensing and to bring our customers the benefits of this model. The Engineering business unit has had a subscription offering for many years and we will use our experience to develop subscription offerings for the other business units. We have successfully trialled the subscription model with our Monitoring &amp; Control business unit and have also introduced subscription offerings into Asset Performance Management and Planning &amp; Operations.</p> <p>We have launched additional operational and transformational – yet highly complementary – initiatives to further strengthen the success of the subscription programme. Examples include investments into master data management, pricing and enterprise information management.</p> <p>Management continually reviews progress and refines the model where necessary, and continues to offer traditional licensing models as further mitigation.</p>
<b>3</b> <b>Cloud</b> Gross probability <b>High</b> <hr/> Gross impact <b>High</b> <hr/> Change in risk level <b>Increased</b> <hr/> Ownership <b>Chief Strategy &amp; Chief Cloud Officer</b> <hr/> Categorisation <b>Industry general and company specific</b>	<p>We are committed to providing market-leading, value-adding, reliable and secure Cloud services to our customers. We therefore invest continually in this fundamental strategic initiative.</p> <p>The global disruption and remote working caused by the Covid-19 pandemic has accelerated industry shifts to the Cloud. This has in turn accelerated internal development, changing the dynamic of this risk. In addition, security is also a critical concern when providing Cloud services to customers, posing significant risk which we must manage effectively.</p> <p>If these risks are not managed well, they both threaten our ability to realise anticipated returns from Cloud initiatives and pose the threat of harmful reputational damage.</p>	<p>Within the last year, we announced the appointment of both a Chief Cloud Officer and a Cloud Senior Vice President. They are collectively responsible for driving our Cloud portfolio and go-to-market strategy.</p> <p>To support the growing Cloud demand and make sure AVEVA Cloud has the capability to scale and act fast on steadily changing market dynamics, we launched a multi-year transformation programme touching all angles of our business.</p> <p>Consequently, we are investing significantly into Cloud products and operations across all business units and functions. Incentive models across the Company have changed to support the focus on Cloud sales and the recognition of our new Cloud subscription business.</p> <p>Together with OSIsoft, we have a strong position in Cloud, AI and data, which are the main drivers of the digital transformation our customers are undergoing.</p> <p>To protect our customers and offer best in class availability and security, we have established rigorous test and continuity routines before any product can be launched.</p>

## Strategic risks

	Description	Mitigation
<p><b>4</b></p> <p><b>Industrial digitalisation strategy</b></p> <p>Gross probability <b>Medium</b></p> <p>Gross impact <b>High</b></p> <p>Change in risk level <b>No change</b></p> <p>Ownership Executive VP, Engineering &amp; Process Business &amp; Executive VP Operations Business</p> <p>Categorisation <b>Industry general</b></p>	<p>If our strategy to capitalise on the opportunities of digital transformation were ultimately to fail or not provide the expected levels of return, it could lead to increased costs, reputational damage or lost market positions.</p> <p>The move towards digitalisation has accelerated within the last 12 months where customers have understood and accepted the need to transform. However, continued Capex and Opex constraints dampen this acceleration. Subsequently, there is no net change expected in this risk level for our business over the next 12 months.</p>	<p>We mitigate this risk through the careful management of the right digital transformation strategy. We also have a dedicated Sales and Consulting team in place, as well as targeted marketing campaigns, continued portfolio rationalisation and case prioritisation.</p>
<p><b>5</b></p> <p><b>Sustainability</b></p> <p>Gross probability <b>Medium</b></p> <p>Gross impact <b>Medium</b></p> <p>Change in risk level <b>No change</b></p> <p>Ownership Chief Sustainability &amp; Chief Marketing Officer</p> <p>Categorisation <b>Industry general and company specific</b></p>	<p>The increasing international focus on sustainability, and growing stakeholder expectations relating to how companies manage Environmental, Social and Governance (ESG) issues, are exposing AVEVA to increased risk in a number of areas.</p> <p>The penalties of failure to meet generally accepted standards on material ESG issues or the expectations of customers, partners, employees, investors or any other stakeholders can be serious. They can adversely impact a company's reputation, putting sales growth at risk, undermining efforts to hire and retain top talent, and complicating the ability to build partnerships and attract outside investment.</p> <p>Many of our customers are transitioning to business models aligned with long-term sustainability objectives, including managing climate risk through decarbonisation and circularity strategies. Some customers that have not taken such action have experienced reduced financial investment and economic loss, impacting their ability to buy AVEVA solutions. To protect our business against any resulting reductions in revenue or loss of market share, it is part of our climate risk and resilience strategy to invest in product-focused sustainability and industry diversification.</p>	<p>We have established a dedicated sustainability team, led by a Director of Sustainability, which is responsible for working cross-functionally to develop a strategic ESG framework with measurable goals. As a first step, we have now completed a robust ESG materiality assessment, and are working to prioritise issues and set targets.</p> <p>In August 2020, we held a 'Sustainability Jam' for employees, enabling them to come together virtually to propose and discuss sustainability ideas relating to our products and operations. We also launched a Sustainability Customer Advisory Board in November. This brings together sustainability leaders from across the energy, power, utilities, chemicals, food &amp; beverage and consumer packaged goods (CPG) sectors for cross-industry dialogue on sustainability priorities.</p> <p>To better understand and address our climate-related risk, we are currently conducting a detailed review of our greenhouse gas reporting processes and baseline data. We will also complete a Task Force on Climate-related Financial Disclosures (TCFD) gap assessment in FY22.</p>

## PRINCIPAL RISKS AND UNCERTAINTIES CONTINUED

Strategic risks		
	Description	Mitigation
<p><b>6</b></p> <p><b>OSIsoft integration</b></p> <p>Gross probability <b>High</b></p> <p>Gross impact <b>High</b></p> <p>Change in risk level <b>New</b></p> <p>Ownership <b>SVP Integration</b></p> <p>Categorisation <b>Company specific</b></p>	<p>The acquisition of OSIsoft involves the integration of two businesses that have previously operated independently. There are specific areas of risk which could lead to financial and/or reputational impacts, or threaten the anticipated revenue and cost-synergy benefits of the acquisition. These include the challenges of consolidating organisations, systems and facilities and the potential disruption to our current businesses. Integrations of this scale raise the risks of unplanned talent attrition, reduced morale and engagement, increased by the complexity of integrating two successful cultures to ensure continued focus on delivering and improving our customer and partner value. These challenges also risk our transformation to Cloud and a subscription-based licence model and our ability to realise revenue and cost synergies from the enlarged Group.</p>	<p>We are proactively addressing these risks by building on our capability from the previous combination between heritage AVEVA and SES. We have supplemented this by recruiting an experienced SVP of Integration and establishing a programme and governance to drive the right decisions focused on value; value to customers and partners in the form of accelerating combined technology capabilities, value for our talent in the form of a larger, more exciting organisation and value for our shareholders through detailed planning to deliver on revenue and cost synergies.</p> <p>As part of this decision focused programme, we have established cross organisation workstreams between all major and enabling functions impacted by the integration. We have designed and deployed talent retention programmes, including a culture integration programme that will drive a combined culture to bring our people together in a way that targets growth. Our Product and Portfolio teams are working together to accelerate our ambitions for Cloud to support a subscription-based revenue model.</p> <p>We have supported all of these programmes with a comprehensive communications plan, allowing us to be transparent and flexible in adjusting our programme quickly based on feedback from customers, partners and our people.</p>
External risks		
<p><b>7</b></p> <p><b>Competitors</b></p> <p>Gross probability <b>High</b></p> <p>Gross impact <b>High</b></p> <p>Change in risk level <b>Increased</b></p> <p>Ownership <b>Chief Strategy &amp; Chief Cloud Officer</b></p> <p>Categorisation <b>Industry general</b></p>	<p>We operate in highly competitive markets. Other technology companies could acquire, merge or move into our market space to compete with our offering, creating a material threat. Existing competitors could respond more quickly to market demands and trends, resulting in reduced market share and missed growth opportunities for us. The industry in which we operate is characterised to varying degrees by rapid technological change, evolving industry standards, evolving business models and consolidations.</p> <p>Risks are increased by the continued uncertainty in the marketplace caused by the Covid-19 pandemic. It is likely that changing competitor strategies or industry consolidations could have a negative impact on us. This is due to increased pricing pressure, cost increases, the loss of market share due to competitor collaboration and a consequent reduction in our ability to integrate solutions.</p>	<p>We carefully monitor customer requirements, trends and other suppliers operating within our chosen markets. We invest in innovation and strive to offer superior products to meet market trends.</p> <p>The acquisition of OSIsoft will further mitigate this risk. Integrating and aligning the product portfolios of both organisations will provide us with a distinct competitive advantage and market position.</p> <p>We also now have a dedicated Cloud business, supporting our portfolio with integrated Cloud-based solutions, which has made significant progress in the last year.</p> <p>Other areas of specific mitigation include the ability to leverage our relationship with Schneider Electric, attractive proposals for additional complementary products for existing customers and the flexibility to meet changing market demands and competitive forces.</p>



**External risks**

	Description	Mitigation
<b>⑧</b> <b>Dependency on cyclical markets</b> Gross probability <b>High</b> <hr/> Gross impact <b>High</b> <hr/> Change in risk level <b>Decreased</b> <hr/> Ownership <b>Chief Strategy &amp; Chief Cloud Officer</b> <hr/> Categorisation <b>Company specific</b>	<p>We materially derive our revenue from customers operating in markets which are mainly cyclical in nature, such as Oil &amp; Gas and Marine. As and when those markets reach downturn stages, customers may have less funding available for capital projects or additional operational commitments, including the purchase of our software products. Significant end market downturns could therefore materially impact our revenues and profits.</p> <p>The global disruption caused by the Covid-19 pandemic has led to volatility in oil markets and consequently to companies in our customer base. A longer period of volatility further increases the risk of revenue impacts. Several oil companies have already announced reductions in capital expenditure, particularly in relation to upstream projects. These are due to the sharp fall in oil consumption in late 2020 and the oversupply of crude oil during April and May 2020.</p> <p>We believe there is a slight decrease in this risk for our business over the next 12 months given the dilution effect of cyclical markets dependency created by the OSIsoft acquisition and continued pre-existing initiatives to expand into non-cyclical markets.</p>	<p>Because our products bring customers Capex certainty and Opex reduction, they deliver meaningful efficiency gains during periods of downturn.</p> <p>Our extensive global presence also provides mitigation against over-reliance on key geographic markets.</p> <p>We derive over half of our revenue from customers operating in non-cyclical markets such as Food &amp; Beverages, Utilities and Infrastructure markets (such as airports and smart cities). The integration of OSIsoft will further reduce this risk due to the further dilution provided by the OSIsoft customer base.</p> <p>Our strategic move towards a subscription-based licensing model further mitigates this risk, because it can offer customers greater flexibility over their expenditure. There is also the opportunity for further leveraging Schneider Electric relationships into non-cyclical markets.</p>
<b>⑨</b> <b>AVEVA products implicated in industrial accidents or customer cyber attack</b> Gross probability <b>Medium</b> <hr/> Gross impact <b>Medium</b> <hr/> Change in risk level <b>No change</b> <hr/> Ownership <b>Chief Technology Officer</b> <hr/> Categorisation <b>Industry general</b>	<p>Our software products are complex. New products or enhancements may contain undetected errors, failures, performance problems or other defects. Such occurrences may impact our strong reputation with our customers and/or create financial implications.</p> <p>This risk reflects our portfolio of products, their functionality and increasing threats in the external cyber environment. While there is no change currently in the threat level since last year, the risk may grow during the year ahead following the successful acquisition of the OSIsoft business. This would reflect our larger product portfolio, the associated complexity and our increased size.</p>	<p>Our products are extensively tested prior to commercial launch. A robust Security Development Lifecycle is also a key component of our overall software-development process. In addition, we have created formal and collaborative relationships with third-party security researchers and security organisations to proactively ensure our software is as safe and secure as is reasonable. Dependent upon successful acquisition, we will extend these existing mitigations to the OSIsoft business as part of our integration activities.</p>

## PRINCIPAL RISKS AND UNCERTAINTIES CONTINUED

External risks		
	Description	Mitigation
<p><b>10</b></p> <p><b>Cyber attack</b></p> <p>Gross probability <b>High</b></p> <p>Gross impact <b>High</b></p> <p>Change in risk level <b>No change</b></p> <p>Ownership <b>Chief Information Officer</b></p> <p>Categorisation <b>Industry general</b></p>	<p>Threats within the global cyber environment continue to grow. We are reliant on our IT systems, and should we be specifically targeted by a cyber attack or impacted by a global cyber incident, impacts could include:</p> <ul style="list-style-type: none"> <li>• suspension of some operations;</li> <li>• regulatory breaches and fines;</li> <li>• reputational damage;</li> <li>• loss of customer and employee information; and</li> <li>• loss of customer or other stakeholder confidence.</li> </ul> <p>The risk remains increased partly due to higher cyber threats associated with remote working because of the Covid-19 pandemic. There is also a closer focus on our organisation, due to the acquisition of the OSIsoft business.</p>	<p>We have a low tolerance to this risk. We have in place multiple layers of cyber-security threat defences, including access control, encryption, firewalls and more. We use these security measures to detect and prevent cyber attacks. To the greatest possible extent, we also use them to mitigate the impact of any successful attacks.</p> <p>External penetration testing is also conducted across our critical corporate and online services.</p> <p>Further steps have also been taken to increase security measures while our workforce is operating remotely. These will now permanently remain in place.</p>
<p><b>11</b></p> <p><b>Regulatory compliance</b></p> <p>Gross probability <b>High</b></p> <p>Gross impact <b>High</b></p> <p>Change in risk level <b>Increased</b></p> <p>Ownership <b>Group General Counsel and Company Secretary</b></p> <p>Categorisation <b>Industry general</b></p>	<p>We are required to comply with international and local laws in each of the jurisdictions in which we operate. If one or more of our employees or anyone acting on our behalf commit or are alleged to have committed a violation of law, we could face substantial investigative, defence and/or remediation costs. We could also be exposed to severe financial penalties and reputational damage.</p> <p>This applies to several specific regulatory risk areas, including:</p> <ul style="list-style-type: none"> <li>• trade compliance (including sanctions and export control);</li> <li>• data protection and privacy (including GDPR);</li> <li>• anti-trust;</li> <li>• anti-bribery and corruption, covering corporate gifts and hospitality;</li> <li>• failure to prevent facilitation of tax evasion;</li> <li>• anti-money laundering;</li> <li>• related party transactions; and</li> <li>• insider dealing and market abuse regulations.</li> </ul> <p>This risk may grow during the year due to the acquisition of the OSIsoft business, as a result of the inherent risk associated with the acquisition of a business with 27 offices across 18 countries.</p>	<p>We use compliance policies and guidance materials plus clear communications and training platforms for all employees and external partners.</p> <p>Local management is supported by local professional advisers. Further oversight is maintained by the corporate legal and finance functions, which regularly receive support from external advisers, in particular with regard to risk assessment, which is periodically carried out on key areas of exposure to compliance risk.</p> <p>We have dedicated compliance resources, including software and people, within our organisation to enhance the management and monitoring of this principal risk.</p> <p>We carry out due diligence on all contractual counterparties, whether suppliers, customers, advisers, consultants, intermediaries or counterparties to corporate transactions.</p> <p>We conduct periodic, risk-based monitoring in relation to matters relating to compliance risk.</p>

**External risks**

	Description	Mitigation
<b>12</b> <b>Global economic disruption and declining GDPs</b> Gross probability <b>High</b> Gross impact <b>High</b> Change in risk level <b>No change</b> Ownership <b>Chief Strategy Officer &amp; Chief Cloud Officer</b> Categorisation <b>Industry general</b>	<p>Because of the Covid-19 pandemic, like many global companies we now operate in an international environment where there is continued economic disruption and declining GDPs. This could have many impacts, including significantly decreased demand for our products and services, unexpected disruptions in the industries we serve or limited access to funding.</p> <p>Affected customers may seek to minimise their expenditure by seeking to terminate subscriptions or licence arrangements. They may also seek to renegotiate or delay previously agreed payment dates. Customers may also be more cautious and take more time to make purchase decisions.</p> <p>Although we expect stability in certain geographical markets, we also anticipate continued disruption in other geographies over the next 12 months and in Asia Pacific specifically. Overall, we see no change in risk level.</p>	<p>We remain in a strong cash and financial position. Our leadership continues to review this and is prepared to take mitigating steps as and when considered necessary. Recent examples include employee pay and recruitment freezes and cuts to discretionary spending.</p> <p>Further, our products deliver Capex certainty and Opex reduction. They therefore deliver meaningful efficiency in periods of economic and trading disruption.</p>

## PRINCIPAL RISKS AND UNCERTAINTIES CONTINUED

## Operational risks

	Description	Mitigation
<b>13</b> <b>Internal IT systems (suitability and continuity)</b> Gross probability <b>High</b> Gross impact <b>High</b> Change in risk level <b>No change</b> Ownership <b>Chief Information Officer</b> Categorisation <b>Company specific</b>	<p>We rely on our many IT systems to sustain our day-to-day operations and to meet our customers' expectations. If these systems fail to operate effectively and efficiently, this could result in reputational damage, negative employee engagement and/or poor customer experiences.</p> <p>This remains a high risk for us, reflecting the range of legacy systems in our IT estate. It also reflects the ongoing significant initiatives that are in place to consolidate, improve, create competitive advantage and maintain business as usual processes. These include the continued implementation of a new Group-wide ERP system. This is further complicated by the IT estate that we have inherited with the OSIsoft acquisition. These initiatives are subject to delays and other operational challenges caused by the continuing Covid-19 pandemic.</p> <p>We also outsource certain IT-related functions to third parties who are responsible for maintaining their own network-security, disaster-recovery and systems-management procedures. If these third parties fail to manage their IT systems and related software applications effectively, this could have a severe impact on us.</p>	<p>We have appointed an experienced Chief Information Officer (CIO) and a Chief Information Security Officer (CISO) to lead and drive our various IT initiatives. These include our new ERP implementation project, which is designed to provide and support industry best-practice processes. This includes respective governance frameworks and support from expert external advisers and integration specialists.</p> <p>We also have in place network-security, disaster-recovery and systems-management measures.</p>

## Disruptive risks

<b>14</b> <b>Disruptive technologies</b> Gross probability <b>High</b> Gross impact <b>Medium</b> Change in risk level <b>No change</b> Ownership <b>Chief Technology Officer</b> Categorisation <b>Industry general</b>	<p>Competitors could develop new and unforeseen technology, software or business models which threaten our value offering. If these became significantly commercially viable, they could have material impacts on our profits and prospects.</p> <p>There is no change in the threat level for this principal risk from the previous year, reflecting the continued potential threats from disruptive forces that seek to capitalise on the fast-evolving digitisation of industry trends.</p>	<p>We largely mitigate this threat through our own leading innovation initiatives and continued position at the forefront of technological advances. This is one of our core strategic strengths.</p> <p>In addition, we continually scan the disruptive technology environment to ensure we are well informed and well placed to respond to any emerging material threats.</p>
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# Viability statement and going concern

The Group assesses its prospects primarily through its five-year strategic planning cycle and budgeting process. This process is led by the Executive Directors, and responsibility for business functions and the regions is delegated to the appropriate senior management. The Board reviews the business plans and annual budget each year to determine whether the plans continue to be appropriate in the light of market conditions and industry changes.

In line with the Group's strategic planning cycle, the Directors have assessed the Group's prospects and viability over a five-year period, significantly longer than the outlook of the going concern statement of 16 months to 30 September 2022. The Directors determine five years to be an appropriate time horizon, aligned to the period covered by the Group's business-planning cycle.

The Directors have considered plausible principal risks and the impact that these could have, over a five-year period. The principal risks that were combined and modelled comprised the following scenarios:

**Scenario 1:** A 'severe but plausible' scenario which models materialisation of all the following principal risks being applied to the base case financial forecasts, which reduced base case revenues by circa 13% across the five-year forecast period: (3) Cloud, (6) OSIsoft integration, and (12) Global economic disruption and declining GDPs.

**Scenario 2:** A 'severe but plausible' scenario which models materialisation of all the following principal risks being applied to the base case financial forecasts, which also reduces base case revenues by circa 15% across the five-year forecast period: (7) Competitors, (6) OSIsoft integration, and (12) Global economic disruption and declining GDPs.

The stress-testing of these various scenarios showed that, despite significant drops in gross revenue, the Group is projected to remain viable over the five-year period.

The Group has £286.6 million of cash reserves as well as access to a large revolving credit facility (RCF). Consequently, the Directors did not consider this combination of scenarios to present a threat either to the liquidity of the Group or to its compliance with any financial covenants.

The Directors have identified several factors which support their assessment:

- AVEVA operates in diverse industries, increasingly so with the acquisition of OSIsoft;
- The Group has expertise in many specific areas, including integration and Cloud;
- AVEVA's products deliver Capex certainty and Opex reduction, meaning they deliver meaningful efficiency advantages in a downturn;
- The Group's extensive global presence mitigates against over-reliance on key geographic markets;
- AVEVA has strong cost-control mechanisms; and
- The Group has considerable headroom in its cash balances and a substantial, undrawn RCF.

Based on this assessment, the Directors have considered the Group's current position and principal risks. They have a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over the five-year period to 31 March 2026.

In making this statement, the Directors have also made the following assumptions:

- The Group will increase the diversification and strength of its product offering into non-cyclical markets;
- There will be strong leverage for increased opportunities via the relationship with Schneider Electric;
- AVEVA has a strong reputation, and an established and growing customer base and product portfolio; and
- AVEVA will retain necessary skills, leadership and experience throughout the assessment period.

## Going concern statement

The Consolidated Financial Statements of the Group have been prepared in accordance with International Accounting Standards (IFASs) in conformity with the requirements of the Companies Act 2006 and in accordance with International Financial Reporting Standards (IFRSs) adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union.

In adopting the going concern basis for preparing the financial statements, the Directors have considered the Group's business activities and its principal risks and uncertainties in the context of the current operating environment. Matters considered included possible ongoing impacts of the global Covid-19 pandemic on the Group, and reviews of liquidity and covenant forecasts.

The Group's business-planning cycle has also taken account of potential ongoing impacts of Covid-19. This has enabled the creation of a base-case going concern model, reflecting the current business disruption and economic conditions. This also takes into account the resulting impact on customers and their ability to continue operating effectively during the ongoing period of remote working.

The Directors have considered sensitivities regarding potential downside scenarios over the base-case going concern model and the available mitigating actions. In doing so, they have concluded that the Group is able to continue in operation for a period of at least 16 months from the date of approving the financial statements to 30 September 2022.

The specific scenarios modelled are:

**Scenario 1:** A 'stress-test' scenario, reducing base model revenue by circa 10% across the five-year forecast period.

**Scenario 2:** A further scenario was created to model circumstances required to breach AVEVA's credit facilities. This scenario assumes severe cash collection delays and does not include any mitigating actions that the Group would take. It is, overall, considered very unlikely.

Under the base-case scenario, there is no expected requirement to draw down on the RCF across the going concern period. Under the four downside scenarios, the Group would utilise the RCF, but within the currently available liquidity levels.

Throughout both the downside scenarios, the Group continues during the period under assessment to have liquidity headroom, both on its existing facilities and against the RCF financial covenants. Should a more extreme downside scenario occur, additional mitigating actions could be taken, such as cancelling or deferring dividend payments and reducing other discretionary operating costs. The financial statements for the year ended 31 March 2021 have therefore been prepared under the going concern basis of accounting.

## FINANCE REVIEW

## Finance review



## Overview

On 25 August 2020, AVEVA announced that it had reached agreement to acquire OSIsoft at an enterprise value of \$5.0 billion. The transaction subsequently completed on 19 March 2021 and therefore the FY21 statutory results include 13 days of OSIsoft's performance up to 31 March 2021. The finance review begins with a commentary of those statutory results.

The finance review then covers the unaudited standalone results of AVEVA and OSIsoft for FY21 and FY20, and also what the combined Group would look like on an unaudited pro forma basis for the same period as if AVEVA had owned OSIsoft from 1 April 2019. This is to show the underlying performance of both AVEVA and OSIsoft, and to provide a view of how the combined business now looks.

## Statutory results for the year ended 31 March 2021

The statutory results for the year ended 31 March 2021 include 12 months of AVEVA trading and OSIsoft trading since the date of its acquisition (19 March 2021) compared with the FY20 results for standalone AVEVA only. OSIsoft contributed £17.4 million of revenue and £8.4 million of adjusted EBIT for the 13 days to 31 March 2021.

The statutory results are summarised below:

£m	FY21	FY20	Change
Revenue	820.4	833.8	(1.6)%
Cost of sales <sup>1</sup>	(180.5)	(190.1)	(5.0)%
Gross profit	639.9	643.7	(0.6)%
Operating expenses <sup>1</sup>	(413.5)	(426.9)	(3.1)%
Adjusted EBIT	226.4	216.8	4.4%
Net interest and other income	(2.4)	(3.0)	(20.0)%
Adjusted profit before tax	224.0	213.8	4.8%
Normalised adjustments	(189.8)	(121.8)	55.8%
Reported profit before tax	34.2	92.0	(62.8)%

1. Cost of sales and operating expenses adjusted to exclude amortisation of intangible assets (excluding other software), share-based payments, gain/loss on forward foreign exchange contracts and exceptional items.

On a statutory basis, revenue for the period was £820.4 million which was 1.6% lower compared with the previous year (FY20: £833.8 million). This change was due to tougher trading conditions due to the Covid-19 crisis and FX translation, partly offset by the inclusion of OSIsoft for 13 days of the year.

Subscription revenue, which includes rental contracts, token contracts and Cloud contracts, grew 13.5% to £359.7 million (FY20: £316.8 million), primarily due to the growth set out in the standalone AVEVA commentary below, which grew by 11.4%.

Maintenance revenue reduced by 2.0% to £197.7 million (FY20: £201.7 million), due to foreign exchange translation and some conversion of Maintenance contracts to Subscription.

Perpetual licences reduced 21.0% year-on-year to £141.6 million (FY20: £179.3 million), due to the tough business environment and some impact from the transition of customer purchases into subscription licence models.

Services revenue reduced by 10.7% to £121.4 million (FY20: £136.0 million). As part of our planned strategy as set out in the standalone AVEVA commentary below.

The Group made a profit before tax of £34.2 million (FY20: £92.0 million) and on an adjusted basis, driven by the acquisition and integration costs incurred in the year. The Group made an adjusted profit before tax of £224.0 million (FY20: £213.8 million).

Basic earnings per share was 11.35p (FY20: 34.78p) and diluted earnings per share was 11.27p (FY20: 34.60p).

Cash generated from operating activities before tax was £91.2 million, compared to £161.4 million in the previous year. This reflects the cash paid out in respect of exceptional items of £63.2 million (FY20: £28.8 million and the effect of multi-year contracts and resulting working capital movements on contract assets).

The statutory tax charge for the year ended 31 March 2021 was £9.4 million (FY20: £22.2 million). The effective rate of 27.5% (FY20: 24.1%) is in line with the US corporation tax rate of 23.7%. The tax rate was most affected by US alternative minimum tax and reduced benefits from intellectual property tax incentives, both of which are calculated on statutory profits.

## Dividends

The Directors propose to pay a final dividend of 23.5 pence per share. After adjustment to reflect the bonus element of the rights issue, this represents an increase of 1% versus the FY20 final dividend. The final dividend will be payable on 4 August 2021 to shareholders on the register on 9 July 2021.

## Terms and financing of the acquisition of OSIsoft, debt and capital structure

The acquisition of OSIsoft was at an enterprise value of \$5.0 billion, on a cash-free and debt-free basis, assuming a normal level of working capital and subject to customary completion adjustments. Completion accounts are in the process of being drawn up and any final adjustments to the purchase price will be made in the first half of FY22.

AVEVA funded the \$5,086.5 million (£3,831.4 million) consideration via a rights issue raising approximately \$3,734.3 million (£2,806.9 million), the issue of 13.7 million consideration shares to the majority selling shareholder worth \$648.4 million (£465.7 million) and \$703.8 million (£558.8 million) from existing cash and new debt facilities including a \$900 million term loan from Schneider Electric.

The rights issue and the issue of consideration shares resulted in an additional 139.4m AVEVA shares being issued. This resulted in total shares in issue at 31 March 2021 of 301.2 million (FY20: 161.5 million) ordinary shares of 3.56 pence each.

The \$900.0 million debt facility was entered into on 9 October 2020 with Schneider Electric SE and was subsequently assigned to another Schneider entity. The debt is repayable over a three-year term, and bears interest at LIBOR plus a margin. The initial margin was 1.30% but varies dependent upon the net leverage ratio. The term loan was drawn down on 19 March 2021 when the acquisition completed and expires on 19 March 2024. The balance as at 31 March 2021 was £654.0 million (2020: nil).

## Balance sheet

Cash and treasury deposits were £286.9 million (FY20: £114.6 million) at 31 March 2021. A proportion of this cash was committed to pay transaction related costs and after payment of these costs net cash and treasury deposits were £217.1 million on 16 May 2021. There will be additional payments to the vendors of OSIsoft as part of the completion accounts mechanism during the first half of FY22.

Non-current assets were £5.8 billion (31 March 2020: £2.0 billion), reflecting goodwill and intangible assets that arose from the combination with the Schneider Electric industrial software business and the OSIsoft acquisition. Goodwill and intangible assets increased to £5.6 billion (FY20: £1.8 billion) as a result of the acquisition.

Trade and other receivables were £317.0 million (31 March 2020: £242.2 million). Contract assets increased to £215.6 million from £142.4 million at 31 March 2020, due to the upfront revenue recognition on multi-year contracts signed in the year.

Contract liabilities were £239.7 million (31 March 2020: £177.0 million), reflecting the increased size of the Group.

## Pro forma results for the year ended 31 March 2021 (unaudited)

We now present the pro forma result for the year. OSIsoft was a transformational acquisition which helped AVEVA on its journey to become the global leader in industrial software, further enhancing the Group's ability to lead the digital transformation of the industrial world. The OSIsoft business has a strong financial profile with a track record of delivering strong growth, profitability and cash conversion, which will enhance AVEVA's profile.

The acquisition has created a larger business with pro forma FY21 revenue of £1,196.1 million, versus AVEVA's standalone FY21 revenue of £803.0 million. The largest proportion of this revenue now relates to software used for the operation of industrial assets at around two thirds, with engineering making up the remaining one third.

£m	FY21 (unaudited)	FY20 (unaudited)	Change (unaudited)
Revenue	1,196.1	1,213.2	(1.4)%
Cost of sales	(229.1)	(249.9)	(8.3)%
Gross profit	967.0	963.3	0.4%
Operating expenses	(612.3)	(635.2)	(3.6)%
Adjusted EBIT	354.7	328.1	8.1%
Net interest	(16.0)	(29.1)	(45.0)%
Adjusted profit before tax	338.7	299.0	13.3%
Tax charge	(20.1)	(15.3)	(31.4)%
Adjusted profit after tax	318.6	283.7	12.3%
Adjusted diluted EPS (pence)	105.3	94.1	11.9%
Gross margin	80.8%	79.4%	140bps
Adjusted EBIT margin	29.7%	27.0%	270bps
Tax charge	5.9%	5.1%	80bps

## FINANCE REVIEW CONTINUED

**Combined Group pro forma revenue (unaudited)**

Revenue for the combined Group was £1,196.1 million, representing a reduction of 1.4% (FY20: £1,213.2 million). Organic constant currency revenue grew 2.2%, adjusted for a currency translation headwind of £31.2 million and the disposals of Wonderware Italy, Germany and Scandinavia in the prior year.

As previously announced, the Board believes that there is an opportunity to generate significant revenue synergies over the medium term through the combination of AVEVA and OSIsoft. These include cross-selling AVEVA's portfolio into the OSIsoft customer base, expansion of OSIsoft's global reach in Asia Pacific and EMEA through AVEVA's global footprint and enhancing AVEVA's Digital Twin offering through the combination of engineering and operations data.

Recurring revenue for the combined Group grew 7.7% to £800.2 million (FY20: £743.0 million) representing 66.9% (FY20: 61.2%) of overall revenue. This was driven by strong growth in subscription of 17.4% with maintenance flat compared with FY20. Perpetual licence revenue fell by 16.8% principally as a result of the tougher business environment and the business model transition in standalone AVEVA. AVEVA intends to continue with its strategy of increasing the combined Group's overall levels of recurring through subscription revenue.

The revenue mix for the combined Group is shown below:

£m	FY21	FY20	Reported change	Organic constant currency change	% of FY21 total
Subscription	387.4	330.1	17.4%	19.8%	32.4%
Maintenance	412.8	412.9	0.0%	4.0%	34.5%
<b>Total recurring revenue</b>	<b>800.2</b>	<b>743.0</b>	<b>7.7%</b>	<b>11.0%</b>	<b>66.9%</b>
Perpetual licences	271.2	326.0	(16.8)%	(12.2)%	22.7%
Services	124.7	144.2	(13.5)%	(11.3)%	10.4%
<b>Total</b>	<b>1,196.1</b>	<b>1,213.2</b>	<b>(1.4%)</b>	<b>2.2%</b>	<b>100%</b>

**Combined Group pro forma adjusted EBIT (unaudited)**

Adjusted EBIT increased by 8.1% to £354.7 million (FY20: £328.1 million), reflecting cost control and cost savings relating to global Covid-19 related restrictions. This resulted in an adjusted EBIT margin of 29.7% (FY20: 27.0%).

The year-on-year margin improvement resulted from some Covid-19 related cost reductions and an element of these is expected to return as the restrictions in certain countries are eased, for example in the areas of travel and customer events.

As announced as part of the acquisition, pre-tax cash cost synergies are expected of not less than £20 million per annum on a run rate basis by the end of the second full financial year following completion, which is year ending 31 March 2023.

**Combined Group pro forma earnings per share (unaudited)**

Pro forma diluted adjusted EPS increased by 11.9% to 105.3 pence (FY20: 94.1 pence), primarily as a result of the higher adjusted EBIT.

**Standalone AVEVA revenue (unaudited)**

Revenue for the year on an organic constant currency basis grew by 0.2%. On a reported basis, revenue declined by 3.7% to £803.0 million (FY20: £833.8 million). Following a challenging first half, AVEVA saw second half revenue of £470.4 million (FY20: £441.9 million) which was a growth of 6.5% in reported terms or 10.6% in organic constant currency terms driven by strong contract renewals in Q3.

Revenue by type is set out below:

**Combined Group pro forma net interest charge (unaudited)**

The combined pro forma assumes that the \$900 million term loan was drawn down on 1 April 2019 and therefore a full year's interest is charged in each year. Total pro forma net interest would have been £16.0 million (FY20: £29.1 million). The year-on-year reduction was due to lower LIBOR rates in FY21.

£m	FY21	% of total	FY20	% of total	Change	Organic constant currency
Subscription	353.0	44.0%	316.8	38.0%	11.4%	13.5%
Maintenance	192.3	23.9%	201.7	24.2%	(4.7)%	0.5%
<b>Total recurring revenue</b>	<b>545.3</b>	<b>67.9%</b>	<b>518.5</b>	<b>62.2%</b>	<b>5.2%</b>	<b>8.5%</b>
Perpetual licences	136.5	17.0%	179.3	21.5%	(23.9)%	(17.9)%
Services	121.2	15.1%	136.0	16.3%	(10.9)%	(8.7)%
<b>Total</b>	<b>803.0</b>	<b>100.0%</b>	<b>833.8</b>	<b>100.0%</b>	<b>(3.7)%</b>	<b>0.2%</b>



### Recurring revenue

Growing recurring revenue, both as a proportion of overall revenue and in absolute terms, remains a key focus for AVEVA. Total recurring revenue increased by 5.2% to £545.3 million (FY20: £518.5 million). On an organic constant currency basis, the increase was 8.5%.

Subscriptions revenue, which includes rental contracts, token contracts and Cloud contracts, grew 11.4% to £353.0 million (FY20: £316.8 million) or 13.5% on an organic constant currency basis. The second half saw strong growth in Subscriptions following the large contract renewals in the third quarter. Going forward, AVEVA expects considerable growth in Cloud orders, which are recognised rateably over the term of the contract. This will impact the amount of revenue recognised within a year on new Subscription contracts, but does create backlog for future years.

Maintenance revenue was resilient, reducing by 4.7% to £192.3 million (FY20: £201.7 million), largely due to foreign exchange translation (organic constant currency was an increase of 0.5%) and some conversion of Maintenance contracts to Subscription.

### Perpetual licences

Perpetual licences reduced 23.9% year-on-year to £136.5 million (FY20: £179.3 million), or 17.9% on an organic constant currency basis, due to the tough business environment and some impact from the transition of customer purchases into Subscription licence models.

### Services

As planned, services revenue reduced by 10.9% to £121.2 million (FY20: £136.0 million), or 8.7% on an organic constant currency basis. Services are sold alongside software licences to ensure efficient deployment and to generate value faster for customers. This planned reduction was driven by AVEVA's focus on increasing the proportion of higher gross margin software as part of its overall revenue mix in the longer term, while still undertaking services that support long-term growth, particularly in newer areas of the business such as Asset Performance Management and Digital Twin projects.

### Standalone AVEVA adjusted EBIT and cost management (unaudited)

Adjusted EBIT increased 0.6% to £218.0 million (FY20: £216.8 million). The adjusted EBIT margin increased to 27.1% (FY20: 26.0%) due to tight cost control and savings achieved due to the Covid-19 pandemic. Some of these costs are expected to come back in FY22 as restrictions on travel are gradually lifted.

AVEVA continued to invest in strategic areas such as Cloud, Artificial Intelligence and digital marketing, whilst significantly reducing costs elsewhere.

Total adjusted costs were £585.0 million (FY20: £617.0 million), a decrease of 5.2% over the previous year and a decrease of 3.4% on a constant currency basis.

An analysis of total expenses is summarised below:

£m	Cost of sales	R&D	Selling and distribution	Admin.	Net impairment loss from financial assets	Other income	Total
<b>Statutory</b>	<b>179.8</b>	<b>179.3</b>	<b>222.9</b>	<b>189.7</b>	<b>3.4</b>	<b>(5.5)</b>	<b>769.6</b>
Amortisation excl. other software	–	(63.9)	(26.6)	–	–	–	(90.5)
Share-based payments	–	–	–	(16.3)	–	–	(16.3)
Gain on FX contracts	–	–	–	0.7	–	–	0.7
Exceptional items	(0.8)	(0.3)	(4.6)	(78.3)	–	5.5	(78.5)
<b>Adjusted costs</b>	<b>179.0</b>	<b>115.1</b>	<b>191.7</b>	<b>95.8</b>	<b>3.4</b>	<b>–</b>	<b>585.0</b>
 FY20	 190.1	 120.7	 209.1	 89.5	 7.6	 –	 617.0
Change	(5.8)%	(4.6)%	(8.3)%	7.0%	(55.3)%	–	(5.2)%
Constant currency	(4.1)%	(3.1)%	(6.2)%	8.6%	(55.3)%	–	(3.4)%

Cost of sales decreased by 5.8% to £179.0 million (FY20: £190.1 million). This was driven by a significant reduction in the cost of delivering services and customer support, including reduced travel costs, partially offset by significantly higher Cloud hosting costs.

Research & Development costs were £115.1 million (FY20: £120.7 million), representing a decrease of 4.6% with tight cost control being partly offset by investment in areas including Cloud and AI.

Selling and distribution expenses were £191.7 million (FY20: £209.1 million), an 8.3% decrease versus the prior year. This was primarily due to lower Sales costs, relating largely to reduced travel costs, partly offset by an increase in investment in Marketing and in particular, digital marketing.

Administrative expenses were £95.8 million (FY20: £89.5 million) representing an increase of 7.0%. This was primarily due to investment in the IT function to support the larger Group as the transitional services with Schneider Electric were exited, together with some expansion of the Finance function.

Net impairment loss from financial assets represents the impairment of accounts receivable and contract assets during the year of £3.4 million (FY20: £7.6 million).

## FINANCE REVIEW CONTINUED

**Standalone AVEVA normalised and exceptional items (unaudited)**

The normalised and exceptional items below have been excluded in presenting the standalone AVEVA's adjusted results. Although OSIsoft did incur transaction costs relating to the acquisition, these are not included in these results because the pro forma for OSIsoft presents results on an adjusted basis.

£m	FY21	FY20
Acquisition costs	44.4	0.8
Integration activities	37.3	28.2
Restructuring costs	2.3	1.7
Other income	(5.5)	(11.9)
<b>Total exceptional items</b>	<b>78.5</b>	<b>18.8</b>
Amortisation excl. other software	90.5	90.6
Share-based payments	16.3	12.0
(Gain)/loss on FX contracts	(0.7)	0.4
<b>Total normalised items</b>	<b>106.1</b>	<b>103.0</b>

Acquisition and integration activities principally related to acquisition costs associated with OSIsoft and the tail-end of integration activities related to the Schneider Electric industrial software business, such as IT costs related to the exit of the Transitional Service Agreement, including the new ERP system implementation. Other income relates to reimbursement of capital expenditure on integration activities from Schneider Electric.

Amortisation relates to the amortisation of the fair valued heritage AVEVA intangible assets under acquisition accounting, following the combination with the Schneider Electric industrial software business.

**Standalone AVEVA operating cash flow (unaudited)**

Cash generated from operating activities before tax and exceptional items was £173.3 million, compared to £190.2 million in the previous year, resulting in conversion of adjusted EBIT to operating cash flow of 79% (FY20: 88%). This reflects the effect of multi-year contracts and particularly those contracts where customers pay in annual instalments, but revenue is recognised earlier under IFRS 15.

Net cash paid out in respect of exceptional items was £63.2 million (FY20: £23.3 million).

**Standalone OSIsoft performance (unaudited)****Revenue**

Revenue increased 6.6% on an organic constant currency basis. On a reported basis, revenue increased by 3.6% to £393.1 million (FY20: £379.4 million). Similarly to AVEVA, OSIsoft had a weaker first half of the year due to the disruption caused by Covid-19 with revenue growth of 2.0% and a stronger second half with organic constant currency growth of 10.6%.

Revenue by type is set out below:

£m	FY21	% of total	FY20	% of total	Change	Organic constant currency
Subscription	34.4	8.7%	13.3	3.5%	158.6%	169.2%
Maintenance	220.5	56.1%	211.2	55.7%	4.4%	7.3%
<b>Total recurring revenue</b>	<b>254.9</b>	<b>64.8%</b>	<b>224.5</b>	<b>59.2%</b>	<b>13.5%</b>	<b>16.9%</b>
Perpetual licences	134.8	34.3%	146.7	38.7%	(8.1)%	(5.6)%
Services	3.4	0.9%	8.2	2.1%	(58.5)%	(57.3)%
<b>Total</b>	<b>393.1</b>	<b>100.0%</b>	<b>379.4</b>	<b>100.0%</b>	<b>3.6%</b>	<b>6.6%</b>

**Recurring revenue**

Recurring revenue increased from £224.5 million to £254.9 million representing 64.8% (FY20: 59.2%) of total revenue.

Maintenance revenue increased by 4.4% to £220.5 million (FY20: £211.2 million), largely due to new revenue resulting from new perpetual licence sales and a high retention rate among existing accounts.

Subscriptions revenue grew 158.6% to £34.4 million (FY20: £13.3 million). This was due to broad based growth and assisted by a larger multi-year contract signed at the end of the financial year.

**Perpetual licences**

Perpetual licences decreased 8.1% year-on-year to £134.8 million (FY20: £146.7 million), due to disruption caused by the pandemic and in particular weakness in the Oil & Gas sector.

**Services**

Services revenue reduced by 58.5% to £3.4 million (FY20: £8.2 million), due to a sharp decline in on-site training and field service orders driven by customer responses to the conditions of the pandemic.

### Standalone OSIsoft adjusted EBIT and cost management (unaudited)

Adjusted EBIT increased 22.8% to £136.7 million (FY20: £111.3 million). The adjusted EBIT margin increased to 34.8% (FY20: 29.3%) due to a combination of the revenue growth and savings achieved due to the Covid-19 pandemic.

Total adjusted costs were £256.4 million (FY20: £268.1 million), a decrease of 4.4% over the previous year and a decrease of 1.6% on a constant currency basis.

An analysis of total expenses is summarised below:

£m	Cost of sales	R&D	Selling and distribution	Admin.	Net impairment loss from financial assets	Total
Adjusted costs	50.1	53.4	86.4	66.3	0.2	256.4
FY20	59.8	51.2	93.4	64.4	(0.7)	268.1
Change	(16.2)%	4.3%	(7.5)%	3.0%	–	(4.4)%
Constant currency	(13.9)%	7.2%	(4.8)%	5.9%	–	(1.6)%

Cost of sales decreased by 16.2% to £50.1 million (FY20: £59.8 million). This was driven by a reduction in travel by customer success functions in reaction to conditions of the pandemic.

Research & Development costs were £53.4 million (FY20: £51.2 million), representing an increase of 4.3% due to an increased investment in Cloud development.

Selling and distribution expenses were £86.4 million (FY20: £93.4 million), a 7.5% decrease versus the prior year. This was due to cancellation of on-site marketing and sales events such as user conferences, executive summits and trade events, as well as a steep reduction in travel related expenses. Both decreased as a result of conditions caused by the pandemic. This decrease was partly offset by additional investment in sales capabilities.

Administrative expenses were £66.3 million (FY20: £64.4 million) representing an increase of 3.0%. This was due to increased professional fees relating to the sale process and additional investment in business IT and software, such as Azure and Salesforce.

Net impairment loss from financial assets represents the impairment of accounts receivable and contract assets during the year of £0.2 million (FY20: income of £0.7 million).

### Taxation (unaudited)

The pro forma tax charge on adjusted profit before tax was £20.3 million (FY20: £15.3 million), which equates to an effective tax rate of 5.9% (FY20: 5.1%). This tax charge factors in the benefit of UK and US tax incentives on intellectual property and the tax step-up relating the acquisition of OSIsoft.

The announced increase in UK corporation tax is expected to have a minimal impact on the adjusted tax rate because of the continued benefit of intellectual property tax incentives and the increased proportion of Group profits earned in the US following the OSIsoft acquisition.

### Combined Group pro forma Annualised Recurring Revenue (ARR) (unaudited)

In order to make it easier to track the performance of AVEVA's recurring revenue progression, the Group is introducing a new metric, Annualised Recurring Revenue (ARR). ARR is a non-GAAP measure.

ARR removes distortions caused by applying the revenue recognition accounting standard by annualising the revenue associated with contracts at a point in time. For example, an on-premise Subscription contract would have a large element of the contract recognised upfront, whereas a Cloud Subscription contract is recognised rateably over the lifetime of the contract. ARR removes the differences in this revenue recognition treatment to make it easier to track underlying value progression.

On 31 March 2021, ARR for the combined AVEVA Group was £704.8 million. This represented a 12 month increase of 8.6% on a constant currency basis (31 March 2020: £648.9 million). This Group total consisted of £453.8 million of ARR for the standalone AVEVA Group (FY20: £420.9 million) and £251.0 million of ARR for OSIsoft (FY20: £228.0 million).

James Kidd  
Deputy CEO & CFO

25 May 2021

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*James Kidd*  
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## OUR PEOPLE

# Our people are amazing

FY21 has been a year of home and virtual working. This has not been easy for many of our people, but we have learned that where we work does not impact how we work. In response to the challenges of Covid-19 we have enhanced our engagement activities, the visibility of the Executive team and our focus on employee wellbeing.

We use regular engagement surveys to understand how our employees feel about life at AVEVA. During FY21, we ran two all-employee surveys in which people reported feeling supported by and connected to AVEVA throughout the Covid-19 pandemic and while working from home.

We have also used employee and manager All Hands Video Calls as a vital channel, connecting everyone at AVEVA with the Executive Leadership Team (ELT). With monthly managers' calls and quarterly all-employee calls, we ensure a regular drumbeat of information and business updates cascades through to employees.

These calls form part of our consistent cadence of engagement aligned to the AVEVA LIFE values, and we receive regular feedback that we are helping our teams feel engaged and positive.

AVEVA successfully acquired OSIsoft in March 2021. To ease the transition, we developed a full engagement plan to welcome our 1,500 new colleagues.

**"I have been part of a few mergers and acquisitions. Joining AVEVA has been the best experience I have had ... This is a high-class organisation."**

With a clear focus on our employee experience, colleagues from both OSIsoft and AVEVA were well-informed, empowered to ask questions and given a platform to virtually greet one another. Our ultimate goal was to help all employees feel like important and valued parts of the expanded organisation. This included providing access from day one to all our systems and employee materials, as well as creating a welcome campaign on our employee intranet.

Over 4,000 employees participated in an employee All Hands Call with the ELT to understand our strategy from Day 1 of our combination with OSIsoft. Every OSIsoft colleague who responded to a follow-up survey rated this call as excellent.

## Covid-19 response

With the onset of the Covid-19 crisis, AVEVA was quick to adapt to homeworking.

To help with the transition, we offered employees financial assistance to set up a home office. We also established a dedicated Covid-19 hub on our OneSpace intranet, providing details on our response to the pandemic and outlining the support available to employees. Working with representatives from across the business, we used this as our one-stop area for factors including:

- region-specific guidance;
- useful contacts;
- toolkits for managers;
- relevant external links, and
- our policies on travel and customer interaction and our expectations of employees.

On 18 March 2020, the first day of homeworking, we launched the first of our #WEAREAVEVA campaigns, which are designed to get employees talking and connecting on topics outside of work. The first theme was a selfie challenge, which resulted in 111 posts and more than 2,500 interactions. Since then we have uploaded a new theme every other week, and engagement rates remain high.

The most popular campaign to date was the interactive welcome board we launched to greet our new OSIsoft colleagues. Over 320 employees from across both organisations posted messages and images to give a virtual welcome.

## Learning and development

We support and encourage all employees' growth and development. We recently conducted a thorough talent review and moved our Leadership Essentials training programme online so that colleagues could continue to benefit remotely. To accelerate our R&D product strategy, we developed 'Project Uplift', an AI and Cloud upskilling programme for FY21 and FY22. This is designed to enhance our existing skills, domain knowledge and customer focus, and accelerate our ability to innovate in these areas.

**"I wanted to thank you for a great eight weeks of Leadership training. I learned so many new skills that I can't wait to implement with my team."**

Joshua Wright - Team Lead, Services

Organised by our Sales Enablement team, IGNITE is an annual event designed to ensure the team has the tools and connections they need to succeed. Our sales graduate programme is now in its second year, and in October we welcomed 30 new graduates from across the globe.

**"As a fresh graduate, my aim was to get into a company that values young talent, helping them to developing their skills and their cultural knowledge. Thankfully I joined AVEVA and found it to be the right place to learn, connect with different people and grow!"**

Rana Abukhater, AVEVA graduate

We also run mandatory training to ensure all employees fully understand and comply with our corporate policies, including those on D&I, cyber security and corporate ethics.

## AVEVA LIFE

### Limitless Possibilities

We understand the limitless potential of true innovation, we are creative and curious, constantly challenging ourselves to help our customers create a better world.

### Integrity Always

We do the right thing, leading by example. Our respect for everyone we connect with is why we're trusted to help our customers work smarter, and why we work and act as one.

### Flexibility Together

By working flexibly and collaboratively across our diverse internal and external teams, we foster close connections and ensure we achieve our goals together.

### Excellence Every Day

Our people are amazing. Smart, pragmatic, humble, and always welcome a challenge. We're incredibly proud of what we deliver and help our customers achieve.

## Culture

### Values, recognition and reward

Our values drive us every day to succeed. Beyond the need to demonstrate how we all live the values through performance reviews, we have embedded and demonstrated our commitment to living them in many ways.

Before the acquisition, AVEVA's values were closely aligned to those of OSIsoft: an innovative organisation with a strong focus on learning. This alignment has led to a strong early connection between employees of both organisations, with 91% of respondents to our Day 1+ experience survey stating that the strategic rationale of our transaction makes sense. In addition, 86% agree they are excited about the future.

Recognition and empowerment also help us to reinforce our values. We launched a new recognition platform, MyRecognition, on which employees can formally recognise and publicly appreciate their colleagues. MyRecognition ensures there is a consistent and sustainable way to recognise everybody's efforts and promote them to the wider business.

In the first five months since the platform's launch:

- 2,095 separate recognitions were posted on the platform, with 5,211 interactions, and
- 1,958 employees received at least one recognition.

In January 2021, we rolled out a global employee share purchase plan that was adopted by AVEVA's shareholders at the July 2020 AGM. This is our first all-employee share plan, driving alignment between our employees and our shareholders. It has received extremely positive support, with nearly 50% of eligible employees taking the opportunity to buy shares.

**"I was pleased when AVEVA announced the launch of My AVEVA Shares. As a participant, I feel more connected and responsible for the company's growth and performance. It's rewarding to see that I have a role to play in AVEVA's success."**

Shelley Barker, Human Resources.

## OUR PEOPLE CONTINUED

Wellbeing Network  
formed across

50

employees

12

countries

### Wellbeing

Due to the exceptional circumstances Covid-19 has created, we placed an increased focus on wellbeing taking into account the additional mental and physical pressures some of our employees may have been experiencing. We have encouraged flexible working schedules and established a Wellbeing Hub, full of resources for all employees to use when they need. In May 2020, we formed a Wellbeing Network of over 50 employees in 12 different countries.

**'I am so thankful that AVEVA has taken this initiative to recognise mental health during this most unusual time of our lives.'**

Angie Wright, Human Resources.

See page 76 for more information on how the Board has been involved in employee wellbeing and engagement during the year.

### Communities

Action for Good, our Group-wide programme, encourages employees to take part in social wellbeing activities, supporting local communities and wider society alike. We have pledged to provide the equivalent of 1% of our net profits to support social wellbeing and charitable causes, both at a global level and in the local communities where we operate.

Our employees have not let Covid-19 restrictions prevent them from getting involved and supporting worthy causes through our four regional committees. The regions have been very busy supporting local charities and, wherever possible, taking part in virtual activities. Many employees have also been helping on the ground, volunteering at vaccine centres and foodbanks.

AVEVA and OSIsoft are well aligned when it comes to charitable activities and employee participation. All employees from both organisations receive paid time off to volunteer and both organisations also make donations to match charitable funds raised by employees. Despite the difficulties posed by Covid-19, 531 AVEVA employees and 104 OSIsoft employees used paid time off to support good causes.

AVEVA has donated over £550,000 to more than 39 charities, including Water Aid, Homestart, CALM, Save the Children and UNICEF. Our employees chose these charities, which all align to our Sustainability programme while helping us step up support for vulnerable populations disproportionately at risk from the pandemic's impact. OSIsoft also have a culture of raising money for good causes; over \$300,000 was donated or raised by employees in the 12 months to March 2021, with OSIsoft making matching donations totalling nearly \$280,000.

We look forward to learning from each other's experiences in the coming year.

## World Mental Health Week

Inspired by World Mental Health Day, we held our First World Mental Health Week at AVEVA. There were a number of different initiatives including employee blogs and 'coffee chat' sessions, where everyone was encouraged to reach out to a colleague and connect with them.

We also ran a series of Wellbeing webinars with the help of Dr John Briffa, an external expert. The webinars covered a host of mental and physical issues and offered practical, common-sense solutions.

**'May I just say how excellent I thought that talk by Dr John Briffa was – I truly wish I had had some of that in mind during past times in my life.'**

In late 2020, we launched the AVEVA 'Around the World in 80 Days' Steps Challenge, inviting teams from across the globe to compete for Action for Good donations for a charity of their choice.

With nearly 600 colleagues taking part across 104 teams, this walking challenge had a great impact on wellbeing, encouraging many participants to exercise much more than usual. With £14,000 in charity

donations to be split across the five winning teams, there was a real sense of healthy competition and a drive to succeed.

As well as promoting physical fitness, the challenge also had a positive impact on mental wellbeing. There were hundreds of posts on the employee intranet challenge hub from people sharing experiences from their travels, recaps of their walking stats and challenges issued to competing teams.

**"I am delighted by the success of the Steps Challenge, to see not only so many colleagues take part and record so many steps, but also the worthy local charities they wished to support."**

James Kidd, Deputy CEO and CFO

### International Women's Day

Inspired by International Women's Day and the campaign theme of #ChooseToChallenge, we launched a dedicated #WEAREAVEVA campaign. This campaign invited colleagues to show their commitment to challenging inequality, calling out bias, questioning stereotypes and helping to forge an inclusive world.



Rakhi Kirti, Solution Support Engineer

The ELT also got involved, hosting open and frank discussions in collaboration with the Women@AVEVA network. Members shared their views on the importance of diversity and inclusion for us all, and our need to learn from and celebrate our differences.

Caoimhe Keogan, Chief People Officer, also hosted a panel discussion featuring members of the ELT, discussing some of the key themes of gender bias and inequality. As well as enabling members to reflect on their own personal learnings, the panel considered how we can all help to create a more inclusive workplace.

To read more on our D&I activities, please see pages 34 to 35.

### Academics

#### Programme sponsorship

AVEVA is proud to be the industrial sponsor of the Future Infrastructure of the Built Environment 2 Centre for Doctoral Training which is joint funded by the Engineering and Physical Sciences Research Council (EPSRC). AVEVA will sponsor up to six PhD students to research topics under the general heading of 'Resilient Infrastructure'. This is closely aligned with AVEVA's ambition to find sustainability solutions for our customers.

#### The AVEVA Academic Programme Competition

The AVEVA Academic Programme Competition provides chemical engineering students from across North America and Europe with a unique opportunity to develop their process-simulation skills. Students are invited to solve real-world engineering problems using AVEVA Process Simulation: this is our innovative integrated platform developed to enable the next generation of engineers, covering the complete engineering lifecycle of design, simulation and training. The software's ease of use means we can encourage students with no prior experience to enter.

**"Building on the success of the past two years, the 2021 academic competition is designed to attract aspiring engineers, allowing them to transfer the skills they have learned in the classroom to solving real-life engineering problems. By offering practical experience through our industry-leading software, AVEVA is empowering the next generation of engineers and ensuring they are well prepared for working in the industrial sector."**

**Mihaela Hahne, Global Program Manager, Academic at AVEVA.**

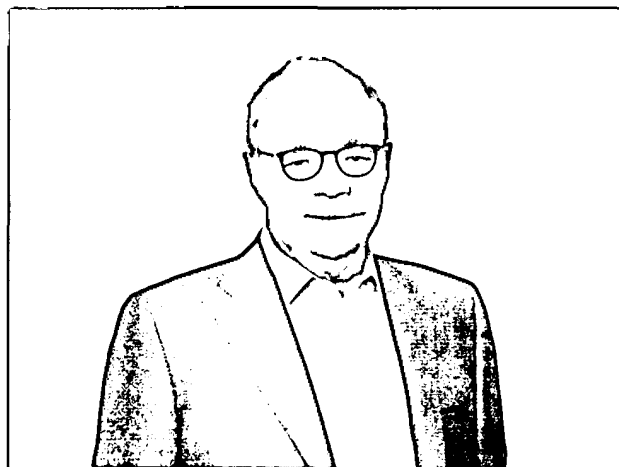
## NON-FINANCIAL INFORMATION STATEMENT

## Non-financial information statement

Focus area	Policies and disclosures	Further reading
Environmental	Greenhouse gas emissions data	Page 32
	Our handprint and footprint	Pages 30 to 33
Employees	Diversity & inclusion	Page 34
	Employee wellbeing	Page 56
	Values and culture	Page 55
Social matters	AVEVA Action for Good	Page 56
	Group gender diversity	Page 35
	Board gender and ethnic diversity	Page 66 and page 80
Human rights	Anti-slavery and human trafficking policy	Our full anti-slavery and human trafficking statement is available on our website at <a href="http://aveva.com">aveva.com</a>
	Data protection policy	Our data Trust Centre is available on our website at <a href="http://aveva.com/en/legal/trust/">aveva.com/en/legal/trust/</a>
Anti-bribery & corruption	Anti-bribery and corruption policy	Page 84  Our 'AVEVA Speak Up' portal is available for any AVEVA employees and third parties to report suspected wrongdoing relating to AVEVA. This is available on our website at <a href="http://aveva.com">aveva.com</a>
Non-financial key performance indicators	The key metrics in measuring our non-financial performance.	Pages 26 to 27
Management of principal risks and uncertainties	Our key risks and how they are mitigated.	Page 36 to 46
Business model	How we create value for our stakeholders.	Page 20 to 21



# Chairman's introduction to Governance



In FY21, a global pandemic and the largest acquisition in our corporate history made good governance more important than ever for AVEVA. Here, our Chairman outlines how the Board continues to meet its responsibilities to support good decision-making and enable effective responses to the challenges we collectively face.

## Our people and culture

AVEVA's rapid and responsible action in the face of the Covid-19 crisis protected the interests of all stakeholders, most especially our employees' health and safety and our customers' needs. This clearly indicates the resilience of our business, our culture and our colleagues.

I am confident that our collective ability to adapt and innovate in the face of such rapid and significant change was pivotal to our success in FY21. I would like to thank everybody whose collective energy and commitment made a contribution during FY21.

## OSIsoft acquisition targeting long-term resilient growth

The year's single most significant event was the acquisition of OSIsoft. This, the largest strategic acquisition in our history, will permanently underpin our future success. We undertook the acquisition from a position of strength and as part of our deliberate corporate strategy that is enabling us to build the resilience that our stakeholders demand.

In order to deliver the acquisition's full strategic, operational and financial benefits, OSIsoft's founder Dr J. Patrick Kennedy will remain involved in the business. As explained in the combined circular and prospectus published by the Company on 6 November 2020 (the Prospectus), he has taken on the newly-established role of Chairman Emeritus, which is not a Board position, but will smooth the cultural integration of the OSIsoft business. Please see pages 72 to 73 for a description of the acquisition process and page 60 for an overview of the Chairman Emeritus appointment.

## Board and leadership changes

The Company announced on 27 April 2021 that Chief Executive Officer, Craig Hayman, will leave the Group after the Company's AGM in July. Craig's contribution during his three-year tenure will resonate in future years as we see the ongoing benefits of the combination with the Schneider Electric industrial software business and the recently acquired OSIsoft, consolidating AVEVA's prime position in the world of industrial software. The Board and I would like to thank Craig for his dedicated service as CEO and we wish him all the best for the future.

Peter Herweck has been transferred from Schneider Electric at the request of the Board to the role of AVEVA's CEO, effective from 1 May 2021. Peter has over 30 years of experience in automation, digitalisation and industrial software and has served on AVEVA's Board since 2018, most recently as Vice Chairman, making him the ideal appointment at this stage of AVEVA's development. Following his appointment as CEO, Peter has resigned as member of the Nomination Committee and as Vice Chairman effective from 1 May 2021.

My colleagues on the Board and the ELT and I would also like to express our gratitude to David Ward, whose decision to step down from his current role as our Finance Director and Company Secretary with effect from 7 May 2021 was announced in January 2021. David has been with AVEVA since January 2011, and the support and counsel he has provided to the Board have made an enormous contribution to our success.

Claire Denton, Group General Counsel, took over the role of Company Secretary with effect from 7 May 2021.

As included in last year's Annual Report, Emmanuel Babeau resigned as Non-Executive Director, Vice Chairman and as member of the Remuneration Committee on 30 April 2020, following his resignation from Schneider Electric. In accordance with the terms of the Relationship Agreement between the Company and Schneider Electric (the Relationship Agreement), Schneider Electric appointed Olivier Blum to the Board and the Remuneration Committee. Please see page 125 for further detail on the terms of the Relationship Agreement.

## Board response to Covid-19

During the year, the Board oversaw and supported the response of the ELT to the challenges and pressures created by the pandemic. As part of this, it worked closely with the ELT and Company Secretary to implement a range of governance and process changes to strengthen our strategic, tactical and operational response.

The Board also re-evaluated meeting agendas and frequency to ensure we could focus on key priorities. This included increasing the frequency of Board and ELT meetings to stay ahead of developments, share insights, make timely decisions and steer the organisation through the crisis. We also adapted the Board and ELT engagement schedule to ensure that we continue to deliver on our responsibilities to our key shareholders.

We recognise how important it is to have an open and ongoing dialogue with shareholders, employees and other stakeholders, particularly during times of change. Throughout the year, therefore, members of the Board and senior management took part in many stakeholder meetings, including with the Company's largest investors.

## Chairman Emeritus



**Dr J. Patrick Kennedy's employment agreement was entered into on 25 August 2020 between AVEVA, OSIsoft and Dr J. Patrick Kennedy (the PK Employment Agreement).**

**Pursuant to the PK Employment Agreement, Dr J. Patrick Kennedy agreed to transition to the non-Board role of Chairman Emeritus following completion of the acquisition of OSIsoft.**

Pursuant to the PK Employment Agreement, Dr J. Patrick Kennedy's role will continue for an initial one-year term, with the initial term being extended for successive terms of one year each on mutual agreement of the parties, provided that each successive term can be terminated earlier on at least 30 days' notice by either party. Dr J. Patrick Kennedy's role and responsibilities as Chairman Emeritus will include assisting the enlarged Group with the integration of the OSIsoft business, representing the enlarged Group at high-profile speaking engagements and enterprise-customer sessions, participating in strategy sessions with the enlarged Group's core strategy leadership team, and providing further mentorship and advisory support as mutually agreed with the enlarged Group.

Dr J. Patrick Kennedy will devote between 50 and 70 days per year of his time to the role and in consideration for such services provided pursuant to the PK Employment Agreement, Dr J. Patrick Kennedy will receive a base salary at an annual rate of \$300,000. In the event that Dr J. Patrick Kennedy performs services exceeding 70 days per annum, compensation will be as mutually agreed with the enlarged Group, though if Dr J. Patrick Kennedy performs services exceeding 80 days per annum, these will be compensated at a per diem rate of \$3,000. Dr J. Patrick Kennedy will be entitled to continue participating in the medical plan and other benefit plans that OSIsoft provides to its most senior employees (including reimbursement of business expenses in accordance with OSIsoft's policies). Remuneration for the Chairman Emeritus role falls within the remit of the Remuneration Committee.

Dr J. Patrick Kennedy has undertaken to comply with all legal and regulatory requirements and codes of practice or compliance manuals issued by AVEVA relating to transactions in securities (including the Market Abuse Regulation) and, whilst Dr J. Patrick Kennedy's legal and/or beneficial interest in the Company's ordinary shares (including through Dr J. Patrick Kennedy's interest in Estudillo Holdings LLC (Estudillo)) equals or exceeds 3% of the outstanding share capital of AVEVA, to consult with AVEVA and its brokers prior to offering or disposing (or agreeing to offer or dispose) of any legal or beneficial interest in the ordinary shares.

In connection with the acquisition of OSIsoft, new ordinary shares in AVEVA were issued to Estudillo as part of the consideration for the acquisition of OSIsoft. Estudillo's interest in OSIsoft is controlled by Dr J. Patrick Kennedy and it is understood that Estudillo intends to distribute most of these to affiliates of Dr J. Patrick Kennedy with the remainder being distributed to other shareholders in Estudillo.

## Governance and the Board

The Board undertakes an annual review of its own and its Committees' performance and effectiveness. This year, we conducted an internal evaluation of our performance and further details on the process, outcomes and actions of the evaluation can be found on page 79.

A time of crisis makes good governance more important than ever, supporting agile and effective decision-making, bringing assurance to all stakeholders and facilitating recovery. To achieve this, we, as a Board, need to ensure we have the right people in place to support our strategy and plans.

To help provide continuity following the OSIsoft acquisition and the transition to the enlarged Group, I have agreed to extend my term of appointment as Chairman beyond the ninth anniversary of my tenure. Please see the Nomination Committee report for clarification on this decision.

As Peter Herweck has taken up an executive position on the Board, Schneider Electric, the Company's majority shareholder, is entitled to appoint a replacement Non-Executive Director to the Board and to the Nomination Committee pursuant to the terms of the Relationship Agreement. The Company is in discussions with Schneider Electric regarding such appointments. The role of Vice Chairman is a requirement of the Relationship Agreement and discussions with Schneider Electric will include consideration of this.

In addition to the Company's discussions with Schneider Electric, the Nomination Committee is currently in the process of identifying an additional independent Non-Executive Director to join the Board. Enhancing the diversity of the Board will be a key consideration during our search and also in our discussions with Schneider Electric regarding any candidates they nominate for appointment pursuant to the Relationship Agreement. The Nomination Committee report on pages 78 to 82 contains commentary on the search.

I would like to thank my fellow Board members, the ELT and all our colleagues at every level of AVEVA for their support, commitment and contribution during what has been an exceptional period of change, full of unconventional and unexpected challenges.

Looking ahead, as a Board, we fully expect the challenging external environment and its associated impacts to continue. We will continue to work closely with the ELT in order to respond effectively to any challenges, successfully integrate the OSIsoft business and to deliver on our strategic goals.

Philip Aiken AM  
Chairman

DocuSigned by:

*Philip Aiken*  
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## Statement of Compliance

The Board is accountable to the Group's shareholders for its standards of governance. It is also committed to the principles of corporate governance (the principles) as set out in the Financial Reporting Council (FRC) 2018 UK Corporate Governance Code (the 2018 Code). The 2018 Code can be found on the FRC's website at [www.frc.org.uk](http://www.frc.org.uk).

We have prepared this Annual Report with references to the 2018 Code. The Board considers that the Company has complied with the provisions of the 2018 Code save with certain exceptions. The specific provisions of the 2018 Code where we and our Directors are not compliant are:

- Provision 17, which requires that the majority of the Nomination Committee's membership should be independent Non-Executive Directors. If the independence of the Chairman is excluded (in relation to which see page 81 for a discussion of the Chairman's tenure), the Committee's membership has not comprised such a majority during the year as only two out of its four members were independent. In accordance with the Relationship Agreement with Schneider Electric, Peter Herweck was, prior to his appointment as Chief Executive Officer, the Committee's Schneider Electric-appointed member and consequently a non-independent Director on the Nomination Committee. Peter is an experienced executive, and the Board considered this, as well as the diversity of thought and insight he brought to the Committee's activities, to have had a positive impact. Following his appointment as CEO, Peter Herweck has resigned from the Nomination Committee and the Company is engaged in discussions with Schneider Electric regarding the appointment of a replacement Non-Executive Director. Following the search and appointment of an additional independent Non-Executive Director, the Board will consider the membership of the Nomination Committee and aim to achieve compliance with the Code. Please see page 77 for further detail on the independence of Directors and how we manage conflicts.
- Provision 32, which requires that the Remuneration Committee should only comprise independent Non-Executive Directors. The presence on the Committee of Olivier Blum, appointed by Schneider Electric in accordance with the Relationship Agreement, means the Committee is not constituted in this way. However, Olivier's senior executive strategic and operational roles in HR and remuneration bolster the effectiveness of the Committee, which values his insight and technical expertise. Please see page 77 for further detail on the independence of Directors, mitigating actions and management of conflicts.
- Provision 19, which states that the Chairman should not remain in post beyond nine years. As explained in the Prospectus related to the OSIsoft acquisition, the Board identified stability and continuity as key drivers for the future success of the enlarged Group. Because of this, and following discussions without the Chairman present, it was decided to extend the tenure of the Chairman for one further year. The Board believes that it is in the best interest of the Company and our shareholders that the current Chairman should oversee the completion of the OSIsoft acquisition to ensure the long-term success of the Company. The strength of the Senior Independent Director ensures there is a balance of responsibility at the top of the Company. The Chairman will therefore stand for re-election at this year's AGM. Please see the Nomination Committee Report for further details on the Chairman tenure including the timescales of the extension and succession planning.
- Provision 41, the Annual Report does not include a description of what engagement with the workforce has taken place to explain how executive remuneration aligns with wider pay policy. The Board's normal schedule of employee engagement was disrupted by the Covid-19 pandemic and the move to fully remote working. The Board is committed to addressing employee engagement, including on executive remuneration, during the coming year and is working towards implementing an effective and consistent engagement plan that works in a virtual as well as in-person context. For details of broader workforce engagement during the year, please see page 76.

An explanation of how the Company has applied the Principles set out in the Code is given on the following pages:

Board leadership, purpose and culture – page 65

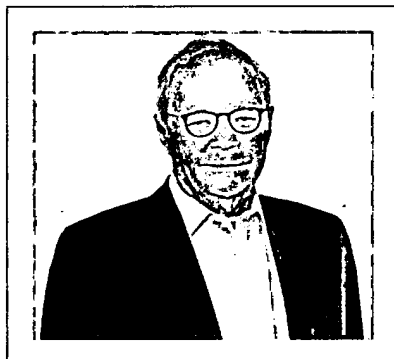
Division of responsibilities – page 67

Composition, succession and evaluation – pages 78 to 82  
(Nomination Committee report)

Audit, risk and internal control – pages 83 to 89  
(Audit Committee report)

Remuneration of Directors – pages 90 to 122  
(Remuneration Committee report)

# Board of Directors



**Philip Aiken AM**  
Chairman

**Tenure:** 9 years 1 month

**Appointed:** 1 May 2012

**Nationality:** Australian

(Chair of Nomination Committee)

## Skills and experience

Philip has 50 years of experience in industry and commerce. From 1997 to 2006 he was President of BHP Petroleum and then Group President of Energy of BHP Billiton. He has been Managing Director of BOC/CIG, Chief Executive of BTR Nylex, Chairman of Robert Walters plc, and Senior Independent Director of Kazakhmys plc and Essar Energy plc. Other previous roles include: Director of National Grid plc from 2008 to 2015, Senior Advisor of Macquarie Bank (Europe), Director of Midlyn Express Offshore and Essar Oil (India), and Chairman of the 2004 World Energy Congress. He has served on the Boards of the Governor of Guangdong International Council, World Energy Council and Monash Mt Eliza Business School. He was made a Member of the Order of Australia (AM) in 2013 for his services to Anglo Australian business relations.

## Current external appointments

Chairman of Balfour Beatty plc (standing down as Chairman in July 2021)

Non-Executive Director of Newcrest Mining Limited

Director of Gammon China Limited



**Peter Herweck**  
CEO

**Tenure:** 3 years 3 months

**Appointed:** 1 Mar 2018<sup>1</sup>

**Nationality:** German

(Member of Nomination Committee until 1 May 2021)

## Skills and experience

Peter joined AVEVA as Chief Executive Officer in May 2021 from Schneider Electric, where he led their global Industrial Automation Business and was Vice Chairman of the AVEVA Board of Directors.

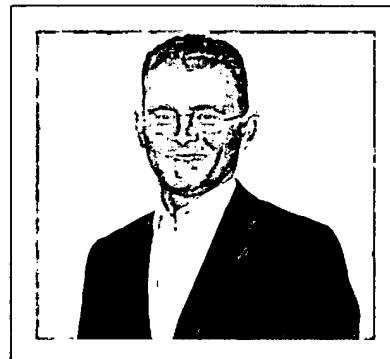
Peter started his career as Software Development Engineer with Mitsubishi in Japan, later joining Siemens, where he held several executive positions in Factory and Process Automation, along with leading Corporate Strategy as Chief Strategy Officer. In 2016 he was appointed to the Executive Committee of Schneider Electric, leading the Industrial Automation and the Industrial Software business, which he merged into AVEVA in 2018. He has a global and extensive executive and senior management background in Germany, China, the US, France, Switzerland, and Japan.

Peter holds an MBA from Wake Forest University School of Business, and Engineering degrees from Metz University, France and Saarland University, Germany. He is also a Harvard Business School Advanced Management Alumni.

## Current external appointments

Non-Executive Director of the supervisory Board of Rudolf GmbH

Non-Executive Director of Teradyne, Inc



**James Kidd**  
Deputy CEO and CFO

**Tenure:** 10 years 5 months

**Appointed:** 1 Jan 2011

**Nationality:** British

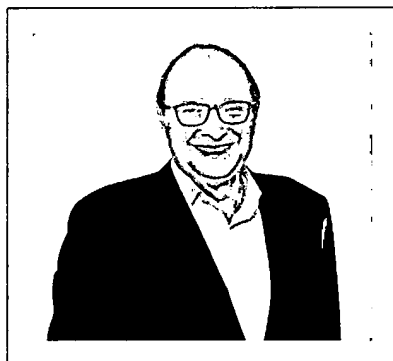
## Skills and experience

James is a Chartered Accountant and joined AVEVA in 2004. Prior to his appointment to the Board, James held several senior finance roles within the AVEVA Group and was Head of Finance from 2006 until 2011, when he was appointed CFO. James was interim Chief Executive Officer from January 2017 to February 2018, leading the merger with the Schneider Electric Software Business before being appointed Deputy CEO and Chief Financial Officer of the enlarged AVEVA Group. Prior to joining us, James worked for Arthur Andersen and Deloitte, serving technology clients in both transactional and audit engagements.

## Current external appointments

None

1. Appointed 1 Mar 2018 as Non-Executive Director and 1 May 2021 as CEO.



**Christopher Humphrey**  
Senior Independent Non-Executive Director

**Tenure:** 4 years 11 months

**Appointed:** 8 Jul 2016

**Nationality:** British

(Chair of Audit Committee, Member of Nomination Committee)

#### Skills and experience

Chris is a qualified accountant with over 25 years' experience managing engineering and technology companies. From 2008 until 2015 he was Group Chief Executive Officer of Anite plc, after having joined Anite in 2003 as Group Finance Director. Prior to this, he was Group Finance Director at Critchley Group plc and held senior positions in finance at Conoco and Eurotherm International plc.

Chris has a BA (Hons) in Economics, is a Chartered Management Accountant, a Fellow of CIMA and has an MBA from Cranfield School of Management.

#### Current external appointments

Senior Independent Director and Chairman of the Audit Committee of Vitec Group plc

Non-Executive Chairman of Eckoh plc



**Jennifer Allerton**  
Independent Non-Executive Director

**Tenure:** 7 years 11 months

**Appointed:** 9 Jul 2013

**Nationality:** British and Swiss

(Chair of Remuneration Committee and Member of Audit Committee)

#### Skills and experience

Jennifer has more than 40 years' experience in technology, working in multinational companies in the UK, the US, Brazil, Asia and Switzerland. She speaks several languages. Notably, she was a member of the Pharma Executive Committee and Chief Information Officer of F. Hoffmann-La Roche, with responsibility for IT strategy and operations for the Pharma division and all Group IT operations. She has been a Non-Executive Director of Oxford Instruments plc and Paysafe plc.

She has degrees in Mathematics, Geosciences and Physics and is an Associate of the Chartered Institute of Management Accountants.

#### Current external appointments

Non-Executive Director of Iron Mountain Inc.

Non-Executive Director of Sandvik AB.

Non-Executive Director of Barclays Bank Ireland plc



**Ron Mobed**  
Independent Non-Executive Director

**Tenure:** 4 years 3 months

**Appointed:** 1 Mar 2017

**Nationality:** British

(Member of Nomination, Remuneration and Audit Committees)

#### Skills and experience

Ron has a broad range of global executive experience in digital information businesses across a number of sectors and regions. From 2012 until 2019, he was Chief Executive Officer of the Elsevier business of RELX Plc, prior to which he held executive positions with Cengage Learning, IHS and Schlumberger.

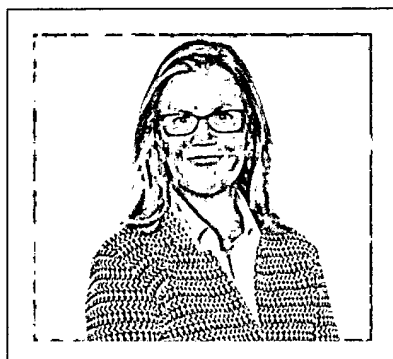
He is a Fellow of the Institute of Directors and of the Energy Institute. Ron holds a Bachelor's degree in Engineering from Trinity College, University of Cambridge, and a Master's degree in Petroleum Engineering from Imperial College, University of London.

#### Current external appointments

Supervisory Board Member of Fugro N.V.

Non-Executive Chairman of Robert Walters plc

## Board of Directors continued



**Paula Dowdy**  
Independent Non-Executive  
Director

**Tenure:** 2 years 4 months

**Appointed:** 1 Feb 2019

**Nationality:** American and British

(Member of Remuneration Committee)

#### Skills and experience

Paula is the Senior Vice President & General Manager EMEA for Illumina Inc., the global leader in DNA sequencing and array-based technologies. Prior to her appointment to Illumina in 2016, Paula worked for Cisco in a variety of senior sales, services and strategy roles, notably as Senior Vice President for Cloud, Software and Managed Services. Paula also led the integration of the analytics and automation software acquisitions into the larger Cisco sales force and was a Board observer for one of Cisco's investments.

She holds an MBA from Pepperdine University and a Bachelor of Arts degree from the University of California, Berkeley.

#### Current external appointments

None



**Olivier Blum**  
Non-Executive Director

**Tenure:** 1 year 1 month

**Appointed:** 30 April 2020

**Nationality:** French

(Member of Remuneration Committee)

#### Skills and experience

As Chief Strategy & Sustainability Officer of Schneider Electric, Olivier leads the development of Corporate Strategy, Merger & Acquisition, Sustainability and Quality. He has been a member of the Executive Committee since 2014.

Olivier began his career at Schneider Electric (SE) in 1993 in his home country of France then has been living and working in Asia (China, India, and Hong Kong) for nearly two decades. Across these countries, he's held several leadership positions in both businesses and customer facing functions. Most recently Olivier led the People Function as Chief Human Resources Officer from 2014 until March 2020, winning Chief Human Resources Officer of the Year award 2019 in France.

Olivier has always been passionate about creating new businesses and engaging with people with diverse backgrounds.

Olivier graduated from Grenoble École de Management (GEM), France.

#### Current external appointments

None



**Craig Hayman**  
Director

**Tenure:** 3 years 3 months

**Appointed:** 19 Feb 2018

**Nationality:** British and American

#### Skills and experience

Craig Hayman was AVEVA's Chief Executive Officer from February 2018 until May 2021. Under his leadership, AVEVA achieved transformational growth delivered through strong operating performance and the successful integration of the heritage AVEVA Group with the Schneider Electric industrial software business, and the 2021 acquisition of OSIsoft, unifying a world-leading data platform with the leader in industrial software.

Prior to joining AVEVA, Craig was Chief Operating Officer at PTC, where he returned the digital engineering business to growth and introduced a new generation of Industry 4.0-connected manufacturing applications. Prior to joining PTC, Craig was President of eBay's enterprise business and served more than 15 years in senior leadership positions at IBM. At IBM he created and grew IBM's SaaS business and initiated and led 18 high performing acquisitions. He holds a BSc in Computer Science and Electronics from the University of London.

#### Current external appointments

None

# Board leadership, purpose and culture

## Purpose – why we do what we do

The Board establishes the Company's purpose, values and strategy, and satisfies itself that these and the Company's culture are aligned. Ensuring continued clarity of the purpose, values, strategy and culture of the enlarged AVEVA is a key focus of the Board.

AVEVA's purpose as established by the Board is:

'We create industrial software that inspires people to shape the future. From water and energy to food and infrastructure, our solutions turn opportunities into business value. We work with our customers and harness the power of our ecosystem to deliver solutions across the asset and operations lifecycles. We use collaborative innovation to empower people and industries, enabling the planet to thrive.'

Having a clear purpose gives employees a sense of belief and determination and a common goal. This supports a strong culture which drives performance across the business both in terms of financial and non-financial value.

## Values – how we live our mission



Limitless Possibilities | Integrity Always | Flexibility Together | Excellence Every Day

The AVEVA LIFE values underpin who we are and what we do. The LIFE Values of Limitless Possibilities, Integrity Always, Flexibility Together and Excellence Every Day are woven into everything we do. Living our values is fundamental to our success, the delivery of our strategy and it supports our purpose. We present our values on page 55.

## Culture – how we work together

We recognise that the cultural tone of our business comes from the Board. At AVEVA, we see the benefits of a strong culture in the success of delivering our strategy, in becoming a chosen partner and in our employees' engagement, retention and productivity. The Board monitors and assesses the Group's culture in alignment with the purpose and values, receiving regular updates on culture, strategy and progress from various members of senior leadership. The Board also assesses cultural indicators such as management's attitude to risk, behaviours and compliance within the Group's policies and procedures and reviews the results on the annual Company-wide culture survey.

Please refer to page 55 for more details on our culture initiatives.

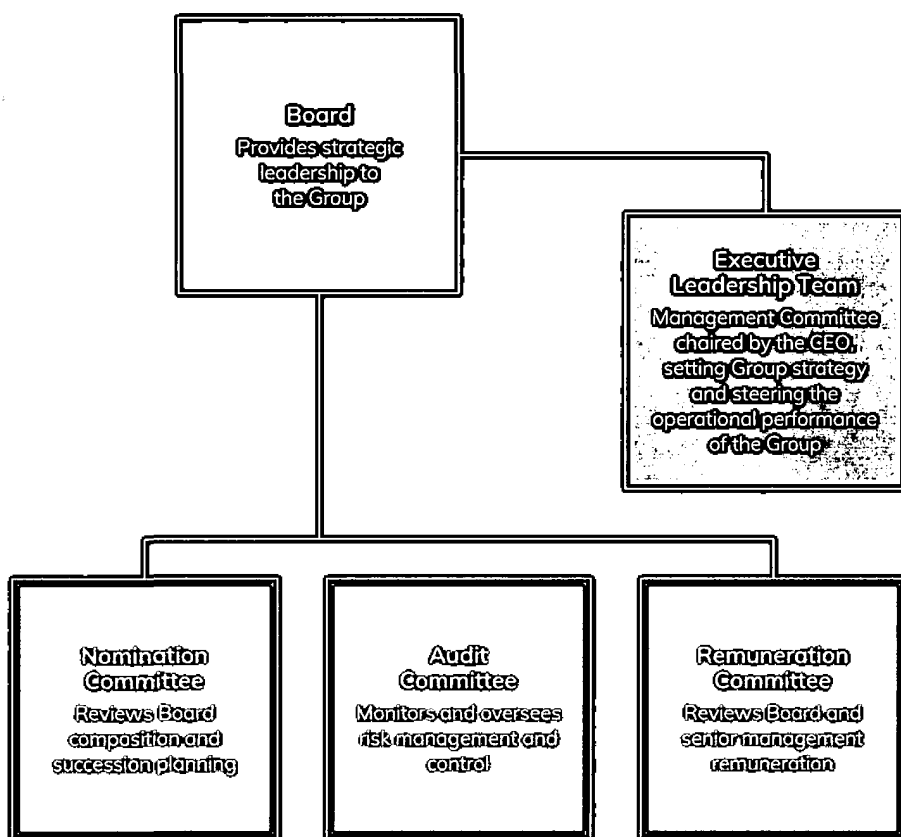


## CORPORATE GOVERNANCE REPORT CONTINUED

# Governance at a glance

The Board's responsibility for leading the Company towards achievement of its purpose continues to be supported by a robust governance structure.

## Our governance structure



## Membership and attendance

Excludes 18 additional unscheduled Board meetings held in response to the Covid-19 pandemic, the OSIsoft acquisition and deep dive sessions on specific topics.

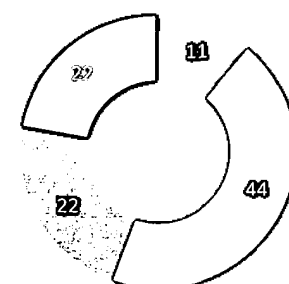
Director	Board meetings	Nomination Committee	Audit Committee	Remuneration Committee
Philip Aiken AM	7(7)	3(3)	-	-
Craig Hayman	7(7)	-	-	-
Christopher Humphrey	7(7)	3(3)	5(5)	-
Jennifer Allerton	7(7)	-	5(5)	9(9)
Peter Herweck	7(7)	3(3)	-	-
Paula Dowdy	7(7)	-	-	8(9)
James Kidd	7(7)	-	-	-
Ron Mobed	7(7)	3(3)	5(5)	9(9)
Oliver Blum	6(7)	-	-	9(9)

Peter Herweck resigned as a member of the Nomination Committee on 1 May 2021.

Oliver Blum was appointed as Non-Executive Director and also a member of the Remuneration Committee on 30 April 2020. Oliver attended all meetings except for one Remuneration Committee meeting which was convened at short notice, when he had an unavoidable prior commitment.

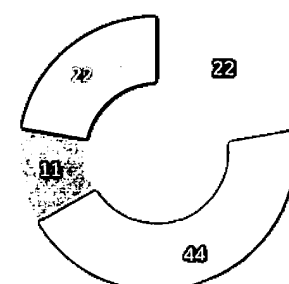
Emmanuel Bobeau resigned as Non-Executive Director and as member of the Remuneration Committee on 30 April 2020.

## Board independence (%)



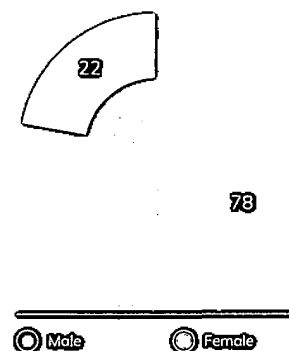
- ☐ Chairman
- ☐ Independent Non-Executive
- ☐ Non-Executive Director
- ☐ Executive Director

## Board tenure (%)



- ☐ 1-3 years
- ☐ 3-6 years
- ☐ 6-9 years
- ☐ +9 years

## Board gender diversity (%)



- ☐ Male
- ☐ Female



# Division of responsibilities

**While our Board shares collective responsibility for the long-term sustainable success of the Company, individual members undertake additional clearly defined activities on the Board's behalf.**

The roles and responsibilities of the Board, its Committees, Chairman and the CEO are documented and regularly reviewed. The Board is assisted by the Nomination, Remuneration and Audit Committees. Certain powers have been delegated to these Committees, and each Committee has its own Terms of Reference which can be found at [investors.aveva.com](http://investors.aveva.com). The Board also maintains a list of Matters Reserved for the Board which can be consulted at [investors.aveva.com](http://investors.aveva.com). When necessary, the Board may delegate very specific matters to ad hoc subcommittees with a clearly defined remit and for a limited period.

## Roles and responsibilities

Role	Responsibilities
<b>Chairman</b> Philip Aiken AM	Philip's primary responsibility is to lead and direct the Board and to facilitate effective communication between Board members and senior management. He creates focused agendas to guide deliberations and to ensure that sufficient time is spent on considering stakeholder interests in all decision-making. He creates a culture of openness to promote efficient discussion, challenge and debate in the boardroom.
<b>Chief Executive Officer</b> Graig Hayman (to 1 May 2021) Peter Herweck (from 1 May 2021)	Peter, and Graig before him, is responsible for proposing and implementing Company strategy, managing day-to-day operations and leading the ELT. He takes the lead in engaging with all our various stakeholders and providing regular feedback to the Board, not only on stakeholder views but on all matters affecting the business.
<b>Senior Independent NED</b> Christopher Humphrey	Christopher acts as a sounding board for the Chairman and acts as an intermediary for the other Directors and shareholders. He is available to address shareholders' concerns that have not been resolved through the usual channels of communication. He also meets with all Non-Executive Directors (without the Chair present) on an annual basis to lead the review of the Chairman's performance.
<b>Deputy Chief Executive Officer &amp; Chief Financial Officer</b> James Kidd	James works closely with the CEO to help drive forward implementation of strategy. He assesses and evaluates the financial performance of the organisation with regards to its long-term operational goals, forecasts and budgets. He ensures the integrity of financial information that is presented and reported to the Board and the market. He is also responsible for all treasury matters and the implementation and maintenance of robust accounting systems and internal controls.
<b>Independent NEDs</b> Jennifer Allerton Paula Dowdy Ron Mobed Christopher Humphrey	With their diverse range of backgrounds, skills, knowledge and expertise, our independent NEDs provide constructive challenge during deliberations, offer strategic guidance to the Board and are proactive in providing their different perspectives. They take responsibility for monitoring the performance of Executive Directors and achievement of agreed objectives.
<b>Non-Independent NEDs</b> Oliver Blum Peter Herweck (to 1 May 2021)	As appointees of Schneider Electric, our majority shareholder, and as per the Relationship Agreement, Peter and Oliver add unique and valuable insight and constructive challenge to Board proceedings. With appropriate management of conflicts, they can constructively scrutinise the performance of management in meeting agreed goals and objectives which adds an extra layer of challenge to that of the independent Non-Executive Directors.
<b>Company Secretary</b> David Ward (to 7 May 2021) Claire Denton (from 7 May 2021)	Claire, as David before her, assists the Chairman with meeting preparation, the induction of new Board members and provides corporate governance guidance and advice to the Board. She further ensures robust governance practices throughout the Company.

## Keeping the Board informed

The Board's ability to make sound decisions for the organisation is reliant on the clear and timely information provided by our senior leaders on a wide variety of topics.

### Cyber security

The Audit Committee Chair keeps the Board informed through the Committee's responsibility for monitoring cyber security as a principal risk. There are also regular updates in the CEO's report to the Board on cyber security initiatives, including the creation of a strengthened Information Security team with dedicated, knowledgeable new hires, such as a Chief Information Security Officer, and Company-wide cyber security policies and training.

### Culture

The Board received regular people strategy updates from Craig Hayman as CEO. These included details of the employee engagement survey results, cultural awareness initiatives, key new hires and developments relating to D&I. Other culture-related initiatives from the year included:

- an annual update by the Company Secretary on the results of the summer's Corporate Ethics training programme and Corporate Ethics policy amendments;
- a review of UK gender pay gap reports led by the Chief People Officer;
- extensive consideration of the OSIsoft cultural fit, based on discussions between our ELT and OSIsoft senior leadership, as well as market analysis provided by third parties; and
- a Sustainability Jam initiative to emphasise and promote our internal culture of learning and provide a forum for ideas to be shared and developed collectively.

All activities and reviews were underpinned by the AVEVA Life Values and Business Conduct Guidelines.

For further information on our culture please see page 55.

### Sustainability

Lisa Johnston, our Chief Marketing Officer and Chief Sustainability Officer, keeps the Board informed on sustainability matters. Discussion points in the year included the increasing importance of sustainability, our sustainability opportunity and mobilising talent to realise it, mapping our position and path, and putting systems in motion. The Company's broad sustainability initiatives support delivering on the Company's purpose, as set out on page 65. The Board also reviewed proposals for a ten-year sustainability plan.

We launched an inclusive employee-wide programme to generate short- and long-term ideas that will complement our broader sustainability activities. We generated ideas that can be fed into the R&D product funnel and taken to market. Activities included a Sustainability Hackathon and the Sustainability Jam we refer to above. The Sustainability Jam's outcomes included nine ideas that we will take to market, exceeding expectations. Around two-thirds of ideas making the final list were submitted by women, and concepts were presented by people of a total of 40 nationalities.

AVEVA Action for Good, which together with our AVEVA Life Values will be implemented across the combined Group, includes environmental projects.

During the year, we also established a Sustainability Workstream Group comprising members of the Senior Leadership Team and focused on building talent and growing expertise by making new hires.

Next steps, which will engage the Board even more closely with sustainability matters, include semi-annual formal Board reviews of sustainability initiatives, the provision of support to help establish an environmental reporting baseline, and the evaluation of choices around making pledges and setting goals.

The AVEVA Sustainability Pledge comprises a number of key mitigating steps which we are executing, including:

- commitments to minimising carbon emissions by increasing the use of recycling opportunities, removing single-use plastics and reducing the use of valuable natural resources;
- continually improving our tracking of emissions data;
- operating AVEVA Action for Good;
- donating 1% of our profit after tax to sustainability initiatives; and
- serving industries that are of environmental importance (e.g. Water) and improving our ability to increase efficiency for a range of industries.

For further information on our work around sustainability including TCFD please see pages 28 to 35.

## Wider stakeholders

In order for the Company to meet its responsibilities to shareholders and stakeholders, the Board ensures effective engagement with, and encourage participation from, these parties. The Board strongly believes that companies do not exist in isolation and that they have an important role to play in society, as well as a responsibility to maintain mutually beneficial relationships with stakeholders. Our culture is based on open engagement and discussion, and on working in a way that earns trust and builds successful partnerships.

The Board strives to safeguard and engage with all shareholders and values the views of shareholders to balance against that of the majority shareholder. Our highly respected Investor Relations team delivers a comprehensive investor relations programme to provide day-to-day contact with our investors. The Executive Directors are central to this programme through regular meetings with institutional investors. During the year the then appointed Executive Directors had over 500 contacts with investors on individual or group calls. This particularly high level of activity reflected the acquisition of OSIsoft and the rights issue associated with it. The Board is kept informed about the views of key shareholders, including any concerns. In addition, the Chairman attends meetings or calls with key shareholders who want to discuss corporate governance or high-level corporate strategy.

The Chair of the Remuneration Committee also engaged with major shareholders on matters to do with the Company's executive remuneration and consulted AVEVA's top 20 shareholders ahead of the AGM.

The Deputy CEO and CFO provides updates at each Board meeting on investor relations activities and changes to the shareholding register. The Board is kept informed on topics such as AVEVA's performance versus its global peer group, feedback on results, feedback on strategic initiatives such as M&A and investors' expectations around AVEVA's opportunities for long-term value creation.

A new brand marketing campaign is under development to provide a wider audience with awareness of the Company. At the Board's request the Chief Marketing Officer has presented material from the campaign and revealed the work that is underway on developing the new Company website.

The Board receives updates on sector trends which include opportunities, developments and challenges from CEO/CFO reports.

Please see pages 22 to 23 for detailed discussion of our stakeholder engagement activities.

## Governance

The Company Secretary is responsible for keeping the Board and Committees informed about the corporate governance landscape. There is a series of initiatives aiming to support high-quality governance, including:

- an external corporate legal adviser supports the Audit Committee's review of forthcoming corporate governance changes that will affect the Committee;
- a specialist remuneration adviser keeps the Remuneration Committee fully informed about the remuneration landscape, market expectations and the requirements of the Code;
- the Board undertakes annual training, led by a corporate legal adviser, on the responsibilities of directors; and
- the Company Secretary leads an annual review of constitutional documents, matters reserved for the Board and Committee Terms of Reference.

## Diversity and Inclusion

The Board is passionate about D&I, which has become an even more significant topic for all businesses. AVEVA is working to find its own voice and position, particularly in view of the Group's enlargement following completion of the OSIsoft acquisition. Initiatives in this area included:

- a dedicated Board session led by the CEO on the Diversity & Inclusion status across the business and initiatives that are underway and being developed;
- the inclusion of a discussion on Diversity & Inclusion during the CEO's June 2020 Podcast;
- as a result of the CEO's calls with management for ideas on how we can improve Diversity & Inclusion staff mandatory Diversity & Inclusion training for all staff was rolled out and, in the USA, employees were granted an additional day's leave in recognition of Martin Luther King Jr Day;
- the launch of AVEVA's first Global Diversity & Inclusion Policy; and
- the hiring of AVEVA's first full-time Global Director for Diversity & Inclusion.

## Considering stakeholders in principal decisions

We enjoyed great success in FY19 and FY20, following improved execution within the business, plus the benefits of our customers' momentum towards digitalisation and the rewards of our transformation projects.

However, due to current and expected Covid-19 disruption, it was necessary to revise the plan for FY21. In particular, we carried out some corrective actions in the first half to safeguard the best interests of all Company stakeholders. We were especially concerned with how we could maintain our services to customers during the crisis and how we could keep our workforce safe. We also considered how these decisions would impact on our ability to deliver our strategic plans and returns for shareholders. The Audit Committee was tasked with overseeing Covid-19 as a principal risk, with the Board continuing to take the lead on the pandemic's impact on the wider business. The Executive Risk Committee, chaired by the CEO, held additional meetings to provide a comprehensive review of this key risk status.

The global Covid-19 pandemic has changed the risk profile within which the business must now operate. The Audit Committee closely monitors the Company's risk-management activities to ensure that we can integrate and track the new and changed risks arising from the pandemic. Key areas of impact monitored by the ERC and Board include talent, economic disruption and cyclical-market dependency risks.

External advisers took the Board through scenario planning to understand the risks and possible responses.

The specific effects on stakeholders of the actions taken to mitigate the impact of Covid-19 include:

**Customers:** the ability to have our employees on-site to install/maintain our solutions was reduced. This was offset by our growing ability to deliver remote installation.

**Investors:** we have seen revenues decline, although this is partially offset by a fall in the costs of doing business.

**Communities:** the actions we have taken to reduce the spread of Covid-19 have also lessened our environmental impact. We may continue operating with reduced travel, flights in particular.

**Employees:** actions taken to reduce the risk of contracting Covid-19 have made it more difficult for people to carry out their work.

Please also see our Section 172 statement on page 11 and stakeholder engagement on pages 22 to 23 for classification of our stakeholders.



### Considering Employees in relation to a Covid-19 decision

It is important to the Board that we stay true to our corporate values and protect our people. Remote working was initiated early for the majority of employees, the ELT hosted regular All Hands calls inviting all employees to attend, wellbeing and Covid-19 intranet hubs were launched, and the Employee Assistance Programme was reviewed and extended. The Board also aimed to understand the impacts of Covid-19 on other principal risks such as Talent.

Following consideration of the financial position of the Company, employee wellbeing and the needs of our customers, we decided not to take advantage of any support offered by the UK government in respect of Covid-19 relief measures (such as staff furloughing, loans or the deferral of tax payments).

The entire Board and ELT responded personally to the Covid-19 crisis by giving 10% of their annual salary/fees to the AVEVA charities fund this year.

The ELT, with the Board's support, agreed to give employees an additional day of annual leave and an allowance to enable them to buy any equipment required to work effectively from remote locations.

The Board was proud to approve the roll out of the Company's first all-employee share purchase plan, which went live in January 2021. The Board is kept up to date on take-up of the scheme via updates from the Remuneration Committee. It has been encouraging to see the positive response from employees sharing in AVEVA's success.

Travel restrictions were introduced across the business. The Board also considered the infrastructure required to support those able to work from home and their working efficiency. In considering the health, safety and wellbeing of all employees, the Board addressed the online safety of employees working remotely. This included how to mitigate the increased risk of cyber attacks and data breaches, including support for enhanced cyber security training. The Board also deliberated the safety measures needed to protect the wellbeing of those still required to be on-site to support customer delivery.

A range of scenarios were considered, including subdued customer demand and the inability to deliver for a period of time. Consideration was given to how we could manage the workforce to address such challenges while protecting our employees' interests and engagement and retaining their expertise within the business for the long term.

Actions were also taken to reduce costs and minimise the impact on employees, with discretionary costs being reduced.



### Considering Customers in relation to a Covid-19 decision

The Board considered continuity plans and our ability to continue delivering for our customers if a significant proportion of our workforce should be unable to work due to sickness. It also considered near-term demand and how customers' priorities might change over a longer period. The Board was satisfied with the continuity plans in place to ensure the continued delivery of mission-critical work if a large proportion of the workforce were to be absent. It gave particular attention to how we will respond to changing customer priorities over a longer time horizon.

We moved all customer and marketing events to a virtual environment, including the AVEVA World Summit. This reflected our ambition to become digital in everything we do. We also accelerated our Cloud capabilities with the new AVEVA Cloud business unit.

We are committed to orientating completely around our customers' consumption of our software and delivering meaningful efficiency to their business. The Board also sought to understand customer needs brought on by the crisis. It also considered the impact on our five-year business plan and how to reshape our strategy and plan to respond to customer needs.

The Covid-19 pandemic, however, is likely to have an impact on the industrial software market in the short to medium term. This is due to the disruption to the customers' businesses, weakness in the Oil & Gas market and substantial economic uncertainty. In the long term, it may also influence the behaviour of customers and consumers and encourage the adoption of digital solutions. The digital solutions we offer can help customers build more resilient, flexible businesses.

The Directors believe we are well placed to help our customers digitalise and build momentum towards a sustainable future. This is thanks to our end-to-end product portfolio, which runs from simulation through design and construction and into operations.



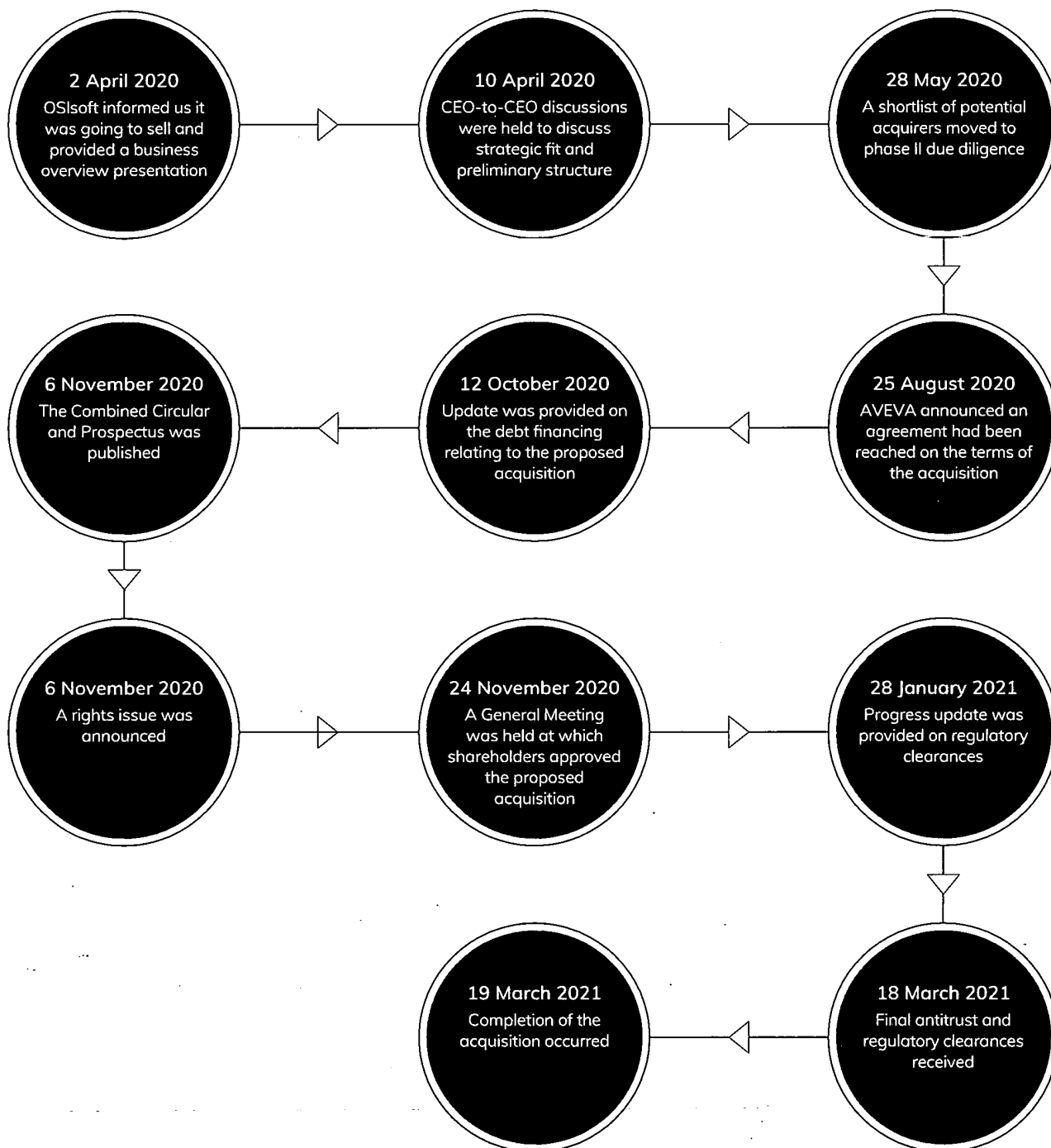
### Considering Shareholders in relation to a Covid-19 decision

The Board places great importance on communicating with investors. Engagement with our investors helps them to understand our strategy, performance and governance arrangements, and to make informed and effective investment decisions concerning the Company, especially during a time of uncertainty such as brought about by the Covid-19 pandemic. This engagement makes clear our prioritisation of the long term in our decision-making and focus on delivery of consistent financial performance. This is of particular importance given that there is a majority shareholder in the Company. The Board ensures that all shareholder views are taken into consideration when making decisions.

In relation to Covid-19, the Board considered our current liquidity and financial position and studied various scenarios that could cause cash flow to deteriorate. While the Group was in a strong financial position, given considerable uncertainty it was prudent to reduce discretionary cash outflows where possible. This will help ensure that we emerge in a good position to deliver long-term sustainable growth for shareholders. After considering factors, including trading conditions, balance sheet strength, short- and medium-term liquidity, cash flow requirements and feedback from investors on dividend expectations, the Board declared an interim and final dividend.

## Board oversight of the OSIsoft acquisition process

### Timeline and milestones



## Key stakeholders considered by the Board

Consideration was given to the impact of the proposed transaction on employees, customers, shareholders and suppliers.

### Employees

The ELT reported to the Board following interviews held with the management team of OSIsoft to understand the internal dynamics and culture. The Board spent a significant amount of time analysing the cultural fit of OSIsoft with our current business and how to manage cultural integration. The Board acknowledged that there are clear differences between the cultures of the two businesses, especially considering the listed company status and regulatory environment in which AVEVA operates. It was decided that these differences would be managed carefully through the integration processes with dedicated culture workstreams. The Board considers that appointing Dr J. Patrick Kennedy as Chair Emeritus will smooth cultural integration.

The Board further considered the retention of key OSIsoft employees and approved an integration plan covering all business functions. It also considered the type of work the combined entities could deliver and whether employees will have the skills required to deliver such projects. The Board concluded that the addition of OSIsoft will enhance our high results and customer-focused culture and that talent management will have dedicated focus during the integration.

### Customers

The initial consideration of whether to proceed with the acquisition centred around the strategic fit of the two organisations. The Board was excited about the possibility of extending the range of products and services available to our customers.

Combining the two organisations will enhance opportunities to create sustainable value and improve scale and scope to lead the digital transformation of the industrial world, driving greater efficiency and sustainability. It will also spur on further diversification, with increased exposure to sectors such as renewable energy. It will also strengthen our product offering to support key areas, such as sustainable communities, clean and safe water supply, and worker/asset safety.

### Shareholders

The Board continues to oversee timely and transparent announcements to the market. Work has been focused on supporting the rights issue, reaching more than 500 investors via calls and presentations since the announcement of the OSIsoft acquisition. The Board also considered finance structuring, the use of capital and debt, and the impact on returns for shareholders.

The Board had extensive meetings to ensure the Prospectus included as much information as possible for shareholders to make an informed decision on whether or not to support the acquisition.

We carefully considered the strategic fit, financial merits and valuation of OSIsoft as well as our ability to successfully integrate it into our business over a long period. We concluded there was a strong strategic fit and the deal should deliver attractive returns over the long term.

### Suppliers

The ability of AVEVA's existing supply chain to support the enlarged Group was also considered. The Board was satisfied that, with adequate planning, the existing supply chain would be able to support the enlarged Group.

## Key issues considered by the Board

### Schneider Electric (SE) as majority shareholder

The Board is aware of the need for independent decision-making free from conflict. As the Group's majority shareholder, SE supported AVEVA throughout the acquisition. Managing the relationship with the majority shareholder and balancing it against the needs of minority shareholders will be an ongoing priority for the Board.

### Due diligence and risk assessment

Our corporate legal advisers, accountants and financial advisers regularly reported to the Board on the due diligence process. Specifically, the Board satisfied itself that management conducted a robust due diligence process that was designed to:

- identify potential risks and valuation considerations;
- assess their magnitude and the probability of the risks' occurrence; and
- consider whether mitigation was possible and to respond accordingly.

The Board questioned and challenged all outcomes of the process. As part of the due diligence framework, given the size and risk of the transaction the Board also considered the appointment of appropriate advisers.

### Counsel taken by the Board

The Board took advice during the process from corporate legal advisers, sponsors, banks and financial advisers.

### Regulators

Throughout the acquisition process, the Board has received updates from its corporate advisers and Group General Counsel on the status of the regulatory approvals required. Early in the process, the Board wanted to understand the governance structure to help it manage decision-making around the acquisition, as well as the risk-management framework and possible governance structure following completion. The ELT led an extensive due-diligence process, and the Board reviewed and approved risk assessments and mitigation factors.

## CORPORATE GOVERNANCE REPORT CONTINUED

## Applied Governance

## Board activities

The Board has regular deep-dive sessions on specific topics, which are in addition to scheduled Board meetings. During the past year highlights included sessions on AVEVA's Finance Transformation programme (Advance), the ERP implementation project, alternative performance measures and on Annualised Recurring Revenue (ARR). These exclude the additional meetings that were required in view of Covid-19 decisions and the OSIsoft acquisition.

## Finance and risk management

## Stakeholders considered



- At each Board meeting, discussed reports by the CEO and CFO including updates on financial results and position, analysis of performance versus budgets and forecasts, investor relations activities and shareholder/analyst financial expectations.
- Early in FY21, the Board discussed and considered the Company's response to the Covid-19 pandemic, including any necessary revisions to financial plans for the year ahead, capital allocation and internal control framework.
- Approved FY20 final dividend and FY21 interim dividend.
- Reviewed the FY22 budget and financial plan.
- Considered the Board's appetite for risk in order to achieve its strategic objectives.
- A dedicated risk management session which included reviews of principal risks, emerging risks and risk appetites.
- Considered updates from the Executive Risk Committee (ERC) presented by the Audit Committee Chair.
- A dedicated session to consider the Company's taxation strategy.

## Strategy

## Stakeholders considered



- Discussed, challenged and approved the five-year business plan which includes M&A strategy, sales strategy, transformation strategy, people strategy, as revised in view of Covid-19.
- Considered in detail the business and commercial consequences of the Company's transition to subscription and Cloud revenue streams, with a focus on increasing Annualised Recurring Revenue (ARR).

- Attended dedicated meetings to review, discuss and consider the proposed acquisition of OSIsoft including the rights issue and communications to the market.
- Approved the refreshed AVEVA Brand Strategy.

## Covid-19

## Stakeholders considered



- Ensured that the Board's governance documents such as the Articles and Committee Terms of Reference provide sufficient flexibility for operating remotely and via videoconference.
- Received updates on arrangements for key annual events of the Company which had to be cancelled, postponed or moved to a virtual environment due to Covid-19.
- Actively monitored Covid-19 developments in order to make timely decisions concerning employee safety and mental wellbeing, customer requirements and welfare of other stakeholders such as suppliers.
- Approved funding to ensure that employees could continue to work effectively from remote locations.
- Approved decision to not furlough any employees or take up any government funding in respect of Covid-19.
- Received updates on employee engagements such as the quarterly CEO videocasts which are circulated to all employees, which include comprehensive updates on Covid-19 and activity via the Covid-19 intranet Hub.
- Approved a proposal by the ELT to grant one additional annual leave day for all employees.

## Key to Stakeholder groups

Investors



Customers



Employees



Communities





## Investor relations

### Stakeholders considered



- At each Board meeting reviewed updates from the Investor Relations team on share price, performance matters, shareholder register activity, proxy analyst views and competitor landscape.
- Approved results announcements and quarterly trading updates.
- Reviewed feedback from investors on the success of the virtual roadshow covering the proposed transformational acquisition, over 100 institutions connected with during 30 hours of calls.
- Approved market announcements on the OSIs soft acquisition and rights issue and reviewed investor feedback.

## Culture

### Stakeholders considered



- Received updates on culture initiatives across the organisation.
- Considered the fit of OSIs soft culture when discussing the merits of the proposed acquisition.
- Reviewed results of employee engagement surveys conducted through the year to including surveys on remote working, Future of Work, views on the OSIs soft acquisition and diversity initiatives.
- Reviewed and approved roll out of Corporate Ethics policies and training including new Diversity & Inclusion policy and training and the Modern Slavery statement.
- Reviewed Real Estate plans to support Company strategy, OSIs soft integration, avoid isolated teams and enhance culture.
- Reviewed reports from the Audit Committee on the comprehensive Speak Up programme which allows employees and third parties to submit Speak Up reports.

## Governance and reporting

### Stakeholders considered



- Continued NED-only meetings at the end of each Board meeting as agreed following the Board evaluation of the previous year.
- Reflected on results and progress against actions of the externally facilitated Board evaluation conducted by Better Boards for FY20. Reviewed and agreed actions further to the results of the FY21 internal Board evaluation.
- Considered and approved actual and potential director conflicts of interests especially in view of the OSIs soft transaction.
- Approved the Group's Modern Slavery Statement for publication on the Group's website.
- Refined process of reporting from Committees to the Board by the Committee Chairs, deciding on the best format for such reporting and the frequency.
- Continued review of governance framework in view of the enlarged Group such as Matters Reserved for the Board, Terms of Reference and delegated authorities.

## Cyber threats

### Stakeholders considered



- Discussed regular updates by the Deputy CEO & CFO on Security Transformation including recruitment of a Chief Information Security Officer.
- Received updates from Audit Committee on cyber risks as a principal risk including overview of management actions and mitigations put in place to manage the risks.
- Reviewed steps taken to increase security measures whilst AVEVA's workforce operates remotely.
- Approved roll out of a mandatory 'Think Security' training course in February 2021, to help employees protect the Company from security threats.
- Dedicated review of cyber risks, IT breaches and regulatory compliance.

## Finance systems

### Stakeholders considered



- Regularly discussed updates on Integration & Transformation (Advance Programme) status.
- Considered Transformation re-planning due to Covid-19 and the assessment of risks and issues related to the Covid-19 situation. Adjusted risk governance framework.
- Reviewed transfer pricing policy to align with business model, reduce risk and ensure consistent approach across the Group.

## M&A

### Stakeholders considered



- Reviewed updates by the Executive Directors on M&A opportunities and the M&A market in general.

For FY22 the Board will focus on the following priorities:

- Post Covid-19 recovery
- Integration of the OSIs soft group
- Continued transitions to subscription and Cloud revenue streams
- Sustainability
- Diversity and Inclusion
- Succession planning
- Workforce engagement

## CORPORATE GOVERNANCE REPORT CONTINUED

## Applied Governance

# Engaging with our workforce

## Workforce engagement

The Board and the ELT work closely together on workforce engagement, regularly considering the best approach to take in the light of Code provisions.

The Code outlines three suggested workforce engagement approaches. Following an analysis of AVEVA's application of the Code, the Board reviewed, considered and discussed its existing workforce engagement practices. Although the Board recognised merit in each of the Code's workforce engagement mechanism proposals, it noted that it must consider the size and structure of our business, including its international workforce scope, and select an approach within that context that most practically delivers the underlying spirit and ambition of the Code even if it is not one of the three prescribed approaches. The Code is also supportive of alternate methods where an explanation is provided.

While the Board does not follow one of the three proposed methods, it believes its preferred arrangement for addressing workforce-related matters and understanding employee concerns is effective and appropriate.

The pandemic has had an impact on the way in which the Board planned to have engagement with its AVEVA colleagues. Board meetings and office visits have not been possible during this year, as health and safety for our people was prioritised. This has meant that workforce engagement has had to be managed using other means and video conferencing meetings have been the preferred method. In addition to the routes to engagement described below, Executive Directors and Non-Executive Directors have sought opportunities to engage with employees on strategic and key operational topics such as technology roadmaps, product development, D&I, digital marketing and the ERP project.

## Gauging opinions

During the year, we carried out various employee surveys to gauge views on the OSIsoft acquisition, working from home, cyber security awareness, D&I initiatives, Company culture and general workforce opinions on what is working and what is not. Some of the results highlights are:

- 91% of colleagues have said that the strategic rationale of our transaction makes sense and 86% agree they are excited about the future, according to initial results.
- a Global Recognition Platform was launched to provide a way of showing appreciation for colleagues who are role modelling our AVEVA LIFE values.
- a Global Wellbeing Intranet hub was launched and is updated regularly with relevant content including talks with practical advice held by wellbeing experts that are accessible to all employees.

We also launched a Future of Work project, which is still ongoing, to help us assess future employee and office-accommodation needs. Input is solicited from all employees and teams globally.

Quarterly all-employee calls are held during the year, led by the ELT and these are consistently attended by more than 4,000 employees globally. Any questions raised during the calls are followed up with answers being made available on the Company intranet. Topics covered include overall business performance including financial and economic factors influencing performance, updates on the OSIsoft transaction (including a session with Dr J. Patrick Kennedy, the Chairman Emeritus), working from home arrangements, matters relating to sustainability initiatives and our Action for Good programme. All materials used during calls are made available to all employees following the call.

## Employee wellbeing

Wellbeing is a key focus for us, as it is vital to our shared success that we can support and nourish the health, personal growth and wellbeing of every employee. The year featured several associated initiatives, including the appointment of an ELT member as the Wellbeing Lead Sponsor across the Group.

We also launched our new wellbeing hub on our intranet, providing access to the support employees may need in these difficult times. The hub is interactive, and employees can also post content, comments and ideas. We marked World Mental Health week with a wide range of activities designed to support mental wellbeing across our organisation. These included a very well-received and accessible series of science-based webinar presentations from Dr John Briffa, a practising doctor, writer and international speaker. Each one of these focused on practical tips covering various areas of wellbeing, such as sleep, breathing, fitness and nutrition.

## Keeping informed

During the year, the Deputy CEO and CFO provided regular all-employee newsletters and intranet updates on progress with OSIsoft, updates on the Transformation programme, Diversity & Inclusion, Wellbeing, our Sustainability initiatives and other topics relevant to all employees. Progress in this area was also covered in the CEO's quarterly podcasts, which also included Covid-related news, guidance on achieving work/life balance while working from home, major contract wins, D&I, cyber security and more.

## Concerns and grievances

The Audit Committee has responsibility for whistleblowing, including our Group-wide 'Speak Up' programme, and provides regular reports to the Board. AVEVA's Speak Up reporting channels, which are managed by an independent external third party provider, and procedures are available to all stakeholders and are not restricted to employees only. Details of how any stakeholder can raise concerns, with anonymity, are included on the Company's website.

## Independence and conflicts of interest

Issues relating to tenure and independence that have been considered during the past year relate to the tenure of the Chairman and the independence of the Schneider Electric-nominee Directors.

### Chairman tenure

The Board believes that it is in the best interest of the Company and our shareholders that the current Chairman should oversee the completion of the OSIssoft acquisition to ensure the long-term success of the Company. The strength of the Senior Independent Director ensures there is a balance of responsibility at the top of the Company. The Nomination Committee, led by the Senior Independent Director, therefore considers that Philip Aiken's continuing Chairmanship will benefit the Group during a period of expansion; this will ensure stability and consistency in leadership at a time when we are embarking on an integration plan to create a combined, stronger business. See page 81 of the Nomination Committee's report for further information on the Chairman's tenure.

### Independent Non-Executive Directors

The Board has delegated authority to the Nomination Committee in relation to assessing the independence of Non-Executive Directors and determining the balance of independence required for the Board and its Committees.

In accordance with Provision 10 of the 2018 Code, we consider Jennifer Allerton, Christopher Humphrey, Ron Mobed and Paula Dowdy to be independent in character and judgement, and free from conflicting business or other interests that could interfere with the exercise of their independent judgement. In accordance with Provision 11 of the 2018 Code, the four independent Non-Executive Directors comprise half of the Board if the Chairman is excluded.

The Committee reached this conclusion having considered all relevant circumstances that are likely to impair, or could appear to impair, independence, including the criteria set out in Provision 10 of the 2018 Code. When assessing the independence of Non-Executive Directors, the Committee considers whether or not a Director has an interest, position, association or relationship which, when judged from the perspective of a reasonable and informed third party, is likely to influence unduly or cause bias in decision-making in the best interests of the Company and its stakeholders. None of the four independent Non-Executive Directors or their immediate families has ever had a material relationship with the Group. None of them receives additional remuneration apart from Directors' fees, nor do they participate in the Group's share plans or pension schemes. None of them serve as directors of any companies or affiliates in which any other Director is a director.

### Non-Executive Directors appointed by Schneider Electric (SE)

During the past year, Peter Herweck and Olivier Blum represented the Company's majority shareholder, Schneider Electric. As such, they have not been considered independent within the meaning of the 2018 Code. Each of Peter Herweck and Olivier Blum are still considered to not be independent, Peter Herweck now by virtue of his Executive position, and Olivier Blum as an SE-nominee Director. However, each of these Directors made, and continue to make, a significant contribution to Board discussions and bring a wide range of experience to proceedings. The Board considers both Directors to be independent in character and judgement, and the Directors are aware of their requirements to consider all stakeholders in their dealings, not only the interests of SE.

As mentioned below, the Board has established a formal protocol to ensure the independence of Directors by governing any potential conflicts of interest for all Directors. Complying with the protocol, Peter Herweck and Olivier Blum stood and continue to stand aside when matters in which they have an interest are discussed, as all Directors do. We expect Directors to develop their own informed view on the Company's activities. In this regard, Olivier and Peter neither simply implemented demands nor represented SE as major shareholders. In addition, they did not, and do not, seek to avoid their responsibility to make independent decisions by relying solely on the knowledge or judgement of their employer.

The Board, under the leadership of the Chairman, and the Nomination and Remuneration Committees, and under the direction of the Chairs of those Committees, also uses a range of conflict management tools to manage potential or actual conflicts relevant to the SE-nominee Directors and will continue to do so in respect of any replacement Non-Executive Director appointed by Schneider Electric following Peter Herweck's appointment as CEO. These include temporary separation or recusal from the relevant process or decision, restriction of access to certain information and sharing authority through collective decision-making.

### All Directors

In accordance with the Company's Articles of Association and the Companies Act, the Board can authorise any matter that would otherwise result in a Director breaching his or her duty to avoid a conflict of interest. The Board is responsible for determining if a Director is independent in character and judgement, and whether any relationships or circumstances are likely to affect a Director's judgement or appear to do so. The Company Secretary maintains a conflict register, a record of actual and potential conflicts, together with any Board authorisation of the conflict. The authorisations are for an indefinite period. The Board reserves the right to vary or terminate these authorisations at any time.

The Board has adopted procedures to assist with managing conflicts. As part of this process, the Board:

- considers each conflict situation separately according to the particular situation;
- considers the conflict situation in conjunction with the Articles;
- keeps records on authorisations granted by Directors and the scope of any approvals given; and
- regularly reviews conflict authorisations.

When they are appointed, all Directors are required to disclose any other appointments or significant commitments. They must also notify the Chairman and Company Secretary of any changes or new appointments. The Board considers all external directorships prior to appointment, reviewing any potential conflict of interests and time commitment for both Executive Directors and Non-Executive Directors.

Our Board members share a deep sense of responsibility and in practice Board members' time commitment exceeds the minimum requirements set out in their letters of appointment, particularly in the case of the Chairman of the Board and the Chairs of Committees. In particular, the Non-Executive Directors regularly have meetings with executive management to stay informed of all Company matters. Please see page 66 for a summary of meeting attendance by Directors.

## NOMINATION COMMITTEE REPORT

# Nomination Committee report



**Philip Aiken AM**  
Nomination Committee Chair

## Membership and attendance

### Chair

Philip Aiken AM	3/3
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### Committee members

Ron Mobed	3/3
Christopher Humphrey	3/3
Peter Herweck (resigned on 1 May 2021)	3/3

### Attending by invitation

#### Company Secretary

#### Other members of the Board

#### Advisers

### Independence split

#### Chair: 1

Non-independent: 1 (nil, following Peter Herweck's resignation)

#### Independent: 2

We are pleased to present our report on the Nomination Committee's activities for the past financial year, focusing on the key highlights of the Committee's work. Please refer to our Terms of Reference at [investors.aveva.com](https://investors.aveva.com) for a full overview of the Committee's responsibilities.

During the last year, the Committee focused on the following key areas:

- the completion of an internal Board evaluation led by the Chairman;
- a review of the Board and Committee structure in anticipation of the Group's forthcoming enlargement; and
- consideration of succession planning, also in anticipation of the enlargement.

## Board evaluation

An external evaluation of the Board was carried out during FY20, a year earlier than required under the 2018 Code. During FY21 an internal evaluation, led by the Chairman with the support of the Company Secretary, took place.

## The FY21 Board evaluation process

Scope and methodology	<ul style="list-style-type: none"> <li>• The Committee was keen to have a comparison against last year's evaluation results to measure progress.</li> <li>• We therefore decided to use the same questionnaire as in the previous year to enable us to make such a comparison. This ensured a comprehensive review and would provide assurance on the progress made since FY20 and identify any areas where further action was required.</li> </ul>
Evaluation process	<ul style="list-style-type: none"> <li>• During a Board meeting, the Chairman and Company Secretary briefed the Directors on the internal evaluation process.</li> <li>• Directors completed a confidential online questionnaire to assess the effectiveness of the Board, its Committees, the Committee Chairs and the Chairman.</li> <li>• Better Boards, and independent board evaluation company, prepared a final results report comparing the overall results of the evaluation with those of the previous year.</li> </ul>
Conclusions	<ul style="list-style-type: none"> <li>• The draft evaluation report was discussed with the Chairman and Company Secretary during separate meetings, prior to the Chairman presenting the final report to the Board. The Committees also reviewed the results in the context of their own performance. An action plan was agreed by the Board and updates will regularly be provided to the Board.</li> </ul>

## Results of the FY21 Board evaluation

The FY20 review identified several areas for improvement in the way that the Board operated and consequently the Board took several actions during FY21 to address the areas identified.

The Committee was pleased to note that the final results report showed that the Board has made steady progress on all board effectiveness measures that were reviewed during FY20 and FY21. In some instances changes might have seemed marginal, but it was considered an achievement to be highlighted in view of the challenges posed by the Covid-19 pandemic and the uncertain geopolitical environment, the demands of the OSIsoft acquisition and the fact that all Board and Committee meetings had to take place virtually.

### Progress against outcomes from the previous year

FY20 outcome	Actions identified in FY20	FY21 progress
Time dedicated to strategy discussions	The Board planned to hold a focused day spent on our long-term strategy later in the year. This was to be preceded by interviews between the Chairman and each Director, to understand what Directors would want to achieve from the day and to maximise the effectiveness of discussions.	Strategy is now a regular Board agenda item. The Board's dedicated strategy day has been postponed due to Covid-19 restrictions and the view that this session would be most productive if held as an in-person meeting. It will be scheduled as soon as possible.
Increased time for NED-only meetings	The agenda for all scheduled Board meetings would in future include a NEDs-only session, without the Executive Directors and management present.	The Board now holds NEDs-only sessions at each Board meeting, agreeing that it has been healthy to have these informal discussions.
Enhanced Board working practices	Some opportunities for improving the flow of information to Directors were identified. These will be actioned by the Company Secretary, who continuously reviews all processes to improve the quality of Board papers and to implement best-practice processes for reporting to the Board. Specifically, some Directors felt the reporting from Committees back to the Board could be enhanced. It was also noted that the process for arranging NED visits to Company offices could be improved.	Every Board meeting agenda now features updates from the Committee Chairs. Committee papers are also made available to all Board members when appropriate. All visits to Company offices have been on hold during the past year due to Covid-19 restrictions. The Board is currently reviewing alternative arrangements to further improve workforce engagement.
Continued focus on Board and ELT succession planning	Focus on succession planning across the Company increased substantially during the year. The Board and the Committee were to continue supporting ELT efforts in this regard. The search for a new Chairman was to start, with internal and external candidates being considered. This would create fresh opportunities for the Committee to formulate Board and ELT succession planning.	The Committee, with the Board's support, had agreed to postpone the annual Board and ELT succession-planning review until after the close of the OSIsoft acquisition. In view of the closing, the Committee can now comfortably include in its review the OSIsoft senior executive structure and continue its annual succession planning review. Succession planning continues across the Company at levels below the ELT. During the year the Board had a dedicated session on D&I across the Company and plans to make this an annual feature on its corporate calendar.
Increased emphasis on Environmental, Societal and Governance (ESG) issues	The Directors considered the most effective ways to increase the Board's focus on ESG issues.	The Chief Sustainability Officer presents to the Board twice a year on progress made with sustainability initiatives. We have strengthened the team that leads on sustainability initiatives through dedicated recruitment.

## NOMINATION COMMITTEE REPORT CONTINUED

**FY21 actions**

Based on the comparative data in the report, the areas emphasised that would make the greatest difference to the effectiveness and performance of the Board are:

**1. Continued review of FY20 actions**

The Board will keep under review progress against the actions identified in FY20 to ensure that all items are addressed effectively.

**2. Succession planning**

The focus of succession planning should be to optimise the composition of the Board and its Committees to keep pace with the evolution of the Group. This would ensure that the Board has the appropriate mix of skills and diversity to drive forward its strategy. Please see below for details of the Board's succession planning process.

**3. Continuing to build on the current strengths of the Board**

The results of the Board evaluation indicate that the Board is on a good path of continuous development. The Board has distinctive strengths and it believes that boards which understand their individual and collective strengths excel. The Board will therefore consciously take time to discuss how it can continue to make the best use of individual and collective strengths of its members. These discussions will be included in its strategy, succession planning and training sessions.

During the forthcoming year the Board will discuss and implement further actions it may deem necessary to improve its effectiveness.

**Diversity & Inclusion**

We have a diverse Board where 'every member has a voice' and which is dedicated, committed and ambitious.

The Board's membership is also diverse geographically, with nationals from Australia, France, Germany, the UK and the USA. This diversity aids the Board's discussions and decision-making processes, given the international nature of our business.

A key feature of our D&I initiatives is our focus on embracing all diversity. We have taken great strides in this regard. Following recruitment, we now have a well-established D&I team working across the Company, and several senior employees act as ambassadors. Initiatives are led by the ELT with regular reporting to the Board. During the year, the Committee and Board also started a regular review of recruitment processes to ensure consistent, fair and transparent recruitment practices. The Board also supported the roll-out of:

- our first Global D&I Policy;
- mandatory D&I training for all staff; and
- the first ethnicity pay gap report (to be published in June 2021) to capture more diversity and ethnicity demographic information, to understand our current workforce and put into place appropriate employee policies.

The Committee's work on D&I is closely aligned with our succession-planning activities. We deliver these through the design and development of innovative and effective talent-management processes to improve the depth, quality and diversity of the Company's talent.

The Committee and Board acknowledge that gender diversity on the Board falls short of the targeted 33% female representation, as recommended by the Hampton-Alexander Review: FTSE Women Leaders, Improving gender balance in FTSE Leadership. Please refer to pages 35 for the breakdown of gender diversity statistics across our business. However, we note that we meet the minimum recommendation set out by the Parker Review: A Report into the Ethnic Diversity of UK Boards 2017, with one member, Ron Mobed, who identifies as British Asian.

The Committee has taken into consideration the gender and ethnic balance of the Board as a key factor during the current recruitment process for an additional Board member. We continue to work towards meeting and subsequently exceeding the targets set by both the Hampton-Alexander and the Parker Reviews.

D&I is about treating people fairly, equitably and without bias, and creating conditions that encourage and value diversity and promote respect, dignity and belonging. This involves making efforts to redress inequalities, including systemic inequalities. In addition to professional diversity, the Board endorses the five focus areas defined in the Global D&I Policy i.e. gender, race/ethnicity, religion/faitb/belief, sexual orientation and disability. Diversity is an essential part of our nomination and succession-planning processes.

For further information on the Company's D&I work, please see pages 34 to 35.

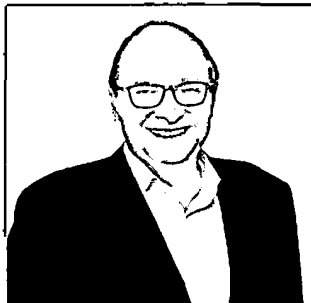
**Succession planning**

Following the OSIsoft acquisition, we are moving to a new phase of growth. It is therefore an appropriate time for us to review the composition of the Board and to support this transition.

The Committee leads the Board's annual dedicated succession-planning session. This important annual review was postponed in 2020 to complete the acquisition and consider the implication of the larger Group. In anticipation of the succession-planning review, the Committee has started reviewing the structure of the current Board to ensure that it remains effective in view of the enlargement. This work would then be further enhanced following the acquisition by the succession-planning/talent review with the full Board.

We continue to carry out Company-wide talent-mapping exercises annually. The Committee and the Board also regularly review progress on diversity and succession-planning initiatives. We have also rolled out succession-planning mapping across all functions and all levels of employees during the past year.

## Succession planning in relation to the Chairman



The 2018 Code introduced a change in recommended practice regarding a Chairman's tenure, stating that a Chairman should step down after nine years of service. At the time of the AGM, Philip Aiken's tenure will exceed the new recommended

maximum duration, as he was first appointed as Chairman in 2012. The Senior Independent Director has led the Board discussion on this matter as we try to find a balance between adhering with the 2018 Code and doing what is best for the business and stakeholders. While the Board aims to comply with the 2018 Code's recommendations, its overriding duty is to ensure that any action taken to comply is in the Company's overall best interests. As a Board, we need to take several factors into account when reviewing this issue. These include successes that we have seen under Philip's tenure, especially the:

- o combination with the Schneider Electric industrial software business;
- o improvements in our corporate governance processes and controls over the last few years as we moved from the FTSE250 to the FTSE100; and
- o integration of OSIsoft on which we are embarking.

As stated in the Prospectus, in light of the acquisition and following further discussions with the Board, the Nomination

Committee and Schneider Electric, the Directors consider it is in the best interests of the enlarged Group, its shareholders and other stakeholders that the succession plans to appoint a suitably qualified replacement for Philip be delayed such that the Company can continue to benefit from the current Chairman's industry experience and broad sector knowledge during the period of integration of the OSIsoft Group following the acquisition. Accordingly, Philip has entered into a new appointment letter with the Company reflecting his continued appointment as Chairman of the Company until April 2022 with the option for such appointment to be extended until the conclusion of the 2022 AGM. In light of the overwhelming support by the shareholders of the acquisition of OSIsoft, LLC at the EGM on 24 November 2020, and the overwhelming participation in the rights issue to fund the acquisition, we are confident that shareholders will be supportive of Philip's continued tenure as Chairman to see the Company through this period of integration.

To that end, we believe that non-compliance with this aspect of the 2018 Code at this time is appropriate given the unique circumstances the business faces, and the value-add that Philip continues to bring in the role as Chairman. Starting from its first meeting following the 2021 AGM, the Committee will keep Philip's appointment under review as we move through the integration process and will put in place appropriate succession plans. I will take over as de facto Chair of the Nomination Committee when Philip's succession planning is discussed. All discussions regarding the extension of Philip's tenure were also led by me as Senior Independent Director.

**Christopher Humphrey**  
Senior Independent Director

In accordance with its responsibilities, the Committee undertakes medium and long-term contingency planning for unexpected Board changes and unforeseen departures. As part of this, the Committee assesses the skills, expertise, independence and diversity required on the Board, considers the current and future challenges facing the Company and the Board composition required to support the long-term growth and strategy of the Company.

With these responsibilities in mind, the Committee has initiated a search for a suitable candidate to join the Board as an independent Non-Executive Director to strengthen the expertise on the Board and further enhance our Board diversity.

The Board has an established approach for seeking and evaluating candidates for Board positions, which is being applied for the current Non-Executive Director search. Prior to the Committee making a recommendation to the Board for an appointment, it undertakes the following process:

- Identifying the skills, experience and knowledge required for, and complementary to, the role, also taking into account results from the annual Board evaluation process.
- Agreeing the role specification and capabilities required.
- Selecting a global executive search firm.
- Reviewing candidate profiles and preparing a shortlist of diverse candidates for interview.
- Making an in-depth assessment of each candidate's suitability for the role, based on interviews and references.
- Recommending the preferred candidate to the Board.

## NOMINATION COMMITTEE REPORT CONTINUED

We are at the initial stage of our search and are hopeful that we will be able to secure an appointment prior to the end of 2021. The Committee will engage an independent agency, not connected to the Company, to undertake the independent Non-Executive Director search with the brief to secure a candidate who meets our diversity objectives and who will contribute to the achievement of our strategic objectives.

As Peter Herweck has taken up an Executive position on the Board, Schneider Electric, the Company's majority shareholder, is entitled to appoint a replacement Non-Executive Director to the Board and to the Nomination Committee pursuant to the terms of the Relationship Agreement. The Company is in discussions with Schneider Electric regarding such appointments. Please see pages 125 to 126 for further detail on the terms of the Relationship Agreement.

### Board and Committee composition

The Committee is committed to ensuring that the Board and its Committees have the right balance of skills, experience and knowledge to help achieve its strategic objectives and to guarantee the continued delivery of shareholder value. We therefore continuously review the composition of the Board and its Committees and the required skills and behaviours. This is more relevant than ever in view of the OSIsoft acquisition. The framework within which we continue to assess the composition of the Board, its Committees and future Board appointments is based on the terms of the Relationship Agreement, AVEVA's inclusion in the FTSE100 Index, regulatory requirements and the specific functions which Non-Executive Directors would be required to fulfil on Committees. Following consideration, the Committee believes that the Board composition and that of its Committees has provided an appropriate balance of skills, knowledge and experience throughout the year.

As part of our annual review responsibilities, we considered the time Non-Executive Directors are required to give to their roles. All Non-Executive Directors receive a formal letter of appointment setting out clearly what is expected of them in terms of time commitment, Committee service and their responsibilities outside Board meetings. These terms are reviewed and renewed when necessary. It is understood and anticipated that the time required of Directors will fluctuate depending on the demands of the business and other events. This has certainly been the case in FY21, given the Board's responsibility to steer the Company through challenges arising from the outbreak of the Covid-19 pandemic and the OSIsoft acquisition.

Following review, we were satisfied that each Director continues to contribute the time, as well as the focus, care and quality of attention, to fulfilling their duties to the Company and its shareholders. Based upon the evaluation of the Board, its Committees and the continued effective performance of individual Directors, the Committee recommended to the Board that all Directors stand for re-election at the Company's AGM. It is also recommended that Olivier Blum stands for election in accordance with our Articles of Association.

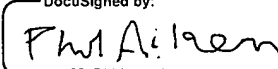
### Annual review

In its annual review, the Committee:

- assessed its own performance and effectiveness;
- concluded that, while it operates effectively and that no immediate changes are required, this should be reviewed when new Board members are recruited, or Schneider Electric appoints a new Non-Executive Director to the Board and Committee in accordance with the Relationship Agreement; and
- reviewed and approved its Terms of Reference, taking into consideration the OSIsoft acquisition, the enlarged Group and the regulatory landscape.

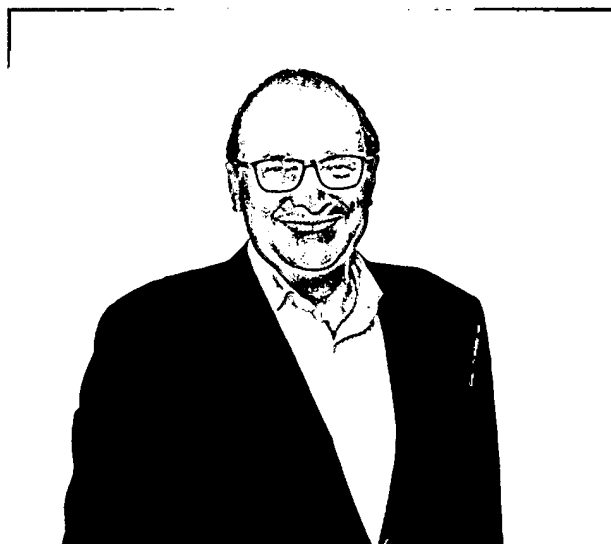
The Committee also continually reviews its annual calendar to ensure the effective and efficient discharge of its responsibilities under the Code.

**Philip Aiken AM**  
Nomination Committee Chair

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# Audit Committee report



**Christopher Humphrey**  
Audit Committee Chair

## Membership and attendance

Christopher Humphrey (Chair)	5/5
Jennifer Allerton	5/5
Ron Mobed	5/5

The Committee usually meets four times a year. We held an additional meeting in June 2020 to cover year-end reporting.

## Attending by invitation

- Chairman
- CEO
- Deputy CEO and CFO
- External audit partner
- Group General Counsel and Company Secretary
- Head of Internal Audit & Risk
- Other senior members of the Group Finance team

Our focus is the integrity of the Group's financial reporting, audit processes, key risk management and internal controls

The Audit Committee (the Committee) is appointed by the Board. The members are Christopher Humphrey (Chair), Jennifer Allerton and Ron Mobed. The Board regards all Committee members as independent Non-Executive Directors. Other Board members and relevant senior management regularly attend Committee meetings at the invitation of the Chair. They provide company insight, advice and reports to help the Committee consider AVEVA's approach to its primary responsibilities. The external audit partner is also invited to attend all meetings.

## Role of the Committee

The Committee is appointed by the Board to monitor the Group's financial integrity. It confirms to the Board that the financial statements within the Annual Report are fair, balanced and understandable and that they comply with all applicable legislation and regulation. It also reviews the Group's risk-management processes and internal controls, which include maintaining oversight of the internal audit function. Further, the Committee manages the relationship with the external auditor, reviews the scope and terms of its engagement, and runs regular effectiveness reviews to monitor its performance.

## Committee membership and skills

I was appointed Chair of the Committee in November 2016. The Board believes I have the necessary recent and relevant financial experience as required by the UK Corporate Governance Code ('the Code'). I am a Chartered Management Accountant and a Fellow of CIMA, and was previously CEO of Anite plc, a UK-listed company, formerly holding the position of Chief Finance Officer. Prior to that, I held senior positions in finance at Conoco, Eurotherm International plc and Critchley Group plc. I am also Chair of the Audit Committee of Vitec Group plc. I maintain an up-to-date understanding of financial and corporate governance best practice by attending training sessions and updates presented by the major accounting firms.

The Board also considers that the other members of the Committee have a broad range of appropriate skills and strong experience covering financial, commercial and operational matters. You can find brief biographical details for all Committee members on pages 62 to 64.

In my capacity as Committee Chair, I am pleased to report on our operations during the past year. My emphasis is on the specific matters we have considered, including compliance with the Code and associated Guidance on Audit Committees. I confirm that we have fully complied with the requirements of the Code as issued in July 2018.

## AUDIT COMMITTEE REPORT

**Audit Committee Terms of Reference**

The role of the Committee is set out in its Terms of Reference, which are available at [investors.aveva.com](https://investors.aveva.com). The Committee monitors the integrity of the Group's financial statements. The Committee members (as part of the full Board) also review all proposed regulatory announcements to be made by the Group. They give due consideration to any significant financial reporting judgements that are included or required.

The Committee considers:

- the effectiveness of financial reporting and internal controls;
- compliance with legal requirements;
- accounting standards; and
- the Listing, Disclosure and Transparency Rules of the Financial Conduct Authority.

We also review any proposed change in accounting policies and any recommendations the Group's auditor may make regarding improvements to internal controls and the adequacy of the finance function's resources. The Committee also assesses and reports to the Board on the process established to ensure that the Annual Report is fair, balanced and understandable.

**Risk and internal controls**

The principal risks the Group faces are set out on pages 36 to 46. On at least an annual basis, the Committee considers the Group risk register and related management controls. Throughout the process, the Board or the Committee:

- considers whether areas should be looked at more closely through specific control reviews;
- identifies areas where internal controls need improvement; and
- agrees action plans to deliver any necessary or recommended enhancements.

The Committee has also developed a framework to gain assurance over the system of internal financial and operational controls. This comprises the following:

- the annual Internal Audit Plan: the Committee receives regular updates from the internal audit function on the outcomes of agreed independent reviews; and
- the use of qualified third parties to undertake specialist reviews in more technical areas; and an annual assessment by the Committee of the whole system of internal financial and operational controls.

The Committee continues to assess the internal control framework while employees are working remotely due to the Covid-19 pandemic. We consider that this remains suitable.

The Company's formal whistleblowing policy, AVEVA Speak Up, has been communicated to employees. The policy formalises the processes by which we report, consider and action issues of concern within our organisation. This includes the disclosure of information made in the public interest which relates to suspected wrongdoing or dangers at work. All staff and external parties are able to raise genuine concerns without fear of reprisals, even if the concerns turn out to be mistaken.

The Speak Up policy reporting process is not a replacement for individual complaints or grievances that would ordinarily be dealt with under HR's grievance procedures.

The Committee is satisfied that the process is effective and reviews all key issues that are reported.

**Key estimates and judgements**

The Committee discusses with management and the auditor the approaches taken when assessing all key estimates. These include:

- revenue recognition;
- impairment of assets;
- provisions for impairment of financial assets;
- valuation and useful life of intangible assets;
- the valuation of retirement benefit obligations; and
- determination of the lease term for contracts with a renewal or termination option.

Annually, the Committee also considers the going concern principle (upon which the financial statements are prepared) and the Group's viability statement disclosures.

## Significant accounting issues

The Group finance function and the external audit process identify significant accounting issues and judgements, which are reviewed by the Committee. The table below features the significant issues the Committee considered in the year.

Significant issue	How it was addressed
Revenue recognition	<p>The Committee reviews proposed high-value contracts with customers before they are finalised. Associated revenue recognition is often also considered at this stage.</p> <p>The external auditor presented its findings regarding key revenue recognition testing and associated risks. The Committee reviewed and concluded that revenue recognised in the year is materially correct.</p>
Adjusted and exceptional items	<p>Management continues to use Alternative Performance Measures such as Adjusted EBIT and recurring revenue. For FY21 we have also started reporting Annualised Recurring Revenue (ARR) in addition to GAAP-based KPIs. The Committee reviews the basis of these measures and the processes and controls related to their reporting.</p>
Pensions	<p>During each reporting period, management is required to reassess the actuarial assumptions and overall valuation relating to our defined benefit pension schemes. The UK scheme remains the most significant and is the main area of focus. Management, with the assistance of their actuaries, have updated assumptions. We are satisfied that the valuation of the pension liabilities is within an acceptable range and that the assumptions have been updated to reflect market conditions at the year end. We are also satisfied that recognising the UK pension surplus, in accordance with IFRIC 14, is still appropriate.</p>
Share-based payments	<p>The two key areas of judgement for management are the fair value of new options granted in the period and the vesting assumptions made on all open option grants. We are satisfied that the fair value of the LTIPs granted in the year are appropriate, based upon the model used. We have also confirmed that the vesting assumptions management made are consistent with the latest available Board-approved forecasts.</p>
Bonuses	<p>Bonuses for FY21 were payable based upon the following key metrics:</p> <ul style="list-style-type: none"> <li>• operating cash flow for H1;</li> <li>• Remuneration Committee discretion based on overall H2 and annual performance;</li> <li>• recurring revenue;</li> <li>• adjusted EBIT; and</li> <li>• individual KPIs.</li> </ul> <p>The Committee examines closely the accounting controls and judgements involved in determining the accounting for management bonuses.</p>
Asset impairment	<p>The Group has significant goodwill and other non-current assets. Management completed an assessment for impairment triggers during the year, using the same Covid-19 forecast as for the going concern assessment. It presented the findings in detail to the Audit Committee, and we are satisfied there have been no impairment triggers and that the likelihood of impairment is low.</p>
OSIsoft	<p>The Committee worked closely with management on key aspects of the OSIsoft acquisition over recent months. These included significant accounting areas, such as identification and estimation of fair value of intangible assets, tax accounting and the tax step up. The Committee also had oversight of the review of key controls in place in the OSIsoft business, the plan for future integration of the Finance function, the financing strategy for the acquisition, and an assessment of external auditor independence for candidates to take on the audit of OSIsoft.</p>
Covid-19	<p>The Committee continues to consider the various potential impacts of Covid-19 on accounting judgements. This work includes reviews of forecasts, asset impairments, share-based payment vesting and impairment. The Committee has also overseen the preparation of going concern and long-term viability statements, paying attention to modelling, scenarios, liquidity positions and covenants.</p>

## AUDIT COMMITTEE REPORT CONTINUED

**Internal audit**

The in-house internal audit function executes annual internal audit plans. These give the Committee an independent view on the strength of internal controls and mitigation of some of the biggest areas of risk we face. Where an audit review requires specialist resource or capacity, then independent third parties may be used. As a Committee, we believe this resourcing model provides the most effective approach and we continue to develop and invest in the internal audit function.

**External audit**

The Audit Committee advises the Board on the appointment of the external auditor. Ernst & Young (EY) has been our auditor since the end of FY03, and cannot therefore remain our auditor beyond 2023. We carried out a tender process during the year, and PricewaterhouseCoopers (PwC) has been appointed from the year ending 31 March 2023. Management and the Chair of the Audit Committee met with four firms to assess their approach and ability to meet AVEVA's needs. Two firms were invited to the tender process, which involved several meetings with management and culminated in a presentation to the Committee in October 2020. The Committee felt that the breadth and depth of the proposed team's experience, geographic coverage, and auditing approach put PwC in the strongest position to suit our needs.

The Board subsequently approved PwC for recommendation to shareholders at the 2022 AGM. The Company will seek shareholder approval of the reappointment of EY for their final year at the AGM on 7 July 2021. The Committee will oversee handover and induction arrangements to ensure a smooth transition during this last year of EY's tenure. Schneider Electric has appointed PwC as auditors from its December 2021 year end (i.e., from 1 January 2022), and the Committee has also considered the implications of this for the AVEVA audit.

The Company confirms that we have complied with the provisions of the Statutory Audit Services for Large Companies Market Investigation (Mandatory Use of Competitive Tender Processes and Audit Committee Responsibilities) Order 2014 issued by the Competition and Markets Authority.

Audit partners are rotated every five years, and the auditor issues a formal statement of independence each year. Marcus Butler completed his fifth year with the Group in the year ended 31 March 2020. Chris Voogd and Ruth Logan replaced him for the year ended 31 March 2021. The Board and the Audit Committee are satisfied that the auditor's independence has been maintained.

The Company has a non-audit services policy to ensure that the external auditor's provision of non-audit services does not impair its independence or objectivity. The Audit Committee must pre-approve all non-audit services. A list of pre-approved services is reviewed on an annual basis, from which the Group CFO may give written authorisation for services up to £20,000. The Audit Committee receives a report each year analysing fees paid for any non-audit work by the external auditors. EY performed the following non-audit services for AVEVA in the year ended 31 March 2021:

- reporting accountant work associated with the rights issue;
- review procedures for the Group's interim results; and
- payroll procedures in Mexico.

The final two items are recurring.

The Committee advises the Board on the auditor's remuneration. The audit fees paid to EY for the statutory audit were £1.9 million (FY20: £1.0 million). This is higher than in the previous year recognising the impact of the acquisition of OSIsoft on the audit. The Committee continues to keep under review the cost effectiveness and quality of the audit service.

The Committee also discusses with the external auditor the nature, scope and results of the audit. The effectiveness of the external audit process depends on the identification of appropriate audit risks and a robust assessment of key estimates and judgements at the start of the audit cycle. Each audit cycle, we challenge the auditor on their test of management's assumptions. We also request feedback from management on their assessment of auditor effectiveness. Overall, management and the Committee are satisfied with the quality and effectiveness of the external audit process.

The Committee meets quarterly with the auditor without any members of the Executive team being present. I also meet individually with the Head of Internal Audit & Risk, the CFO and other senior finance-team members.

**Audit planning and main audit issues**

At the Committee's September 2020 meeting, the auditor presented its audit plan for FY21. This included a summary of the proposed audit scopes for the year for each of the Group's subsidiaries. It also featured a summary of what the auditor considered to be the most significant financial reporting risks facing the Group, together with the auditor's proposed approach to addressing them.

At the March 2021 Committee meeting the auditor presented an update to the audit plan and approach including changes to the risk assessment, materiality and scope as a result of the completion of the OSIsoft acquisition.

**FRC reviews**

The FRC's Conduct Committee reviewed the Group's Annual Report and financial statements for the year ended 31 March 2020 as part of its routine monitoring activity. The Conduct Committee did not report any material errors in compliance with relevant reporting requirements, or require any corrections. It did make some recommendations to support continuous improvements in our reporting. These have now been addressed by additional disclosures where material and relevant.

The FRC has also requested that we advise shareholders that this review provides no assurance that the Annual Report and financial statements are correct in all material respects. Its purpose is not to verify the information provided but to consider compliance with reporting requirements. The FRC and its officers, employees and agents therefore accept no liability for any reliance on its review by third parties, including but not limited to shareholders and investors.

EY's external audit of AVEVA for the year ended 31 March 2020 was not subject to an FRC Audit Quality Review. Should there be any further reviews, we will advise shareholders in the subsequent Annual Report.

## Assessing the content of the Annual Report

The Board takes responsibility for determining that the whole Annual Report is fair, balanced and understandable and that it provides the necessary information for shareholders. The Committee concentrates its review only on the financial statements and the process underpinning the long-term viability statement. The Committee recommended to the Board the adoption of the financial statements as at 31 March 2021.

## Annual evaluation of the Committee performance

The Committee's effectiveness was assessed as part of the internal Board evaluation as further explained in the Nomination Committee report on page 78. The evaluation concluded that the Committee operates effectively and that no immediate changes to its composition are required. The Board, however, will continue to

review actions flowing from the results of the evaluation and the Committee will assess and implement any actions that might be required. Further, we set and measure our performance against specific objectives every year. These objectives are set annually and the details of our objectives for FY22 and the progress made are summarised on pages 88 to 89.

## Committee activities in FY21

I chaired five scheduled meetings of the Committee in FY21, working closely with management to ensure that we received the comprehensive information and support we required.

Agendas include annual reporting requirements, risk assurance processes and other ad-hoc matters which may arise and require robust review and challenge.

We dealt with the following specific matters at meetings during FY21:

Meeting	Matters discussed	Meeting	Matters discussed
May 2020	<ul style="list-style-type: none"> <li>approval of prior minutes and actions;</li> <li>review of Committee objectives;</li> <li>year-end reporting including: <ul style="list-style-type: none"> <li>status update</li> <li>review of draft accounts</li> <li>accounting judgements</li> <li>tax update</li> <li>Going Concern &amp; Viability</li> <li>external auditor's reports</li> </ul> </li> <li>internal audit update; and</li> <li>update on audit tender.</li> </ul>	October 2020	<ul style="list-style-type: none"> <li>approval of prior minutes and actions;</li> <li>review of Committee objectives;</li> <li>interim reporting including: <ul style="list-style-type: none"> <li>accounting update report from management</li> <li>tax update</li> <li>treasury update</li> <li>interim report from external auditor</li> <li>review of draft interim financial statements</li> <li>risk management update</li> </ul> </li> <li>OSIsoft acquisition update;</li> <li>ERP programme update;</li> <li>internal audit update; and</li> <li>external audit tender update.</li> </ul>
June 2020	<ul style="list-style-type: none"> <li>approval of prior minutes and actions;</li> <li>year-end reporting including: <ul style="list-style-type: none"> <li>status update</li> <li>external auditor's reports</li> </ul> </li> <li>formal recommendations to the Board.</li> </ul>	March 2021	<ul style="list-style-type: none"> <li>approval of prior minutes and actions;</li> <li>review of Committee objectives;</li> <li>OSIsoft acquisition update;</li> <li>FY21 year-end planning including: <ul style="list-style-type: none"> <li>external auditor planning</li> <li>revenue recognition, ARR, revenue disclosures</li> </ul> </li> <li>ERP programme update;</li> <li>internal audit update, including FY22 plan;</li> <li>risk governance update;</li> <li>treasury update;</li> <li>tax update;</li> <li>review of Committee Terms of Reference;</li> <li>non-audit services policy;</li> <li>whistleblowing summary; and</li> <li>appointment of external auditor.</li> </ul>
September 2020	<ul style="list-style-type: none"> <li>approval of prior minutes and actions;</li> <li>review of Committee objectives;</li> <li>internal audit update;</li> <li>external auditor planning;</li> <li>risk management governance update;</li> <li>cyber security update;</li> <li>OSIsoft acquisition update; and</li> <li>Enterprise Resource Planning (ERP) programme update.</li> </ul>		

## AUDIT COMMITTEE REPORT CONTINUED

**Audit Committee objectives in FY21:**

The Committee agreed several objectives at the start of the financial year, as shown in the following table.

Objective	Activity in the year	Progress
Integration and transformation	<p>As the finance transformation programme continues, there are some critical projects that the Audit Committee should monitor. These include the new ERP project, transfer pricing, our legal entity rationalisation programme and shared services.</p> <p>The Audit Committee should monitor the progress of these projects and understand the associated project and implementation risks. We will seek regular updates from management.</p>	Update presentations to the Audit Committee were made in September 2020 and October 2020.
Cyber	<p>The Committee will continue to focus on monitoring the cyber risks AVEVA faces, and on the management actions and mitigations put in place to manage them. The Committee will seek regular updates on any cyber incidents.</p> <p>Significant projects are currently underway, where progress should be regularly reported to the Committee.</p>	<p>A cyber update was provided at the September 2020 Audit Committee.</p> <p>An independent external expert review of cyber security is planned for May 2021, to align with the fruition of internal cyber initiatives and maximise value.</p> <p>The Board received an update on cyber risks within our own products as part of an AVEVA Group Technology review presented by the Chief Technology Officer in March 2021.</p>
Auditor rotation	<p>EY introduced a new audit partner to AVEVA for the year ended 31 March 2021. The Committee has overseen and monitored the handover process and dedicated the necessary time to ensure the relationship with the new audit partner has been successful.</p> <p>The Audit Committee also oversaw the tender process to appoint the audit firm to succeed EY for the audit of the year ending 31 March 2023 and onward. The process was arranged and run by management but with strong oversight by the Audit Committee, which made a recommendation to the Board on this appointment.</p> <p>The Audit Committee will closely monitor any dependencies or issues for auditor independence during the planned transition period.</p>	<p>The new EY partner has been installed.</p> <p>The tender process to succeed EY has also been completed, with the appointment of PwC.</p>

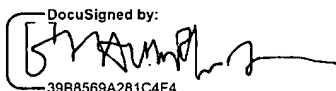
Objective	Activity in the year	Progress
Continued development of the internal audit function towards risk-based reviews	The continued development of enterprise risk management in 2019 and early 2020 enables us to take a risk-based approach to internal audit in FY21. As a result, the Audit Committee will be focused on the outcomes and assurance levels it receives on higher-risk areas of the business. These will include areas of principal risk and subsidiaries and processes where controls need strengthening.	<p>The FY21 Internal Audit Plan, as presented at the March 2020 Committee meeting, detailed plans and justifications for risk-based reviews. So that the Committee may receive assurance on the highest-risk areas of the business, the plan leverages:</p> <ul style="list-style-type: none"> <li>the enterprise risk-management process;</li> <li>an AVEVA audit universe, our audit history; and</li> <li>external perspectives on higher-risk areas.</li> </ul> <p>Internal Audit has also continued to focus on expanding and embedding the AVEVA internal control framework.</p>
Taxation	<p>AVEVA will implement a new global transfer-pricing methodology during FY21. The Committee will seek to understand any risks related to this implementation and how any risks will be incorporated into accounting processes (tax provisioning).</p> <p>The Committee will also focus on oversight of the global tax compliance processes, designed and run by management to ensure accurate and timely compliance with local legislation.</p>	In addition to an Audit Committee presentation in June 2020, a presentation on Tax strategy was also provided to the main Board in July 2020. Regular bi-annual tax updates have been provided at the Committee meetings in October 2020 and March 2021.
Covid-19	The global Covid-19 pandemic has changed the risk profile in which AVEVA must now operate, with new and altered risks. The Committee will closely monitor the Company's risk-management activities to ensure these new and changed risks are recognised, integrated and tracked.	Impacts from the Covid-19 pandemic continue to be accounted for within the Company's principal and key risks. Key areas of impact include talent, economic disruption and cyclical market dependency. The Executive Risk Committee and the Board monitor these risks.

### Audit Committee objectives for FY22

In March 2021, the Committee considered the objectives for the year ahead. It agreed to prioritise the following focus areas:

- integration and transformation, as a continuation from the FY21 objective;
- revenue metrics;
- audit firm rotation;
- risk-based internal audit reviews and management assurance plans;
- taxation – integration of the OSIsoft business, transfer pricing and external tax advisers; and
- corporate governance developments.

**Christopher Humphrey**  
Audit Committee Chair

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# Remuneration Committee report

## Annual Statement



**Jennifer Allerton**  
Remuneration Committee Chair

### Membership and attendance

#### Chair

Jennifer Allerton	8/8
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#### Committee members

Ron Mobed	8/8
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Paula Dowdy	8/8
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Olivier Blum <sup>1</sup>	8/8
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#### 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 outcomes 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).

## REMUNERATION COMMITTEE CONTINUED

## 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

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*Jennifer Allerton*  
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## REMUNERATION COMMITTEE CONTINUED

## 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	<p><b>Base salary</b></p> <p>Salaries are reviewed annually, although there is no automatic entitlement to an increase.</p> <p>Base salary normally increases in line with the wider UK workforce.</p> <p>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.</p>	<p>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).</p> <p>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.</p> <p>Peter Herweck's base salary has been set at £760,000 with effect from 1 May 2021.</p> <p>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.</p> <p>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.</p> <p>Base salary increases of 3.6% for FY22 for the wider workforce were made with effect from 1 April 2021.</p>
	<p><b>Benefits</b></p> <p>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.</p>	<p>No changes from FY21 for Craig Hayman and James Kidd.</p> <p>Peter Herweck will receive: housing allowance, car allowance, medical insurance, tax equalisation, personal liability insurance and personal insurance protection.</p>
	<p><b>Pensions</b></p> <p>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.</p>	<p>Craig Hayman and James Kidd will remain aligned to the wider workforce and receive a pension contribution of 10% of salary.</p> <p>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.</p>

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
<b>Annual bonus – opportunity</b>	The maximum bonus opportunity is 200% of base salary for the CEO and 175% of base salary for the CFO.	<p>The FY22 maximum bonus opportunity for the CFO will remain at 150% of base salary.</p> <p>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).</p> <p>The maximum annual bonus opportunity for Peter Herweck is 200% of salary.</p> <p>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.</p>
<b>Variable pay</b> <b>Annual bonus – deferral</b>	<p>50% of any bonus earned is deferred into shares under the Deferred Share Scheme.</p> <p>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.</p>	<p>No changes are proposed for FY22.</p> <p>Deferred element of FY22 bonus for Craig Hayman will not be granted (see page 116).</p>
<b>Long-term incentive – opportunity</b>	Under the Policy the maximum LTIP opportunity is 300% of base salary for the CEO and 250% of base salary for the CFO.	<p>No change to the LTIP opportunity for the CFO at 175% of base salary is being proposed.</p> <p>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.</p> <p>Neither Craig Hayman nor Peter Herweck will be granted an LTIP award for FY22.</p>
<b>Long-term incentive – threshold vesting</b>	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.
<b>Shareholding requirements – in-employment</b>	<p>Shareholding requirements were increased last year to market-leading levels. Both annual bonus and annual LTIP opportunity maximums would apply:</p> <ul style="list-style-type: none"> <li>For Craig, this will be 165% for annual bonus and 250% for LTIPs, giving a shareholding requirement of 415% of annual salary.</li> <li>For James, an annual bonus opportunity of 150% and 175% LTIP opportunity equates to a shareholding of 325% of annual salary.</li> </ul>	<p>For Peter, shareholding requirements would be 200% for annual bonus only, as he will not be issued any AVEVA LTIPs.</p> <p>No other changes proposed for FY22.</p>
<b>Shareholding requirements – post-employment</b>	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.
<b>Malus and clawback – provisions</b>	The provisions apply to the annual bonus, the deferred bonus scheme and LTIPs.	<p>No changes proposed for FY22.</p> <p>For further details, see page 104.</p>

## REMUNERATION COMMITTEE CONTINUED

## At a Glance continued

## How we performed in FY21

Revenue growth <b>(1.6)% to £820.4m</b>	Adjusted diluted EPS <b>(6.3)% to 81.31p</b>	TSR <b>7th out of 22 companies</b>	Adjusted EBIT <b>+ 4.4% to £226.4m</b>
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## 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 (0% salary increase)	£718k (0% salary increase)
		James Kidd	£513k (0% salary increase)	£530k (3.3% salary increase)
		Peter Herweck	Not applicable – appointed CEO 1 May 2021	£760k
	Pensions	Executive Directors other than Peter Herweck	10% of salary for Craig Hayman & James Kidd 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 (see page 116)
		James Kidd	150% of salary	150% of salary
		Peter Herweck	Not applicable – appointed CEO 1 May 2021	200% of salary
	Criteria		Short-term financial 30% Adjusted EBIT 25% Recurring revenue 25% Strategic objectives 20%	OSIsoft New Revenue 10% Adjusted EBIT 50% Annualised recurring revenue 20% Strategic objectives 20%
	Payable	Craig Hayman	£673k (57% of maximum)	n/a
James Kidd		£429k (56% of maximum)		

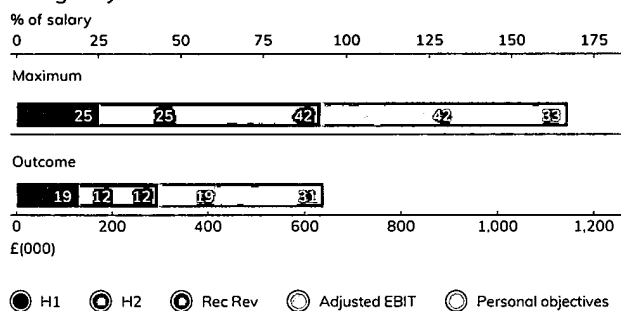
Long-term incentives			Vesting in respect of FY21	Awarded in respect of FY22
	Performance period	Both EDs	1 April 2018 – 31 March 2021	1 April 2021 – 31 March 2024
	Opportunity applied	Craig Hayman	250% of salary	n/a
		James Kidd	175% of salary	175% of salary
	Time horizon	Both EDs	Three-year performance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

CEO ratios			FY20		FY21	
			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 <sup>1</sup>	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

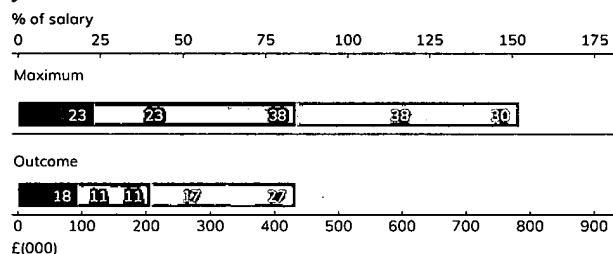
1. The CEO pay ratios have been calculated by comparing the single figure of remuneration of the CEO to the 25th, 50th and 75th percentile UK employees. Remuneration includes salary, benefits, pension, bonuses and share awards. All amounts are on a full-time equivalent basis.

## Annual Incentive Scheme

## Craig Hayman

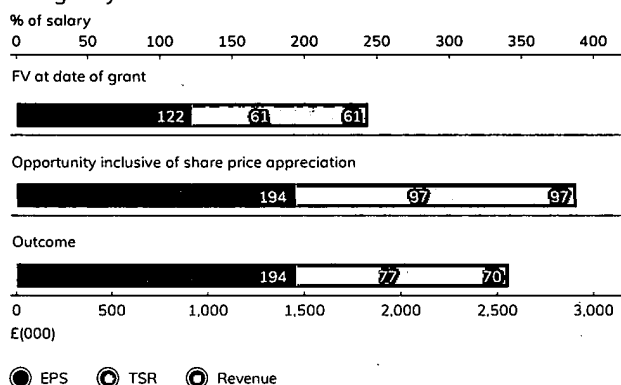


## James Kidd

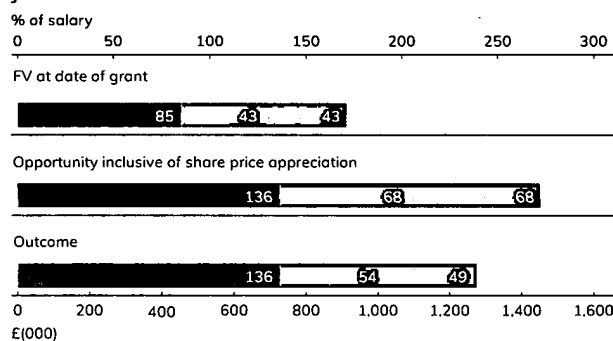


## Long-Term Incentive Plan

## Craig Hayman



## James Kidd

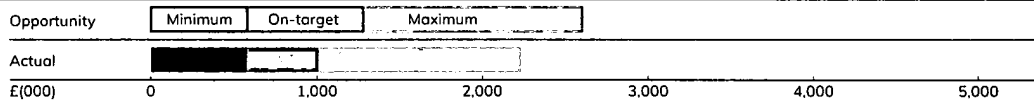


## Maximum total remuneration opportunity compared to actual remuneration received for the year ending March 2021

## Craig Hayman



## James Kidd



☒ Fixed ☒ Bonus ☐ LTIP ☐ One-off awards<sup>1</sup>

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

## REMUNERATION COMMITTEE CONTINUED

## At a Glance continued

## Leaving remuneration arrangements for Craig Hayman

<b>Salary, pension and benefits</b>	<p>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.</p> <p>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.</p>
<b>Annual bonus</b>	<p>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.</p> <p>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).</p> <p>The maximum performance-related opportunity of 165% of salary will be reduced by: (i) time pro-rated 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.</p>
<b>Deferred annual bonus plan</b>	<p>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.</p>
<b>Long-Term Incentive Plan (LTIP)</b>	<p>Craig holds LTIP awards, which will be treated as follows:</p> <ul style="list-style-type: none"> <li>• 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.</li> <li>• 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.</li> <li>• 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.</li> <li>• The 2020 LTIP award will lapse in full.</li> </ul> <p>Craig will not receive a LTIP award for the FY22 financial year.</p>

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			US comparison peer group		
Avast	Ocado	Smiths Group	Ansys	Cadence Design	Rockwell Automation
Microfocus	Sage	Sophos	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	<p>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.</p> <p>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.</p>
Simplicity	<p>Each component of our Remuneration Policy is clearly laid out and explained in a clear and simple manner.</p> <p>Across the Company, we ensure our remuneration arrangements are simple by design, communicated clearly and understood by all participants.</p> <p>Although the quantum will vary, the policies and practices of remuneration are consistently applied across all levels.</p>
Risk	<p>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.</p> <p>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.</p> <p>As a final safeguard, our robust malus and clawback provisions apply to both the annual bonus and the Long-Term Incentive Plan.</p>
Predictability	<p>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.</p> <p>Targets and measures are not altered or amended mid programme, ensuring that performance achievement is aligned to original goals and objectives at all times.</p>
Proportionality	<p>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.</p> <p>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.</p>
Alignment to culture	<p>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.</p>

## REMUNERATION COMMITTEE CONTINUED

## 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](https://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
<b>Base salary</b>			
<ul style="list-style-type: none"> <li>Helps recruit and retain employees</li> <li>Reflects experience and role</li> </ul>	<ul style="list-style-type: none"> <li>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.</li> <li>The Committee determines base salary taking into account factors including, but not limited to: <ul style="list-style-type: none"> <li>The individual's role, experience and performance.</li> <li>Salaries at other companies of a similar size and complexity as well as global technology peers.</li> <li>Remuneration of different groups of employees within the Company.</li> <li>Total organisational salary budgets.</li> </ul> </li> <li>The Committee takes a phased approach to new salaries where appropriate.</li> <li>Paid in cash.</li> </ul>	<ul style="list-style-type: none"> <li>In determining salary increases the Committee generally considers the factors outlined in the 'Operation' column.</li> <li>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: <ul style="list-style-type: none"> <li>an increase in the individual's scope of responsibilities;</li> <li>in the case of Executive Directors who are positioned on a lower initial salary while they gain experience in the role; or</li> <li>where the Committee considers that salary is behind appropriate market positioning for a company of AVEVA's size and complexity.</li> </ul> </li> <li>However, no salary increase will be paid to an incumbent to the extent that this increases the salary beyond £900,000.</li> </ul>	None

Purpose and link to strategy	Operation	Maximum opportunity	Performance measures
------------------------------	-----------	---------------------	----------------------

#### Pensions

- |  |  |  |      |
|--|--|--|------|
| <ul style="list-style-type: none"> <li>Provides a competitive means of saving for retirement in a way that is cost effective to the Company</li> </ul> | <ul style="list-style-type: none"> <li>The CEO and CFO are members of a defined contribution scheme.</li> <li>The intention is that new appointments to the Board would also participate in a defined contribution pension scheme or receive an equivalent cash payment.</li> <li>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.</li> </ul> | <ul style="list-style-type: none"> <li>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.</li> <li>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.</li> </ul> | None |
|--|--|--|------|

#### Benefits

- |   |  |   |      |
|---|--|---|------|
| <ul style="list-style-type: none"> <li>Help recruit and retain employees</li> <li>Provide a competitive range of valued benefits</li> <li>Assist toward early return to work in the event of illness or injury</li> </ul> | <ul style="list-style-type: none"> <li>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.</li> <li>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.</li> <li>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).</li> <li>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.</li> <li>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.</li> </ul> | <ul style="list-style-type: none"> <li>The cost of benefit provision will depend on the cost to the Company of providing individual items and the individual's circumstances.</li> <li>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.</li> </ul> | None |
|---|--|---|------|

## REMUNERATION COMMITTEE CONTINUED

## Part A: the Directors' Remuneration Policy continued

Purpose and link to strategy	Operation	Maximum opportunity	Performance measures
<b>Annual Incentive Scheme</b>			
<ul style="list-style-type: none"> <li>• Incentivises and rewards the achievement of targets and objectives aligned with AVEVA's strategy</li> <li>• Deferred element encourages long-term shareholding, helps retention and discourages excessive risk-taking</li> </ul>	<ul style="list-style-type: none"> <li>• The Committee determines an individual's maximum incentive opportunity taking into account the responsibilities of the role and market practice at comparable companies.</li> <li>• Performance targets are set by the Committee on an annual basis and ordinarily disclosed retrospectively.</li> <li>• 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.</li> <li>• A portion of any bonus earned is deferred into shares for three years, with the portion being:             <ul style="list-style-type: none"> <li>• 25% of the bonus earned if the Executive Director meets or exceeds the applicable Shareholding Requirement set out below; or</li> <li>• 50% of the bonus earned if the Executive Director does not meet the applicable Shareholding Requirement set out below</li> </ul> </li> <li>• 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.</li> <li>• 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.</li> <li>• Deferred awards are subject to malus and clawback provisions as noted at the end of this table.</li> <li>• 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.</li> </ul>	<ul style="list-style-type: none"> <li>• 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.</li> <li>• 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.</li> </ul>	<ul style="list-style-type: none"> <li>• The performance measures applied may be financial or non-financial and corporate, divisional or individual and in such proportions as the Committee considers appropriate.</li> <li>• 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).</li> </ul>

Purpose and link to strategy	Operation	Maximum opportunity	Performance measures
<b>The AVEVA Group Long-Term Incentive Plan (the LTIP)</b>			
<ul style="list-style-type: none"> <li>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</li> </ul>	<ul style="list-style-type: none"> <li>Awards vest based on performance over a period of three years and are subject to a subsequent two-year holding period.</li> <li>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.</li> <li>Awards under the LTIP may be granted in the form of conditional awards or nominal cost options.</li> <li>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.</li> <li>The Committee determines targets each year to ensure that targets are stretching and represent value creation for shareholders while remaining motivational for management.</li> <li>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.</li> <li>LTIP awards are subject to malus and clawback provisions as noted at the end of this table.</li> </ul>	<ul style="list-style-type: none"> <li>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.</li> <li>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.</li> </ul>	<p>The Committee may set such performance conditions on awards as it considers appropriate, whether financial or non-financial and whether corporate, divisional or individual.</p> <p>Performance periods will be at least three years long.</p> <p>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.</p> <p>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).</p>

## REMUNERATION COMMITTEE CONTINUED

## 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
<b>Current Executive Directors</b>				
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.

## REMUNERATION COMMITTEE CONTINUED

## Part A: the Directors' Remuneration Policy continued

Deferred bonus arrangements	<p>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.</p> <p>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.</p> <p>Leavers in other circumstances: Awards will normally lapse.</p>
Long-Term Incentive Plan	<p>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):</p> <ul style="list-style-type: none"> <li>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.</li> <li>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.</li> </ul> <p>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.</p>
Other payments	<p>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:</p> <ul style="list-style-type: none"> <li>7 weeks' pay for service of up to 6 years; plus</li> <li>1.5 weeks' pay for each completed year of service over 7 years up to 20 years; plus</li> <li>2 weeks' pay for each completed year of service over 20 years.</li> </ul> <p>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.</p>

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.

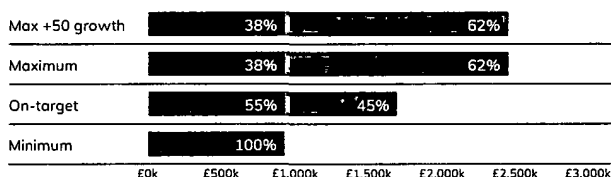
The table and charts below and opposite show hypothetical values of the remuneration package for the current Executive Directors (Peter Herweck and James Kidd) under four assumed performance scenarios.

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.

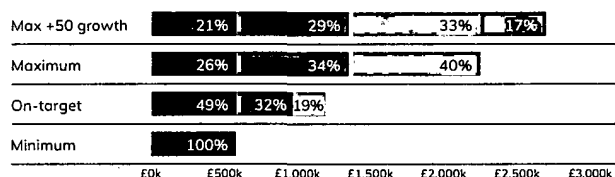
Other than in the 'Maximum performance plus share price' scenario, no share price growth has been assumed. Potential benefits under all employee share schemes and dividend or distribution equivalents have not been included for any scenario.

		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%
	<b>Total</b>	<b>200%</b>	<b>412.5%</b>
Maximum performance	Annual bonus scheme (full pay-out)	200%	150%
	LTIP (maximum vesting)	0%	175%
	<b>Total</b>	<b>200%</b>	<b>325%</b>
On-target performance	Annual bonus scheme (50% pay-out)	100%	75%
	LTIP (25% vesting)	0%	43.75%
	<b>Total</b>	<b>100%</b>	<b>118.75%</b>
Minimum performance	Annual bonus scheme (nil pay-out)	0%	0%
	LTIP (nil vesting)	0%	0%
	<b>Total</b>	<b>0%</b>	<b>0%</b>

### Peter Herweck



### James Kidd



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

## REMUNERATION COMMITTEE CONTINUED

## Part A: the Directors' Remuneration Policy continued

## Remuneration Policy for Non-Executive Directors

Approach to setting fees	Basis of fees	Other items
<ul style="list-style-type: none"> <li>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.</li> <li>The Board is responsible for setting fees for the Non-Executive Directors with the Remuneration Committee being responsible for setting fees for the Chairman.</li> <li>Fees are reviewed at appropriate intervals, usually on an annual basis.</li> </ul>	<ul style="list-style-type: none"> <li>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.</li> <li>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.</li> <li>Fees are normally paid in cash.</li> </ul>	<ul style="list-style-type: none"> <li>Non-Executive Directors do not receive incentive pay or share awards.</li> <li>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.</li> <li>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).</li> </ul>

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](http://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.

### 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.

### 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.

## REMUNERATION COMMITTEE CONTINUED

## 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 <sup>1</sup> £'000	Pension <sup>2</sup> £'000	Total Fixed Pay £'000	Annual bonus £'000	LTIPs <sup>3</sup> £'000	One-off awards <sup>4</sup> £'000	Total Variable Pay £'000	Total £'000
<b>Craig Hayman FY21</b>	<b>718</b>	<b>26</b>	<b>62</b>	<b>806</b>	<b>672</b>	<b>2,445</b>	<b>939</b>	<b>4,056</b>	<b>4,862</b>
Craig Hayman FY20	718	23	62	803	635	804	3,408	4,847	5,650
<b>James Kidd FY21</b>	<b>513</b>	<b>20</b>	<b>44</b>	<b>577</b>	<b>429</b>	<b>1,222</b>	<b>–</b>	<b>1,651</b>	<b>2,228</b>
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 Mid: £22.5m 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 Mid: £216.0m Max: £240.0m	£218.3m	45.8%	41.3%	18.9%	37.5%	17.2%
Recurring revenue	Min: £500m Mid: £570m 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).

## REMUNERATION COMMITTEE CONTINUED

## 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)
<b>ESG focus: Environmental &amp; social assessed by:</b>		
<b>Environmental. Increase focus on environmental sustainability as measured by portfolio, end-market and customer activity</b>		
Established first company Chief Sustainability Officer and established AVEVA as a values-based organisation focused on becoming a leader in sustainability.		
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.		
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.		
AVEVA Sustainability Customer Advisory Board established with senior level cross industry membership.	7.5%	100%
<b>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.</b>		
Q1 – CEO dialog with managers and employees. CEO statement on policy.		
Q2 – New worldwide gender pay gap published, new regional D&I social networks established.		
Q3 – New Global D&I director recruited, new Peakon survey on D&I and wellbeing.		
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.		
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.		
<b>Cloud focus: Deliver competitively compelling Cloud portfolio with customer verification and market traction covering:</b>		
<b>Growth in Cloud portfolio</b>		
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.		
One-third of all sellers closed one or more cloud opportunity including 47 all-new logos.		
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.	7.5%	90%
Project Apollo established to remove selling and back office friction to continue scale out.		
Demonstration of AVEVA Connect cloud platform interoperating with OSIsoft OCS cloud solution at transaction close to investors, customers, press and Board.		
<b>Total</b>	<b>20%</b>	<b>19%</b>

James Kidd, CFO

Objective	Evaluation	Weighting (as % of maximum bonus opportunity)	Actual vesting (as % of maximum bonus opportunity)
<b>Cash conversion:</b>			
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 acquisition, 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%
<b>M&amp;A Projects:</b>			
<ul style="list-style-type: none"> <li>Complete assessment of strategic divestments of non-core businesses</li> <li>Complete carve out where applicable</li> <li>Set up process for potential disposal</li> </ul>			
Successful acquisition in FY21 of OSIsoft and related rights issue.		6.66%	100%
Establishment of a staffed M&A team with new additions including Head of M&A and Head of Integration.			
Effected one strategic disposal of a non-core asset to Schneider Electric.			
Completed the assessment of strategic opportunities during the course of the year.			
<b>Cyber security: Implement new plan for cyber security and new measures required to ensure AVEVA is secure.</b>			
<ul style="list-style-type: none"> <li>New technology implemented e.g. Multi Factor Authentication</li> <li>Management of cyber exposures</li> <li>Complete training and education of staff</li> <li>Metrics driven assessment of cyber exposure</li> </ul>			
Policies and procedures updated, MFA and new VPN implemented.		6.66%	100%
Cyber security posture substantially improved year-on-year whilst operating remotely.			
Launched mandatory cyber security training for all employees.			
Hired new Chief Information Security Officer and established a new security organisation.			
<b>Total</b>		<b>20%</b>	<b>18%</b>

## REMUNERATION COMMITTEE CONTINUED

## 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) <sup>1, 4</sup>	50%	5% p.a.	15% p.a.	16.25%	100%
TSR vs peer group <sup>2</sup>	25%	Median	Upper quartile	7th out of 22 companies	79%
Total Revenue Growth <sup>3, 4</sup>	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 outcome	Number of shares vesting	Value of award vesting based on year end share price of 3.422p
<b>Retention award:</b>		22,015 x 1.2466	
Fair value equivalence with awards forgone in previous employment.		rights issue	
Subject to continued employment to 15 November 2020.	n/a	adjustment factor = 27,443	£939,099
<b>Final tranche of buy-out award vesting during FY21</b>		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 <sup>1</sup>	Performance period
Craig Hayman	11 September 2020	250% of base salary	£1,795,500	1 April 2020 –
James Kidd		175% of base salary	£897,750	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 <sup>1</sup>	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 <sup>1</sup>	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 <sup>1</sup>	Sector	Name	Market Cap <sup>1</sup>	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 <sup>1</sup>	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			£156,112	

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

## REMUNERATION COMMITTEE CONTINUED

## 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 OSIssoft 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 OSIssoft 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%
OSIssoft 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 <sup>1</sup>	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.

## REMUNERATION COMMITTEE CONTINUED

## 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 <sup>1</sup>	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 <sup>2</sup>
Deferred shares	9,414	5,110	37	3,636	–	–	18,197	n/a	–
Buy-out awards <sup>1</sup>	302,290	–	349	42,656	(345,295)	–	–	n/a	14,586,513 <sup>3</sup>
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 <sup>4</sup>
Deferred shares	12,660	3,650	45	3,982	(410)	–	19,927	n/a	20,976 <sup>5</sup>
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.

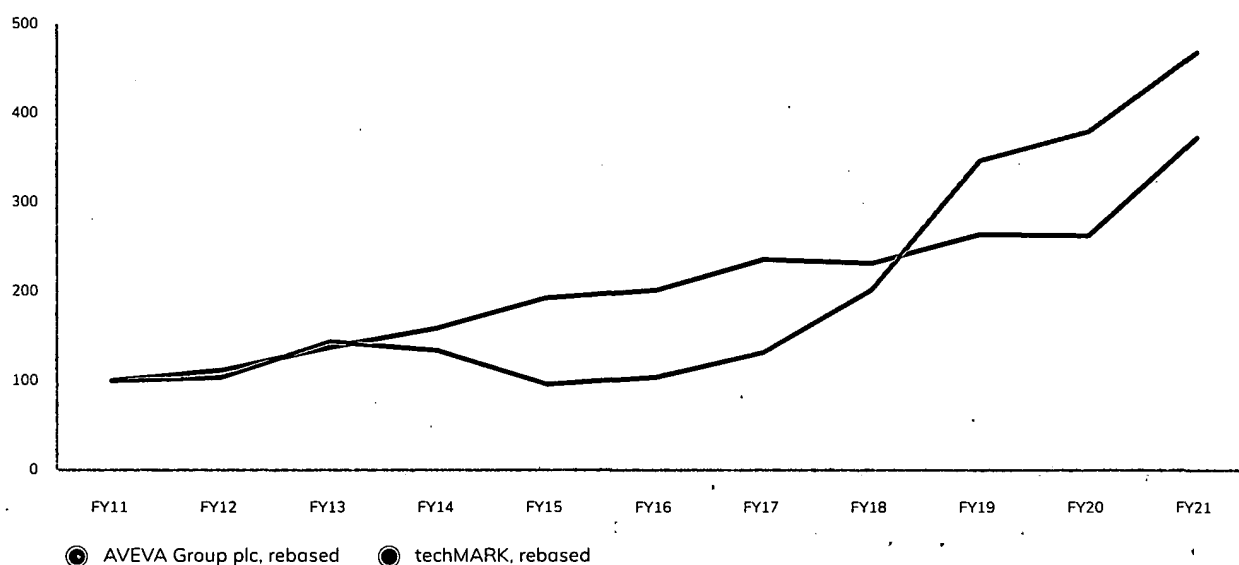
### Payments for loss of office (audited)

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)



## REMUNERATION COMMITTEE CONTINUED

## 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
<b>CEO single figure of total remuneration (£'000)</b>	<b>1,003</b>	<b>963</b>	<b>1,163</b>	<b>517</b>	<b>561</b>	<b>522</b>	<b>1,086</b>	<b>7,346</b>	<b>5,650</b>	<b>4,862</b>
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 <sup>1</sup>	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)

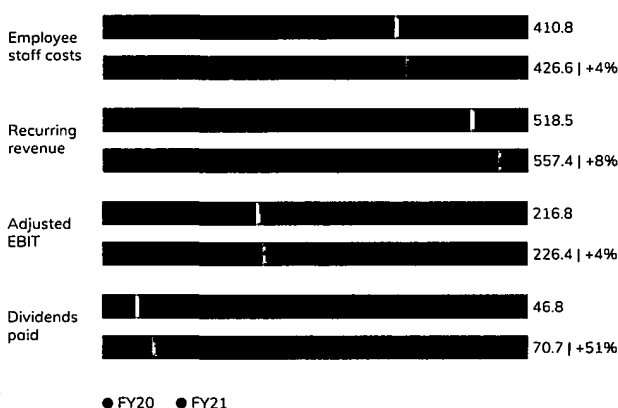
The table below illustrates the percentage change in salary, benefits and annual incentive of each Executive Director and Non-Executive Director against two selected sub-sets of employees (including only those employees who were employed at the start of the FY20 financial year through to the end of the 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.

% change (FY20 to FY21)	Executive Directors		Non-Executive Directors							Average UK & US employee
	CEO	CFO	Phillip Aiken	Jennifer Allerton	Christopher Humphrey	Ron Mobed	Paula Dowdy	Peter Herweck	Olivier Blum	
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.

## REMUNERATION COMMITTEE CONTINUED

## Part B: The Implementation Report continued

## Non-Executive Directors

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

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

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

	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 <sup>1</sup>	-	-
Olivier Blum <sup>1</sup>	-	-

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)

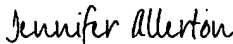
The table shows the interests in AVEVA ordinary shares of Non-Executive Directors and their connected persons.

	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

DocuSigned by:  
  
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25 May 2021



## Other statutory information

### Directors' Report

The Directors' Report for the year ended 31 March 2021 occupies pages 1 to 127 of this report, together with the other sections of the Annual Report indicated by the page numbers referred to below. As permitted by legislation, we have included some of the matters required to be included in the Directors' Report in the Strategic Report instead, as the Board considers them to be of strategic importance. These are:

- operations during the year and future business developments (throughout the Strategic Report);
- stakeholder engagement (see pages 22-23);
- the Section 172 statement (see page 11);
- risk management and internal control (on pages 36 to 46); and
- post balance sheet events (on page 178).

### Results and dividends

We made a profit for the year after taxation of £24.8 million (FY20: £69.8 million). Revenue was £820.4 million (FY20: £833.8 million), generated by software licences, software maintenance and services.

The Directors recommend the payment of a final dividend of 23.5 pence per ordinary share (FY20: 29.0 pence). If approved at the forthcoming Annual General Meeting, the final dividend will be paid on 4 August 2021 to shareholders on the register at close of business on 9 July 2021.

### Business review and future developments

The Chairman's Statement, the Chief Executive's Review and the Finance Review include a review of our operations during the year and our plans for the future. Please see pages 72 and 155 for details of the Company's acquisition of the OSIsoft group, the most important event affecting the Company in the past year.

The financial KPIs we use to measure our performance at Group level include total revenue, recurring revenue, adjusted EBIT margin, adjusted diluted earnings per share (EPS) and cash conversion. Additionally, we also track non-financial KPIs around Cloud customers, gender diversity of new hires, and the number of paid employee days used for our community programme, Action for Good. We set out the figures for the year ended 31 March 2021 on pages 26 to 27. You can find a discussion of the principal risks and uncertainties facing the Group on pages 36 to 46.

### Research & Development

The Group continues an active programme of Research & Development, updating and extending our range of products.

### Intellectual property

The Group owns intellectual property, both in our software tools and the products we derive from them. The Directors consider such properties to be of significant value to the business and have a comprehensive programme to protect it.

### Financial instruments

We discuss the Group's financial risk-management objectives and policies in note 24 to the consolidated financial statements.

### Directors and their interests

We disclose Directors' share and share option holdings in the Remuneration Committee Report on pages 109 to 122.

No Director had a material interest in any contract of significance, other than a service contract or contract for services, with the Company or any of its subsidiaries at any time during the year.

### Conflicts of interest

The Company had effective procedures in place throughout the year to deal with conflict situations, and these have been operated effectively. No conflicts arose during the year which required the Board to exercise its authority or discretion. Further details on how we manage conflicts can be found on page 77.

### Share capital

You can find details of the issued share capital in note 28 to the consolidated financial statements. The rights attaching to the Company's shares are set out in our Articles of Association.

Members may attend any general meeting of the Company, subject to any restrictions referred to in the next section.

There are no restrictions on the transfer of ordinary shares in the Company other than: certain restrictions which may from time to time be imposed by laws and regulations; and pursuant to the Market Abuse Regulation and the Company's own rules whereby Directors and certain employees of the Company require the approval of the Company to deal in the ordinary shares and pursuant to the Articles of Association where there is default in supplying the Company with information concerning interests in the Company's shares. There are no special control rights in relation to the Company's shares.

### Voting rights

Subject to any restrictions below, on a show of hands every member who is present in person or by proxy at a general meeting has one vote on each resolution. In addition, on a poll, every member who is present in person or by proxy has one vote on each resolution for every share of which he or she is the registered member. A proxy will have one vote for and one vote against a resolution on a show of hands in certain circumstances specified in the Articles of Association. The Notice of Annual General Meeting specifies deadlines for exercising voting rights.

A resolution put to the vote of a general meeting is decided on a show of hands. This is unless beforehand, or on the declaration of the result of the show of hands, the Chairman of the meeting demands a poll. The Articles of the Company also allow members, in certain circumstances, to demand that a resolution is decided by a poll.

## OTHER STATUTORY INFORMATION CONTINUED

## Other statutory information continued

A member may vote personally or by proxy at a general meeting. Any form of proxy must be delivered to the Company not less than 48 hours before the time appointed for holding the meeting or adjourned meeting at which the person named in the appointment proposes to vote. (For this purpose, the Directors may specify that no account shall be taken of any part of a day that is not a working day.) A corporation which is a member of the Company may authorise such persons as it thinks fit to act as its representatives at any general meeting of the Company.

No member shall be entitled to attend or vote, either personally or by proxy, at a general meeting in respect of any share if any call or other sum presently payable to the Company in respect of such share remains unpaid, or in certain other circumstances specified in the Articles of Association where there is default in supplying the Company with information concerning interests in the Company's shares.

### Dividends, distributions and liquidation

Members can declare final dividends by passing an ordinary resolution, but the amount of the dividends cannot exceed the amount the Board recommends. The Board can pay interim dividends provided the distributable profits of the Company justify such payment. The Board may, if authorised by an ordinary resolution of the members, offer any member the right to elect to receive new shares, which will be credited as fully paid, instead of their cash dividend. Any dividend which has not been claimed for 12 years after it became due for payment will be forfeited and revert to the Company. Members may share in surplus assets on a liquidation.

If the Company is wound up, the liquidator can, with the sanction of the members by special resolution and any other sanction required by law, divide among the members all or any part of the assets of the Company. He or she can also value any assets and determine how the divisions shall be carried out as between the members or different classes of members. The liquidator can also transfer the whole or any part of the assets to trustees upon any trusts for the benefit of the members. No members can be compelled to accept any asset which would give them any liability.

There are no agreements between holders of securities that are known to the Company which may result in restrictions on the transfer of securities or on voting rights. The only exception is described below in relation to the Employee Benefit Trust.

### Change of control

All of the Company's share-based plans and long-term incentive schemes contain provisions relating to change of control. Outstanding awards and options normally vest and become exercisable or payable on or following a change of control arising as a result of an offer or the court sanctioning a compromise or arrangement under the Companies Act 2006, subject to the satisfaction of any relevant performance conditions at that time.

The Company refinanced its existing £100 million RCF with a £250 million Revolving Credit Facility with Barclays Bank plc as agent dated 25 August 2020. The facility states that if:

- i. Schneider Electric ceased to hold directly or indirectly 50.1% or more of the issued and registered voting share capital of the Company; or
- ii. any person or group of persons acting in concert (other than Schneider Electric) gains control, then the Company and Lenders will enter into negotiations to agree terms and conditions acceptable to all parties. During this period Lenders are not obliged to increase borrowings under the facility. Following a negotiation period if no agreement is reached, any lender may cancel its commitment and declare all its outstanding loans immediately due and payable.

The Relationship Agreement referred to below will terminate (among other events) upon the listing of the Company's shares being cancelled.

There are no other significant agreements to which the Company is a party that take effect, alter or terminate upon a change of control of the Company following a takeover bid.

There are no agreements between the Company and its Directors or employees providing for compensation for loss of office or employment that occurs because of a takeover bid.

### Articles of Association

Any amendments to the Company's Articles of Association may be made in accordance with the provisions of the Companies Act 2006 by way of special resolution.

### Powers of the Directors

The business of the Company is managed by the Directors, who may exercise all powers of the Company, subject to the Company's Articles of Association, relevant statutory law and to any direction that may be given by the Company in general meeting by special resolution. Subject to the Companies Act 2006, shares may be issued by Board resolution. At the Company's last Annual General Meeting, powers were granted to the Directors (subject to limits set out in the resolutions) to issue and to buy back its own shares. Similar powers are proposed to be granted at the forthcoming Annual General Meeting. The buy-back authority was limited to 10% of the Company's issued share capital. No shares have been bought back under this authority.

## Substantial shareholdings

Interests in the ordinary share capital of the Company are set out in the table below.

The Company had been notified, in accordance with Disclosure Guidance and Transparency Rule 5 (DTR 5), of the following interests in the Company's ordinary share capital:

Name of holder	As at 31 March 2021		As at 30 April 2021	
	Number	Percentage held %	Number	Percentage held %
Schneider Electric SE	176,471,625	58.6	176,471,625	58.6
Estudillo Holdings LLC	13,655,570	4.5	13,655,570	4.5
Aberdeen Standard Investments	10,662,905	3.5	10,424,512	3.5
Artisan Partners	9,706,925	3.2	8,942,259	3.0

In the period from 1 May 2021 to the date of this report, we have received no further notifications of any changes to holdings in accordance with the DTR 5.

## Appointment of Directors

The Articles of Association limit the number of Directors to not less than two and not more than ten, save where members decide otherwise. Members may appoint Directors by ordinary resolution and may remove any Director (subject to the giving of special notice). If desired, it may replace such removed Director by ordinary resolution. New Directors may be appointed by the Board but are subject to election by members at the first Annual General Meeting after their appointment. A Director may be removed from office if requested by all other Directors.

The Company's Articles of Association require that at each AGM any Director who shall have been a Director at each of the preceding two Annual General Meetings and who was not appointed or reappointed then or subsequently shall retire from office (and be subject to re-election by members). However, in accordance with the UK Corporate Governance Code, the Company requires all Directors who held office at 31 March 2021 to stand for re-election.

## Listing Rules disclosures

For the purpose of the FCA's Listing Rule 9.8.4C R (LR9.8.4C R), the only applicable information required to be disclosed in accordance with LR9.8.4 R can be found in:

- the section below titled 'Employee Benefit Trust' (in respect of shareholder waiver of dividends and future dividends);
- the section below titled 'Majority shareholder and the Relationship Agreement' (in respect of a statement by the Board in respect of the Relationship Agreement with the controlling shareholder); and
- the Remuneration Committee Report in relation to Craig Hayman (in respect of details of long-term incentive schemes as required by the Listing Rules).

## Annual General Meeting

The Annual General Meeting will be held on 7 July 2021 at AVEVA, 30 Cannon Street, London EC4M 6AH. The Notice of the Annual General Meeting is being sent to shareholders along with this Annual Report, which contains details of the resolutions proposed.

## Employee Benefit Trust

The AVEVA Group Employee Benefit Trust 2008 was established in 2008 to facilitate satisfying the transfer of shares to employees within the Group on the exercise of vested options under the Company's various share option and deferred bonus share plans. The Trust holds a total of 135,235 ordinary shares in AVEVA Group plc, representing 0.04% (FY20: 421,054 shares representing 0.26%) of the issued share capital at the date of this report. Under the terms of the Trust deed governing the Trust, the trustees are required (unless the Company directs otherwise) to waive all dividends and abstain from voting in respect of ordinary shares in AVEVA Group plc held by the Trust, except where beneficial ownership of any such ordinary shares was passed to a beneficiary of the Trust. In the same way as other employees, the Executive Directors of the Company are potential beneficiaries under the Trust.

## Majority shareholder and the Relationship Agreement

The Company entered into a relationship agreement (the 'Relationship Agreement') with Schneider Electric SE, its majority shareholder, on 1 March 2018, as amended on 15 March 2019.

The Relationship Agreement will remain in force until (i) AVEVA ceases to be listed; or (ii) the Schneider Electric Group ceases to be a shareholder; or (iii) if earlier, by agreement between Schneider Electric and AVEVA (subject always to the Listing Rules).

The Relationship Agreement contains provisions relating to the ongoing relationship between AVEVA and Schneider Electric, including:

- Schneider Electric may appoint up to two Non-Executive Directors (depending on the level of its shareholding);
- after a period of two years from completion of the combination, for so long as Schneider Electric has the right to appoint at least one Non-Executive Director, it will have the right (but not the obligation) to appoint such Non-Executive Director as the Chairman;
- so long as Schneider Electric is entitled to appoint at least one Non-Executive Director, each of the Remuneration Committee and Nomination Committee will comprise a total of four members, one of whom will be the (or a) Non-Executive Director appointed by Schneider Electric and the other three members will be independent Non-Executive Directors; and
- for the period of five years from completion of the combination and provided Schneider Electric holds more than 50% of the voting rights in AVEVA, AVEVA shall give Schneider Electric reasonable notice of certain specified transactions.

## OTHER STATUTORY INFORMATION CONTINUED

## Other statutory information continued

The Relationship Agreement also provides that, (i) for so long as Schneider Electric remains a 'controlling shareholder' of AVEVA within the meaning of LR6.1.2AR; or (ii) the Schneider Electric Group holds 25% or more of the voting rights or economic interest in AVEVA, it agrees to undertake, and procure that its Associates (as defined in the Listing Rules) undertake, that:

- a. all transactions, agreements and arrangements between the Schneider Electric Group and any member of the enlarged AVEVA Group are conducted on an arm's length basis and on normal commercial terms;
- b. neither Schneider Electric nor any of its Associates will propose or procure the proposal of a shareholder resolution which is intended or appears to be intended to circumvent the proper application of the Listing Rules;
- c. neither Schneider Electric nor any of its Associates will take any action that would have the effect of preventing AVEVA from complying with its obligations under the Listing Rules or the terms of the Relationship Agreement; and
- d. it will abstain and will cause its Associates to abstain from voting on any resolution to approve a 'related party transaction' (as defined in the Listing Rules) involving Schneider Electric or any of its Associates as the related party.

There is no restriction on disposals of shares in AVEVA by Schneider Electric. Since 1 March 2020, prior to which more extensive restrictions applied, and until 1 September 2021, without the approval of the majority of the independent Non-Executive Directors, Schneider Electric is not permitted to:

- a. announce or make a general offer under the Takeover Code for the remaining shares in the Company (subject to certain requirements as to the offer price and to recommendation by a majority of the independent Non-Executive Directors);
- b. vote in favour of a delisting of the Company; or
- c. increase the aggregate shareholding of Schneider Electric and its Associates, in the market or otherwise, to 75% or more of the Company's issued share.

After 1 September 2021, Schneider Electric will be under no restrictions as to further acquisitions of shares or making offers. Further details of the Relationship Agreement are set out in the Prospectus, Part XIII, paragraph 2.

AVEVA has complied and, in so far as it is aware, Schneider Electric and its Associates have complied with the independence provisions in the Relationship Agreement during the period under review.

## Disabled employees

We give full consideration to applications for employment from disabled persons where the candidate's particular aptitudes and abilities adequately meet the requirements of the job. We have made opportunities available to disabled employees for training, career development and promotion.

When existing employees become disabled, it is our policy to provide continuing employment wherever practicable in the same or an alternative position. We also seek to provide appropriate training to achieve this aim as well as reasonable adjustments to the workplace and other support mechanisms. All employees, including those with a disability, are treated in a fair and inclusive way throughout their careers, whether that means accessing training, development opportunities or when seeking job progression.

## Employee involvement

We place considerable value on the involvement of our employees. We keep them informed of matters affecting them as employees and on the various factors that affect the performance of the Group. We achieve this through formal and informal meetings, employee newsletters, the Company's intranet and presentations from senior management. In respect of the discretionary share plans, eligible employees are entitled to receive an annual discretionary award related to the overall profitability of the Group, subject to the performance of the individual and the Group. The Company also operates an all-employee share plan in each of the countries in which the Board, in its discretion, decides to offer it, giving eligible employees the opportunity to purchase ordinary shares in the Company on beneficial terms. We also carry out employee-wide surveys from time to time to gauge the success or otherwise of our policies. We use this information to improve matters as appropriate. Please see pages 22 to 23 for further details on workforce engagement.

## Directors' indemnity

The Company has granted an indemnity to its Directors against liability in respect of proceedings brought by third parties, subject to the conditions set out in the Companies Act 2006. Such qualifying third-party indemnity provision remains in force as at the date of approving the Directors' Report.

## Greenhouse gas emissions reporting

We are required to state the annual quantity of emissions, in tonnes of carbon dioxide equivalent, from activities for which the Group is responsible. These include the combustion of fuel, the operation of any facility, and emissions resulting from the purchase of electricity, heat, steam or cooling. We set out details of our emissions on pages 32 to 33 of the Strategic Report and include them as part of the Directors' Report disclosures.

## Auditor

A resolution to re-appoint Ernst & Young LLP as auditor will be put to the members at the Annual General Meeting.

## Statement of Directors' responsibilities in relation to the financial statements

The Directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors are required to prepare the Group financial statements in accordance with International Accounting Standards in conformity with the requirements of the Companies Act 2006 (IFRSs) and have also chosen to prepare the Parent Company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law), including Financial Reporting Standard 101 Reduced Disclosure Framework (FRS 101). Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and the Company and of the profit or loss of the Group for that period.

In preparing those consolidated financial statements, the Directors are required to:

- select and apply accounting policies in accordance with accounting standard IAS 8;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information; and
- provide additional disclosures when compliance with the specific requirements in IFRSs is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance.

In preparing the Parent Company financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis, unless it is inappropriate to presume that the Company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Group's and Company's transactions and disclose with reasonable accuracy at any time the financial position of the Group and the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Group and the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

## Disclosure of information to auditor

The Directors who were members of the Board at the time of approving the Directors' Report are listed on pages 62 to 64. Each of these Directors confirms that:

- so far as he or she is aware, there is no relevant audit information (as defined by Section 418 of the Companies Act 2006) of which the Company's auditor is unaware; and
- he or she has taken all the steps he or she ought to have taken as a Director to make himself or herself aware of any such relevant audit information and to establish that the Company's auditor is aware of that information.

## Fair and balanced reporting

Having taken advice from the Audit Committee, the Board considers the Annual Report and Accounts, taken as a whole, is fair, balanced and understandable and that it provides the information shareholders need to assess the Company's position and performance, business model and strategy.

## Responsibility statement pursuant to the FCA's Disclosure Guidance and Transparency Rule 4 (DTR 4)

Each Director of the Company (whose names and functions appear on pages 62 to 64) confirms that (solely for the purpose of DTR 4) to the best of his or her knowledge:

- the financial statements in this document, prepared in accordance with English law and applicable accounting standards, give a true and fair view of the assets, liabilities, financial position and profit of the Company and the undertakings included in the consolidation taken as a whole; and
- the Strategic Report and the Directors' Report include a fair review of the development and performance of the business and the position of the Company and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face.

This Directors' Report has been approved by the Board of Directors and is signed on its behalf by:

**Claire Denton**

Group General Counsel and Company Secretary

DocuSigned by:

*Claire Denton*  
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## AUDITOR'S REPORT

# Independent Auditor's Report to the members of AVEVA Group plc

## Opinion

In our opinion:

- AVEVA Group plc's Group financial statements and Parent Company financial statements (the 'financial statements') give a true and fair view of the state of the Group's and of the Parent Company's affairs as at 31 March 2021 and of the Group's profit for the year then ended;
- the Group financial statements have been properly prepared in accordance with International Accounting Standards in conformity with the requirements of the Companies Act 2006 and International Financial Reporting Standards adopted pursuant to Regulation (EC) No. 1606/2002 as it applies in the European Union;
- the Parent Company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements of AVEVA Group plc (the 'Parent Company') and its subsidiaries (the 'Group') for the year ended 31 March 2021 which comprise:

Group	Parent Company
Consolidated Income Statement for the year ended 31 March 2021	Company Balance Sheet as at 31 March 2021
Consolidated Statement of Comprehensive Income for the year then ended	Company Statement of Changes in Shareholder's Equity for the year then ended
Consolidated Balance Sheet as at 31 March 2021	Related notes 1 to 11 to the financial statements including a summary of significant accounting policies
Consolidated Statement of Changes in Shareholder's Equity for the year then ended	
Consolidated Cash Flow Statement for the year then ended	
Related notes 1 to 31 to the financial statements, including a summary of significant accounting policies	

The financial reporting framework that has been applied in the preparation of the Group financial statements is applicable law and International Accounting Standards in conformity with the requirements of the Companies Act 2006 and International Financial Reporting Standards adopted pursuant to Regulation (EC) No. 1606/2002 as it applies in the European Union. The financial reporting framework that has been applied in the preparation of the Parent Company financial statements is applicable law and United Kingdom Accounting Standards, including FRS 101 'Reduced Disclosure Framework' (United Kingdom Generally Accepted Accounting Practice).

## Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard as applied to listed public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

## Conclusions relating to going concern

In auditing the financial statements, we have concluded that the directors use of the going concern basis of accounting in the preparation of the financial statements is appropriate. Our evaluation of the directors' assessment of the Group and Parent Company's ability to continue to adopt the going concern basis of accounting included:

- We understood the process undertaken by management to perform the going concern assessment, including the evaluation of the ongoing impact of Covid-19 on the Group and the Group's access to available sources of liquidity and associated covenants;
- We obtained management's going concern assessment, including the cash flow forecasts for the going concern period to 30 September 2022;
- The Group has modelled a base case which is consistent with the assumptions used in the Group's impairment assessments; a sensitivity scenario which reduces base revenues by 5%; 2 stress scenarios which are linked to the Group's principal risks; and a reverse stress test based on liquidity/covenants in order to determine how much additional downside in trading could be absorbed before a breach of covenants occurs (which based on the stress testing would occur ahead of any liquidity shortfall);
- We assessed the reasonableness of all key assumptions, namely revenue performance per revenue stream, adjusted EBIT margin and working capital collection. This has been performed by:
  - checking the arithmetical accuracy of management's model;
  - assessing the historical forecasting accuracy of the Group by comparing actual revenue and adjusted EBIT to forecast for the previous five years;
  - comparing the revenue forecasts to the revenue backlog and revenue pipeline against the forecast and previous conversion rates;
  - reconciling the working capital assumptions with the risk assumed within the expected credit loss calculation; and
  - checking for consistency of the forecasts with other areas of the audit including impairment assessment.

- We compared the reduction in revenues assumed in the most severe scenario presented by management, to the revenue declines demonstrated during recent economic crises. We have also compared the forecast result to reports from analysts and expected revenue trends to industry forecasts for industrial software including the impact of Covid-19;
- We confirmed the availability of the revolving credit facility ('RCF') by comparing to the underlying agreement and reperformed management's forecast covenant ratio compliance calculations to check for breaches of each covenant ratio throughout the going concern period under each scenario presented by management;
- We compared current trading performance to management's Covid-19 forecast by obtaining the latest available management accounts and latest available weekly Group cash report to identify any issues with current trading and cashflows;
- We recalculated the results of the sensitivity testing performed by management to determine the impact of reasonably possible fluctuations in key assumptions on the Group's available liquidity and covenant compliance;
- We performed reverse stress testing to establish the level of change in revenue and adjusted EBIT margin necessary to cause a liquidity or financial covenant breach and considered the likelihood of such a change;
- We considered the further mitigating actions available to the Group, such as not paying the interim dividend, and further cost mitigations, and the feasibility of management being able to execute such mitigating actions, when considering the likelihood of the reverse stress testing scenario; and
- We reviewed the appropriateness of management's going concern disclosure in describing the risks associated with its ability to continue to operate as a going concern for a period of 16 months from the date of approval of the financial statements to 30 September 2022.

We observed that the adjusted EBIT for the Group continues to grow (2021: £226.4 million, 2020: £216.8 million) and the Group generates positive operating cashflows (2021: £58.4 million, 2020: £122.1 million). The Group acquired OSIsoft on 19 March 2021, which is forecast to further contribute to the positive consolidated cashflows, consistent with the prospectus approved by shareholders. As part of the funding of the acquisition consideration, the Group obtained a £654.0 million term loan from Schneider Electric, its ultimate parent undertaking, however this is not repayable during the going concern period. The Group has access to a committed revolving credit facility of £250 million, which doesn't expire until 2024. The covenant compliance necessary under both covenant test ratios within the RCF have been modelled as part of the going concern forecast.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Group and Parent Company's ability to continue as a going concern for a period of 16 months from when the financial statements are authorised for issue to 30 September 2022.

In relation to the Group and Parent Company's reporting on how they have applied the UK Corporate Governance Code, we have nothing material to add or draw attention to in relation to the directors' statement in the financial statements about whether the directors considered it appropriate to adopt the going concern basis of accounting.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report. However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the Group's ability to continue as a going concern.

### Overview of our audit approach

Audit scope	<ul style="list-style-type: none"> <li>– We performed an audit of the complete financial information of nine (2020: four) components and audit procedures on specific balances for a further ten (2020: twelve) components.</li> <li>– The components where we performed full or specific audit procedures accounted for 77% of adjusted Profit before tax, 79% of Revenue and 84% of Total assets.</li> </ul>
Key audit matters	<ul style="list-style-type: none"> <li>– Acquisition accounting</li> <li>– Risk of inappropriate revenue recognition</li> </ul>
Materiality	– Overall Group materiality of £5.6 million which represents 5% of adjusted Profit before tax.

## AUDITOR'S REPORT CONTINUED

# Independent Auditor's Report to the members of AVEVA Group plc continued

## An overview of the scope of the Parent Company and Group audits

### Tailoring the scope

Our assessment of audit risk, our evaluation of materiality and our allocation of performance materiality determine our audit scope for each company within the Group. Taken together, this enables us to form an opinion on the consolidated financial statements. We take into account size, risk profile, the organisation of the Group and effectiveness of Group-wide controls, changes in the business environment and other factors such as recent Internal audit results when assessing the level of work to be performed at each entity.

In assessing the risk of material misstatement to the Group financial statements, and to ensure we had adequate quantitative coverage of significant accounts in the financial statements, of the 107 reporting components of the Group, we selected 19 components covering entities within the Group in the following countries: UK, US, Canada, Germany, France, Korea, China, India, Japan, Netherlands and Russia, which represent the principal business units within the Group.

Of the 19 components selected, we performed an audit of the complete financial information of nine components ('full scope components') which were selected based on their size or risk characteristics. For the remaining ten components ('specific scope components'), we performed audit procedures on specific accounts within that component that we considered had the potential for the greatest impact on the significant accounts in the financial statements either because of the size of these accounts or their risk profile.

The reporting components where we performed audit procedures accounted for 77% (2020: 91%) of the Group's adjusted Profit before tax, 79% (2020: 75%) of the Group's Revenue and 84% (2020: 84%) of the Group's Total assets. For the current year, the full scope components contributed 70% (2020: 67%) of the Group's adjusted Profit before tax, 52% (2020: 48%) of the Group's Revenue and 81% (2020: 78%) of the Group's Total assets. The specific scope components contributed 7% (2020: 24%) of the Group's adjusted Profit before tax, 27% (2020: 27%) of the Group's Revenue and 3% (2020: 5%) of the Group's Total assets. The audit scope of these components may not have included testing of all significant accounts of the component but will have contributed to the coverage of significant tested for the Group.

Of the remaining 88 components that together represent 23% of the Group's adjusted Profit before tax, none are individually greater than 3% of the Group's adjusted Profit before tax. For these components, we performed other procedures, including analytical review, testing of consolidation journals and intercompany elimination and foreign currency translation recalculations to respond to any potential risks of material misstatement to the Group financial statements.

### Changes from the prior year

For the current year, we have designated the component in Russia as specific scope compared to review scope in the comparative period, as part of our rotational audit scoping strategy, replacing Malaysia that was included as specific scope last year. Following the acquisition of OSIsoft, we have designated this component as full scope in relation to both the opening Balance Sheet (given it represents the acquisition carrying values – see note 14) and the year-end Balance Sheet (given the relative size).

### Involvement with component teams

In establishing our overall approach to the Group audit, we determined the type of work that needed to be undertaken at each of the components by us, as the primary audit engagement team, or by component auditors from other EY global network firms operating under our instruction. Of the nine full scope components, audit procedures were performed on two of these directly by the primary audit team. For the ten specific scope components, where the work was performed by component auditors, we determined the appropriate level of involvement to enable us to determine that sufficient audit evidence had been obtained as a basis for our opinion on the Group as a whole.

Chris Voogd has become Senior Statutory Auditor in the current year, following Marcus Butler completing his 5-year rotation. As part of the transition, Chris performed attended a series of virtual video/teleconferences with key audit locations. Separate audit planning sessions were held with key members of the Group finance team and Audit Committee Chair, in which Chris communicated the audit plan and the approach to key judgements and estimates. We have continued our established approach to involvement in component teams through the review of planning and conclusion deliverables. Chris also participated in key component teams' closing meeting calls in which key conclusions were discussed.

Close meetings for all component teams were held via video conference in April and May 2021 with attendance from the Primary team, including the senior statutory auditor for all full scope components. For all components, the year-end review of relevant audit work papers was facilitated by the EY electronic audit file platform, screen sharing or the provision of copies of work papers direct to the Group audit team. Based upon the above approach we are satisfied that we have been able to perform sufficient and appropriate oversight of our component teams.

The primary team interacted regularly with the component teams where appropriate during various stages of the audit, reviewed key working papers and were responsible for the scope and direction of the audit process. This, together with the additional procedures performed at Group level, gave us appropriate evidence for our opinion on the Group financial statements.



## Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified. These matters included those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit; and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in our opinion thereon, and we do not provide a separate opinion on these matters.

Risk	Our response to the risk	Key observations communicated to the Audit Committee
<p><b>Acquisition accounting</b></p> <p>Refer to the Audit Committee Report (pages 83 to 89); Accounting policies (pages 185 to 190); and note 14 of the Consolidated Financial Statements (pages 155 to 156)</p> <p>On 19 March 2021, AVEVA Group plc acquired the OSIsoft LLC software business for £3,831.4 million, in exchange for 100% of the voting shares. The deal was funded by £3,365.7 million (US \$4,438.1 million) of cash; £2,806.9 million (US \$3,734.3 million) raised via a rights issue (net of expenses), and £558.8 million (US \$703.8 million) from existing cash and new debt facilities. The remainder was funded by a £465.7 million (US \$648.4 million) issue of 13,655,570 ordinary shares on 22 March 2021 to Estuillo Holdings Corp, a company majority owned by Dr J. Patrick Kennedy and his family, which held a 50.3% interest in OSIsoft, LLC.</p> <p>As the acquisition accounting is complex and the associated balances are highly material, we have designated this as a significant audit risk in the current year. The Group has calculated the Purchase Price Allocation, including separately identifiable intangible assets and relevant fair value adjustments. The identification and valuation of intangibles is a judgemental area and involves a number of management assumptions.</p> <p><b>Taxation</b></p> <p>The acquisition brings an increased level of complexity and judgement in the following areas, which resulted in this also forming part of our audit focus:</p> <ul style="list-style-type: none"> <li>Assessment of uncertain tax positions within the acquired OSIsoft Group</li> <li>Deferred tax implications of the acquisition accounting</li> <li>Consideration of specific US tax law implications linked to the structuring of the acquisition</li> <li>The tax treatment of transaction costs associated with the acquisition</li> </ul>	<p>We reviewed management's accounting paper setting out how the control criteria in accordance with IFRS 3 has been achieved and corroborated this to the Stock and Unit Purchase Agreement. We also obtained the provisional Purchase Price Allocation (PPA) prepared by management's experts. We read the sales and purchase agreement to check whether the terms and conditions of the transaction have accurately been reflected in the accounting entries and management's Purchase Price Allocation.</p> <p>We assessed the valuation methodologies including 'cross checks' as well as the key inputs used in determining the purchase price allocation including the discount rate, cash flow forecasts and other prospective financial information and the useful lives assigned, with the assistance of our valuation specialists.</p> <p>We also performed procedures to compare the application of accounting principles and presentation with AVEVA Group plc. Together with our component team and valuation specialists we corroborated material opening net assets, fair value adjustments, and separately identifiable tangible and intangible assets, including adjustments necessary to align the accounting policies.</p> <p>We assessed the tax methodology and rates applied by management when calculating the associated deferred tax adjustments arising from the acquisition accounting.</p> <p>As a primary team, we read the disclosures within the Annual Report and accounts in relation to the business combination to establish whether they have been prepared in accordance with applicable accounting standards</p> <p><b>Taxation</b></p> <p>We read relevant advice received from management's tax advisors in relation to the interpretation and application of tax principles relevant to the acquisition accounting.</p> <p>We engaged our tax specialists to evaluate the judgments and calculations made by management in estimating the provisions held in respect of uncertain tax positions. In doing so we assessed the provisions recognised in the financial statements by reference to the outcome of prior tax audits conducted on the Group, correspondence between the Group and relevant tax authorities, the view of the Group's tax advisors and our specialists experience in these areas.</p> <p>We used our specialists to review the Stock and Unit Purchase Agreement and associated structure as part of the OSIsoft acquisition to determine whether there are incremental tax risks over and above those already identified by management.</p> <p>We reviewed the transaction costs incurred and associated tax treatment, which is consistent with underlying tax legislation.</p>	<p>We concluded that the transaction was properly accounted for in accordance with IFRS 3, and the fair value adjustments and provisional Purchase Price Allocation were appropriate. The relevant tax considerations have been recorded and disclosed appropriately in the financial statements.</p>

## AUDITOR'S REPORT CONTINUED

Independent Auditor's Report to the members of AVEVA Group plc  
continued

Risk	Our response to the risk	Key observations communicated to the Audit Committee
<p><b>Risk of inappropriate revenue recognition – £820.4 million (2020: £833.8 million)</b></p> <p>Refer to the Audit Committee Report (pages 83 to 89); Accounting policies (pages 185 to 190); and note 2(b) of the Consolidated Financial Statements (page 143 to 144)</p> <p>In particular, the risks are:</p> <ul style="list-style-type: none"> <li>• Inappropriate application of the Group revenue recognition policy and IFRS 15 'Revenue' for licence revenue recognition, could result in, for example, revenue being recorded when performance obligations have not been satisfied, incorrect deferral of revenue for support and maintenance and other obligations; and</li> <li>• Inappropriate licence revenue recognition in relation to cut off, as revenue may not have been recognised in the correct accounting period, including the risk of possible manipulation of project margins by management through estimates to complete on 'Percentage of Completion' (PoC) projects, particularly where progress as of year-end is greater than 10% and less than 90% complete (as contracts that have just commenced or nearly finalised are less judgemental).</li> </ul>	<p>We performed walkthroughs of significant classes of revenue transactions to understand significant processes, including the central Group revenue approval process, and to identify and assess the design effectiveness of key management controls over data input and IT.</p> <p>A summary of our key procedures performed are:</p> <p>We have performed licence revenue transaction testing at a local and Group level to ensure that revenue has been recorded in accordance with the Group's revenue recognition policy and IFRS 15 and has been appropriately recorded in the current year income statement or deferred on the balance sheet as appropriate. This was achieved by testing a sample of contracts and:</p> <ul style="list-style-type: none"> <li>• agreeing licence revenues to signed contracts or software licence agreements;</li> <li>• agreeing the revenue to subsequent payment as evidence of collectability;</li> <li>• checking evidence such as licence keys to support that software has been delivered to customers prior to revenue recognition;</li> <li>• reviewing contract terms to establish whether all performance obligations have been identified and for any conditions that would impact the timing of revenue recognition and in turn the completeness of contract liabilities;</li> <li>• ensuring appropriate allocation of the fair value and recognition of revenue for other deliverables included within the contract; and</li> <li>• We selected a sample of revenue journals and assessed the appropriateness of the journal by checking to supporting evidence such as revenue contracts and ensuring compliance with the Group's revenue recognition policy and IFRS 15. The sample selected was based on risk-based criteria including but not limited to manual journal entries, those close to period end and postings that appeared inconsistent with roles and responsibilities.</li> </ul> <p>We have performed an independent assessment using our industry knowledge to establish whether the fair value rate of the support and maintenance is still applicable and that any non-standard contracts have an appropriate fair value rate applied.</p> <p>To validate our understanding of contractual terms with customers and to identify any contractual issues or any ongoing contractual obligations, we made enquiries of management outside the finance function, including the sales team and legal counsel to ensure that appropriate obligations and commitments had been recorded in the financial statements.</p> <p>We have performed a test of detail including reviewing the terms and conditions of the contract and recalculating the amount of revenue to be recognised in comparison to amounts billed, for a sample of contract liability and contract asset revenue items to ensure it is in accordance with the revenue recognition principles.</p> <p>We have performed analytical review by revenue stream and geography in comparison to the prior year to assess unexpected trends and patterns that could be indicative of incorrect revenue recognition.</p> <p>We have performed cut-off testing for a sample of revenue items booked either side of year end on a day-by-day basis by agreeing to supporting documentation to ensure that licence revenue was only recognised for software in the period where the contract was signed by both AVEVA and the customer prior to year-end and the software has been made available prior to the year end.</p>	<p>Based on our procedures performed both at Group and by component audit teams, we concluded that revenue recognised in the year, and revenue deferred as at 31 March 2021, was appropriate.</p>

Risk	Our response to the risk	Key observations communicated to the Audit Committee
<b>Risk of inappropriate revenue recognition – £820.4 million (2020: £833.8 million) (continued)</b>	<p>For projects accounted for under 'Percentage of Completion' (PoC), we evaluated judgements made by management regarding the expected costs to complete and the timing and recognition of variation orders. We also tested the cut-off of project costs. This testing focussed on:</p> <ul style="list-style-type: none"> <li>• Low margin/loss making projects, including ensuring losses are appropriately recognised;</li> <li>• Risk reserves included in the project accounting, including enquiring of the operational status of the project to establish whether an additional reserve is required/existing risk reserves should be released;</li> <li>• Change requests issued by the customer and the impact on the project accounting;</li> <li>• The estimated costs to complete, including changes during the life of the project and historical forecast accuracy; and</li> <li>• The status of billings, achievement of milestones and the recoverability of contract assets/ shipped not billed balances.</li> </ul> <p>Where detailed procedures were performed by component teams, the primary team exercised oversight of the testing and performed additional testing of contracts over £1.0 million or containing non-standard terms.</p> <p>For related party transactions between AVEVA and the Schneider Electric business, we obtained evidence that the performance obligations had been fulfilled, were arm's length in nature, and that they form part of the related party disclosures.</p> <p>We performed full and specific scope audit procedures over this risk area in 14 locations, which covered 79% of the risk amount.</p>	

In the prior year, our auditor's report included a key audit matter in relation to the Impact of Covid-19. In the current year, Covid-19 has been considered throughout the audit and the continued considerations relating to going concern are included in the Conclusions relating to going concern section of this report.

## Our application of materiality

We apply the concept of materiality in planning and performing the audit, in evaluating the effect of identified misstatements on the audit and in forming our audit opinion.

### Materiality

*The magnitude of an omission or misstatement that, individually or in the aggregate, could reasonably be expected to influence the economic decisions of the users of the financial statements. Materiality provides a basis for determining the nature and extent of our audit procedures.*

We determined materiality for the Group to be £5.6 million (2020: £5.5 million), which is 5% (2020: 5%) of adjusted Profit before tax. We believe that adjusted Profit before tax provides us with the most relevant measure of the underlying performance of the Group, as it removes the impact of one-off transactions. For both years, we have used Profit before tax adjusted for exceptional items as reported in note 7, however have not made adjustment for recurring items, such as amortisation of intangibles, share-based payments and gain/loss on forward exchange contracts.

We initially determined materiality for the Parent Company to be £95.3 million (2020: £29.0 million), which is 2% (2020: 2%) of total assets. We believe that total assets is the most relevant measure, given the primary activity of the Parent Company is to hold investments in subsidiaries. However, as this is higher than the materiality for the Group, we restrict the materiality to £5.6 million so that the Parent Company materiality is not higher than that for the Group.

Starting basis	Adjustments	Materiality
<ul style="list-style-type: none"> <li>• Profit before tax – £34.2 million</li> </ul>	<ul style="list-style-type: none"> <li>• Exceptional items (note 7) – £78.5 million</li> </ul>	<ul style="list-style-type: none"> <li>• Totals <b>£112.7 million</b> (adjusted Profit before tax)</li> <li>• Materiality of <b>£5.6 million</b> (5% of materiality basis)</li> </ul>

During the course of our audit, we reassessed initial materiality and updated for the final profit shown above.

## AUDITOR'S REPORT CONTINUED

# Independent Auditor's Report to the members of AVEVA Group plc continued

## Performance materiality

*The application of materiality at the individual account or balance level. It is set at an amount to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds materiality.*

On the basis of our risk assessments, together with our assessment of the Group's overall control environment, our judgement was that performance materiality was 75% (2020: 75%) of our planning materiality, namely £4.2 million (2020: £4.1 million). We have set performance materiality at this percentage due to ensure that the total uncorrected and undetected audit differences in all accounts did not exceed our materiality.

Audit work at component locations for the purpose of obtaining audit coverage over significant financial statement accounts is undertaken based on a percentage of total performance materiality. The performance materiality set for each component is based on the relative scale and risk of the component to the Group as a whole and our assessment of the risk of misstatement at that component. In the current year, the range of performance materiality allocated to components was £0.8 million to £2.1 million (2020: £0.8 million to £2.2 million).

## Reporting threshold

*An amount below which identified misstatements are considered as being clearly trivial.*

We agreed with the Audit Committee that we would report to them all uncorrected audit differences in excess of £0.3 million (2020: £0.2 million), which is set at 5% of planning materiality, as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds.

We evaluate any uncorrected misstatements against both the quantitative measures of materiality discussed above and in light of other relevant qualitative considerations in forming our opinion.

## Other information

The other information comprises the information included in the Annual Report set out on pages 1 to 127, including the Strategic Report and the Corporate Governance Report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the Annual Report.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

## Opinions on other matters prescribed by the Companies Act 2006

In our opinion, the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006.

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements and those reports have been prepared in accordance with applicable legal requirements;
- the information about internal control and risk management systems in relation to financial reporting processes and about share capital structures, given in compliance with rules 7.2.5 and 7.2.6 in the Disclosure Rules and Transparency Rules sourcebook made by the Financial Conduct Authority (the FCA Rules), is consistent with the financial statements and has been prepared in accordance with applicable legal requirements; and
- information about the company's corporate governance statement and practices and about its administrative, management and supervisory bodies and their committees complies with rules 7.2.2, 7.2.3 and 7.2.7 of the FCA Rules.

## Matters on which we are required to report by exception

In the light of the knowledge and understanding of the Group and the Parent Company and its environment obtained in the course of the audit, we have not identified material misstatements in:

- the Strategic Report or the Directors' Report; or
- the information about internal control and risk management systems in relation to financial reporting processes and about share capital structures, given in compliance with rules 7.2.5 and 7.2.6 of the FCA Rules

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the Parent Company, or returns adequate for our audit have not been received from branches not visited by us; or
- the Parent Company financial statements and the part of the Directors' Remuneration Report to be audited are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit; or
- a Corporate Governance Statement has not been prepared by the company.

## Corporate Governance Statement

The Listing Rules require us to review the directors' statement in relation to going concern, longer-term viability and that part of the Corporate Governance Statement relating to the Group and company's compliance with the provisions of the UK Corporate Governance Code specified for our review.

Based on the work undertaken as part of our audit, we have concluded that each of the following elements of the Corporate Governance Statement is materially consistent with the financial statements or our knowledge obtained during the audit:

- Directors' statement with regards to the appropriateness of adopting the going concern basis of accounting and any material uncertainties identified set out on page 47;
- Directors' explanation as to its assessment of the company's prospects, the period this assessment covers and why the period is appropriate set out on page 47;
- Directors' statement on fair, balanced and understandable set out on page 127;
- Board's confirmation that it has carried out a robust assessment of the emerging and principal risks set out on pages 36 to 46;
- The section of the Annual Report that describes the review of effectiveness of risk management and internal control systems set out on page 74 to 75; and;
- The section describing the work of the Audit Committee set out on pages 83 to 89.

## Responsibilities of directors

As explained more fully in the directors' responsibilities statement set out on page 127, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the Group and Parent Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or the Parent Company or to cease operations, or have no realistic alternative but to do so.

## Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

## AUDITOR'S REPORT CONTINUED

Independent Auditor's Report to the members of AVEVA Group plc  
continued

Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud  
Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect irregularities, including fraud. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below.

However, the primary responsibility for the prevention and detection of fraud rests with both those charged with governance of the company and management.

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the Group and determined that the most significant are those which are directly relevant to the specific assertions in the financial statements (IFRS, FRS 101, the Companies Act 2006 and UK Corporate Governance Code) and the relevant tax compliance regulations in the jurisdictions in which the Group operates. In addition, we concluded that there are certain significant laws and regulations which may have an effect on the determination of the amounts and disclosures in the financial statements being the Listing Rules of the UK Listing Authority, and those laws and regulations relating to occupational health and safety and data protection.
- We understood how AVEVA Group plc is complying with those frameworks by making enquiries of management and legal counsel, oversight of those charged with governance (i.e. considering the potential for override of controls or other inappropriate influence over the financial reporting process, such as efforts by management to manage earnings in order to influence the perceptions of analysts as to the company's performance and profitability), the culture of honesty and ethical behaviour and whether a strong emphasis is placed on fraud prevention, which may reduce opportunities for fraud to take place, and fraud deterrence, which could persuade individuals not to commit fraud because of the likelihood of detection and punishment.
- We assessed the susceptibility of the Group's financial statements to material misstatement, including how fraud might occur by meeting with management from various parts of the business to understand where it considered there was susceptibility to fraud. We also considered performance targets and their influence on efforts made by management to manage earnings or influence the perceptions of analysts. We considered the programs and controls that the Group has established to address risks identified, or that otherwise prevent, deter and detect fraud; and how senior management monitors those programs and controls. Where the risk was considered to be higher, we performed audit procedures to address each identified fraud risk. These procedures included testing manual journals and review of accounting estimates and judgements and were designed to provide reasonable assurance that the financial statements were free from fraud or error.
- Based on this understanding we designed our audit procedures to identify non-compliance with such laws and regulations. Our procedures involved management enquiries at the Group level, review of legal correspondences, journal entry testing, and full and specific scope management enquiries. Our audit procedures were communicated to and performed by our component teams.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at <https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

## Other matters we are required to address

- Following the recommendation from the Audit Committee we were appointed by the company on 21 July 2020 to audit the financial statements for the year ending 31 March 2021 and subsequent financial periods. The period of total uninterrupted engagement including previous renewals and reappointments is 19 years, covering the years ending 31 March 2003 to 31 March 2021.
- The non-audit services prohibited by the FRC's Ethical Standard were not provided to the Group or the Parent Company and we remain independent of the Group and the Parent Company in conducting the audit.
- The audit opinion is consistent with the additional report to the Audit Committee

## Use of our report

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Christopher Voogd (Senior statutory auditor)  
for and on behalf of Ernst & Young LLP, Statutory Auditor

Birmingham

25 May 2021



## Notes:

1. The maintenance and integrity of the AVEVA Group plc website is the responsibility of the Directors; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website.
2. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

# Consolidated Income Statement

for the year ended 31 March 2021

	Notes	2021 £m	2020 £m
Revenue	3,4	820.4	833.8
Cost of sales		(181.3)	(190.7)
<b>Gross profit</b>		<b>639.1</b>	<b>643.1</b>
<b>Operating expenses</b>			
Research & Development costs		(184.5)	(184.6)
Selling and administrative expenses	5	(419.8)	(367.8)
Net impairment loss on financial assets		(3.7)	(7.6)
Other income	7	5.5	11.9
<b>Total operating expenses</b>		<b>(602.5)</b>	<b>(548.1)</b>
<b>Profit from operations</b>	6	<b>36.6</b>	<b>95.0</b>
Finance revenue	8	0.6	0.3
Finance expense	9	(3.0)	(3.3)
<b>Profit before tax from continuing operations</b>		<b>34.2</b>	<b>92.0</b>
Income tax expense	11(a)	(9.4)	(22.2)
<b>Profit for the year attributable to equity holders of the parent</b>		<b>24.8</b>	<b>69.8</b>
<b>Profit from operations</b>		<b>36.6</b>	<b>95.0</b>
Amortisation of intangibles (excluding other software)	16	95.7	90.6
Share-based payments	27	16.3	12.0
(Gain)/loss on fair value of forward foreign exchange contracts		(0.7)	0.4
Exceptional items	7	78.5	18.8
<b>Adjusted EBIT</b>		<b>226.4</b>	<b>216.8</b>
<b>Earnings per share (pence)</b>			
- basic	13	11.35	34.78
- diluted	13	11.27	34.60

All activities relate to continuing activities.

The accompanying notes are an integral part of this Consolidated Income Statement.

## FINANCIAL STATEMENTS CONTINUED

# Consolidated Statement of Comprehensive Income

for the year ended 31 March 2021

	Notes	2021 £m	2020 £m
Profit for the year		24.8	69.8
<b>Items that may be reclassified to profit or loss in subsequent periods:</b>			
Exchange gain arising on translation of foreign operations		20.7	4.2
Total of items that may be reclassified to profit or loss in subsequent periods		20.7	4.2
<b>Items that will not be reclassified to profit or loss in subsequent periods:</b>			
Remeasurement (loss)/gain on defined benefit plans	26	(2.5)	6.2
Deferred tax effect	11(a)	0.5	(1.2)
Total of items that will not be reclassified to profit or loss in subsequent periods		(2.0)	5.0
<b>Total comprehensive income for the year, net of tax</b>		<b>43.5</b>	<b>79.0</b>

The accompanying notes are an integral part of this Consolidated Statement of Comprehensive Income.



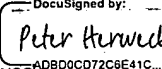
# Consolidated Balance Sheet

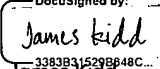
31 March 2021

	Notes	2021 £m	2020 £m
<b>Non-current assets</b>			
Goodwill	15	3,904.1	1,295.7
Other intangible assets	16	1,662.3	514.8
Property, plant and equipment	17	48.5	27.6
Right-of-use assets	23(b)	111.9	79.5
Deferred tax assets	25	21.4	19.1
Trade and other receivables	19	19.4	4.4
Customer acquisition costs		0.3	–
Investments	18	0.4	–
Retirement benefit surplus	26	13.1	14.9
		<b>5,781.4</b>	<b>1,956.0</b>
<b>Current assets</b>			
Trade and other receivables	19	317.0	242.2
Contract assets	3	215.6	142.4
Treasury deposits	20	0.3	0.1
Cash and cash equivalents	20	286.6	114.5
Restricted cash	20	7.3	–
Financial assets		0.7	–
Current tax assets		18.9	20.2
		<b>846.4</b>	<b>519.4</b>
<b>Total assets</b>		<b>6,627.8</b>	<b>2,475.4</b>
<b>Equity</b>			
Issued share capital	28(a)	10.7	5.7
Share premium	28(b)	3,842.1	574.5
Other reserves	28(c)	1,209.6	1,180.3
Retained earnings		130.3	181.2
<b>Total equity</b>		<b>5,192.7</b>	<b>1,941.7</b>
<b>Current liabilities</b>			
Trade and other payables	21	271.3	149.5
Contract liabilities	3	239.7	177.0
Lease liabilities	23(c)	22.9	16.6
Financial liabilities		–	0.4
Current tax liabilities		45.6	5.5
		<b>579.5</b>	<b>349.0</b>
<b>Non-current liabilities</b>			
Loans and borrowings	22	654.0	–
Lease liabilities	23(c)	88.9	53.3
Deferred tax liabilities	25	82.0	119.9
Other liabilities	21	18.2	0.7
Retirement benefit obligations	26	12.5	10.8
		<b>855.6</b>	<b>184.7</b>
<b>Total equity and liabilities</b>		<b>6,627.8</b>	<b>2,475.4</b>

The accompanying notes are an integral part of this Consolidated Balance Sheet.

The financial statements were approved by the Board of Directors and authorised for issue on 25 May 2021. They were signed on its behalf by:

DocuSigned by:  
  
 Peter Herweck  
 Chief Executive Officer

DocuSigned by:  
  
 James Kidd  
 Deputy CEO & CFO

Company number  
 2937296

## FINANCIAL STATEMENTS CONTINUED

# Consolidated Statement of Changes in Shareholders' Equity

31 March 2021

Notes	Share capital £m	Share premium £m	Other reserves					Total other reserves £m	Retained earnings £m	Total equity £m
			Merger reserve £m	Cumulative translation adjustments £m	Capital redemption reserve £m	Reverse acquisition reserve £m	Treasury shares £m			
At 31 March 2019	5.7	574.5	615.6	18.4	101.7	452.5	(9.4)	1,178.8	165.5	1,924.5
Profit for the year	–	–	–	–	–	–	–	–	69.8	69.8
Other comprehensive income	–	–	–	4.2	–	–	–	4.2	5.0	9.2
Total comprehensive income	–	–	–	4.2	–	–	–	4.2	74.8	79.0
Share-based payments	27	–	–	–	–	–	–	–	12.0	12.0
Tax arising on share options	–	–	–	–	–	–	–	–	1.0	1.0
Investment in own shares	28	–	–	–	–	–	(3.1)	(3.1)	–	(3.1)
Cost of employee benefit trust shares issued to employees	28	–	–	–	–	–	0.4	0.4	(0.4)	–
Equity dividends	12	–	–	–	–	–	–	–	(71.7)	(71.7)
At 31 March 2020	5.7	574.5	615.6	22.6	101.7	452.5	(12.1)	1,180.3	181.2	1,941.7
Profit for the year	–	–	–	–	–	–	–	–	24.8	24.8
Other comprehensive income	–	–	–	20.7	–	–	–	20.7	(2.0)	18.7
Total comprehensive income	–	–	–	20.7	–	–	–	20.7	22.8	43.5
Issue of new shares	28	0.5	–	–	–	–	–	–	–	465.7
Rights issue	28	4.5	–	–	–	–	–	–	–	2,835.5
Transaction costs relating to issue of share capital	28	–	–	–	–	–	–	–	–	(28.6)
Share-based payments	27	–	–	–	–	–	–	–	16.3	16.3
Tax arising on share options	–	–	–	–	–	–	–	–	2.1	2.1
Investment in own shares	28	–	–	–	–	–	(1.1)	(1.1)	–	(1.1)
Cost of employee benefit trust shares issued to employees	28	–	–	–	–	–	9.7	9.7	(9.7)	–
Equity dividends	12	–	–	–	–	–	–	–	(82.4)	(82.4)
At 31 March 2021	10.7	3,842.1	615.6	43.3	101.7	452.5	(3.5)	1,209.6	130.3	5,192.7

The accompanying notes are an integral part of this Consolidated Statement of Changes in Shareholders' Equity. Details of other reserves are contained in note 28.

# Consolidated Cash Flow Statement

For the year ended 31 March 2021

	Notes	2021 £m	2020 £m
<b>Cash flows from operating activities</b>			
Profit for the year		24.8	69.8
Income tax expense	11(a)	9.4	22.2
Net finance expense	8,9	2.4	3.0
Amortisation of intangible assets	16	96.3	91.7
Depreciation of property, plant and equipment and right-of-use assets	17,23	28.2	24.4
Loss on disposal of property, plant and equipment	6	1.0	0.7
Gain on disposal of pension scheme	26	(0.3)	(0.4)
Gain on disposal of subsidiaries	7	–	(7.7)
Share-based payments	27	16.3	12.0
Difference between pension contributions paid and amounts charged to operating profit	26	0.3	(1.2)
Research & Development expenditure tax credit		(3.1)	(2.3)
<b>Changes in working capital:</b>			
Trade and other receivables		(4.8)	(12.2)
Contract assets		(70.8)	(43.8)
Customer acquisition costs		(0.3)	–
Trade and other payables		5.5	(5.8)
Contract liabilities		(13.0)	10.7
Changes to fair value of forward foreign exchange contracts		(0.7)	0.3
Cash generated from operating activities before tax		91.2	161.4
Income taxes paid		(32.8)	(39.3)
<b>Net cash generated from operating activities</b>		<b>58.4</b>	<b>122.1</b>
<b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment	17	(10.9)	(18.5)
Purchase of intangible assets	16	(0.5)	(0.6)
Payment on disposal of pension scheme		(0.3)	(2.0)
Acquisition of subsidiaries, net of cash acquired	14	(3,029.5)	(25.1)
Restricted cash from acquisition of business - held in escrow		(7.3)	–
Net payment for forward contracts under hedge accounting		(74.2)	–
Proceeds from sale of subsidiaries, net of cash		–	5.5
(Purchase)/sale of treasury deposits		(0.2)	0.5
Interest received	8	0.5	0.3
<b>Net cash flows used in investing activities</b>		<b>(3,122.4)</b>	<b>(39.9)</b>
<b>Cash flows from financing activities</b>			
Interest paid	9	(2.8)	(3.3)
Purchase of own shares	28(c)	(1.1)	(3.1)
Proceeds from borrowings, net of fees incurred	22	645.6	–
Payment of principal element of lease liability	23	(18.5)	(15.5)
Proceeds from rights issue	28	2,835.5	–
Transaction costs on issue of shares	28	(28.6)	–
Payment of facility arrangement fees		(2.0)	–
Dividends paid to shareholders of the parent	12	(82.4)	(71.7)
<b>Net cash flows used in financing activities</b>		<b>3,345.7</b>	<b>(93.6)</b>
Net increase/(decrease) in cash and cash equivalents		281.7	(11.4)
Net foreign exchange difference		(109.6)	(1.3)
Opening cash and cash equivalents	20	114.5	127.2
<b>Closing cash and cash equivalents</b>	20	<b>286.6</b>	<b>114.5</b>

The accompanying notes are an integral part of this Consolidated Cash Flow Statement.

# Notes to the Consolidated Financial Statements

## 1 Corporate information

AVEVA Group plc is a public limited company incorporated and domiciled in the United Kingdom. The address of the registered office is given on page 202. AVEVA Group plc's shares are publicly traded on the Official List of the London Stock Exchange. The Parent Company financial statements of AVEVA Group plc are included on pages 179 to 184.

## 2 Key accounting policies

Explained below are the key accounting policies of the AVEVA Group plc and all its subsidiaries (the Group). The full Statement of Group Accounting Policies is included on pages 185 to 190.

### a) Basis of preparation

The Consolidated Financial Statements of the Group have been prepared in accordance with International Accounting Standards (IASs) in conformity with the requirements of the Companies Act 2006 and in accordance with International Financial Reporting Standards (IFRSs) adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union. The financial information has been prepared on the basis of all applicable IFRSs, including all IASs, Standing Interpretations Committee (SIC) interpretations and International Financial Reporting Interpretations Committee (IFRIC) interpretations issued by the International Accounting Standards Board (IASB) that are applicable to the financial period.

The accounting policies which follow set out those policies applied in preparing the financial statements, which have been consistently applied to all the years presented unless otherwise stated. The Group applies several new amendments to accounting standards, none of which have impacted the Consolidated Financial Statements.

The Consolidated Financial Statements are presented in pounds sterling (£) and all values are rounded to the nearest £0.1 million except when otherwise indicated.

In adopting the going concern basis for preparing the financial statements, the Directors have considered the business activities and the Group's principal risks and uncertainties in the context of the current operating environment. This includes possible ongoing impacts of the global Covid-19 pandemic on the Group and reviews of liquidity and covenant forecasts.

The Group's business planning cycle has taken account of potential ongoing impacts of Covid-19 to create a base case going concern model, reflecting the current business disruption, economic conditions and the resulting impact on customers and their ability to continue operating effectively during the ongoing period of remote working.

The Directors have considered sensitivities in respect of potential downside scenarios over the base case going concern model and the mitigating actions available in concluding that the Group is able to continue in operation for a period of at least sixteen months from the date of approving the financial statements to 30<sup>th</sup> September 2022.

The specific scenarios modelled are:

**Scenario 1:** A 'stress test' scenario reducing base model revenue by circa 10% across the five-year forecast period.

**Scenario 2:** A further scenario was created to model circumstances required to breach AVEVA's credit facilities. This scenario assumes severe cash collection delays and does not include any mitigating actions that the Group would take. It is overall considered very unlikely.

Under the base case scenario, there is no expected requirement to draw down on the RCF across the going concern period. Under the two downside scenarios, the Group would utilise the RCF, but within the current liquidity levels available.

Throughout both downside scenarios, the Group continues to have liquidity headroom on existing facilities and against the RCF financial covenants during the period under assessment. Should a more extreme downside scenario occur, additional mitigating actions could be taken such as the cancellation or deferral of dividend payments and reductions in other discretionary operating costs. The financial statements for the year ended 31 March 2021 have therefore been prepared under the going concern basis of accounting.

## b) Revenue

The Group generates its revenue principally through the supply of:

- subscription;
- maintenance;
- perpetual licences; and
- services.

Revenue is recognised upon transfer of control of the promised software and/or services to customers. The Group enters into contracts which can include combinations of software licences, support and maintenance fees and other professional services, each of which is capable of being distinct and usually accounted for as separate performance obligations. Where there are multiple performance obligations, revenue is measured at the value of the expected consideration received in exchange for the services, allocated by the relative stand-alone selling prices of each of the performance obligations.

Where a contract is subject to a modification and the purpose of the modification is to increase the licence term by an agreed number of annual periods and in some cases to expand the list of included software, an adjustment is made to revenue at the date of the contract modification. The adjustment to revenue will incorporate the effects of both scenarios noted above.

### Subscription

The Group offers a number of non-cancellable, fixed-term subscription licensing models of between one month and seven years and include on-premise software rentals, Cloud-hosted software and Software as a Service (SaaS).

Rentals consist of two separate components: a software licence; and support and maintenance, which are two distinct performance obligations. The software licence is a right to use licence which is recognised at a point in time when the contract is agreed, and the software is made available to the customer. The support and maintenance element is recognised on a straight-line basis over the rental period.

SaaS subscriptions are agreements with customers to provide the right to access software. The software, maintenance and support, and hosting elements are not distinct performance obligations, and represent a combined service provided to the customer. Revenue is recognised as the service is provided to the customer on a straight-line basis over the subscription period.

Where software is licensed for use exclusively within the AVEVA Cloud, the software has been developed or has undergone redevelopment for optimisation within the AVEVA Cloud infrastructure. This optimisation and the performance of the software within the AVEVA Cloud forms a key element of the overall customer software solution. This means that the software and AVEVA Cloud hosting services are highly interrelated and as a result are not distinct performance obligations. The software and hosting services are therefore accounted for as one single performance obligation. The support and maintenance services within SaaS agreements are provided as part of the overall software as a service solution and have the same pattern of transfer to AVEVA's customers. On this basis, the support and maintenance services form part of the combined output to AVEVA's customers and as a result are included within the combined single performance obligation.

### Perpetual licences

Customers are charged an initial or perpetual licence fee for on-premise or hosted software which is usually limited by a set number of users or seats. Initial and perpetual licences provide the customer with the right to use the software and are distinct from other services. Revenue is recognised at a point in time when the contract is agreed, and the software is made available to the customer.

## Notes to the Consolidated Financial Statements continued

### 2 Key accounting policies continued

#### Maintenance

Revenue classified as maintenance includes annual fees as well as separate support and maintenance contracts. For both, revenue is recognised over time on a straight-line basis over the period of the contract, which is typically 12 months. Customers that have purchased an initial licence pay obligatory annual fees each year. Annual fees consist of the continuing right to use, and support and maintenance, which includes core product upgrades and enhancements, and remote support services. Users must continue to pay annual fees in order to maintain the right to use the software. Customers that have purchased a perpetual licence have the option to pay for support and maintenance.

#### Services

Services consist primarily of consultancy, implementation services and training. Revenue from these services is recognised as the services are performed by reference to the costs incurred as a proportion of the total estimated costs of the service project.

If an arrangement includes both licence and service elements, an assessment is made as to whether the licence element is distinct in the context of the contract, based on whether the services provided significantly modifies or customises the base product. Where it is concluded that a licence is distinct, the licence element is recognised as a separate performance obligation. In all other cases, revenue from both licence and service elements is recognised over time.

#### c) Non-GAAP measures

The Group presents the non-GAAP performance measure 'adjusted earnings before interest and tax (EBIT)' on the face of the Consolidated Income Statement. Adjusted EBIT is not defined by IFRSs and therefore may not be directly comparable with the adjusted EBIT measures of other companies.

The business is managed and measured on a day-to-day basis using adjusted results. To arrive at adjusted results, certain adjustments are made for normalised and exceptional items that are individually significant and which could, if included, distort the understanding of the performance for the year and the comparability between periods.

#### Normalised items

These are recurring items which management considers to have a distorting effect on the underlying results of the Group.

These items relate to:

- amortisation of intangible assets (excluding other software);
- share-based payment charges; and
- fair value adjustments on financial derivatives.

Other types of recurring items may arise; however, no others were identified in either the current or prior year. Recurring items are adjusted each year irrespective of materiality to ensure consistent treatment.

Management consider these items to be distorting as they do not reflect the underlying performance of the Group.

#### Exceptional items

These are items which are non-recurring and are identified by virtue of either their size or their nature. These items can include, but are not restricted to, the costs of significant restructuring exercises, fees associated with business combinations and costs incurred in integrating acquired companies. Exceptional items are discussed further in note 7.

Management consider these items to be distorting by nature, as they are significant non-recurring-items that are inherently not reflective of the future or underlying performance of the Group.

#### d) Significant accounting judgements

##### Determination of lease term for contracts with renewal or termination option

The Group determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease where it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, where it is reasonably certain not to be exercised.

The Group has entered into several lease contracts that include extension and/or termination options. Judgement is applied in evaluating whether it is reasonably certain that the Group will exercise the option to renew or terminate the lease. Relevant factors that may create an economic incentive to exercise either the renewal or termination option are considered. After the commencement date, the lease term is reassessed when there is a significant event or change in circumstances that is within the Group's control and affects its ability to exercise or not to exercise the option to renew or to terminate.

#### e) Significant accounting estimates

##### Revenue recognition

The assessments and estimates used by the Group for revenue recognition could have a significant impact on the amount and timing of revenue recognised.

Revenue from sales of software licences when these are combined with the delivery of significant implementation or customisation services is recognised in line with the delivery of the services to the customer. This policy involves the assessment of which customer projects include significant customisation or implementation and also an assessment of the stage of completion of such projects.

The fair value estimate of the element of a customer rental fee attributable to the continuing right to use, and to customer support and maintenance, is reviewed periodically. Management used judgement in calculating this estimate by using a combination of historical data, cost to the business of providing services, and annual fees as a proportion of initials. On average, the element attributable to customer support and maintenance as a proportion of the initial software delivery is 17%.

##### Impairment of assets

Goodwill arising on acquisition is allocated to CGUs expected to benefit from the combination's synergies and represents the lowest level at which goodwill is monitored for internal management purposes and generates cash flows which are independent of other CGUs. The recoverable amount of the CGU to which goodwill has been allocated is tested for impairment annually or when events or changes in circumstance indicate that it might be impaired. The carrying values of property, plant and equipment, right-of-use assets and intangible assets other than goodwill are reviewed for impairment when events or changes in circumstance indicate the carrying value may be impaired. If any such indication exists and where the carrying values exceed the estimated recoverable amount, the assets or CGUs are written down to their recoverable amount. The recoverable amount is the greater of net selling price and VIU. In assessing VIU, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the CGU to which the asset belongs. Impairment losses are recognised in the income statement in the selling and administrative expenses line item. Further details about the assumptions used and sensitivity analysis performed in the impairment review are set out in note 15.

##### Provision for impairment of financial assets

The Group applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected credit loss allowance for all trade receivables and contract assets.

To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due. Loss allowances are calculated using historical account payment profiles and the corresponding historical credit losses experienced and adjusted for forward-looking factors specific to the debtor and the economic environment. In assessing the impact of the forward-looking information available, management have considered the risk factors most likely to impact customers in light of the Covid-19 pandemic. Trade receivables were grouped based on industry and type of customer, and a further overlay applied to the risk matrix for specific higher risk industries.

## Notes to the Consolidated Financial Statements continued

### 2 Key accounting policies continued

Provisions for the impairment of receivables have also been made on a customer-specific basis. The determination of the appropriate level of provision involves an estimate of the potential risk of default or non-payment by the Group's customers. In making this assessment, management considers a number of factors, including:

- the financial strength of the customers;
- the level of default that the Group has suffered in the past;
- the age of the receivable outstanding; and
- the Group's trading experience with that customer.

Contract assets have substantially the same risk characteristics as the trade receivables for the same types of contracts. The Group has therefore concluded that the expected loss rates for trade receivables are a reasonable approximation of the loss rates for the contract assets.

Therefore, the significant estimates made relating to the provision for impairment of trade receivables are also applicable to impairment of contract assets.

The provision for impairment of trade receivables at 31 March 2021 was £7.9 million (2020: £7.6 million) and contract assets was £7.7 million (2020: £5.4 million). Details of the provision for impairment of receivables are contained in note 19.

To measure the expected credit losses, trade receivables and contract assets are grouped together based on shared risk characteristics. An increase of 100bps in all ECL rates would increase the provision for impairment of trade receivables by £2.5 million and contract assets by £1.7 million. A decrease of 100bps across all ECL rates would reduce the provision for impairment of trade receivables by £1.5 million and contract assets by £1.6 million.

#### Intangible assets

The combination with OSIssoft, LLC requires the Group to recognise at fair value the identifiable intangible assets of OSIssoft, LLC. Valuation methods vary by type of intangible asset, and include income approaches (royalty savings method, excess earnings method, and with and without method) and cost approaches (replacement cost method). Income approaches require estimates of future cash flows, discount rates, royalty rates, and customer attrition rates. Cost approaches require estimates of average salary costs, the proportion of development that can be performed on- and offshore, and the total man-hours required to develop a replacement product.

Future results are impacted by the amortisation periods adopted and changes to the estimated useful lives would result in different effects on the income statement. If the estimated useful lives of the intangible assets recognised on acquisition of OSIssoft, LLC were reduced by one year, the annual amortisation would increase by \$27.1 million. If they were increased by one year, the annual amortisation would reduce by \$21.3 million.

#### Retirement benefits

The determination of the Group's surplus, obligations and expense for defined benefit pensions is dependent on the selection, by the Board of Directors, of assumptions used by the pension scheme actuary in calculating these amounts. The assumptions applied, together with sensitivity analysis, are described in note 26 and include, amongst others, the discount rate, the inflation rate, rates of increase in salaries and mortality rates. While the Directors consider that the assumptions are appropriate, significant differences in the actual experience or significant changes in assumptions may materially affect the reported amount of the Group's future pension surplus and obligations, actuarial gains and losses included in the Consolidated Statement of Comprehensive Income in future years and the future staff costs. In mitigation of significant changes in assumptions affecting the Group's future pension obligations, the pension scheme operates a liability-driven investment strategy, which means as inflation and interest rates change, the value of the asset portfolio will rise and fall, offsetting the impact on the net position. The carrying amount of retirement benefit surplus at 31 March 2021, net of obligations, was £0.6 million (2020: £4.1 million).



### 3 Revenue

An analysis of the Group's revenue is as follows:

	Services transferred at a point in time £m	Services transferred over time £m	Total £m
<b>Year ended 31 March 2021</b>			
Subscription	236.1	123.6	359.7
Maintenance	–	197.7	197.7
Perpetual licences	141.6	–	141.6
Services	–	121.4	121.4
	<b>377.7</b>	<b>442.7</b>	<b>820.4</b>
<b>Year ended 31 March 2020</b>			
Subscription	228.7	88.1	316.8
Maintenance	–	201.7	201.7
Perpetual licences	179.3	–	179.3
Services	–	136.0	136.0
	<b>408.0</b>	<b>425.8</b>	<b>833.8</b>

Contract balances are as below:

	2021 £m	2020 £m	2019 £m
Trade receivables (non-current)	0.7	2.0	–
Trade receivables (current)	245.3	181.2	174.9
Contract assets	215.6	142.4	100.5
Contract liabilities	239.7	177.0	174.6

Contract assets have increased year-on-year predominantly due to the recognition of a number of multi-year subscription licences, resulting in the cumulative revenue recognised for these contracts being greater than the cumulative amounts invoiced. Contract assets are stated net of a provision of £7.7 million (2020: £5.4 million). The provision has increased year-on-year due to forward-looking considerations in light of Covid-19.

Trade receivables and contract liabilities have also increased year-on-year, primarily as a result of the acquisition of OSISoft, LLC.

Revenue for the year ended 31 March 2021 includes £159.3 million (2020: £157.1 million) which was included in contract liabilities at the beginning of the year. Revenue of £3.1 million recognised in the year ended 31 March 2021 related to performance obligations satisfied in previous years (2020: £3.1 million).

The transaction price allocated to the remaining performance obligations (unsatisfied or partially unsatisfied) as at 31 March is as follows:

	2021 £m	2020 £m
Within one year	425.8	323.8
More than one year	232.1	178.0

## FINANCIAL STATEMENTS CONTINUED

## Notes to the Consolidated Financial Statements continued

## 4 Segment information

The Executive Leadership Team (ELT) monitors and appraises the business based on the performance of three geographic regions: Americas; Asia Pacific; and Europe, Middle East and Africa (EMEA). These three regions are the basis of the Group's primary operating segments reported in the financial statements. Performance is evaluated based on regional contribution using the same accounting policies as adopted for the Group's financial statements. There is no inter-segment revenue. Corporate costs include centralised functions such as Executive Management, Information Management, Finance and Legal. Balance sheet information is not included in the information provided to the ELT.

	Year ended 31 March 2021				
	Americas £m	Asia Pacific £m	EMEA £m	Corporate £m	Total £m
<b>Revenue</b>					
Subscription	94.6	95.5	169.6	–	359.7
Maintenance	84.3	46.7	66.7	–	197.7
Perpetual licences	42.1	47.4	52.1	–	141.6
Services	44.4	31.7	45.3	–	121.4
<b>Regional revenue total</b>	<b>265.4</b>	<b>221.3</b>	<b>333.7</b>	<b>–</b>	<b>820.4</b>
Cost of sales	(50.0)	(19.8)	(39.9)	(70.8)	(180.5)
Selling and administrative expenses	(64.4)	(40.7)	(68.0)	(120.3)	(293.4)
Net impairment loss on financial assets	(1.0)	(1.8)	(0.9)	–	(3.7)
<b>Regional contribution</b>	<b>150.0</b>	<b>159.0</b>	<b>224.9</b>	<b>(191.1)</b>	<b>342.8</b>
Research & Development costs					(116.4)
<b>Adjusted EBIT</b>					<b>226.4</b>
Exceptional items, other normalised adjustments <sup>1</sup> and net interest					(192.2)
<b>Profit before tax</b>					<b>34.2</b>

1. Normalised adjustments include amortisation of intangible assets (excluding other software), share-based payments, and movements on fair value of forward exchange contracts.

	Year ended 31 March 2020				
	Americas £m	Asia Pacific £m	EMEA £m	Corporate £m	Total £m
<b>Revenue</b>					
Subscription	81.2	95.6	140.0	–	316.8
Maintenance	85.9	47.9	67.9	–	201.7
Perpetual licences	57.6	52.1	69.6	–	179.3
Services	54.5	31.9	49.6	–	136.0
<b>Regional revenue total</b>	<b>279.2</b>	<b>227.5</b>	<b>327.1</b>	<b>–</b>	<b>833.8</b>
Cost of sales	(49.9)	(27.3)	(34.6)	(78.3)	(190.1)
Selling and administrative expenses	(69.4)	(44.7)	(72.5)	(112.0)	(298.6)
Net impairment loss on financial assets	(4.1)	(0.8)	(2.7)	–	(7.6)
<b>Regional contribution</b>	<b>155.8</b>	<b>154.7</b>	<b>217.3</b>	<b>(190.3)</b>	<b>337.5</b>
Research & Development costs					(120.7)
<b>Adjusted EBIT</b>					<b>216.8</b>
Exceptional items, other normalised adjustments <sup>1</sup> and net interest					(124.8)
<b>Profit before tax</b>					<b>92.0</b>

1. Normalised adjustments include amortisation of intangible assets (excluding other software), share-based payments, and movements on fair value of forward exchange contracts.

## Other segmental disclosures

The Company's country of domicile is the UK. Revenue attributed to the UK and all foreign countries amounted to £39.9 million and £780.5 million (2020: £37.8 million and £796.0 million) respectively. The USA accounted for 25% of the Group's revenue (2020: 25.0%). No other country is considered to be material to the Group (2020: none). Revenue is allocated to countries on the basis of the location of the customer. No single external customer accounted for a material amount of the Group's total revenue (2020: none).

Non-current assets (excluding deferred tax assets and retirement benefits) held in the UK and all foreign countries amounted to £1,673.7 million and £228.8 million (2020: £1,702.2 million and £219.8 million) respectively. Provisional goodwill and intangibles of £3,854.3 million arising from the acquisition of OSIsoft, LLC remained unallocated at 31 March 2021, as explained in note 14. There are material non-current assets (excluding deferred tax assets and retirement benefits) located in the USA amounting to £129.3 million (2020: £128.9 million). There are no material non-current assets located in any other individual country outside of the UK (2020: none).

## 5 Selling and administrative expenses

An analysis of selling and administrative expenses is set out below:

	2021 £m	2020 £m
Selling and distribution expenses	226.8	240.1
Administrative expenses	193.0	127.7
	<b>419.8</b>	<b>367.8</b>

## 6 Profit from operations

Profit from operations is stated after charging:

	2021 £m	2020 £m
Depreciation of right-of-use assets	19.5	17.1
Depreciation of owned property, plant and equipment	8.7	7.3
Amortisation of intangible assets:		
– included in Research & Development costs	67.8	63.5
– included in selling and distribution expenses	27.9	27.1
– included in administrative expenses	0.6	1.1
Loss on disposal of property, plant and equipment	1.0	0.7
Net foreign exchange losses	1.6	1.3

During the year the Group (including its subsidiaries) obtained the following services from the Group's auditor at costs as detailed below:

	2021 £m	2020 £m
Fees payable to the Group auditor for:		
– the audit of the Parent Company and Consolidated Financial Statements	1.9	1.0
– the audit of the Group's subsidiaries pursuant to legislation	0.9	0.7
Fees payable to the Group auditor and its associates for other services:		
– audit-related assurance services (including procedures over the rights issue prospectus)	0.4	–
	<b>3.2</b>	<b>1.7</b>

## FINANCIAL STATEMENTS CONTINUED

## Notes to the Consolidated Financial Statements continued

**7 Exceptional items**

	2021 £m	2020 £m
Acquisition costs	44.4	0.8
Integration activities	37.3	28.2
Restructuring costs	2.3	1.7
Other income	(5.5)	(11.9)
	<b>78.5</b>	<b>18.8</b>

The total cash net outflow during the year as a result of exceptional items was £63.2 million (2020: £23.3 million).

**a) Acquisition costs**

Acquisition costs in the year ended 31 March 2021 relate to adviser fees incurred in the acquisition of OSIsoft, LLC. In addition, fees incurred as a direct result of raising debt (£2.9 million) and equity (£28.6 million) have been offset against the carrying value of the associated financial liability and share premium respectively.

Acquisition costs in the year ended 31 March 2020 related to the acquisition of AssetPlus, and the trade and assets of MESAEnter Co. Ltd.

**b) Integration activities**

Integration costs of £31.2 million (2020: £28.2 million) were incurred relating to the integration of heritage AVEVA and the Schneider Electric industrial software business (SES). This principally related to consultancy fees paid to advisers, and the costs of additional temporary resources required for the integration. Key activities included work undertaken to exit the Transitional Service Agreements (TSA) provided by Schneider Electric, and costs incurred in the continued build and UK rollout of a new harmonised global ERP system.

Services covered by the TSA relating to integration activities ceased in the year, and no further costs of this nature are expected. Future costs of integrating heritage AVEVA and SES will primarily relate to the global roll out of the new ERP system, which is expected to last until 2024.

To 31 March 2021 the Group expensed £6.1 million (2020: nil) relating to the integration of OSIsoft, LLC. It is expected that these costs will substantially increase and continue in future years.

**c) Restructuring costs**

Restructuring costs related to severance payments in a number of locations across the Group. The costs incurred for the year ended 31 March 2021 have been a continuation of the restructuring programme started following the merger of heritage AVEVA and SES, which is now complete. Further costs are expected to continue into the year ended 31 March 2022, arising from the integration of OSIsoft, LLC.

**d) Other income**

Other income contains £5.2 million (2020: £3.8 million) received from Schneider Electric in reimbursement for capital expenditure incurred as part of the Group's migration activities covered by TSAs following the Combination.

Prior year also included a £7.7 million gain on sale of three wholly owned distributor businesses.

**e) Income statement impact**

Exceptional items were included in the Consolidated Income Statement as follows:

	2021 £m	2020 £m
Cost of sales	0.8	0.6
Research & Development costs	0.3	0.4
Selling and distribution expenses	4.6	3.9
Administrative expenses	78.3	25.8
Other income	(5.5)	(11.9)
	<b>78.5</b>	<b>18.8</b>

**8 Finance revenue**

	2021 £m	2020 £m
Net return on pension assets	0.1	–
Bank interest receivable and other interest earned	0.5	0.3
	<b>0.6</b>	<b>0.3</b>

**9 Finance expense**

	2021 £m	2020 £m
Net interest on pension scheme liabilities	–	0.2
Bank interest payable and similar charges	0.3	0.6
Interest on term loan	0.2	–
Interest on lease liabilities	2.5	2.5
	<b>3.0</b>	<b>3.3</b>

## FINANCIAL STATEMENTS CONTINUED

## Notes to the Consolidated Financial Statements continued

**10 Staff costs**

Staff costs relating to employees (including Executive Directors) are shown below:

	2021 £m	2020 £m
Wages and salaries	358.4	350.9
Social security costs	29.8	28.7
Pension costs	22.1	19.2
Share-based payments	16.3	12.0
	<b>426.6</b>	<b>410.8</b>

The average number of persons (including Executive Directors) employed by the Group was as follows:

	2021 Number	2020 Number
Project delivery and customer support	1,695	1,678
Research, development and product support	1,429	1,336
Sales and marketing	1,107	1,018
Administration	649	523
	<b>4,880</b>	<b>4,555</b>

**Directors' remuneration**

The Directors of AVEVA Group plc received remuneration as follows:

	2021 £m	2020 £m
Directors' remuneration	7.1	9.0
Aggregate gains on the exercise of share options	17.4	0.2
	<b>24.5</b>	<b>9.2</b>

	2021 Number	2020 Number
Number of Directors accruing benefits under defined contributions	2	2

## 11 Income tax expense

### a) Tax on profit

The major components of income tax expense are as follows:

	2021 £m	2020 £m
<b>Tax charged in Consolidated Income Statement</b>		
Current tax		
– UK corporation tax	–	11.1
– Foreign tax	41.9	26.3
– Adjustments in respect of prior periods	(1.9)	(9.6)
	40.0	27.8
Deferred tax		
– Origination and reversal of temporary differences (note 25)	(29.3)	(9.9)
– Adjustments in respect of prior periods	(1.3)	4.3
	(30.6)	(5.6)
<b>Total income tax expense reported in Consolidated Income Statement</b>	<b>9.4</b>	<b>22.2</b>
	2021 £m	2020 £m
<b>Tax relating to items charged directly to Consolidated Statement of Comprehensive Income</b>		
Deferred tax on actuarial remeasurements on retirement benefits	(0.5)	1.2
<b>Tax (credit)/charge reported in Consolidated Statement of Comprehensive Income</b>	<b>(0.5)</b>	<b>1.2</b>

### b) Reconciliation of the total tax charge

The differences between the total tax charge shown above and the amount calculated by applying the standard rate of US (2020: US) corporation tax to the profit before tax are as follows:

	2021 £m	2020 £m
Tax on Group profit before tax at standard US (2020: US) corporation tax rate of 24% (2020: 24%) <sup>1</sup>	8.2	22.1
Effects of:		
– expenses not deductible for tax purposes	8.8	2.0
– non-deductible acquisition costs	3.0	–
– Research & Development incentives	(5.3)	(5.8)
– UK rate change impact on deferred tax	–	8.9
– irrecoverable withholding tax	–	1.2
– movement on unprovided deferred tax balances	(1.9)	(1.1)
– differing tax rates	(0.2)	0.2
– adjustments in respect of prior years	(3.2)	(5.3)
<b>Income tax expense reported in Consolidated Income Statement</b>	<b>9.4</b>	<b>22.2</b>

1. Reconciliation is performed starting from the standard US corporation tax rate as US taxable profits are greater than any other individual country.

The Group's effective tax rate for the year was 27.5% (2020: 24.1%). The Group's effective tax rate for the year before exceptional items was 21.7% (2020: 24.2%). The Group's effective tax rate before exceptional and other normalised adjustments was 21.2% (2020: 18.1%).

At the balance sheet date, the UK government had announced that it would increase the main rate of corporation tax to 25% from 1 April 2023. This change had not been substantively enacted at the balance sheet date and is consequently not included in these financial statements. The effect of this proposed tax rate increase would be to increase the deferred tax liability by £17.8 million consisting of a debit to the income statement of £17.0 million and a debit to other comprehensive income of £0.8 million.

## FINANCIAL STATEMENTS CONTINUED

## Notes to the Consolidated Financial Statements continued

## 12 Dividends paid and proposed on equity shares

The following dividends were declared, paid and proposed in relation to the legal entity AVEVA Group plc:

	2021 £m	2020 £m
<b>Declared and paid during the year<sup>1</sup></b>		
Interim 2020/21 dividend paid of 12.4 pence (2019/20: 12.4 pence) per ordinary share	35.6	25.0
Final 2019/20 dividend paid of 23.3 pence (2018/19: 23.3 pence) per ordinary share	46.8	46.7
	<b>82.4</b>	<b>71.7</b>
<b>Proposed for approval by shareholders at the Annual General Meeting</b>		
Final proposed dividend 2020/21 of 23.5 pence (2019/20: 23.3 pence) per ordinary share	70.7	46.8

1. Dividends per share for comparative periods have been restated and adjusted for a bonus factor of 0.80, to reflect the bonus element of the November 2020 rights issue. Previously stated interim dividend per share totals for both 2020/21 and 2019/20 were 15.5 pence per share, and final dividend per share for both 2019/20 and 2018/19 were 29.0 pence per share.

The proposed final dividend is subject to approval by shareholders at the Annual General Meeting on 7 July 2021 and has not been included as a liability in these financial statements. If approved at the Annual General Meeting, the final dividend will be paid on 4 August 2021 to shareholders on the register at the close of business on 9 July 2021.

## 13 Earnings per share

	2021 Pence	2020 (restated) <sup>1</sup> Pence
<b>Earnings per share for the year:</b>		
– basic	11.35	34.78
– diluted	11.27	34.60
<b>Adjusted earnings per share for the year:</b>		
– basic	81.86	87.20
– diluted	81.31	86.75

	2021 Number	2020 (restated) <sup>1</sup> Number
<b>Weighted average number of ordinary shares for basic earnings per share</b>	<b>218,531,149</b>	<b>200,758,092</b>
<b>Effect of dilution: employee share options</b>	<b>1,489,318</b>	<b>1,030,456</b>
<b>Weighted average number of ordinary shares adjusted for the effect of dilution</b>	<b>220,020,467</b>	<b>201,788,548</b>

1. Basic and diluted EPS figures for comparative periods have been restated and adjusted for a bonus factor of 0.80 to reflect the bonus element of the November 2020 rights issue. Amounts originally stated as at 31 March 2020 were 43.35 pence basic EPS and 43.13 pence diluted EPS. Originally stated adjusted EPS were 108.70 pence basic adjusted EPS and 108.15 pence diluted adjusted EPS.

The calculations of basic and diluted earnings per share (EPS) are based on the net profit attributable to equity holders of the parent for the year of £24.8 million (2020: £69.8 million). Basic EPS amounts are calculated by dividing the net profit attributable to equity holders of the parent by the weighted average number of AVEVA Group plc ordinary shares outstanding during the year.

Diluted EPS amounts are calculated by dividing the net profit attributable to equity holders of the parent by the weighted average number of ordinary shares outstanding during the year as described above, plus the weighted average number of ordinary shares that would be issued on the conversion of all the potentially dilutive share options into ordinary shares. Details of the terms and conditions of share options are provided in note 27.



Details of the calculation of adjusted EPS are set out below:

	2021 £m	2020 £m
Profit after tax for the year	24.8	69.8
Intangible amortisation (excluding software)	95.7	90.6
Share-based payments	16.3	12.0
Gain/(loss) on fair value of forward foreign exchange contracts	(0.7)	0.4
Exceptional items	78.5	18.8
Effect of acquisition accounting adjustments <sup>1</sup>	3.3	–
Tax effect on exceptional items	(15.1)	(4.6)
Tax effect on other normalised adjustments (excluding net finance expense)	(23.0)	(12.0)
Tax effect on acquisition accounting adjustments <sup>1</sup>	(0.9)	–
<b>Adjusted profit after tax</b>	<b>178.9</b>	<b>175.0</b>

1. Acquisition accounting adjustments relate to the revenue haircut made upon the combination with OSIsoft, LLC.

The denominators used are the same as those detailed above for both basic and diluted EPS.

The adjustment made to profit after tax in calculating adjusted basic and diluted EPS has been adjusted for the tax effects of the items adjusted. The Directors believe that adjusted EPS is more representative of the underlying performance of the business.

## 14 Business combinations

### Acquisition of OSIsoft, LLC

On 19 March 2021 the Group acquired 100% of the voting shares of OSIsoft, LLC, a global leader in real-time industrial operational data software and services. The OSIsoft Group's main product is the PI System, a proprietary, vendor-agnostic data management software which enables customers to capture, store, analyse and share real-time industrial sensor-based data with business systems across all operations. This acquisition will significantly enhance the Group's product offering, provide customer diversification and greater geographical market penetration, create opportunities for material revenue and cost synergies, and accelerate and improve the Group's development of new software and technology. A consideration of £3,831.4 million (US\$5,086.5 million) was paid.

The deal was funded by £3,365.7million (US\$4,438.1 million) of cash; £2,806.9 million (US\$3,734.3 million) raised via a rights issue (net of expenses), and £558.8 million (US\$703.8 million) from existing cash and new debt facilities. The remainder was funded by a £465.7 million (US\$648.4 million) issue of 13,655,570 ordinary shares on 22 March 2021 to Estudillo Holdings Corp, a company majority owned by Dr J. Patrick Kennedy and his family, which held a 50.3% interest in OSIsoft, LLC. At 31 March 2021, £7.3 million (US\$10.0 million) remained in restricted cash in relation to consideration to be paid.

## FINANCIAL STATEMENTS CONTINUED

## Notes to the Consolidated Financial Statements continued

## 14 Business combinations continued

The fair values of identifiable assets acquired and liabilities assumed at the acquisition date are:

	Carrying value at acquisition £m	Provisional fair value adjustment £m	Provisional fair value £m
<b>Non-current assets</b>			
Intangible assets	0.4	1,231.6	1,232.0
Property, plant and equipment	21.0	–	21.0
Right-of-use assets	36.2	–	36.2
Deferred tax assets	22.0	(15.8)	6.2
Trade and other receivables	2.9	–	2.9
Customer acquisition costs	10.3	(10.3)	–
Investments	0.4	–	0.4
<b>Total non-current assets</b>	<b>93.2</b>	<b>1,205.5</b>	<b>1,298.7</b>
<b>Current assets</b>			
Trade and other receivables	75.6	–	75.6
Contract assets	2.4	–	2.4
Customer acquisition costs	4.0	(4.0)	–
Cash and cash equivalents	150.6	–	150.6
Financial assets	0.4	–	0.4
<b>Total current assets</b>	<b>233.0</b>	<b>(4.0)</b>	<b>229.0</b>
<b>Current liabilities</b>			
Trade and other payables	(115.1)	–	(115.1)
Contract liabilities	(136.2)	60.5	(75.7)
Lease liabilities	(6.8)	–	(6.8)
Current tax liabilities	(29.9)	(8.0)	(37.9)
<b>Total current liabilities</b>	<b>(288.0)</b>	<b>52.5</b>	<b>(235.5)</b>
<b>Non-current liabilities</b>			
Lease liabilities	(37.9)	–	(37.9)
Retirement benefit obligations	(0.9)	–	(0.9)
<b>Total non-current liabilities</b>	<b>(38.8)</b>	<b>–</b>	<b>(38.8)</b>
<b>Net identifiable assets and liabilities</b>	<b>(0.6)</b>	<b>1,254.0</b>	<b>1,253.4</b>
Goodwill			2,578.0
<b>Total consideration</b>			<b>3,831.4</b>

Goodwill of £1,303.5 million is expected to be deductible for tax purposes.

The main factors leading to the recognition of goodwill are the value of the assembled OSIssoft, LLC workforce and the future synergy benefits expected to arise from integrating the two combined businesses.

Costs incurred that are directly attributable to raising debt (£2.9 million) and equity (£28.6 million) have been offset against the corresponding financial liability and share premium respectively. All remaining transaction costs were expensed and are included within selling and administrative expenses. Additional details are included within note 7.

The revenue and profit after tax included in the Consolidated Income Statement contributed by OSIssoft, LLC were £20.7 million and £10.8 million respectively, before a revenue haircut of £3.3 million. If the acquisition had occurred on 1 April 2020, the Consolidated Income Statement would have presented revenue of £1,196.1 million and profit after tax of £48.1 million (at an effective tax rate of 5.5%) before a revenue haircut of approximately £53.0 million.

## 15 Goodwill

	2021 £m	2020 £m
At 1 April	1,295.7	1,285.3
Acquisition of business <sup>1</sup>	2,578.0	11.3
Disposals <sup>1</sup>	–	(3.1)
Exchange adjustment	30.4	2.2
<b>At 31 March</b>	<b>3,904.1</b>	<b>1,295.7</b>

1. Goodwill arising on business combinations in the year-ended 31 March 2021 is unallocated as at 31 March 2021. Acquisitions and disposals in the year-ended 31 March 2020 were allocated to the EMEA CGU.

The following table shows the allocation of the carrying value of goodwill and indefinite life intangible assets (the AVEVA brand) at the end of the year by CGU.

	Goodwill		Purchased brands (indefinite life)	
	2021 £m	2020 £m	2021 £m	2020 £m
Americas	386.9	388.1	25.3	25.3
Asia Pacific	282.6	283.4	16.0	16.0
EMEA	622.4	624.2	34.7	34.7
Unallocated (provisional)	2,612.2	–	–	–
	<b>3,904.1</b>	<b>1,295.7</b>	<b>76.0</b>	<b>76.0</b>

The Group tests goodwill and purchased brands for impairment annually, or more frequently if there are indications that goodwill might be impaired. Goodwill acquired in a business combination is allocated to the CGUs that are expected to benefit from that business combination. In 2021 the goodwill impairment testing was carried out on a VIU basis using the most recently approved management budgets for the year ending 31 March 2022 together with the most recent five-year business plan.

Projected cash flows beyond five years have been assumed at the long-term growth rate for that region and these have been used to formulate a terminal value for the discounted cash flow calculation in perpetuity.

### Key assumptions

The key assumptions in the most recent annual budget on which the cash flow projections are based relate to:

- discount rates;
- long-term growth rates; and
- operating margins.

*Discount rates:* The cash flow projections have been discounted using the Group's pre-tax weighted average cost of capital adjusted for the country and market risk.

*Long-term growth rates:* Long-term growth rates used are assumed to be equal to the long-term growth rate in the gross domestic product of the region in which the CGU operates.

*Operating margin:* Operating margins are based upon past results. These are increased over the forecast period for planned improvements in gross margin, driven by a changing sales mix towards more profitable product streams. In addition, cost management strategies are assumed to be implemented that limit operating expense increases to on or around inflation.

## FINANCIAL STATEMENTS CONTINUED

## Notes to the Consolidated Financial Statements continued

## 15 Goodwill continued

The key assumptions used in the VIU model were as follows:

	Discount rate			Long-term growth rate			Average operating margin		
	2021	2020	Break-even <sup>1</sup>	2021	2020	Break-even <sup>1</sup>	2021	2020	Break-even <sup>1</sup>
Americas	12.0%	11.7%	21.3%	1.8%	1.9%	(17.3)%	29.7%	25.6%	16.0%
Asia Pacific	12.0%	15.4%	23.2%	2.0%	1.9%	(22.9)%	29.1%	31.0%	14.3%
EMEA	9.9%	12.6%	15.7%	1.8%	1.9%	(7.8)%	27.5%	30.3%	16.6%

1. The break-even rate is the rate at which headroom within the CGU is reduced to nil, if all other assumptions remain unchanged. This is included for illustrative purposes and does not reflect a reasonably foreseeable change in assumptions.

## Summary of results

During the year all goodwill and purchased brands were tested for impairment, with no impairment charge resulting.

## Sensitivity to changes in key assumptions

The Group has considered the impact of changes in future cash flows and key assumptions on the base case VIU model, to create a sensitised VIU model. This has included applying the cumulative impact of:

- increasing pre-tax discount rates by 100bps, to reflect potential future increases in government bond yields and associated risk-free rates;
- decreasing long-term growth rates by 50bps, to reflect a worse than predicted long-term global economic outlook;
- restricting year-on-year revenue growth by 50% from the base case, to reflect the risk that future operational growth is not achieved; and
- restricting year-on-year operating margin improvements by 50%, to reflect the risk that future sales mix and efficiency improvements are not achieved.

It was concluded that the sensitised VIU model does not result in an impairment.

The headroom (i.e. the excess of the value of discounted future cash flows over the carrying amount of the CGU) under both the base case and worst-case scenario is below:

	2021		2020	
	Base case <sup>1</sup>	Sensitised <sup>2</sup>	Base case <sup>1</sup>	Sensitised <sup>2</sup>
Americas	95%	37%	28%	3%
Asia Pacific	116%	38%	44%	17%
EMEA	74%	25%	31%	6%

1. The excess of the recoverable amount over the carrying amount of the CGU before applying sensitivities.

2. Headroom after adjusting future cash flows and key assumptions to create a sensitised 'worst case' VIU model.

## Unallocated goodwill

Unallocated goodwill relates to goodwill arising on the acquisition of OSIsoft, LLC as detailed in note 14. As the acquisition completed close to the end of the financial year it was not possible to allocate the goodwill to CGUs. As the initial allocation cannot be completed before the end of the first annual period in which the business combination was affected, the initial allocation shall be completed before the end of the first annual reporting period beginning after the acquisition date. The initial allocation will be reported in the Annual Report for the year ended 31 March 2022.

Unallocated goodwill has been reviewed for impairment indicators, by comparison of forecasts used to determine the purchase price of OSIsoft, LLC to actual results and revised forecasts as at 31 March 2021. No impairment indicators were identified.

## 16 Intangible assets

	Developed technology £m	Customer relationships £m	Purchased brands £m	Trademarks £m	Other software £m	Purchased software rights £m	Capitalised Research & Development £m	Total £m
<b>Cost</b>								
At 1 April 2019	151.1	240.1	76.0	28.3	7.0	324.4	37.9	864.8
Additions	–	–	–	–	0.6	–	–	0.6
Acquisition of business	16.2	0.6	–	–	–	–	–	16.8
Disposals	–	–	–	–	(0.5)	(0.2)	–	(0.7)
Transfer <sup>1</sup>	308.9	–	–	–	–	(308.9)	–	–
Exchange adjustment	8.2	4.7	–	1.5	0.3	0.8	(0.1)	15.4
At 31 March 2020	484.4	245.4	76.0	29.8	7.4	16.1	37.8	896.9
Additions	–	–	–	–	–	0.5	–	0.5
Acquisition of business	855.6	247.1	128.9	–	0.4	–	–	1,232.0
Disposals	–	–	–	–	(0.7)	–	–	(0.7)
Exchange adjustment	(4.6)	(5.2)	1.7	(3.0)	(0.8)	(0.7)	0.5	(12.1)
At 31 March 2021	1,335.4	487.3	206.6	26.8	6.3	15.9	38.3	2,116.6
<b>Amortisation and impairment</b>								
At 1 April 2019	98.2	73.4	–	18.4	5.2	51.8	32.6	279.6
Charge for the year	59.7	23.5	–	3.6	1.1	1.6	2.2	91.7
Disposals	–	–	–	–	(0.5)	(0.2)	–	(0.7)
Transfer <sup>1</sup>	41.9	–	–	–	–	(41.9)	–	–
Exchange adjustment	5.7	3.5	–	1.1	0.2	1.0	–	11.5
At 31 March 2020	205.5	100.4	–	23.1	6.0	12.3	34.8	382.1
Charge for the year	63.0	23.9	0.5	3.5	0.6	2.7	2.1	96.3
Disposals	–	–	–	–	(0.7)	–	–	(0.7)
Exchange adjustment	(13.3)	(7.2)	–	(2.4)	(0.4)	(0.5)	0.4	(23.4)
At 31 March 2021	255.2	117.1	0.5	24.2	5.5	14.5	37.3	454.3
<b>Net book value</b>								
At 1 April 2019	52.9	166.7	76.0	9.9	1.8	272.6	5.3	585.2
At 31 March 2020	278.9	145.0	76.0	6.7	1.4	3.8	3.0	514.8
At 31 March 2021	1,080.2	370.2	206.1	2.6	0.8	1.4	1.0	1,662.3

1. During the prior year, assets with a cost of £308.9 million, accumulated amortisation of £41.9 million and net book value of £267.0 million were transferred from purchased software rights to developed technology, which is considered to better represent the nature of the assets.

For the purposes of the adjusted EPS calculation (note 13), intangible asset amortisation excludes the charge relating to other software of £0.6 million (2020: £1.1 million).

The following intangible assets are individually material:

	Carrying value £m	Remaining amortisation period
Developed technology recognised on the reverse acquisition of AVEVA Group plc	189.8	5 years
Developed technology recognised on the acquisition of OSIsoft, LLC	863.0	8 years
Customer relationships recognised on the reverse acquisition of AVEVA Group plc	112.5	9 years
Customer relationships recognised on the acquisition of OSIsoft, LLC	249.5	10 years
AVEVA brand	76.0	Indefinite
OSIsoft brand	130.1	10 years

## FINANCIAL STATEMENTS CONTINUED

## Notes to the Consolidated Financial Statements continued

## 17 Property, plant and equipment

	Long leasehold buildings and improvements £m	Computer equipment £m	Fixtures, fittings and office equipment £m	Motor vehicles £m	Total £m
<b>Cost</b>					
At 1 April 2019	9.8	21.7	8.4	1.1	41.0
Additions	6.5	6.8	5.2	–	18.5
Disposals	(1.0)	(2.6)	(1.6)	(0.7)	(5.9)
Exchange adjustment	–	0.3	0.3	(0.1)	0.5
<b>At 31 March 2020</b>	<b>15.3</b>	<b>26.2</b>	<b>12.3</b>	<b>0.3</b>	<b>54.1</b>
Additions	3.3	4.8	2.8	–	10.9
Acquisition of business	10.6	4.1	6.5	–	21.2
Disposals	(2.3)	(5.0)	(2.1)	(0.3)	(9.7)
Exchange adjustment	(1.1)	(1.6)	(0.7)	–	(3.4)
<b>At 31 March 2021</b>	<b>25.8</b>	<b>28.5</b>	<b>18.8</b>	<b>–</b>	<b>73.1</b>
<b>Depreciation</b>					
At 1 April 2019	4.6	13.6	5.3	0.4	23.9
Charge for the year	1.6	4.4	1.0	0.3	7.3
Disposals	(1.0)	(2.3)	(1.5)	(0.4)	(5.2)
Exchange adjustment	0.1	0.2	0.2	–	0.5
<b>At 31 March 2020</b>	<b>5.3</b>	<b>15.9</b>	<b>5.0</b>	<b>0.3</b>	<b>26.5</b>
Charge for the year	2.3	5.0	1.4	–	8.7
Disposals	(1.5)	(5.0)	(1.9)	(0.3)	(8.7)
Exchange adjustment	(0.4)	(1.1)	(0.4)	–	(1.9)
<b>At 31 March 2021</b>	<b>5.7</b>	<b>14.8</b>	<b>4.1</b>	<b>–</b>	<b>24.6</b>
<b>Net book value</b>					
At 1 April 2019	5.2	8.1	3.1	0.7	17.1
At 31 March 2020	10.0	10.3	7.3	–	27.6
<b>At 31 March 2021</b>	<b>20.1</b>	<b>13.7</b>	<b>14.7</b>	<b>–</b>	<b>48.5</b>

## 18 Investments

The Group consists of a Parent Company, AVEVA Group plc, incorporated in the UK, and a number of subsidiaries held directly or indirectly by AVEVA Group plc, which operate and are incorporated around the world, each contributing to the Group's profits, assets and cash flows.

The Group's percentage of equity capital and voting rights is 100%.

The results of all subsidiaries have been consolidated in these financial statements.

At 31 March 2021, the Group held the following principal investments. The addresses of all subsidiaries, principal or dormant, are provided on pages 191 to 194.

	Country of incorporation or registration		Country of incorporation or registration
AVEVA Financing Limited	UK	AVEVA Software Italia S.p.A	Italy
AVEVA Solutions Limited	UK	AVEVA KK	Japan
OSIsoft (UK) Limited	UK	AVEVA Software KK	Japan
Schneider Electric Software GB Limited	UK	OSIsoft Japan KK	Japan
OSIsoft Argentina SRL	Argentina	AVEVA Asia Pacific Sendirian Berhad	Malaysia
Schneider Electric Software Argentina S.A.	Argentina	AVEVA Sendirian Berhad	Malaysia
AVEVA Pty Limited	Australia	Schneider Electric Software México SA de CV	Mexico
AVEVA Software Australia Holdings Pty Ltd	Australia	Asset+ Solutions B.V	Netherlands
AVEVA Software Australia Pty Ltd	Australia	Schneider Electric Software Holdings Netherlands BV	Netherlands
OSIsoft Australia Pty Ltd.	Australia	Schneider Electric Software Netherlands BV	Netherlands
OSIsoft Technologies Middle East W.L.L.	Bahrain	AVEVA AS	Norway
AVEVA do Brasil Informática Ltda	Brazil	OSIsoft Norway AS	Norway
AVEVA Software Brasil Ltda	Brazil	AVEVA Korea Limited	Republic of Korea
OSIsoft do Brasil Sistemas Ltda	Brazil	AVEVA Software Korea Limited	Republic of Korea
AVEVA Software Canada Inc.	Canada	OSIsoft Korea Co., Limited	Republic of Korea
OSIsoft Canada ULC	Canada	AVEVA Limited Liability Company	Russia
AVEVA Software Chile SpA	Chile	OSIsoft OOO (LLC)	Russia
AVEVA (Shanghai) Consultancy Co. Ltd (in liquidation)	China	Schneider Electric Software RU	Russia
AVEVA Solutions (Shanghai) Co. Ltd	China	AVEVA Software Singapore Pte Ltd.	Singapore
OSIsoft (Shanghai) Technology Co.Ltd.	China	OSIsoft Asia Pte. Ltd.	Singapore
Telvent Control System (China) Co. Ltd	China	OSIsoft South Africa (Pty) Limited	South Africa
OSIsoft Czech Republic s.r.o.	Czech Republic	AVEVA Software España S.L.U.	Spain
AVEVA Software Colombia S.A.S.	Colombia	OSIsoft Espana, S.L Sociedad Unipersonal	Spain
AVEVA Denmark A/S	Denmark	AVEVA AB	Sweden
AVEVA SA	France	OSIsoft Sweden AB	Sweden
OSIsoft France Sarl	France	AVEVA Software (Thailand) Co. Ltd	Thailand
Schneider Electric Software France SAS	France	OSIsoft Technologies Bilişim Hizmetleri Limited Şirketi	Turkey
AVEVA GmbH	Germany	AVEVA Software Middle East FZ-LLC	United Arab Emirates
OSIsoft Europe GmbH	Germany	AVEVA Inc.	USA
AVEVA East Asia Limited	Hong Kong	AVEVA Software, LLC	USA
AVEVA Information Technology India Private Limited	India	AVEVA US 1 Corp	USA
AVEVA Software Private Limited	India	AVEVA US 2 Corp	USA
AVEVA Solutions India LLP	India	AVEVA US Blocker Corp	USA
OSIsoft India Private Limited	India	OSIsoft, LLC	USA
OSIsoft Italy S.R.L.	Italy		

As at 31 March 2021, AVEVA Group plc held an 6.02% investment in Finca Global of £0.4 million (2020: nil) and a 20% investment in Dianomic Systems, Inc of £nil (2020: nil).

## FINANCIAL STATEMENTS CONTINUED

## Notes to the Consolidated Financial Statements continued

## 19 Trade and other receivables

	2021 £m	2020 £m
<b>Current</b>		
Amounts falling due within one year:		
Trade receivables	245.3	181.2
Amounts owed from related parties (note 29)	21.6	28.4
Prepayments and other receivables	50.1	32.6
	<b>317.0</b>	<b>242.2</b>
<b>Non-current</b>		
Trade and other receivables	19.4	4.4
	<b>19.4</b>	<b>4.4</b>

Trade receivables are non-interest bearing and generally on terms of between 30 and 90 days. The Directors consider that the carrying amount of trade and other receivables approximates their fair value.

As at 31 March 2021, the provision for impairment of receivables was £7.9 million (2020: £7.6 million) and an analysis of the movements during the year was as follows:

	£m
At 1 April 2019	7.2
Charge for the year	2.9
Utilised	(2.2)
Exchange adjustment	(0.3)
At 31 March 2020	7.6
Charge for the year	1.4
Utilised	(0.4)
Exchange adjustment	(0.7)
At 31 March 2021	7.9

At 31 March, the ageing analysis of trade receivables and amounts owed from related parties (net of provision for impairment) was as follows:

	Total £m	Neither past due nor impaired £m	Past due not impaired			
			Less than four months £m	Four to eight months £m	Eight to twelve months £m	More than twelve months £m
<b>At 31 March 2021</b>						
Trade receivables	245.3	167.2	66.9	6.1	3.7	1.4
Amounts owed from related parties	21.6	14.3	3.8	1.0	1.0	1.5
	<b>266.9</b>	<b>181.5</b>	<b>70.7</b>	<b>7.1</b>	<b>4.7</b>	<b>2.9</b>
<b>At 31 March 2020</b>						
Trade receivables	181.2	121.1	52.5	3.0	4.6	–
Amounts owed from related parties	28.4	18.1	5.8	1.5	0.4	2.6
	<b>209.6</b>	<b>139.2</b>	<b>58.3</b>	<b>4.5</b>	<b>5.0</b>	<b>2.6</b>

Further disclosures relating to the credit quality of trade receivables are included in note 24.



## 20 Cash and cash equivalents

	2021 £m	2020 £m
Cash at bank and in hand	279.7	112.8
Short-term deposits	6.9	1.7
Net cash and cash equivalents per cash flow	286.6	114.5
Treasury deposits	0.3	0.1
Restricted cash	7.3	–
	294.2	114.6

Treasury deposits represent bank deposits with an original maturity of over three months and are held with a fixed rate of interest.

Restricted cash represents funds held in escrow in relation to the acquisition of OSIsoft, LLC.

Short-term deposits are made for varying periods of between one day and three months, depending on the immediate cash requirements of the Group, and earn interest at the respective fixed short-term deposit rates.

Further disclosures relating to credit quality of cash and cash equivalents and treasury deposits are included in note 24.

## 21 Trade and other payables

	2021 £m	2020 £m
<b>Current</b>		
Trade payables	39.6	20.1
Amounts owed to related parties (note 29)	1.5	7.6
Social security, employee taxes and sales taxes	28.5	18.5
Accruals	176.8	99.1
Other payables	24.9	4.2
	271.3	149.5
<b>Non-current</b>		
Other liabilities	18.2	0.7
	18.2	0.7

Trade payables are non-interest bearing and are normally settled on terms of between 30 and 60 days. Social security, employee taxes and sales taxes are non-interest bearing and are normally settled on terms of between 19 and 30 days. The Directors consider that the carrying amount of trade and other payables approximates their fair value.

Accruals have increased as a result of the acquisition of OSIsoft, LLC and associated transaction related costs.

## 22 Loans and borrowings

During the year, the group replaced its £100.0 million Revolving Credit Facility with a new £250.0 million facility. The facility is unsecured but carries the support of various operating entities within the Group. Interest on drawings is calculated at LIBOR plus a variable margin, initially 1.15% but adjusts in relation to the Group's net leverage ratio. A commitment fee, linked to the margin, is also payable on undrawn amounts. The initial maturity is 25 February 2024. The facility also includes the mechanism to request two one-year extensions which are subject to lender's acceptance at each occurrence.

As at 31 March 2021 the RCF remained undrawn (2020: nil).

On 9 October 2020 the Group entered into a US\$900.0 million debt facility with Schneider Electric Holdings Inc. This non-amortising loan was drawn down in full on 19 March 2021 with a termination date of 19 March 2024. Interest on drawings is calculated at LIBOR plus a variable margin, initially 1.30% but adjusts in relation to the Group's net leverage ratio. The facility is unsecured but carries the support of various operating entities within the Group.

The balance as at 31 March 2021 was £654.0 million (2020: nil), inclusive of £0.8 million of fees.

## FINANCIAL STATEMENTS CONTINUED

## Notes to the Consolidated Financial Statements continued

## 23 Leases

## a) Background

As at 31 March 2021, the Group was entered into lease contracts as a lessee for various properties, vehicles, and items of office equipment for use in its operations. The Group does not operate as a lessor.

## b) Right-of-use assets

Set out below are the carrying amounts of the Group's right-of-use assets and the movements during the period:

	Long leasehold buildings £m	Office equipment £m	Motor vehicles £m	Total £m
At 1 April 2019	73.2	0.2	2.7	76.1
Additions	18.6	0.2	2.4	21.2
Remeasurement <sup>1</sup>	(0.3)	–	(0.2)	(0.5)
Depreciation expense	(15.4)	(0.1)	(1.6)	(17.1)
Exchange adjustment	0.4	–	–	0.4
Disposals	(0.1)	–	(0.5)	(0.6)
At 31 March 2020	76.4	0.3	2.8	79.5
Additions	14.8	–	0.7	15.5
Acquisition of business	35.5	0.8	–	36.3
Remeasurement <sup>1</sup>	3.1	–	0.1	3.2
Depreciation expense	(17.9)	(0.1)	(1.5)	(19.5)
Exchange adjustment	(3.1)	–	–	(3.1)
At 31 March 2021	108.8	1.0	2.1	111.9

1. Lease liabilities are remeasured when a change to future contractual cash flows is identified. Remeasurements were made in the year based upon changes in indexation and rates on variable lease payments, and changes in the lease term. The carrying value of the corresponding right-of-use asset is also remeasured to reflect this change in lease liabilities.

## c) Lease liabilities

Set out below for the Group's lease liabilities are the carrying amounts and movements during the period:

	Long leasehold buildings £m	Office equipment £m	Motor vehicles £m	Total £m
At 1 April 2019	62.0	0.2	2.7	64.9
Additions	18.6	0.2	2.4	21.2
Remeasurement <sup>1</sup>	(0.3)	–	(0.2)	(0.5)
Accretion of interest	2.4	–	0.1	2.5
Payments	(16.2)	(0.1)	(1.7)	(18.0)
Exchange adjustment	0.4	–	–	0.4
Disposals	(0.1)	–	(0.5)	(0.6)
At 31 March 2020	66.8	0.3	2.8	69.9
Additions	14.8	–	0.7	15.5
Acquisition of business	44.1	0.8	–	44.9
Remeasurement <sup>1</sup>	3.2	–	0.1	3.3
Accretion of interest	2.4	–	0.1	2.5
Payments	(19.6)	(0.1)	(1.6)	(21.3)
Exchange adjustment	(3.0)	–	–	(3.0)
At 31 March 2021	108.7	1.0	2.1	111.8
Current	21.3	0.2	1.4	22.9
Non-current	87.4	0.8	0.7	88.9

1. Lease liabilities are remeasured when a change to future contractual cash flows is identified. Remeasurements were made in the year based upon changes in indexation and rates on variable lease payments, and changes in the lease term.

The potential impact of lease covenants is considered to be immaterial.

A maturity analysis of lease liabilities is included within note 24(c).

#### d) Income statement impact

The following items have been recognised in the Consolidated Income Statement:

	2021 £m	2020 £m
Depreciation expense on right-of-use assets	19.5	17.1
Interest on lease liabilities	2.5	2.5
Expense relating to short-term leases	2.7	5.4
Expense relating to leases of low-value assets	0.1	–
Total amount recognised in Consolidated Income Statement	24.8	25.0

The Group had total cash outflows for leases of £24.1 million (2020: £23.4 million).

## 24 Financial risk management

The Group's principal financial instruments comprise cash and short-term deposits, and forward foreign exchange contracts. The Group has various other financial assets and liabilities such as trade receivables, trade payables and borrowings, which arise directly from its operations.

The Group enters into forward foreign exchange contracts to manage currency risks arising from the Group's operations.

It is, and has been throughout the period under review, the Group's policy that no speculative trading in financial instruments shall be undertaken.

The main risks arising from the Group's financial instruments are market risk, credit risk and liquidity risk. The Board reviews and agrees policies for managing such risks on a regular basis, as summarised below:

#### a) Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates and interest rates, will affect the Group's income or the value of its holding of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters.

##### Interest rate risk

The Group's interest rate risk consists of:

- Floating interest rate risk, arising on the Group's term loan and any drawings under the RCF. Changes in floating interest rates affect finance expense and cash flows. Interest rates are set with reference to LIBOR.
- Interest rate risk associated with the Group's cash deposits. The Group's overall objective with respect to holding these deposits is to maintain a balance between security of funds, accessibility and competitive rates of return.

For the presentation of market risks, IFRS 7 requires sensitivity analysis that show the effects of hypothetical changes of relevant risk variables on profit or loss and shareholders' equity. The Group is exposed to fluctuations in interest rates on its cash, cash equivalents and borrowings.

A 1% decrease in the sterling and US dollar interest rates would not have had any impact on interest income (2020: no impact) or profit after tax (2020: no impact).

##### Foreign currency risk

Foreign currency risk arises from the Group undertaking a significant number of foreign currency transactions in the course of operations. These exposures arise from sales in currencies other than the Group's presentational currency of sterling.

The Group manages exchange risks, where possible, by using forward foreign exchange contracts and foreign currency denominated borrowings. The fair value of the forward contracts is recognised in financial assets and financial liabilities in the balance sheet. The Group enters into forward foreign exchange contracts to match forecast cash flows arising from its recurring revenue base. In addition, it enters into specific forward foreign exchange contracts for individually significant revenue contracts, when the timing of forecast cash flows is reasonably certain. Other currency exposures are harder to hedge cost effectively. At 31 March 2021, the Group had outstanding currency exchange contracts to sell of US\$2.1 million (2020: US\$21.9 million) and €6.8 million (2020: €5.6 million).

## FINANCIAL STATEMENTS CONTINUED

## Notes to the Consolidated Financial Statements continued

## 24 Financial risk management continued

The Group applied hedge accounting for forward foreign exchange contracts relating to funds raised for the purpose of acquiring OSIsoft, LLC. A loss of £178.4 million was recognised in the hedging reserve through the Consolidated Statement of Comprehensive Income and adjusted the purchase price on completion on the combination. Gains and losses on all other forward foreign exchange contracts have been included in the Consolidated Income Statement.

The Group has investments in foreign operations whose net assets are exposed to currency translation risk. Gains and losses arising from these structural currency exposures are recognised in the Consolidated Statement of Comprehensive Income.

## Foreign currency sensitivity analysis

For the presentation of market risks, IFRS 7 requires sensitivity analysis that shows the effect of hypothetical changes in the foreign exchange rates in profit or loss or shareholders' equity. The impact is determined by applying the sensitised foreign exchange rate to the monetary assets and liabilities at the balance sheet date.

Currency risks as defined by IFRS 7 arise on account of financial instruments being denominated in a currency that is not the functional currency and being of a monetary nature; differences resulting from the translation of financial statements into the Group's presentation currency are not taken into consideration.

A 10% change in the US dollar and euro against sterling would have impacted equity and profit after tax by the amounts shown below as at the reporting date shown. In management's opinion, this is a reasonably possible change given current market conditions. Our analysis indicates that a 10% change in other currencies would not have a significant impact. This analysis assumes that all other variables, in particular interest rates and other foreign currencies, remain constant. The analysis is performed on the same basis for 2020.

31 March 2021	Increase/ (decrease) in average rate	Profit/(loss) £m	Equity £m
US dollar	10%	(14.1)	(14.1)
	(10%)	14.1	14.1
Euro	10%	(2.5)	(2.5)
	(10%)	2.3	2.3
31 March 2020	Increase/ (decrease) in average rate	Profit/(loss) £m	Equity £m
US dollar	10%	(5.8)	(5.8)
	(10%)	5.4	5.4
Euro	10%	(0.7)	(0.7)
	(10%)	0.6	0.6

## b) Credit risk

The Group's principal financial assets are cash and cash equivalents, and trade and other receivables.

Counterparties for cash and cash equivalents are governed by the treasury policy, which has been approved by the Board, and are limited to financial institutions which have a high credit rating assigned by international credit rating agencies. As set out in the Group's treasury policy, the amount of exposure to each counterparty is subject to a specific limit, up to a maximum of 50% of the Group's total counterparty risk. Within this overall limit, some counterparties are subject to more restrictive caps on counterparty exposure.

The Group trades only with recognised, creditworthy third parties and provides credit to customers in the normal course of business. The amounts presented in the Consolidated Balance Sheet are net of allowances for doubtful receivables. Expected credit loss allowances are made against trade receivables based on credit risk characteristics. The Group has credit control functions to monitor receivable balances on an ongoing basis. Credit checks are performed before credit is granted to new customers. Due to the credit control procedures in place, we believe all the receivables are of good quality. The Group has no significant concentration of credit risk, with exposure spread over a large number of customers. The maximum exposure to credit risk is represented by the carrying amount of each financial asset. The exposure to credit risk is mitigated where necessary by either letters of credit or payments in advance.

The Group does not require collateral in respect of its financial assets.

The Group's credit risk exposure on trade receivables and related party receivables is set out below:

At 31 March 2021	Total £m	Current £m	Past due			
			Less than four months £m	Four to eight months £m	Eight to twelve months £m	More than twelve months £m
<b>Trade receivables</b>						
Expected loss rate %		0%	1%	8%	20%	79%
Gross carrying amount	253.2	167.8	67.7	6.6	4.6	6.5
Loss allowance	(7.9)	(0.6)	(0.8)	(0.5)	(0.9)	(5.1)

At 31 March 2020	Total £m	Current £m	Past due			
			Less than four months £m	Four to eight months £m	Eight to twelve months £m	More than twelve months £m
<b>Trade receivables</b>						
Expected loss rate %		2%	3%	12%	12%	100%
Gross carrying amount	188.8	122.8	53.9	3.4	5.2	3.5
Loss allowance	(7.6)	(1.7)	(1.4)	(0.4)	(0.6)	(3.5)

### c) Liquidity risk

The Group manages liquidity risk by maintaining adequate cash reserves and by continuously monitoring forecast and actual cash flows and matching the maturity of financial assets and liabilities. As at 31 March 2021 the Group has access to undrawn borrowing facilities of £250.0 million (2020: £100.0 million).

The table below analyses the Group's financial liabilities, which will be settled on a net basis, into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows:

At 31 March 2021	Lease liabilities £m	Trade and other payables £m	Amounts owed to related parties £m	Term loan £m	Total £m
<b>Current financial liabilities</b>					
Less than three months	6.6	62.1	1.3	–	70.0
Between three months and six months	6.4	1.0	–	–	7.4
Between six months and one year	12.4	1.4	0.2	–	14.0
	25.4	64.5	1.5	–	91.4
<b>Non-current financial liabilities</b>					
One to two years	22.2	11.2	–	–	33.4
Two to five years	48.7	7.0	–	654.0	709.7
Greater than five years	24.9	–	–	–	24.9
	95.8	18.2	–	654.0	768.0
<b>Total financial liabilities</b>	121.2	82.7	1.5	654.0	859.4
Effect of discounting	(9.4)	–	–	–	(9.4)
<b>Carrying amount</b>	111.8	82.7	1.5	654.0	850.0

## FINANCIAL STATEMENTS CONTINUED

## Notes to the Consolidated Financial Statements continued

## 24 Financial risk management continued

At 31 March 2020	Lease liabilities £m	Trade and other payables £m	Amounts owed to related parties £m	Total £m
<b>Current financial liabilities</b>				
Less than three months	5.1	20.3	5.7	31.1
Between three months and six months	4.9	1.1	0.9	6.9
Between six months and one year	8.8	2.9	1.0	12.7
	18.8	24.3	7.6	50.7
<b>Non-current financial liabilities</b>				
One to two years	15.1	0.7	–	15.8
Two to five years	28.6	–	–	28.6
Greater than five years	15.6	–	–	15.6
	59.3	0.7	–	60.0
<b>Total financial liabilities</b>	78.1	25.0	7.6	110.7
Effect of discounting	(8.2)	–	–	(8.2)
<b>Carrying amount</b>	69.9	25.0	7.6	102.5

The table below analyses the Group's forward foreign exchange contracts, which will be settled on a gross basis, into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows:

At 31 March 2021	Less than three months 'm	Between three months and six months 'm	Between six months and one year 'm	Greater than one year 'm
Forward foreign exchange contracts (GBP/EUR)				
Outflow	€4.3	€2.5	–	–
Inflow	£3.8	£2.2	–	–
Forward foreign exchange contracts (GBP/USD)				
Outflow	\$2.1	–	–	–
Inflow	£1.6	–	–	–
At 31 March 2020	Less than three months 'm	Between three months and six months 'm	Between six months and one year 'm	Greater than one year 'm
Forward foreign exchange contracts (GBP/EUR)				
Outflow	€2.5	€2.1	€1.0	–
Inflow	£2.2	£1.9	£0.9	–
Forward foreign exchange contracts (GBP/USD)				
Outflow	\$10.9	\$3.0	\$8.0	–
Inflow	£8.4	£2.3	£6.6	–

## d) Fair values

The carrying amounts of financial assets and liabilities in the Group's financial statements approximates their fair values.

The Group's financial liabilities include forward foreign exchange contracts. Financial instruments that are recognised at fair value subsequent to initial recognition are grouped into Levels 1 to 3 based on the degree to which the fair value is observable. The three levels are defined as follows:

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

At 31 March 2021, the Group had forward foreign exchange contracts which were measured at Level 2 fair value subsequent to initial recognition. The fair value of the asset in respect of foreign exchange contracts was £0.3 million at 31 March 2021 (2020: liability of £0.4 million).

The resulting gain of £0.7 million (2020: loss of £0.4 million) on the movement of the fair value of forward foreign exchange contracts is recognised in the Consolidated Income Statement within selling and administrative expenses.

### e) Capital management

The Group's policy is to maintain a strong capital base so as to maintain investor, market, creditor, customer and employee confidence and to sustain future development of the business. The Group's equity structure consists of equity attributable to the equity holders of AVEVA Group plc comprising issued share capital, other reserves and retained earnings. The Group's debt facilities are detailed in note 22 and consist of a term loan and RCF.

To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares.

The Board monitors the capital structure on a regular basis and determines the level of annual dividend. The Group is not exposed to any externally imposed capital requirements.

## 25 Deferred tax

The following are the major deferred tax liabilities and assets recognised by the Group and the movements thereon, during the current and previous year:

	Retirement benefits £m	Intangible assets £m	Share options £m	Losses £m	Other temporary differences <sup>1</sup> £m	Total £m
At 1 April 2019	(0.2)	(106.9)	3.2	–	4.4	(99.5)
Acquisition of business	–	(3.4)	–	–	–	(3.4)
Credit to income statement	(0.4)	9.8	1.2	1.5	(6.5)	5.6
Charge to other comprehensive income	(1.2)	–	–	–	–	(1.2)
Credited to equity	–	–	0.2	–	–	0.2
Exchange adjustment	–	(1.4)	–	(0.2)	(0.9)	(2.5)
At 31 March 2020	(1.8)	(101.9)	4.6	1.3	(3.0)	(100.8)
Acquisition of business	0.1	–	–	8.2	(2.1)	6.2
Credit to income statement	0.3	18.9	0.3	2.5	8.6	30.6
Credit to other comprehensive income	0.5	–	–	–	–	0.5
Charged to equity	–	–	(0.1)	–	–	(0.1)
Exchange adjustment	(0.1)	1.2	–	0.1	1.8	3.0
At 31 March 2021	(1.0)	(81.8)	4.8	12.1	5.3	(60.6)

1. Other temporary differences consist principally of deferred tax on fixed assets, expenses deductible in future and timing differences in respect of revenue recognition.

Certain deferred tax assets and liabilities have been offset. The following is the analysis of the deferred tax balances (after offset) for financial reporting purposes:

	2021 £m	2020 £m
Deferred tax liabilities	(82.0)	(119.9)
Deferred tax assets	21.4	19.1
	(60.6)	(100.8)

At the balance sheet date, the Group has unused tax losses of £54.9 million (2020: £45.4 million) available for offset against future profits. Losses of £2.4 million (2020: £1.9 million) expire after 10 years and no losses (2020: £9.4 million) expire after 20 years. All other losses may be carried forward indefinitely. No deferred tax asset has been recognised for tax losses of £20.1 million (2020: £36.9 million).

It is likely that the majority of the overseas earnings would qualify for the UK dividend exemption. However, £54.5 million (2020: £48.3 million) of the undistributed earnings of overseas subsidiaries may still result in a tax liability principally as a result of withholding taxes levied by the overseas jurisdictions in which they operate. A deferred tax liability of £0.3 million (2020: £0.5 million) has been provided for withholding tax that is expected to be incurred on the payment of intra-Group dividends. No liability has been recognised for the remaining overseas earnings because the Group is in a position to control the timing of the reversal of the temporary differences and it is probable that such differences will not reverse in the foreseeable future.

## FINANCIAL STATEMENTS CONTINUED

## Notes to the Consolidated Financial Statements continued

## 26 Retirement benefits

The Group operates defined benefit pension schemes in the UK, Germany, Italy and Sweden. The Group also provides certain post-retirement benefits to employees in Australia, India, Saudi Arabia and UAE.

The movement on the retirement benefit surplus and obligations was as follows:

	UK £m	Germany £m	South Korea £m	Other £m	Total £m
At 31 March 2019	(7.1)	2.9	2.4	7.8	6.0
Additions	–	–	–	0.3	0.3
Current service cost	–	0.3	0.2	1.2	1.7
Net interest on pension scheme liabilities	1.9	–	–	0.2	2.1
Return on pension scheme assets	(1.8)	–	–	(0.1)	(1.9)
Actuarial remeasurements	(6.3)	(0.1)	–	0.2	(6.2)
Employer contributions	(1.6)	(0.1)	(0.1)	(1.1)	(2.9)
Disposals	–	–	(2.4)	(0.8)	(3.2)
Exchange adjustment	–	0.1	(0.1)	–	–
At 31 March 2020	(14.9)	3.1	–	7.7	(4.1)
Additions	–	–	–	2.0	2.0
Acquisition of business	–	–	–	0.9	0.9
Current service cost	–	0.1	–	1.2	1.3
Past service cost	0.1	–	–	(0.3)	(0.2)
Net interest on pension scheme liabilities	1.6	–	–	0.2	1.8
Return on pension scheme assets	(1.9)	–	–	–	(1.9)
Actuarial remeasurements	2.2	0.3	–	–	2.5
Employer contributions	(0.2)	(0.2)	–	(1.0)	(1.4)
Disposals	–	–	–	(1.1)	(1.1)
Exchange adjustment	–	(0.1)	–	(0.3)	(0.4)
At 31 March 2021	(13.1)	3.2	–	9.3	(0.6)

During the year to 31 March 2021, the defined benefit scheme operated in Japan was converted to a defined contribution scheme. A gain on disposal of £0.3 million is recognised in other income.

The following is the analysis of the retirement benefit balances:

	2021 £m	2020 £m
Retirement benefit surplus	(13.1)	(14.9)
Retirement benefit obligations	12.5	10.8
<b>Net retirement benefit surplus</b>	<b>(0.6)</b>	<b>(4.1)</b>

The UK defined benefit scheme surplus has been recognised as a non-current asset as the Group has a right to any remaining surplus after all liabilities are paid. The Trustees may not distribute any surplus without the agreement of the Group. If such agreement is withheld, the Trustees are required to repay any remaining funds to the Group.

## a) UK defined benefit scheme

The Group operates a UK defined benefit pension plan providing benefits based on final pensionable pay which is funded. This scheme was closed to new employees on 30 September 2002 (with the option of reopening if required) and was converted to a Career Average Revalued Earnings basis on 30 September 2004. The scheme closed to future benefit accrual with effect from 1 April 2015. Pensions are also payable to dependants on death. Administration on behalf of the members is governed by a trust deed, and the funds are held and managed by professional investment managers who are independent of the Group.

The most recent triennial actuarial assessment of the scheme was dated 31 March 2019 and performed by Broadstone Corporate Benefits Limited, an external, professionally qualified actuary. The outcome of the valuation was that, on a statutory funding objective basis, the scheme held £79.8 million of liabilities with an overall surplus of £4.9 million. It was determined no additional employer contributions were required. The Group is sufficiently profitable and cash-generative to meet future obligations should the next valuation require contributions to restart.



The scheme operates a liability-driven investment strategy; around two-thirds of asset values comprise low-risk investments such as bonds and defensive hedge funds, with equities a small total of scheme assets. The liability-driven investment strategy seeks to match the profile of the liabilities where appropriate. This includes the use of derivative instruments to hedge inflation and interest risks. Scheme assets are stated at their market values.

The pension liability is measured with reference to discount rates derived from yields on high-quality corporate bonds, UK retail price inflation, future salary increases, and post-retirement mortality. The scheme is therefore exposed to risks associated with UK inflation, interest rates, investments, and changes in pensioner life expectancy. These risks are mitigated by investing in liability-driven investments to hedge inflation and interest rates, outsourcing of investments to the consultancy firm Aon Solutions, who continually review asset allocations and performance against the set benchmark, and the scheme actuary regularly reviewing and providing updates on mortality rate assumptions.

The principal assumptions used in determining the pension valuation were as follows:

	2021 %	2020 %
Main assumptions:		
Discount rate	2.0	2.2
Inflation assumption – RPI	3.3	2.9
Rate of salary increases	5.3	4.9
Rate of increase of pensions in payment	3.1	2.8
Rate of increase of pensions in deferment	2.6	2.2
Cash commutation	20% of pension	20% of pension

The duration of scheme liabilities is estimated to be 16 years.

For the years ended 31 March 2021 and 2020, the mortality assumptions adopted imply the following weighted average life expectancies:

	2021 Years	2020 Years
Male currently aged 65	22.6	22.6
Female currently aged 65	23.8	23.7
Male currently aged 45	23.6	23.6
Female currently aged 45	25.0	24.9

Company contributions were £0.2 million (2020: £1.6 million), comprising deficit contributions totalling £nil (2020: £1.4 million) per annum plus an administration charge of £0.2 million (2020: £0.2 million). The total contributions in the year-ended 31 March 2022 is expected to be approximately £0.2 million.

The assumed discount rate, inflation rate and mortality all have a significant effect on the IAS 19 accounting valuation. The following table shows the sensitivity of the valuation to changes in these assumptions:

	Impact on liabilities increase/(decrease)	
	2021 £m	2020 £m
0.25 percentage point increase to:		
– discount rate	(3.1)	(2.9)
– inflation (including pension increases linked to inflation)	1.9	2.0
Additional one-year increase to life expectancy	3.4	3.0

The assets and liabilities of the scheme at 31 March 2021 and 2020 were as follows:

	2021 £m	2020 £m
Equities	17.7	18.5
Bonds	13.2	28.2
Other	60.5	43.3
Total fair value of assets	91.4	90.0
Present value of scheme liabilities	(78.3)	(75.1)
Net pension asset	13.1	14.9

## FINANCIAL STATEMENTS CONTINUED

## Notes to the Consolidated Financial Statements continued

## 26 Retirement benefits continued

The amounts recognised in the Consolidated Income Statement and Consolidated Statement of Comprehensive Income for the year are analysed as follows:

	2021 £m	2020 £m
<b>Selling and administrative expenses</b>		
Past service cost	0.1	–
<b>Finance revenue</b>		
Interest income on pension scheme assets	(1.9)	(1.9)
<b>Finance costs</b>		
Interest on pension scheme liabilities	1.6	1.9
<b>Taken to Consolidated Statement of Comprehensive Income</b>		
Actual return on pension scheme assets	3.4	5.4
Less: interest income on pension scheme assets	(1.9)	(1.9)
	1.5	3.5
Changes in assumptions and experience adjustments on liabilities	(3.7)	2.7
<b>Remeasurement gain on defined benefit plan</b>	<b>(2.2)</b>	<b>6.2</b>

Analysis of movements in the present value of the defined benefit pension obligations during the year are analysed as follows:

	2021 £m	2020 £m
At 1 April	75.1	77.7
Interest on pension scheme liabilities	1.6	1.9
Benefits paid	(2.2)	(1.8)
Actuarial loss due to experience	(1.8)	(1.7)
Actuarial loss due to changes in the economic assumptions	5.5	(1.2)
Actuarial gain due to changes in the demographic assumptions	–	0.2
Past service cost	0.1	–
<b>At 31 March</b>	<b>78.3</b>	<b>75.1</b>

The above defined benefit obligation arises from a plan that is wholly funded.

Changes in the fair value of plan assets are as follows:

	2021 £m	2020 £m
At 1 April	90.0	84.8
Interest income	1.9	1.9
Contributions by employer	0.2	1.6
Benefits paid	(2.2)	(1.8)
Actual return less interest in income	1.5	3.5
<b>At 31 March</b>	<b>91.4</b>	<b>90.0</b>

## b) Germany defined benefit schemes

The Group operates five schemes in Germany that are accounted for under IAS 19. All are unfunded, with benefits paid as they become due.

Scheme type	Schemes	Payable on	Status
Defined benefit	4	Throughout retirement	Closed to new applicants
Anniversary payments	1	Achievement of service milestones	Closed to new applicants

Details of the actuarial assumptions used to value these schemes in accordance with IAS 19 are set out below:

	2021	2020
Rate of increase of pension in payment	1.5 to 2.5%	1.8 to 2.5%
Discount rate	0.1 to 0.8%	0.2 to 1.8%
Mortality	13 to 20 years	13 to 20 years
Retirement age	60 to 63	60 to 63

The Group is also responsible for the pension obligations of six former Bocad employees. This liability is covered by an external insurance provider, with the Group being liable only if the external insurance provider defaults.

## c) Other retirement and employee benefit schemes

The Group operates additional retirement and employee benefit schemes in several of its overseas businesses, none of which are considered to be individually material:

Location	Scheme type	Funding status	Payable on
Australia	Long service leave payments	Unfunded	Qualifying dates during employment
Bahrain	Lump sum payment	Unfunded	Retirement or termination
France	Lump sum payment	Unfunded	Retirement
India	Leave encashment plan <sup>1</sup>	Unfunded	Retirement
India	Lump sum payment	Funded	Severance of employment
Italy	Lump sum payment	Unfunded	Retirement
Saudi Arabia	Lump sum payment	Unfunded	Retirement or termination
Sweden	ITP scheme <sup>2</sup>	Funded	Throughout retirement
United Arab Emirates	Lump sum payment	Unfunded	Retirement or termination

1. Unused annual leave can be used to purchase an additional retirement benefit.

2. Multi-employer, industry defined benefit scheme providing benefits above the state pension. Accounted for as a defined contribution scheme.

## d) Defined contribution schemes

The Group also operates defined contribution retirement schemes. The assets of the schemes are held separately from those of the Group. The total cost charged to the income statement of £20.6 million (2020: £18.2 million) represents contributions payable to these schemes by the Group at the rates specified in the rules of the plans.

## FINANCIAL STATEMENTS CONTINUED

## Notes to the Consolidated Financial Statements continued

## 27 Share-based payment plans

The Group has four active equity-settled share schemes: the AVEVA Group plc Long-Term Incentive Plan (LTIP); the AVEVA Group Management Bonus Deferred Share Scheme (Deferred Share Scheme); the AVEVA Group plc Senior Employee Restricted Share Plan 2015 (Restricted Share Plan); and the AVEVA Group plc Global Employee Share Purchase Plan (GESPP).

The following table illustrates the number, and movements in, share options for the schemes during the year:

	LTIP	Restricted Share Plan	Deferred Share Scheme	Total
Outstanding at 1 April 2019	1,007,852	313,061	56,529	1,377,442
Exercisable at 1 April 2019	2,924	6,212	–	9,136
Granted during year	301,748	166,059	85,358	553,165
Forfeited during the year	(29,100)	(6,225)	–	(35,325)
Exercised during the year	(157,414)	(67,108)	(21,162)	(245,684)
Outstanding at 31 March 2020	1,123,086	405,787	120,725	1,649,598
Exercisable at 31 March 2020	250,355	3,870	257	254,482
Granted during year	280,236	636,313	23,609	940,158
Rights issue adjustment during year <sup>1</sup>	286,878	137,436	27,119	451,433
Forfeited during the year	(14,963)	(12,450)	–	(27,413)
Exercised during the year	(532,958)	(84,152)	(35,641)	(652,751)
<b>Outstanding at 31 March 2021</b>	<b>1,142,279</b>	<b>1,082,934</b>	<b>135,812</b>	<b>2,361,025</b>
<b>Exercisable at 31 March 2021</b>	<b>25,442</b>	<b>69,955</b>	<b>25,655</b>	<b>121,052</b>

1. Additional options were awarded to scheme participants as a result of the December 2020 rights issue. Options were awarded such that the overall value of options available were unchanged by the rights issue.

The fair value of option awards subject to EPS performance targets was measured at grant date using the Black-Scholes option pricing model, and the fair value of option awards subject to TSR performance targets was determined by use of Monte Carlo simulations, both taking into account the terms and conditions upon which the instruments were granted. The following table lists the inputs to the model used for each of the awards:

## Year ended 31 March 2021

	LTIP	Restricted Share Plan	Deferred Share Scheme
Weighted average exercise price	3.56p	3.56p	nil
Expected volatility	36% to 46%	36% to 46%	46%
Risk-free interest rate	nil-0.1%	nil-0.1%	nil
Expected life of option	3 to 5 years	1 to 3 years	2 to 4 years
Weighted average share price	47.53	39.34	48.87
Valuation type	Black-Scholes and Monte Carlo	Black-Scholes	Black-Scholes

## Year ended 31 March 2020

	LTIP	Restricted Share Plan	Deferred Share Scheme
Weighted average exercise price	3.56p	3.56p	nil
Expected volatility	27%	27%	32%
Risk-free interest rate	0.4%	0.4%	0.6%
Expected life of option	3 to 5 years	3 years	2 to 4 years
Weighted average share price	37.94	39.94	32.20
Valuation type	Black-Scholes and Monte Carlo	Black-Scholes	Black-Scholes

The weighted average remaining contractual life for the options outstanding at 31 March 2021 is 5.9 years (2020: 6.7 years).

The weighted average share price at date of exercise for options exercised during the year was £41.83 (2020: £39.72).

The average fair value of options granted during the year was £39.46 (2020: £37.61). In calculating the fair value, the expected life of the options is based on historical data and is not necessarily indicative of exercise patterns that may occur. The expected volatility reflects the assumption that the historical volatility is indicative of future trends, which may also not necessarily be the actual outcome.

In the year ended 31 March 2021 the Group recognised an expense of £16.3 million related to equity-settled share-based payment transactions (2020: £12.0 million).

Details of the share option plans are as follows:

#### a) Long-Term Incentive Plan

The performance conditions attached to the options awarded in the financial years ended 31 March 2021, 2020, and 2019 are based on EPS growth (50%), Total Shareholder Return (TSR) (25%) against a comparator group combining the FTSE 350 Technology Sector and the S&P Mid Cap 400 Software companies, and strategic objectives (25%), with the precise measures to be set and measured by the Remuneration Committee.

Further information about the performance conditions are provided in the Remuneration Committee report on pages 114 to 115.

#### b) Deferred Share Scheme

The Deferred Share Scheme is participated in by Directors and senior management. Subject to the achievement of performance conditions relating to a single financial year, these incentive arrangements are intended to reward the recipient partly in cash and partly in ordinary shares in the Company to be delivered on a deferred basis.

The award of deferred shares takes the form of nil-cost options exercisable by participants in three equal tranches, one in each of the three years following the year in which the award is made. The option may be exercised in the 42-day period beginning on the announcement of the financial results of the Group in each of the three calendar years after that in which the option was granted. The last date of the exercise is the end of the 42-day period following the announcement of the financial results of the Group in the third calendar year following that in which the option was granted or (if applicable) such later date as the Remuneration Committee may specify. These awards are made solely in respect of performance in the financial year immediately prior to their grant. Delivery of the deferred shares is not subject to further performance conditions but each participant is required to remain an employee or Director of the Group during the three-year vesting period in order to receive their deferred shares in full (except in the case of death or the occurrence of a takeover, reconstruction or amalgamation, or voluntary winding up of the Company).

#### c) Restricted Share Plan

The Restricted Share Plan allows awards of options to be made to senior management, and other employees at the discretion of the Remuneration Committee. The right to exercise an option is subject to completion of a required period of continued employment within the Group:

- options granted pre-31 March 2020: three years; or
- options granted post-31 March 2020: one to three years, in three equal tranches on the anniversary date of the grant.

Options that are not exercised prior to the fifth anniversary (or, in the case of an award with an overall award period of more than four years, the sixth anniversary) of the date of grant shall lapse.

#### d) Global Employee Share Purchase Plan

The Group launched the GESPP in January 2021, with the aim to encourage employees to acquire and hold shares in AVEVA Group plc. This is comprised of three plans. At 31 March 2021 no shares had been purchased under this scheme as all plans were in an initial six-month employee contribution phase. The first share purchase is expected in August 2021.

##### UK Share Incentive Plan

All UK employees are entitled to contribute up to £150 per month from their gross pay. The GESPP trustees buy shares (partnership shares) at market value every six months with the employees' contributions. For every two partnership shares purchased, the Group purchases three additional shares (matching shares) which are awarded to the employee.

If the employee sells their partnership shares or leaves employment with the Group within three years of the initial acquisition the matching shares are forfeited.

##### US Employee Stock Purchase Plan

All US employees are entitled to contribute up to £850 per month from their net pay. The GESPP trustees buy partnership shares in the open market with the employee's contributions. Share are purchased at market value, less a 15% discount which is settled by the Group. These shares are not subject to a holding period or forfeiture.

##### International Employee Share Purchase Plan

All international employees based outside of the UK and US and who are employed by a participating Group company are entitled to contribute up to £150 per month from their net pay. The GESPP trustees buy partnership shares at market value every six months with the employees' contributions. For each partnership share purchased, the Group purchases one additional matching share which is awarded to the employee.

If the employee sells the partnership share or leaves employment with the Group within two years of the initial acquisition the matching share is forfeited.

## FINANCIAL STATEMENTS CONTINUED

## Notes to the Consolidated Financial Statements continued

## 28 Share capital and reserves

## a) Share capital

	2021 £m	2020 £m
<b>Allotted, called-up and fully paid</b>		
301,155,427 (2020: 161,512,219) ordinary shares of 3.56 pence each	10.7	5.7

Details of the shares issued during the year and the prior year are as follows:

	2021 Number	2021 £m	2020 Number	2020 £m
At 1 April	161,512,219	5.7	161,287,697	5.7
Issue of new shares for the acquisition of OSIsoft, LLC	13,655,570	0.5	–	–
Rights issue for the acquisition of OSIsoft, LLC	125,739,796	4.5	–	–
Exercise of share options	247,842	–	224,522	–
<b>At 31 March</b>	<b>301,155,427</b>	<b>10.7</b>	<b>161,512,219</b>	<b>5.7</b>

During the year the Company undertook a rights issue in order to facilitate the acquisition of OSIsoft, LLC. Additionally, part of the consideration was paid through issuance of additional new shares to Estudillo Holdings Corp. A total of 139,395,366 ordinary shares of 3.56 pence were issued.

The Company issued a further 247,842 (2020: 224,522) ordinary shares of 3.56 pence each with a nominal value of £8,806 (2020: £7,968) pursuant to the exercise of share options. The total proceeds were £8,806 (2020: £7,968), which included a premium of £nil (2020: £nil).

## b) Share premium

Share premium represents the excess of proceeds arising on the issue of equity shares, net of transactions costs, over the nominal value of the associated share capital.

	2021 £m	2020 £m
At 1 April	574.5	574.5
Issue of new shares for the acquisition of OSIsoft, LLC	465.2	–
Rights issue for the acquisition of OSIsoft, LLC	2,831.0	–
Transactions costs for issued share capital	(28.6)	–
<b>At 31 March</b>	<b>3,842.1</b>	<b>574.5</b>

## c) Other reserves

## Merger reserve

The merger reserve is the difference between the equity consideration and the nominal value of shares issued in connection with the acquisition of SES in 2018, less amounts used to pay up the B shares. The return of value to shareholders was effected through the issue and redemption of B shares which were paid up out of the merger reserve.

## Cumulative translation adjustment reserve

The cumulative translation adjustment reserve is used to record exchange differences arising from the translation of the financial statements of foreign subsidiaries.

## Capital redemption reserve

The capital redemption reserve represents the return of value to shareholders from AVEVA Group plc insofar as made out of distributable reserves.

## Reverse acquisition reserve

On 1 March 2018, AVEVA Group plc acquired SES as part of a reverse acquisition. AVEVA Group plc was the legal acquirer, as it exercised control over the enlarged Group. For accounting purposes SES was treated as the acquirer, as the former shareholders of SES (Schneider Electric) obtained the majority of shares in the enlarged AVEVA Group. The reverse acquisition reserve represents the difference between the consideration and the AVEVA capital equity interests on this acquisition.

### Treasury shares

The treasury share reserve represents the cost of the shares in AVEVA Group plc purchased in the open market and held by the AVEVA Group Employee Benefit Trust 2008 (EBT) to satisfy deferred shares under the Group's deferred annual bonus share plan. During the year, 23,197 shares (2020: 85,127) were purchased by the EBT at a price of £47.83 (2020: £36.13). An additional 71,300 shares (2020: nil) were obtained as a result of the November 2020 rights issue. These are held at nil value. 380,316 shares (2020: 21,162) with an attributable cost of £9.7 million (2020: £0.4 million) were issued to employees in satisfying share options that were exercised.

	£m
At 1 April 2019	9.4
Own shares purchased	3.1
Shares issued to employees	(0.4)
At 31 March 2020	12.1
Own shares purchased	1.1
Shares issued to employees	(9.7)
At 31 March 2021	3.5

## 29 Related party transactions

Transactions between the Company and its subsidiaries, which are related parties, have been eliminated on consolidation and are not disclosed in this note.

### a) Schneider Electric Group companies

During the year, Group companies entered into the following transactions with Schneider Electric Group companies:

	2021 £m	2020 £m
Sales of goods and services	62.2	69.1
Purchases of goods and services	(3.4)	(11.2)
Interest expense on term loan	(0.2)	—
Other non-trading transactions	13.7	13.4

Other non-trading transactions related to amounts received from Schneider Electric in reimbursement for expenditure incurred as part of the Company's migration from activities covered by TSAs following the Combination. Of these transactions, £8.5 million (2020: £9.6 million) related to operating expenses incurred, and £5.2 million (2020: £3.8 million) to capital expenditure.

On 19 March 2021, the AVEVA Group received a £646.4 million (US \$900.0 million) term loan from Schneider Electric Holdings Inc to assist in the funding of the acquisition of OSIsoft, LLC. The term loan bears interest of LIBOR plus a margin and is repayable three years from the inception date on 19 March 2024.

During the year ended 31 March 2021, the Group paid £nil (2020: £nil) to Schneider Electric SE, the parent company of the Schneider Electric Group. All other transactions were with subsidiary companies within the Schneider Electric Group.

The existing TSA with Schneider Electric has an end date of 31 August 2021 for ERP-related services. Discussions are ongoing in relation to a new Services Agreement under which Schneider Electric (through SE Digital) will continue to provide ERP-related services beyond 31 August 2021 whilst the Group completes its global roll out of the new ERP system.

As at 31 March, Group companies held the following balances with Schneider Electric Group companies:

	2021 £m	2020 £m
Trade and other receivables	18.9	23.6
Trade and other payables	(1.5)	(7.6)
Non-trading receivables	2.7	4.8
Term loan	(654.8)	—

All balances held were with subsidiary companies within the Schneider Electric Group.

## FINANCIAL STATEMENTS CONTINUED

## Notes to the Consolidated Financial Statements continued

## 29 Related party transactions continued

## Terms and conditions of transactions with related parties

Outstanding balances at 31 March 2021 are unsecured, and settlement occurs in cash. There have been no guarantees provided or received for any related party receivables or payables. For the year ended 31 March 2021, the Group has not recorded any impairment of receivables relating to amounts owed by related parties (2020: nil). This assessment is undertaken each financial year through examining the financial position of the related party and the market in which the related party operates.

## b) Remuneration of key management personnel

The remuneration of the key management personnel of the Group is set out below in aggregate for each of the categories specified in IAS 24 'Related Party Disclosures'. Key management personnel are considered to be the Board and the ELT of AVEVA Group plc. In addition to their salaries, the Group provides non-cash benefits and contributes to defined contribution pension schemes on their behalf. Key management personnel also participate in the Group's share option schemes and deferred annual bonus share plan.

Further information about the remuneration of individual Directors is provided in the audited part of the Remuneration Committee report on pages 90 to 122.

	2021 £m	2020 £m
Short-term employee benefits	5.4	7.9
Share-based payments	6.4	6.0
	<b>11.8</b>	<b>13.9</b>

## c) Transactions with other related parties

Dr J Patrick Kennedy holds 4.53% of the issued ordinary share capital of AVEVA through his 75.64% ownership of Estudillo Holdings Corp. Dr J Patrick Kennedy is also Chairman Emeritus of the Group, a board advisory position.

In the year ended 31 March 2021, the Group has recognised £141,000 (2020: nil) of expense payable to SLTC LLC for the use of the OSIsoft San Leandro offices. The lease is effective until 31 January 2027, with rent of US\$4.0 million payable per annum. SLTC LLC is 25% owned by Dr J Patrick Kennedy.

In the year ended 31 March 2021, the Group has recognised £8,000 (2020: nil) of expense payable to Lit San Leandro LLC for the use of fibre optic cable. The lease is effective until 6 January 2022, with extension options to 6 January 2029. Rent of US\$132,000 is payable per annum. Lit San Leandro LLC is 49% owned by Dr J Patrick Kennedy.

## 30 Commitments and contingencies

	2021 £m	2020 £m
Bank guarantees	12.8	8.0
Parent Company guarantees	44.7	14.4
	<b>57.5</b>	<b>22.4</b>

The Group provides a number of guarantees for obligations to complete and deliver projects. These include bid, performance and warranty bonds, and guarantees against advance payments, all of which arise in the ordinary course of business and are issued by either banking partners or AVEVA parent companies. The amounts disclosed above represent the Group's contractual exposure at the balance sheet date.

## 31 Subsequent events

On 11 May 2021 the Group entered into an agreement whereby it agreed to sell the Acquis Software, Termis Software and Water Loss Management Software businesses together to Schneider Electric for an aggregate consideration of £2.6 million. Completion is expected to occur in or around July 2021.

Subsequent to the year end, the Group proposes to perform a capital reduction, reducing share premium and creating additional distributable reserves within retained earnings of approximately £1.0 billion. The proposal is subject to approval by shareholders at the Annual General Meeting on 7 July 2021.



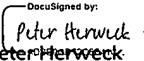
# Company Balance Sheet

31 March 2021

	Notes	2021 £m	2020 £m
<b>Non-current assets</b>			
Investments	5	4,630.9	1,334.1
Deferred tax assets		3.6	1.7
		<b>4,634.5</b>	<b>1,335.8</b>
<b>Current assets</b>			
Trade and other receivables	6	129.6	130.1
Cash and cash equivalents		–	–
		<b>129.6</b>	<b>130.1</b>
<b>Total assets</b>		<b>4,764.1</b>	<b>1,465.9</b>
<b>Equity</b>			
Issued share capital	8(a)	10.7	5.7
Share premium	8(b)	3,842.1	574.5
Capital redemption reserve		101.7	101.7
Merger reserve		619.6	619.6
Retained earnings		182.9	157.4
<b>Total equity</b>		<b>4,757.0</b>	<b>1,458.9</b>
<b>Current liabilities</b>			
Trade and other payables	7	5.6	5.3
Current tax liabilities		1.5	1.7
		<b>7.1</b>	<b>7.0</b>
<b>Total equity and liabilities</b>		<b>4,764.1</b>	<b>1,465.9</b>
<b>Profit for the year</b>		<b>92.1</b>	<b>89.0</b>

No income statement is presented by the Company as permitted by section 408 of the Companies Act 2006. The accompanying notes are an integral part of this Company Balance Sheet.

The financial statements on pages 179 to 184 were approved by the Board of Directors on 25 May 2021 and signed on its behalf by:

DocuSigned by:  
  
**Peter Herweck**  
 Chief Executive Officer

DocuSigned by:  
  
**James Kidd**  
 Deputy CEO & CFO

Company number  
2937296

## FINANCIAL STATEMENTS CONTINUED

# Company Statement of Changes in Shareholders' Equity

31 March 2021

	Share capital £m	Share premium £m	Merger reserve £m	Capital redemption reserve £m	Retained earnings £m	Total shareholders' funds £m
At 1 April 2019	5.7	574.5	619.6	101.7	127.9	1,429.4
Profit for the year	-	-	-	-	89.0	89.0
Share-based payments	-	-	-	-	6.7	6.7
Share options granted to employees of subsidiary companies	-	-	-	-	5.3	5.3
Tax arising on share options	-	-	-	-	0.2	0.2
Dividends paid	-	-	-	-	(71.7)	(71.7)
At 31 March 2020	5.7	574.5	619.6	101.7	157.4	1,458.9
Profit for the year	-	-	-	-	92.1	92.1
Issue of new shares	0.5	465.2	-	-	-	465.7
Rights issue	4.5	2,831.0	-	-	-	2,835.5
Transaction costs relating to issue of share capital	-	(28.6)	-	-	-	(28.6)
Share-based payments	-	-	-	-	9.4	9.4
Share options granted to employees of subsidiary companies	-	-	-	-	6.7	6.7
Tax arising on share options	-	-	-	-	(0.3)	(0.3)
Dividends paid	-	-	-	-	(82.4)	(82.4)
At 31 March 2021	10.7	3,842.1	619.6	101.7	182.9	4,757.0

The accompanying notes are an integral part of this Company Statement of Changes in Shareholders' Equity.

# Notes to the Company Financial Statements

## 1 Authorisation of financial statements and corporate information

The financial statements of AVEVA Group plc (the Company) for the year ended 31 March 2021 were authorised for issue by the Board of Directors on 25 May 2021 and the balance sheet was signed on the Board's behalf by Peter Herweck, the Chief Executive Officer, and James Kidd, the Deputy CEO & CFO. AVEVA Group plc is a limited company incorporated and domiciled in England and Wales whose shares are publicly traded on the London Stock Exchange. The principal activity of the Company is that of a holding company.

These financial statements were prepared in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework (FRS 101) and in accordance with applicable accounting standards. The financial statements are prepared on the historical cost basis. The accounting policies which follow set out those policies which apply in preparing the financial statements for the year ended 31 March 2021. The financial statements are presented in pounds sterling (£), rounded to the nearest £0.1 million except when otherwise indicated.

No income statement is presented by the Company as permitted by section 408 of the Companies Act 2006. The results of AVEVA Group plc are included in the Consolidated Financial Statements of AVEVA Group plc.

The Directors believe that the Company is well placed to manage its business risks successfully despite macroeconomic and geopolitical uncertainties. It has considerable financial resources and no external borrowings. As a consequence of these factors and having reviewed the forecasts for the coming year, the Directors have a reasonable expectation that there are adequate resources to continue in operational existence for the foreseeable future. Thus, they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

## 2 Summary of significant accounting policies

Explained below are the significant accounting policies of the Company. The full statement of Group accounting policies is included on pages 185 to 190.

### a) Basis of accounting

The Company has taken advantage of the following disclosure exemptions under FRS 101:

- the requirements of IAS 7 'Statement of cash flows';
- the requirements of IAS 8 'IFRSs issued but not effective';
- the requirements of IFRS 2 'Share-based payments';
- the requirements of IFRS 7 'Financial instruments: disclosures';
- the requirements of IFRS 13 'Fair value measurements'; and
- the requirements of IAS 24 'Related party disclosures'.

The basis for all of the above exemptions is because equivalent disclosures are included in the Consolidated Financial Statements of the Group in which the entity is consolidated.

### b) Significant accounting estimates

#### Impairment of investments in subsidiaries

The carrying values of investments in subsidiaries are reviewed for impairment when events or changes in circumstance indicate the carrying value may be impaired. If any such indication exists, and where the carrying values exceed the estimated recoverable amount, the investments in subsidiaries are written down to their recoverable amount. The recoverable amount is the greater of fair value less cost of disposal and VIU. In assessing VIU, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Impairment losses are recognised in the income statement. It is not considered that any impairment indicators existed at the balance sheet date.

### c) Taxation

Corporation tax payable is provided on taxable profits using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more, or a right to pay less, tax in the future have occurred at the balance sheet date. Deferred tax is measured on a non-discounted basis at the average tax rates that are expected to apply in periods in which timing differences reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date.

## FINANCIAL STATEMENTS CONTINUED

## Notes to the Company Financial Statements continued

## 2 Summary of significant accounting policies continued

## d) Share-based payments

The accounting policy in relation to share-based payment transactions is disclosed in full in the Consolidated Financial Statements. The Company recognises the expense relating to the Executive Directors. The Company also records a corresponding increase in its investments in subsidiaries with a credit to equity which is equivalent to the IFRS 2 cost in subsidiary undertakings.

## e) Investments in subsidiaries

Fixed asset investments in subsidiaries are shown at cost less provision for impairment.

## 3 Result for the year

AVEVA Group plc reported a profit for the financial year ended 31 March 2021 of £92.1 million (2020: £89.0 million).

Audit fees of £8,000 (2020: £7,000) are borne by another Group company.

The Company had an average of two employees during the year (2020: two).

Directors' remuneration is disclosed in the Directors' Remuneration Report on pages 90 to 122. The Company bears the remuneration expense for Executive and Non-Executive Directors.

## 4 Dividends

	2021 £m	2020 £m
<b>Declared and paid during the year<sup>1</sup></b>		
Interim 2020/21 dividend paid of 12.4 pence <sup>1</sup> (2019/20: 12.4 pence) per ordinary share	35.6	25.0
Final 2019/20 dividend paid of 23.3 pence (2018/19: 23.3 pence) per ordinary share	46.8	46.7
	<b>82.4</b>	<b>71.7</b>
<b>Proposed for approval by shareholders at the Annual General Meeting</b>		
Final 2020/21 proposed dividend of 23.5 pence (2019/20: 23.3 pence) per ordinary share	70.7	46.8

1. Dividends per share for comparative periods have been restated and adjusted for a bonus factor of 0.80, to reflect the bonus element of the November 2020 rights issue. Previously stated final dividend per share totals for both 2020/21 and 2019/20 were 15.5 pence per share, and final dividend per share for both 2019/20 and 2018/19 were 29.0 pence per share.

The proposed final dividend is subject to approval by shareholders at the Annual General Meeting on 7 July 2021 and has not been included as a liability in these financial statements. If approved at the Annual General Meeting, the final dividend will be paid on 4 August 2021 to shareholders on the register at the close of business on 9 July 2021.

## 5 Investments

	£m
At 1 April 2019	1,325.0
Additions	9.1
At 31 March 2020	1,334.1
Additions	3,296.8
At 31 March 2021	4,630.9

During the year ended 31 March 2021, the Company increased its investment in AVEVA Solutions Limited (£2,643.7 million), AVEVA Software Singapore Pte Ltd (£617.6 million) and AVEVA Financing (£28.7 million) as part of the structuring for the acquisition of OSIsoft, LLC. A further investment in AVEVA Solutions Limited of £6.8 million was made by virtue of share options being granted to employees of that subsidiary undertaking.

Details of the Company's subsidiary undertakings are set out in note 18 in the Consolidated Financial Statements of the Group.

## 6 Trade and other receivables

	2021 £m	2020 £m
Amounts owed by Group undertakings	129.6	130.1

Amounts owed by Group undertakings are non-interest bearing and are repayable on demand.

## 7 Trade and other payables

	2021 £m	2020 £m
Social security, employee taxes and sales taxes	3.3	0.4
Accruals	0.4	3.0
Amounts owed to Group undertakings	1.9	1.9
	5.6	5.3

Amounts owed to Group undertakings are non-interest bearing and are normally settled on terms of between 30 and 60 days. Social security, employee taxes and sales taxes are non-interest bearing and are normally settled on terms of between 19 and 30 days. The Directors consider that the carrying amount of trade and other payables approximates their fair value.

## 8 Share capital and reserves

### a) Share capital

	2021 £m	2020 £m
Allotted, called-up and fully paid		
301,155,427 (2020: 161,512,219) ordinary shares of 3.56 pence each	10.7	5.7

Details of the shares issued during the year and the prior year are as follows:

	2021 Number	2021 £m	2020 Number	2020 £m
At 1 April	161,512,219	5.7	161,287,697	5.7
Issue of new shares for the acquisition of OSIsoft, LLC	13,655,570	0.5	–	–
Rights issue for the acquisition of OSIsoft, LLC	125,739,796	4.5	–	–
Exercise of share options	247,842	–	224,522	–
At 31 March	301,155,427	10.7	161,512,219	5.7

During the year the Company undertook a rights issue in order to facilitate the acquisition of OSIsoft, LLC. Additionally, part of the consideration was paid through issuance of additional new shares to Estudillo Holdings Corp. A total of 139,395,366 ordinary shares of 3.56 pence were issued.

The Company issued a further 247,842 (2020: 224,522) ordinary shares of 3.56 pence each with a nominal value of £8,806 (2020: £7,968) pursuant to the exercise of share options. The total proceeds were £8,806 (2020: £7,968), which included a premium of £nil (2020: £nil).

Details of share options awarded to Executive Directors during the year are contained in the Directors' Remuneration Report. Note 27 of the Consolidated Financial Statements for the Group includes details of share option awards made during the year.

## FINANCIAL STATEMENTS CONTINUED

## Notes to the Company Financial Statements continued

## 8 Share capital and reserves continued

## b) Share premium

Share premium represents the excess of proceeds arising on the issue of equity shares, net of transactions costs, over the nominal value of the associated share capital.

	2021 £m	2020 £m
At 1 April	574.5	574.5
Issue of new shares for the acquisition of OSIsoft, LLC	465.2	–
Rights issue for the acquisition of OSIsoft, LLC	2,831.0	–
Transactions costs for issued share capital	(28.6)	–
At 31 March	3,842.1	574.5

## c) Other reserves

## Merger reserve

The merger reserve is the difference between the equity consideration and the nominal value of shares issued in connection with the acquisition of SES in 2018, less amounts used to pay up the B shares. The return of value to shareholders was effected through the issue and redemption of B shares which were paid up out of the merger reserve.

## Capital redemption reserve

The capital redemption reserve represents the return of value to shareholders from AVEVA Group plc insofar as made out of distributable reserves.

## 9 Related party transactions

There are no related party balances held at 31 March 2021 (2020: £nil).

## 10 Commitments and contingencies

	2021 £m	2020 £m
Parent Company guarantees	43.2	14.4
Loan guarantee	654.8	–
	698.0	14.4

The Company provides a number of Parent Company guarantees to subsidiaries for obligations to complete and deliver projects. These include bid, performance and warranty bonds, and guarantees against advance payments, all of which arise in the ordinary course of business.

The Company is a guarantor for the £654.8 million (US\$900.0 million) loan from Schneider Electric Holdings Inc, undertaken by Company subsidiaries to fund the acquisition of OSIsoft, LLC.

The amounts disclosed above represent the Company's contractual exposure at the balance sheet date.

## 11 Subsequent events

Subsequent to the year end, the Company proposes to perform a capital reduction, reducing share premium and creating additional distributable reserves within retained earnings of approximately £1.0 billion. The proposal is subject to approval by shareholders at the Annual General Meeting on 7 July 2021.

# Statement of Group Accounting Policies

## Statement of compliance

The Consolidated Financial Statements of AVEVA Group plc and all its subsidiaries (the Group) have been prepared in accordance with International Accounting Standards (IASs) in conformity with the requirements of the Companies Act 2006 and in accordance with International Financial Reporting Standards (IFRSs) adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union and for the year ended 31 March 2021. The financial information has been prepared on the basis of all applicable IFRSs, including all IASs, Standing Interpretations Committee (SIC) interpretations and International Financial Reporting Interpretations Committee (IFRIC) interpretations issued by the International Accounting Standards Board (IASB) that are applicable to the financial period.

The Parent Company financial statements of AVEVA Group plc have been prepared under the FRS 101 reduced disclosure framework and are included on pages 179 to 184.

## Basis of consolidation

The Consolidated Financial Statements comprise the financial statements of AVEVA Group plc and its subsidiaries as at 31 March each year. The financial statements of subsidiaries are prepared using existing GAAP for each country of operation. Adjustments are made to translate any differences that may exist between the respective local GAAP and IFRSs.

Inter-company balances and transactions, including unrealised profits arising from intra-Group transactions, have been eliminated in full. Subsidiaries are consolidated from the date on which control is obtained by the Group and cease to be consolidated from the date on which control is transferred out of the Group. On acquisition, assets and liabilities of subsidiaries are measured at their fair values at the date of acquisition, with any excess of the cost of acquisition over this value being capitalised as goodwill.

## Adoption of new and revised standards

The Group has applied for the first time in the reporting period commencing 1 April 2020:

- amendments to IFRS 3 'Definition of a business';
- amendments to IFRS 16 'Covid-19 related rent concessions';
- amendments to IFRS 7, IFRS 9 and IAS 39 'Interest rate benchmark reform'; and
- amendments to IAS 1 and IAS 8 'Definition of material'.

These amendments did not impact the Group's financial statements.

## New standards and interpretations not yet effective

Certain new accounting standards and interpretations have been published that are not mandatory for the current reporting period and have not been early adopted by the Group. These standards are not expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

## Foreign currencies

The functional and presentational currency of AVEVA Group plc is pounds sterling (£). Transactions in foreign currencies are initially recorded at the functional currency rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rate of exchange ruling at the balance sheet date. All differences are taken to the Consolidated Income Statement.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate as at the date of the initial transaction.

The subsidiaries have a number of different functional currencies. As at the reporting date, the assets and liabilities of these overseas subsidiaries are translated into pounds sterling (£) at the rate of exchange ruling at the balance sheet date, and their income statements are translated on a monthly basis, using an average periodic rate for each month. Exchange differences arising on the retranslation are taken directly to the Consolidated Statement of Comprehensive Income.

## Business combinations

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, which is measured at acquisition date fair value.

The Group determines that it has acquired a business when the acquired set of activities and assets include an input and a substantive process that together significantly contribute to the ability to create outputs. The acquired process is considered substantive if it is critical to the ability to continue producing outputs, and the inputs acquired include an organised workforce with the necessary skills, knowledge, or experience to perform that process or it significantly contributes to the ability to continue producing outputs and is considered unique or scarce or cannot be replaced without significant cost, effort, or delay in the ability to continue producing outputs.

## FINANCIAL STATEMENTS CONTINUED

## Statement of Group Accounting Policies continued

Acquisition costs wholly related to raising debt or equity are offset against the corresponding financial liability and share premium respectively on the day of incurring the liability or of the equity issue. All other acquisition-related costs are expensed as incurred and included in selling and administrative expenses.

**Goodwill**

Goodwill on acquisitions is initially measured at cost, being the excess of the cost of the business combination over the acquirer's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities. Following initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of the Group's CGUs that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

Where goodwill forms part of a CGU and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured on the basis of the relative values of the operation disposed of and the portion of the CGU retained.

If the potential benefit of tax losses or other deferred tax assets does not satisfy the criteria in IFRS 3 for separate recognition when a business combination is initially accounted for but is subsequently realised, the Group recognises the deferred tax income in the Consolidated Income Statement.

**Intangible assets**

Intangible assets acquired separately are capitalised at cost and from a business acquisition are capitalised at fair value as at the date of acquisition. Following initial recognition, the cost model is applied to each class of intangible asset as set out below.

Expenditure on internally developed intangible assets, excluding development costs, is taken to the Consolidated Income Statement in the year in which it is incurred. Internal software development expenditure is recognised as an intangible asset only after its technical feasibility and commercial viability can be demonstrated.

Useful lives are also examined on an annual basis and adjustments, where applicable, are made on a prospective basis. Amortisation is calculated on a straight-line basis over the estimated useful economic lives of the asset, which are as follows:

	Years
Developed technology	3 to 12
Customer relationships	5 to 20
Purchased brands	10 to infinite
Trademarks	5 to 15
Other software	3 to 7
Purchased software rights	3 to 10
Capitalised Research & Development	3 to 5

**Government grants**

Government grants are recognised as receivable when there is reasonable assurance that they will be received and all required conditions to obtain them have been complied with. They are credited to the income statement in the same period as the related expense for which the grant is compensating. The grant income is presented as a deduction from the related expense.

**Property, plant and equipment**

Property, plant and equipment is stated at cost less depreciation and any accumulated impairment losses.

Depreciation is calculated on a straight-line basis to write down the assets to their estimated residual value over the useful economic life of the asset as follows:

	Years
Computer equipment	3 to 5
Fixtures, fittings and office equipment	5 to 8
Motor vehicles	4

Leasehold buildings and improvements are amortised on a straight-line basis over the shorter of the period of the lease and useful economic life.



## Impairment of assets

Goodwill arising on acquisition is allocated to CGUs expected to benefit from the combination's synergies and represents the lowest level at which goodwill is monitored for internal management purposes and generates cash flows which are independent of other CGUs. The recoverable amount of the CGU to which goodwill has been allocated is tested for impairment annually or when events or changes in circumstance indicate that it might be impaired. The carrying values of property, plant and equipment and intangible assets other than goodwill are reviewed for impairment when events or changes in circumstance indicate the carrying value may be impaired. If any such indication exists and where the carrying values exceed the estimated recoverable amount, the assets or CGUs are written down to their recoverable amount. The recoverable amount is the greater of net selling price and VIU. In assessing VIU, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the CGU to which the asset belongs. If the initial allocation of goodwill acquired in a business combination cannot be completed before the end of the first annual period in which the business combination is effected, that initial allocation shall be completed before the end of the first annual period beginning after the acquisition date. Impairment losses are recognised in the Consolidated Income Statement within selling and administrative expenses.

## Contract assets and liabilities

A contract asset is recognised when revenue recognised in respect of a customer contract exceeds amounts received or receivable from the customer. This situation arises when the software licence performance obligation, from a multi-year rental contract, has been delivered to a customer and the revenue recognised at a point in time and invoicing is conditional on further performance. Also, from the recognition of revenue from service projects on a percentage of completion basis that is greater than amounts invoiced to the customer and invoicing is conditional on further performance. The carrying amount is reduced by allowances for expected credit losses under IFRS 9. When the invoices are raised the contract asset values are reclassified to trade receivables.

Contract liabilities comprise the Group's obligation to transfer goods or services to a customer for which the Group has received payment from the customer in advance of revenue recognition. This situation arises when the customer is invoiced in advance of the transfer and recognition of maintenance and subscriptions. Also, when the revenue recognised from services projects on a percentage of completion basis is lower than the amounts invoiced to the customer.

## Customer acquisition costs

Where sales commission is linked directly to an individual sale and is therefore an incremental cost of acquiring that contract, the commission is recognised as an asset on the balance sheet. Deferred customer acquisition costs are amortised over the period that the related goods or services transfer to the customer. As commissions paid for new contracts also relate to expected future renewals of these contracts, the amortisation period is based on average customer life, which is considered to be six years. This has been determined by considering the current customer contract terms and historical customer retention of those contracts which typically have incremental customer acquisition costs. Deferred customer acquisition costs are periodically reviewed for impairment.

Sales commission as a result of schemes that are not directly linked to individual contracts is expensed as incurred.

## Trade and other receivables

Trade receivables, which generally have 30 to 90-day terms, are typically held within a business model with the objective to hold in order to collect contractual cash flows. As such, trade receivables are recorded initially at fair value, and at amortised cost thereafter. This results in their recognition and subsequent measurement at original invoice amount less an allowance for any uncollectible amounts. An estimate for doubtful debts is made when collection of the full amount is no longer probable.

Trade receivables and contract assets are written off where there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, amongst others:

- the debtor entering bankruptcy or administration; and
- the outcome of legal proceedings.

## Cash and cash equivalents

Cash and short-term deposits in the Consolidated Balance Sheet comprise cash at bank and in hand and short-term deposits with an original maturity of three months or less. The carrying amount of these approximates their fair value. For the purpose of the Consolidated Cash Flow Statement, cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts.

## FINANCIAL STATEMENTS CONTINUED

## Statement of Group Accounting Policies continued

**Derivative financial instruments**

The Group holds forward foreign exchange contracts (the hedging instrument) to reduce exposure to foreign exchange risk. The Group does not hold or issue derivative financial instruments for speculative purposes. All forward foreign exchange contracts have been marked-to-market and are held at fair value on the Consolidated Balance Sheet. For regular transactions the Group does not apply hedge accounting. Where hedge accounting is not applied, movements in fair value are recorded in the Consolidated Income Statement. Fair value is estimated using the settlement rates prevailing at the period end.

For significant one-off transactions the Group may apply hedge accounting in order to mitigate the impact of changes in foreign exchange on the Group's income statement by matching the impact of the hedging instrument against the hedged risk.

At the inception of a hedging relationship, the hedged item and hedging instrument are documented, alongside the risk management strategy and objectives for the hedge. Prospective effectiveness testing is performed. Over the life of the hedging relationship, effectiveness testing is undertaken to ensure the instrument remains an effective hedge of the transaction.

Changes in the fair value of the hedging instrument are recognised in the hedging reserve, through the Consolidated Statement of Comprehensive Income. Any ineffective portion is recognised immediately within the Consolidated Income Statement.

Where future cash flow results in the recognition of a non-financial asset or liability, then at the point of recognition the previously recognised related gains or losses are included in the initial measurement of that asset or liability.

Hedge accounting is discontinued when the hedging instrument expires, or it is sold, terminated, exercised, or no longer qualifies for hedging. At that time, any cumulative gain or loss on the hedging instrument recognised in the hedging reserve is retained in the hedging reserve until the forecast transaction occurs. Gains or losses on hedging instruments relating to an underlying exposure that no longer exists are taken to the Consolidated Income Statement.

**Leases**

The Group recognises right-of-use assets at the commencement date of the lease (i.e. the date that the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Unless the Group is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognised right-of-use asset is depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term. Right-of-use assets are subject to impairment review.

At the commencement date of the lease, the Group also recognises lease liabilities. They are measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating a lease, if the lease term reflects the Group exercising the option to terminate. The variable lease payments that do not depend on an index or a rate are recognised as expense in the period on which the event or condition that triggers the payment occurs. The Group has adopted the practical expedient to view certain arrangements containing both lease and non-lease components as a single lease component.

In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable.

After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the in-substance fixed lease payments or a change in the assessment to purchase the underlying asset. The carrying amounts of right-of-use assets are also remeasured to reflect this change in lease liabilities.

The Group applies the short-term lease recognition exemption to its short-term leases (i.e. those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases of assets that are considered of low value (i.e. below £5,000). Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis over the lease term.

The Group determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

## Taxation

The Group is subject to income tax in numerous jurisdictions. The Group recognises provisions for tax based on estimates of taxes that are likely to become due. Where the final tax outcome is different from the amounts that were initially recorded, such differences will impact the current income tax and deferred tax provisions in the period in which such determinations are made.

Deferred income tax is provided, using the liability method, on all temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

The UK Research & Development Credit (RDEC) is recognised in the income statement and netted off against Research & Development expenses as the RDEC is of the nature of a government grant.

Deferred income tax liabilities are recognised for all taxable temporary differences:

- except where the deferred income tax liability arises from goodwill amortisation or the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of taxable temporary differences associated with investments in subsidiaries, except where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred income tax assets are recognised for all deductible temporary differences, carry-forward of unused tax assets and unused tax losses to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, carry-forward of unused tax assets and unused tax losses can be utilised:

- except where the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of deductible temporary differences associated with investments in subsidiaries, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred income tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the balance sheet date.

The income tax effects of items recorded in either other comprehensive income or equity are recognised in the Consolidated Statement of Comprehensive Income or the Consolidated Statement of Changes in Shareholders' Equity respectively. Otherwise, income tax is recognised in the Consolidated Income Statement.

Revenue, expenses and assets are recognised net of the amount of sales taxes except:

- where the sales tax incurred on a purchase of goods and services is not recoverable from the taxation authority, in which case the sales tax is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- receivables and payables are stated with the amount of sales taxes included.

The net amount of sales taxes recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the Consolidated Balance Sheet.

## FINANCIAL STATEMENTS CONTINUED

## Statement of Group Accounting Policies continued

**Retirement benefits**

For defined benefit schemes, the defined benefit obligation is calculated semi-annually for each plan by qualified external actuaries using the projected unit credit method which attributes entitlement to benefits to the current period (to determine current service cost) and to the current and prior periods (to determine the present value of defined benefit obligation). The retirement benefit liability in the Consolidated Balance Sheet represents the present value of the defined benefit obligation (using a discount rate derived from a published index of AA-rated corporate bonds) as reduced by the fair value of plan assets out of which the obligations are to be settled directly. Fair value is based on market price information and in the case of quoted securities is the published bid price. The value of a net pension benefit asset is restricted to the present value of any amount the Group expects to recover by way of refunds from the plan or reductions in the future contributions. The current service cost is recognised in the Consolidated Income Statement as an employee benefit expense. The net interest element of the defined benefit cost is calculated by applying the discount rate to the net defined benefit liability or asset.

Actuarial gains and losses arising from experience adjustments or changes in actuarial assumptions are credited or charged in the Consolidated Statement of Comprehensive Income in the period in which they arise.

The Group also operates defined contribution pension schemes for a number of UK and non-UK employees. Contributions to defined contribution plans are charged to the Consolidated Income Statement as they become payable.

**Share-based payments**

The cost of equity-settled transactions with employees is measured by reference to the fair value at the date at which they are granted, further details of which are given in note 27 of the Notes to the Consolidated Financial Statements.

The cost of equity-settled transactions is recognised, together with a corresponding increase in equity, over the period in which the performance conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the award (vesting date). The cumulative expense recognised for equity-settled transactions at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest.

No expense is recognised for awards that do not ultimately vest, except for awards where vesting is conditional upon a market condition, which are treated as vesting irrespective of whether the market condition is satisfied, provided that all other performance conditions are satisfied.

Where the terms of an equity-settled award are modified, as a minimum an expense is recognised as if the terms had not been modified. In addition, an expense is recognised for any increase in the value of the transaction as a result of the modification, as measured at the date of modification.

Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation and any expense not yet recognised for the award is recognised immediately. However, if a new award is substituted for the cancelled award, and designated as a replacement award on the date that it is granted, the cancelled and new awards are treated as if they were a modification of the original award, as described in the previous paragraph.

The dilutive effect of outstanding options is reflected as additional share dilution in the computation of EPS, subject to an estimate of whether performance conditions will be met.

**Employee benefit trust**

The Group has established an employee benefit trust (AVEVA Group Employee Benefit Trust 2008), which is a separately administered trust and is funded by loans from Group companies. The assets of the trust comprise shares in AVEVA Group plc and cash balances. The Group recognises assets and liabilities of the trust in the Consolidated Financial Statements and shares held by the trust are recorded at cost as a deduction from shareholders' equity.

Consideration received for the sale of shares held by the trust is recognised in equity, with any difference between the proceeds from the sale and the original cost being taken to retained earnings.

# Full List of Addresses and Subsidiaries

A full list of addresses of all subsidiaries and significant holdings as at 31 March 2021 is provided below, alphabetically by country within each region.

## Head office

AVEVA Group plc  
High Cross  
Maddingley Road  
Cambridge  
CB3 0HB  
UK

## EMEA

OSIsoft Technologies Middle East W.L.L.  
Office 2302-04, 23rd Floor, Almoayyed Tower  
Building No. 2504, Road 2832  
Block 428, Seef Suburb  
Bahrain

OSIsoft Czech Republic s.r.o.  
Politických obětí 117  
Frýdek-Místek - Místek  
738 01  
Czech Republic

AVEVA Denmark A/S  
Sofiendalsvej 5A  
9200 Aalborg SV  
Denmark

AVEVA SA  
Schneider Electric Software France SAS  
5 Square Felix Nadar  
Bat C, 94300 Vincennes  
France

OSIsoft France Sarl  
81 Boulevard Pierre  
1er, 33110 Le Bouscat  
France

AVEVA GmbH  
Otto-Volger-Street 7c  
65843 Sulzbach (Taunus)  
Germany

OSIsoft Europe GmbH  
Mainzer Landstrasse 178190  
60327 Frankfurt am Main  
Germany

AVEVA Software Italia S.p.A  
Viale Milano no. 177  
Gallarate  
Milan  
Italy

OSIsoft Italy S.R.L.  
Milano (MI) Viale  
20134  
Forlanini Enrico 23  
Milan  
Italy

Asset+ Holding B.V.  
Asset+ RDS B.V.  
Asset+ Solutions B.V.  
Asset+ Solutions IP B.V.  
Papendorpseweg 100  
3528BJ  
Utrecht  
Netherlands

AVEVA (The Netherlands) B.V.  
Schneider Electric Software Holdings Netherlands B.V.  
Schneider Electric Software Netherlands B.V.  
Baarnsche dijk 10 B  
3741LS  
Baarn  
Netherlands

AVEVA AS  
Golf Tower  
Kanalsletta 2  
N-4033  
Stavanger  
Norway

OSIsoft Norway AS  
Intertrust (Norway) AS Munkedamsveien 59B  
0270  
Oslo  
Norway

AVEVA Limited Liability Company  
3rd Floor, Office 9, Lit 4  
Pavlovskaya Street 7  
115093  
Moscow  
Russia

OSIsoft OOO (LLC)  
Letnikovskaya st.2., bld. 1., 4th floor, offices 401-405  
115114  
Moscow  
Russia

Schneider Electric Software RU  
Moika Embankment 58  
lit. A, of. 504 190 000  
St. Petersburg  
Russia

## FINANCIAL STATEMENTS CONTINUED

## Full List of Addresses and Subsidiaries continued

## OSIsoft South Africa (Pty) Limited

Clearwater Office Park Building 3  
Ground Floor Millenium Road And Christiaan De Wet Road  
Johannesburg  
Gauteng 1735  
South Africa

## AVEVA Software España S.L.U.

Avda Manoteras, Num 44  
Puerta 1  
28050  
Madrid  
Spain

## OSIsoft Espana, S.L Sociedad Unipersonal

Cuzco IV  
Paseo de la Castellana  
141 Planta 5a  
28046  
Madrid  
Spain

## AVEVA AB

PO Box 50555, Drottninggatan 18  
SE-202 15  
Malmo  
Sweden

## OSIsoft Sweden AB

Regus Malmo Central  
Adelgatan 21  
211 22  
Malmo  
Sweden

## AVEVA Yazilim VE Hizmetleri A.S.

Kurtköy Aeropark, Yenişehir Mahallesi, Osmanlı Bulvarı  
No:11 Kat 5 A/28,  
Pendik  
İstanbul  
34912  
Turkey

## OSIsoft Technologies Bilişim Hizmetleri Limited Sirketi

Kavaklıdere Mahallesi  
Ataturk Blv. No: 185  
Cankaya  
Ankara  
Turkey

## AVEVA Software Middle East FZ-LLC

Plot. No. S10809  
P.O. Box 61495  
Jebel Ali  
Dubai  
UAE

## 8over8 Limited (in liquidation)

Northern Ireland Science Park  
Fort George, Bay Road  
Derry  
BT48 7TG  
UK

## AVEVA Consulting Limited

AVEVA Engineering IT Limited  
AVEVA Finance Limited  
AVEVA Financing Limited  
AVEVA Limited  
AVEVA Managed Services Limited  
AVEVA Solutions Limited  
AVEVA to the Power of PI Limited  
AVEVA UK 1 Limited  
AVEVA API Limited  
CADCentre Engineering IT Limited  
CADCentre Limited  
CADCentre Pension Trustee Limited  
CADCentre Property Limited  
LFM Software Limited  
Tribon Solutions (UK) Limited

High Cross  
Maddingley Road  
Cambridge  
CB3 0HB  
UK

## Fabtrol Systems, UK Limited (in liquidation)

Ship Canal House  
98 King Street  
Manchester  
M2 4WU  
UK

## OSIsoft (UK) Limited

Capital House  
15th Floor  
Chapel Street  
London  
NW1 5DH  
UK

## Schneider Electric Software GB Limited

101 Science Park  
Milton Road  
Cambridge  
CB4 0FY  
UK

## Americas

## OSIsoft Argentina SRL

Alem Leandro N. Av. 592 Piso:6  
1001-Ciudad Autonoma  
Buenos Aires  
Argentina

**Schneider Electric Software Argentina S.A.**

Av. Eduardo Madero 900  
16th Floor  
Buenos Aires  
C1106AVC  
Argentina

**AVEVA do Brasil Informática Ltda**

Edifício Internacional Rio  
Praia do Flamengo 154  
Rio de Janeiro  
Brazil

**AVEVA Software Brasil Ltda**

Avenida das Nacoes Unidas  
22.223, Setor Portao B  
CEP 04795-907  
Cidade de São Paulo  
Estado de São Paulo  
Brazil

**OSIsoft do Brasil Sistemas Ltda**

Alameda Santos,  
1940 15 andar  
Cerqueira Cesar  
CEP 01418-102  
São Paulo - SP  
Brazil

**AVEVA Software Canada Inc.**

49 Quarry Park Blvd. SE  
Calgary Alberta AB T2C 5H9  
Canada

**OSIsoft Canada ULC**

600-1741 Lower Water Street  
Halifax, Nova Scotia, B3J 0J2  
Canada

**AVEVA Software Chile S.p.A.**

Avda. Andres Bello  
No 2711 Of. 1701  
Las Condes  
Santiago  
Chile

**OSIsoft Chile S.p.A.**

Padre Mariano no:391 DP:1101  
Providencia  
Santiago  
Chile

**AVEVA Software Colombia S.A.S.**

Cento Empresarial Colpatría  
Torre 3, Piso 6  
Calle 127A 53A-45  
Bogota  
Colombia

**OSIsoft Mexico S. de R.L. de C.V.**

Miguel de Cervantes Saavedra  
233-901, Granada Miguel Hidalgo  
Ciudad de Mexico  
11520  
Mexico

**Schneider Electric Software Mexico SA de C.V.**

111 Presidente Masarik  
Polanco  
Miguel Hidalgo  
11560 Ciudad de Mexico  
Mexico

**AVEVA Inc.**

920 Memorial City Way  
Houston, TX 77024  
USA

**AVEVA Software, LLC**

AVEVA US 1 Corp  
AVEVA US 2 Corp  
AVEVA US Blocker Corp  
Wonderware de Mexico, Inc.  
Wonderware of Venezuela, Inc.  
251 Little Falls Drive  
Wilmington, DE 19808  
USA

**OSIsoft LLC**

1600 Alvarado Street  
San Leandro, CA 94577  
USA

**Asia Pacific****AVEVA Pty Ltd**

AVEVA Software Australia Holdings Pty Ltd  
AVEVA Software Australia Pty Ltd  
Level 9, 25 King Street  
Bowen Hills  
Queensland 4006  
Australia

**OSIsoft Australia Pty Ltd**

Level 7, 99 St Georges Terrace  
Perth, WA 6000  
Australia

**AVEVA (Shanghai) Consultancy Co. Limited (in liquidation)**

37F, 88 Yincheng Rd  
Pudong District  
Shanghai  
China

## FINANCIAL STATEMENTS CONTINUED

## Full List of Addresses and Subsidiaries continued

## AVEVA Solutions (Shanghai) Co. Limited

Unit 3703-07, No. 88 Yin Cheng Road  
China Life Finance Center  
Pudong District  
Shanghai  
China

## OSIsoft (Shanghai) Technology Co., Ltd

Suite 4105, No.268 Xi Zong Middle Road  
Shanghai  
Huangpu District  
China

## Telvent Control Systems (China) Co. Limited

Middle Zone, 2/F, No.1 Building  
No. 2, 2nd Liangshuihe River Street  
Beijing Economic & Technological Development Area  
Beijing  
China

## AVEVA East Asia Limited

Room 1501  
Grand Millennium Plaza (lower block)  
181 Queens Road  
Central Hong Kong  
Hong Kong

## AVEVA Information Technology India Private Limited

Unit No 202, Wing A, 2nd Floor  
Supreme Business Park  
Supreme City  
Powai, Mumbai - 400076  
India

## AVEVA Software India Private Limited

Plot Nos. 488 and 489 1st Floor Sai Ganesh Towers Y.S.R.  
Hills, Sri Swamy Ayyappa Society  
Madhapur  
Hyderabad, Telangana - 500081  
India

## AVEVA Software Private Limited

Salarpuria Touchstone, Survey No.15A  
Portion of Survey No 14  
P7, Kadubeesanahalli, Varthur Hobli  
Bangalore, Karnataka - 560037  
India

## AVEVA Solutions India LLP

Tower 2.1, 2nd/4th Floor, WaveRock  
Sy.no 115 APIIC IT/ITE SEZ  
Nanakramguda  
Gachibowli, Hyderabad - 50008  
India

## OSIsoft India Private Limited

Platina, 9th Floor, C-59, G-Block, Bandra Kurla Complex  
Bandra (East)  
Mumbai  
Mumbai City, Maharashtra - 400051  
India

## AVEVA KK

Oase Shibaura MJ Building  
2-15-6 Shibaura, Minato-ku  
Tokyo 108-0023  
Japan

## AVEVA Software KK

OASE Shibaura MJ Building  
2-15-6 Shibaura  
Minato-ku, Tokyo  
Japan

## OSIsoft Japan KK

1-6, Shinjuku 4-chome  
Shinjuku-ku, Tokyo  
Japan

## AVEVA Asia Pacific Sendirian Berhad

AVEVA Sendirian Berhad  
Level 7, Menara Milenium  
Jalan Damanlela, Pusat Bandar  
Damansara Heights  
50490, Kuala Lumpur  
Malaysia

## AVEVA Korea Limited

## AVEVA Software Korea Limited

25 F, West Tower  
Mirae Asset Center 1 Building, 26 Eulji-ro 5-gil, Jung-gu, Seoul  
Republic of Korea

## AVEVA Software Korea Limited

13F, 189, Seongam-ro, Mapo-gu, Seoul  
Republic of Korea

## OSIsoft Korea Co., Limited

27th Floor, One IFC  
10 Gukjegeumyung-Ro  
Yeongdeungpo-Gu, Seoul  
Republic of Korea

## AVEVA Software Singapore Pte. Ltd

15 Changi Business Park  
Central 1  
#03-01/05, Singapore 486057  
Singapore

## OSIsoft Asia Pte. Ltd.

250 North Bridge Road  
#36-04 Raffles City Tower, 179101  
Singapore

## AVEVA Software (Thailand) Co., Ltd

89 AIA Capital Center, 20th Floor, Room 2028-2030  
Ratchadapisek Road  
Kwaeng Dindaeng  
Khet Dindaeng  
Bangkok 10400  
Thailand



# Non-GAAP measures

Various non-GAAP measures are presented, which management believe provide useful information for understanding the Group's financial performance.

These non-GAAP measures should be considered in addition to IFRS measures and are not intended to be a substitute for them. As they are not defined by IFRS, they may not be directly comparable with other companies who use similar measures.

Non-GAAP measure	Closest equivalent IFRS measure	Definition and purpose	Reconciliation / calculation
<b>Income statement – revenue measures</b>			
<b>Annualised recurring revenue (ARR)</b>	No direct equivalent	The non-cancellable contract consideration of subscription and maintenance contracts as at the reporting date divided by the number of days in the non-cancellable contract period and multiplied by 365. ARR represents the annualised value of the recurring revenue base that is expected to be carried into future periods.	Consistent with definition given.
<b>Revenue at constant currency</b>	Revenue	Constant currency is derived by translating the relevant current year figure at prior year average exchange rates. Constant currency enables measurement of performance on a comparable year-on-year basis without the potentially distorting effect of foreign exchange movements.	See section b below.
<b>Organic revenue at constant currency</b>	Revenue	Constant currency figures, adjusted for significant one-off events affecting year-on-year comparability, including acquisitions and disposals of subsidiaries. Organic constant currency enables measurement of performance on a comparable year-on-year basis without the potentially distorting effects of foreign exchange movements and M&A activity.	See section b below.
<b>Recurring revenue</b>	No direct equivalent	Recurring revenue is defined as subscription revenue plus maintenance revenue. Recurring revenue is revenue earned from customers for the provision of goods or services over a contractual term, where future contract renewal is required for ongoing use of the product.	See section e below.
<b>Income statement – cost measures</b>			
<b>Adjusted costs</b>	No direct equivalent	Expense excluding exceptional and normalised items. Adjusted costs allow for the comparison of results year-on-year without the potentially distorting effects of significant one-off items or items which do not relate to the underlying performance of the Group.	See section f below.
<b>Adjusted costs at constant currency</b>	No direct equivalent	Constant currency is derived by translating the relevant current year figure at prior year average exchange rates. Constant currency enables measurement of performance on a comparable year-on-year basis without the potentially distorting effect of foreign exchange movements.	See section f below.
<b>Exceptional items</b>	No direct equivalent	Items which are non-recurring and are identified by virtue of either their size or their nature. These items can include, but are not restricted to: – costs of significant restructuring exercises; – fees associated with business combinations; and – costs incurred in integrating acquired companies. Exceptional items are excluded from statutory measures to determine adjusted results.	Exceptional items are included on the face of the Consolidated Income Statement. Further information on the nature of exceptionals is included within note 7 of the notes to the consolidated financial statements.
<b>Normalised items</b>	No direct equivalent	These are recurring items which management consider to have a distorting effect on the underlying results of the Group. These include: – amortisation of intangible assets (excluding other software); – share-based payment charges; and – fair value adjustments on financial derivatives. Normalised items are excluded from statutory measures to determine adjusted results.	Normalised items are included on the face of the Consolidated Income Statement. Further information on the rationale for these items being normalised is included in note 2(c) of the notes to the consolidated financial statements.

## FINANCIAL STATEMENTS CONTINUED

## Non-GAAP measures continued

Non-GAAP measure	Closest equivalent IFRS measure	Definition	Reconciliation / calculation
<b>Income statement – profit measures</b>			
<b>Adjusted EBIT</b>	Profit from operations	Earnings before finance revenue, finance expense, tax, exceptional items, and normalised items. Adjusted results allow for the comparison of results year-on-year without the potentially distorting effects of significant one-off items or items which do not relate to the underlying performance of the Group. Adjusted EBIT is a measure of the underlying profitability of the Group.	A reconciliation is given on the face of the Consolidated Income Statement.
<b>Adjusted EBIT growth</b>	No direct equivalent	Year-on-year percentage increase in adjusted EBIT. Adjusted results allow for the comparison of results year-on-year without the potentially distorting effects of significant one-off items or items which do not relate to the underlying performance of the Group. Adjusted EBIT growth is a measure of the movement in the underlying profitability of the Group.	Consistent with definition given.
<b>Adjusted EBIT margin</b>	No direct equivalent	Adjusted EBIT as a percentage of revenue. Adjusted results allow for the comparison of results year-on-year without the potentially distorting effects of significant one-off items or items which do not relate to the underlying performance of the Group. Adjusted EBIT margin is a measure of the underlying profitability of the Group.	Consistent with definition given.
<b>Adjusted EPS</b>	EPS	Adjusted profit after tax divided by the weighted average number of ordinary shares. Weighted average number of ordinary shares are the same as those used in the Group's EPS calculation. Adjusted results allow for the comparison of results year-on-year without the potentially distorting effects of significant one-off items or items which do not relate to the underlying performance of the Group. Adjusted EPS is a measure of the underlying earnings per share for the Group. Adjusted diluted EPS growth is a performance condition for LTIP vesting.	See note 13 of the notes to the consolidated financial statements.
<b>Adjusted profit after tax</b>	Profit after tax	Profit after tax, adjusting for exceptional and normalised items and the tax effect of those items. Adjusted results allow for the comparison of results year-on-year without the potentially distorting effects of significant one-off items or items which do not relate to the underlying performance of the Group. Adjusted EBIT is a measure of the underlying profitability of the Group.	See note 13 of the notes to the consolidated financial statements.
<b>Income statement – tax measures</b>			
<b>Effective tax rate</b>	No direct equivalent	Tax charge for the year per the income statement expressed as a percentage of profit before tax.	See section c below.
<b>Effective tax rate before exceptional items</b>	No direct equivalent	Tax charge for the year per the income statement adjusted for the tax effect of exceptional items, expressed as a percentage of profit before tax and exceptional items. This provides an indication of the ongoing tax rate across the Group.	See section c below. The tax effect of exceptional items is provided in note 13 of the notes to the consolidated financial statements.
<b>Effective tax rate before exceptional and other normalised adjustments</b>	No direct equivalent	Tax charge for the year per the income statement adjusted for the tax effect of exceptional and normalised items, expressed as a percentage of profit before tax, exceptional and normalised items. This provides an indication of the ongoing tax rate across the Group.	See section c below. The tax effects of exceptional and normalised items are provided in note 13 of the notes to the consolidated financial statements.

Non-GAAP measure	Closest equivalent IFRS measure	Definition	Reconciliation / calculation
<b>Cash measures</b>			
Cash conversion	No direct equivalent	Cash generated from operating cash flow before tax items as a percentage of adjusted EBIT. This measures how efficiently Group's operating profit is converted into cash. Underlying cash conversion is defined as cash generated from operating cash flow before tax and exceptional items as a percentage of adjusted EBIT.	See section a below.
Net cash	No direct equivalent	Total cash, cash equivalents, overdrafts, and treasury deposits. It is a measure of the strength of the Group's balance sheet.	See section d below.
<b>Income statement presentations</b>			
Standalone AVEVA results	Group GAAP results	Standalone AVEVA results have been prepared on the basis that the OSIssoft, LLC acquisition had not completed before 31 March 2021. No adjustments have been made to eliminate incremental revenue or costs relating to the acquisition of OSIssoft, LLC before or after the acquisition date. The acquisition of OSIssoft, LLC has had a significant distorting effect upon the results of the Group. Standalone AVEVA results enable a more meaningful year-on-year comparison.	See section g below. 2020 standalone AVEVA results are equivalent to the Group's 2020 adjusted results.
Standalone OSIssoft results	No direct equivalent	Standalone OSIssoft represent the stand alone results for OSIssoft, LLC for the years ended 31 March 2021 and 31 March 2020. OSIssoft, LLC will form a significant portion of the Group's results in future years. Standalone OSIssoft only results allow an understanding of the historical performance of these entities.	Consistent with definition given.
Pro forma results	Group GAAP results	Pro forma results for the years ended 31 March 2021 and 31 March 2020 have been prepared on the basis that: <ul style="list-style-type: none"> <li>the financial information is the combination of the consolidated financial statements of AVEVA Group plc and OSIssoft, LLC for the years to 31 March 2020 and 31 March 2021;</li> <li>no pro forma adjustments have been made to reflect synergies or cost savings that may be expected to occur as a result of the acquisition, nor have any adjustments been made to reflect the stand-alone costs expected;</li> <li>there has been no trading between the two groups for either of the years presented; and</li> <li>the term loan was entered into on 1 April 2019, and interest accrued from that date.</li> </ul> The pro forma adjusted diluted EPS calculation assumes: <ul style="list-style-type: none"> <li>rights issue shares were issued on 1 April 2019;</li> <li>rights issue adjustments for unexercised share options at the date of the rights issue were made at the later of 1 April 2019 and the share option award date; and</li> <li>no timing adjustments made for actual or potential share options awards to OSIssoft employees.</li> </ul> Pro forma financial information does not represent the enlarged Group's actual results and does not purport to represent what the combined results would have been. Non-market performance conditions for LTIPs granted in the year-ended 31 March 2021 have been set using the pro forma results for the year-ended 31 March 2020 as a baseline for measuring growth. Non-market performance conditions for unvested LTIPs granted in previous years have been revised to incorporate pro forma results.	See section h below.

## FINANCIAL STATEMENTS CONTINUED

## Non-GAAP measures continued

## a) Cash conversion

	2021 £m	2020 £m
Cash generated from operating activities before tax	91.2	161.4
Cash outflow from exceptional items in relation to operating activities	63.2	23.3
Cash generated from operating activities before tax and exceptional items	154.4	184.7
Adjusted EBIT	226.4	216.8
Cash conversion	40.3%	74.4%
Underlying cash conversion	68.2%	85.2%

## b) Constant currency

	Subscription £m	Maintenance £m	Perpetual licences £m	Services £m	Total £m
<b>2021</b>					
Revenue at actual rates	359.7	197.7	141.6	121.4	820.4
Impact of foreign exchange	7.4	6.6	5.0	3.0	22.0
Revenue at constant currency rates	367.1	204.3	146.6	124.4	842.4
Acquisition of OSIsoft, LLC	(7.5)	(6.1)	(5.7)	(0.2)	(19.5)
Organic revenue at constant currency rates	359.6	198.2	140.9	124.2	822.9
<b>2020</b>					
Revenue at actual rates	316.8	201.7	179.3	136.0	833.8
Disposal of Wonderware entities	-	(4.4)	(7.6)	-	(12.0)
Organic revenue at actual rates	316.8	197.3	171.7	136.0	821.8
Change at constant currency	15.9%	1.3%	(18.2)%	(8.5)%	1.0%
Change at organic constant currency	13.5%	0.5%	(17.9)%	(8.7)%	0.1%

	Americas £m	APAC £m	EMEA £m	Total £m
<b>2021</b>				
Revenue at actual rates	265.4	221.3	333.7	820.4
Impact of foreign exchange	14.3	3.5	4.2	22.0
Revenue at constant currency rates	279.7	224.8	337.9	842.4
Acquisition of OSIsoft, LLC	(10.9)	(2.6)	(6.0)	(19.5)
Organic revenue at constant currency rates	268.8	222.2	331.9	822.9
<b>2020</b>				
Revenue at actual rates	279.2	227.5	327.1	833.8
Disposal of Wonderware entities	-	-	(12.0)	(12.0)
Organic revenue at actual rates	279.2	227.5	315.1	821.8
Change at constant currency	0.2%	(1.2)%	3.3%	1.0%
Change at organic constant currency	(3.7)%	(2.3)%	5.3%	0.1%

## c) Effective tax rate

	2021 £m	2020 £m
<b>Profit</b>		
Profit before tax	34.2	92.0
Exceptional items	78.5	18.8
Profit before tax and exceptional items	112.7	110.8
Normalised items		
– Amortisation of intangibles (excluding other software)	95.7	90.6
– Share-based payments	16.3	12.0
– (Gain)/loss on fair value of forward foreign exchange contracts	(0.7)	0.4
Profit before tax, exceptional items, and normalised items	224.0	213.8
<b>Income tax</b>		
Income tax expense	9.4	22.2
Tax effect on exceptional items	15.1	4.6
Income tax expense before exceptional items	24.5	26.8
Tax effect on normalised items	23.0	12.0
Income tax expense before exceptional items and normalised items	47.5	38.8
<b>Effective tax rate</b>		
Income tax expense	9.4	22.2
Profit before tax	34.2	92.0
Effective tax rate	27.5%	24.1%
<b>Effective tax rate before exceptional items</b>		
Income tax expense before exceptional items	24.5	26.8
Profit before tax and exceptional items	112.7	110.8
Effective tax rate before exceptional items	21.7%	24.2%
<b>Effective tax rate before exceptional and other normalised adjustments</b>		
Income tax expense before exceptional items and normalised items	47.5	38.8
Profit before tax, exceptional items, and normalised items	224.0	213.8
Effective tax rate before exceptional and other normalised adjustments	21.2%	18.1%

## FINANCIAL STATEMENTS CONTINUED

## Non-GAAP measures continued

## d) Net cash

	2021 £m	2020 £m
Cash and cash equivalents	286.6	114.5
Treasury deposits	0.3	0.1
Net cash	286.9	114.6

## e) Recurring revenue

	2021 £m	2020 £m
Subscription	359.7	316.8
Maintenance	197.7	201.7
Recurring revenue	557.4	518.5
Growth in recurring revenue	7.5%	25.7%
Total revenue	820.4	833.8
Recurring revenue as a percentage of total revenue	67.9%	62.2%

## f) Adjusted cost

	Operating expenses					
	Cost of sales £m	Research & Development £m	Selling and distribution £m	Administrative expenses £m	Net impairment loss from financial assets £m	Total £m
<b>2021</b>						
Statutory cost at actual rates	181.3	184.5	226.8	193.0	3.7	789.3
Amortisation excl. other software	–	(67.8)	(27.9)	–	–	(95.7)
Share-based payments	–	–	–	(16.3)	–	(16.3)
Gain on FX contracts	–	–	–	0.7	–	0.7
Exceptional items	(0.8)	(0.3)	(4.6)	(78.3)	–	(84.0)
Adjusted costs at actual rates	180.5	116.4	194.3	99.1	3.7	594.0
Impact of foreign exchange	3.6	2.1	4.7	1.8	–	12.2
Adjusted costs at constant currency rates	184.1	118.5	199.0	100.9	3.7	606.2
<b>2020</b>						
Statutory cost at actual rates	190.7	184.6	240.1	127.7	7.6	750.7
Amortisation excl. other software	–	(63.5)	(27.1)	–	–	(90.6)
Share-based payments	–	–	–	(12.0)	–	(12.0)
Loss on FX contracts	–	–	–	(0.4)	–	(0.4)
Exceptional items	(0.6)	(0.4)	(3.9)	(25.8)	–	(30.7)
Adjusted costs at actual rates	190.1	120.7	209.1	89.5	7.6	617.0
Change at actual rates	(5.0)%	(3.5)%	(7.1)%	(10.7)%	(51.3)%	(3.7)%
Change at constant currency	(3.2)%	(1.8)%	(4.8)%	12.7%	(51.3)%	(1.8)%

## g) Standalone AVEVA results

	Statutory 2021 £m	Normalised items £m	Exceptional items £m	Adjusted 2021 £m	OSIssoft post- acquisition £m	Standalone AVEVA 2021 £m	Standalone AVEVA 2020 £m	Change
Revenue <sup>1</sup>	820.4	–	–	820.4	(17.4)	803.0	833.8	(3.7)%
Cost of sales	(181.3)	–	0.8	(180.5)	1.5	(179.0)	(190.1)	(5.8)%
Gross profit	639.1	–	0.8	639.9	(15.9)	624.0	643.7	(3.1)%
Operating expenses								
Research & Development costs	(184.5)	67.8	0.3	(116.4)	1.3	(115.1)	(120.7)	(4.6)%
Selling and administrative expenses	(419.8)	43.5	82.9	(293.4)	5.9	(287.5)	(298.6)	(3.7)%
Net impairment loss on financial assets	(3.7)	–	–	(3.7)	0.3	(3.4)	(7.6)	(55.3)%
Other income	5.5	–	(5.5)	–	–	–	–	–
Total operating expenses	(602.5)	111.3	77.7	(413.5)	7.5	(406.0)	(426.9)	(4.9)%
Profit from operations	36.6	111.3	78.5	226.4	(8.4)	218.0	216.8	0.6%
Finance revenue	0.6	–	–	0.6	(0.1)	0.5	0.3	66.7%
Finance expense	(3.0)	–	–	(3.0)	0.2	(2.8)	(3.3)	(15.2)%
Profit before tax	34.2	111.3	78.5	224.0	(8.3)	215.7	213.8	0.9%
Income tax	(9.4)	(23.0)	(15.1)	(47.5)	0.5	(47.0)	(38.8)	21.1%
Profit after tax	24.8	88.3	63.4	176.5	(7.8)	168.7	175.0	(3.6)%

1. OSIssoft post-acquisition revenue adjustment is stated after the impact of the £3.3 million revenue haircut.

## h) Pro forma results

	Statutory 2021 £m	Normalised items £m	Exceptional items £m	Adjusted 2021 £m	OSIssoft pre- acquisition £m	Revenue haircut £m	Term loan interest £m	Pro forma 2021 £m	Pro forma 2020 £m	Change
Revenue	820.4	–	–	820.4	372.4	3.3	–	1,196.1	1,213.2	(1.4)%
Cost of sales	(181.3)	–	0.8	(180.5)	(48.7)	–	–	(229.2)	(249.9)	(8.3)%
Gross profit	639.1	–	0.8	639.9	323.7	3.3	–	966.9	963.3	0.4%
Operating expenses										
Research & Development costs	(184.5)	67.8	0.3	(116.4)	(52.2)	–	–	(168.6)	(171.9)	(1.9)%
Selling and administrative expenses	(419.8)	43.5	82.9	(293.4)	(146.6)	–	–	(440.0)	(456.4)	(3.6)%
Net impairment loss on financial assets	(3.7)	–	–	(3.7)	0.1	–	–	(3.6)	(6.9)	(47.8)%
Other income	5.5	–	(5.5)	–	–	–	–	–	–	–
Total operating expenses	(602.5)	111.3	77.7	(413.5)	(198.7)	–	–	(612.2)	(635.2)	(3.6)%
Profit from operations	36.6	111.3	78.5	226.4	125.0	3.3	–	354.7	328.1	8.1%
Finance revenue	0.6	–	–	0.6	0.1	–	–	0.7	0.7	–
Finance expense	(3.0)	–	–	(3.0)	(0.9)	–	(12.8)	(16.7)	(29.8)	(44.0)%
Profit before tax	34.2	111.3	78.5	224.0	124.2	3.3	(12.8)	338.7	299.0	13.3%

FINANCIAL STATEMENTS CONTINUED

# Company Information and Advisers

## Directors

Philip Aiken  
Peter Herweck

Craig Hayman

James Kidd  
Christopher Humphrey  
Jennifer Allerton  
Ron Mobed  
Paula Dowdy  
Olivier Blum  
Emmanuel Babeau

Chairman  
Chief Executive Officer (appointed 1 May 2021)  
Non-Executive Director & Vice Chairman (resigned 1 May 2021)  
Chief Executive Officer (resigned 1 May 2021)  
Director  
Deputy CEO & CFO  
Senior Independent Non-Executive Director  
Independent Non-Executive Director  
Independent Non-Executive Director  
Independent Non-Executive Director  
Non-Executive Director (appointed 30 April 2020)  
Non-Executive Director (resigned 30 April 2020)

## Company secretary

Claire Denton (appointed 7 May 2021)  
David Ward (resigned 7 May 2021)

## Registered office

High Cross, Madingley Road  
Cambridge, CB3 0HB

## Registered number

2937296

## Auditor

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One Cambridge Business Park  
Cambridge, CB4 0WZ

## Bankers

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9–11 St Andrews Street  
Cambridge, CB2 3AA

## Solicitors

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London Fruit & Wool Exchange  
1 Duval Square  
London, E1 6PW

Mills & Reeve LLP  
Botanic House  
100 Hills Road  
Cambridge, CB2 1PH

## Stockbrokers

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The London Stock Exchange Building  
10 Paternoster Square  
London, EC4M 7LT

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25 Bank Street  
Canary Wharf  
London, E14 5JP

## Registrars

Link Asset Services  
The Registry  
34 Beckenham Road  
Beckenham, BR3 4TU

## Financial PR

FTI Consulting  
200 Aldersgate Street  
London, EC1A 4HD



# Glossary

**AGM** – Annual General Meeting. The next annual meeting of AVEVA's shareholders will be held on 7 July 2021.

**AI** – Artificial Intelligence.

**APAC** – Asia & Pacific.

**APM** – Asset Performance Management. One of AVEVA's business units, focused on improving and managing the performance of physical assets.

**AQR** – Audit Quality Review. Monitoring the quality of the audit work of statutory auditors and audit firms within the UK by the FRC.

**AR** – Augmented Reality. An interactive experience whereby a real-world environment is enhanced by overlaid computer-generated information.

**ARR** – Annualised Recurring Revenue. The value of the contracted recurring revenue from subscriptions and maintenance in a one-year period.

**AVEVA LIFE** – AVEVA's company values. Limitless possibilities, Integrity always, Flexibility together, Excellence every day.

**Bonus factor** – reflecting the number of shares deemed to have been issued without consideration during the November 2020 rights issue.

**CEO** – Chief Executive Officer, Peter Herweck.

**CFO** – Chief Financial Officer, James Kidd.

**CGU** – Cash Generating Unit. The smallest identifiable group of assets that generates cash inflows which are largely independent from those of other assets or groups of assets.

**CO<sub>2</sub>e** – Carbon dioxide equivalent. The quantity of CO<sub>2</sub> which would provide an equivalent warming effect.

**CPO** – Chief People Officer, Caoimhe Keogan.

**D&I** – Diversity and Inclusion.

**Digital Twin** – a near-real-time digital image of a physical object or process that helps optimise business performance.

**DRR** – Directors' Remuneration Report. A report laying out the remuneration of AVEVA's Directors, in compliance with the Companies Act 2006.

**DTR** – Disclosure Guidance & Transparency Rules. Regulations applicable to certain companies listed on the London Stock Exchange, published by the FCA.

**EBIT** – Earnings Before Interest and Tax.

**EBT** – Employee Benefit Trust. A trust set up to facilitate the transfer of shares to AVEVA's employees on exercise of vested options under various share option schemes.

**ED** – Executive Director. A member of AVEVA's Board who is part of AVEVA's ELT.

**ELT** – Executive Leadership Team. AVEVA's executive management, responsible for the Group's day-to-day running.

**EMEA** – Europe, Middle East & Africa.

**EPC** – Engineering, Procurement and Construction. Firms specialising in the delivery of infrastructure projects.

**EPS** – Earnings Per Share. The portion of profits attributable to each ordinary share in issue.

**EPSRC** – Engineering and Physical Sciences Research Council. A funding body for engineering and physical sciences in the UK.

**ERC** – Executive Risk Committee. A committee, chaired by the CEO, containing all ELT members and various senior management members responsible for implementing risk management and developing the Group risk register.

**ERP** – Enterprise Resource Planning. Technology tools for the integrated management of business processes.

**ESG** – Environmental, Social and Governance.

**EY** – Ernst & Young, the Group's independent external auditors.

**FCA** – Financial Conduct Authority. An independent UK body responsible for regulating the conduct of UK financial markets and financial services firms.

**FRC** – Financial Reporting Council. An independent UK body responsible for regulating auditors, accountants and actuaries, and for setting the UK's Corporate Governance Code.

**GAAP** – Generally Accepted Accounting Practice. Commonly accepted methods for recording and reporting accounting transactions.

**GDP** – Gross Domestic Product.

**GDPR** – General Data Protection Regulation. An EU law on data protection and privacy.

**GESPP** – Global Employee Share Purchase Plan. An employee share plan aiming to increase employee share ownership, launched in January 2021. Allows participating employees to purchase AVEVA shares at a discount or be awarded additional matching shares.

**GHG** – Greenhouse gas, a gas that contributes to the greenhouse effect.

**IASB** – International Accounting Standards Board. An independent accounting standard-setting body.

**IFRIC** – interpretations of accounting standards which are developed, issued and approved by the IASB.

**IFRSs** – International Financial Reporting Standards. Accounting standards issued by the IFRS Foundation and IASB.

**IIoT** – Industrial Internet of Things. The networking of computers, sensors, instruments and other devices for industrial applications.

## FINANCIAL STATEMENTS CONTINUED

## Glossary continued

**Industry 4.0** – the ongoing automation of traditional manufacturing and industrial practices, using modern smart technology.

**ISAs (UK)** – International Standards on Auditing (UK). Professional standards for the auditing of financial information in the UK, based upon standards issued by the International Auditing and Assurance Standards Board.

**KPI** – Key Performance Indicator. Measure that tracks AVEVA's performance against strategy and longer-term goals.

**LTIP** – Long-Term Incentive Plan. A share option scheme offered to AVEVA's senior employees.

**ML** – Machine Learning. A process by which a system can learn and improve from experience, without additional programming.

**NED** – Non-Executive Director. A member of AVEVA's Board who is not part of AVEVA's executive management team.

**OEM** – Original Equipment Manufacturer.

**Partners** – the ecosystem of AVEVA partners, including distributors and strategic partners.

**Pro Forma** – Results prepared on the basis that the acquisition of AVEVA Group plc and OSIsoft, LLC occurred on 1 April 2019.

**PwC** – PricewaterhouseCoopers, the Group's independent external auditor from the year ended 31 March 2023.

**R&D** – Research & Development.

**RCF** – Revolving Credit Facility. A line of credit providing AVEVA flexible financing with the ability to draw down, repay and draw down again.

**RDEC** – Research & Development Expenditure Credit. A UK tax-incentive scheme designed to encourage R&D investment within the UK.

**Revenue Haircut** – A fair value adjustment to revenue of £3.3 million for the 12 months to 31 March 2021, reflecting an acquisition accounting adjustment to contract liabilities on the opening balance sheet.

**SaaS** – Software as a Service. A distribution model whereby AVEVA products are available to customers via the internet.

**SDG** – Sustainable Development Goal. A collection of 17 global goals set in 2015 by the United Nations General Assembly, intended to be achieved by 2030.

**SES** – Schneider Electric industrial software business. Combined with AVEVA in February 2018.

**SLT** – Strategic Leadership Team. A team comprising senior management, chaired by the CEO and overseeing AVEVA's corporate strategic and business unit risks. Reports to the ERC.

**Standalone AVEVA Results** – results for the standalone AVEVA Group, as if the acquisition of OSIsoft, LLC had not occurred.

**Standalone OSIsoft Results** – results for the standalone OSIsoft Group, as if it had not been acquired by the AVEVA Group.

**STEM** – Science, Technology, Engineering and Mathematics.

**TCFD** – Task Force for Climate-related Financial Disclosures. A task force responsible for making recommendations on improving and increasing the reporting of climate-related financial information. Recommendations cover four key areas: governance, strategy, risk management, and metrics and targets.

**TCV** – Total Contract Value. The total revenue to be recognised over the life of a contract.

**TSA** – Transitional Services Agreement. An arrangement where Schneider Electric continues to provide infrastructure support and back office resource for legal entities transferred in the sale to AVEVA, for a monthly fee and for an agreed time period.

**TSR** – Total Shareholder Return. A measure of the performance of AVEVA shares, combining capital growth and dividends paid to show total return to shareholders as an annualised percentage.

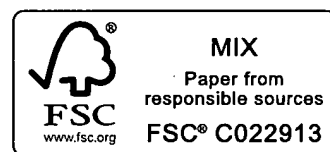
**UOC** – Unified Operations Centre. A central control room where data is collated and visualised enabling real-time operational performance management.

**VIU** – Value in Use. The net present value of future cash flows.

**VR** – Virtual Reality. An immersive, simulated virtual experience.

**WISE** – Women in Science and Engineering. A campaign aiming to facilitate understanding among women and girls of science and engineering, and the career opportunities they present.

**XaaS** – a collective term that refers to the delivery of anything as a service.



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