Connecting the industrial world

AVEVA Group plc
Integrated Annual Report and Accounts 2022

Financial highlights

Revenue
£1,185.3m
FY21: £820.4m (up 44.5%)

Annualised recurring revenue[1]
£768.7m
FY21: £697.8m (up 10.2%)

Pro forma[2] revenue
£1,235.6m
FY21: £1,196.1m (up 3.3%)
Up 7.1% on an organic constant currency[3] basis

Loss from operations
£(6.5)m
FY21 Profit from operations £36.6m

Pro forma[2] adjusted[4] EBIT
£365.1m
FY21: £354.7m (up 2.9%)
Up 7.7% on an organic constant currency[3] basis

SaaS revenue
£27.8m
FY21: £23.4m (up 18.8%)
Up 23.9% on an organic constant currency basis

Diluted EPS
(20.78)p
FY21: 11.27p

Pro forma[2] adjusted[4] diluted EPS
99.58p
FY21: 105.34p (down 5.5%)

Net debt[5]
£405.2m
FY21: £367.4m (up 10.3%)
Up 2.5% on an organic constant currency[3] basis.

FY26 financial targets

Revenue CAGR[6]
10%

Recurring revenue[7]
>80%

Adjusted[4] EBIT margin
>35%

Cash conversion[8]
100%
long-term average

SaaS revenue
25%
of total revenue

Integration synergy

Revenue synergy
$100m
by FY26, approx £79.5m

Cost synergy
$30m
by FY23, approx £23.9m

FY30 non-financial targets

CLIMATE ACTION PLEDGE:
Net-zero operations and value chain

Net-zero[9]
GHG emissions across our operations (Scopes 1 and 2)

↓50%
Reduced end-to-end value chain emissions (Scope 3)

GENDER EQUALITY PLEDGE:
Advancing women in technology

Gender representation
50/40/30
50% of new hires will be women; 40% of management roles and 30% of our leadership roles will be held by women

Gender pay parity gap[10]
<1%

Several non-GAAP alternative performance measures are presented throughout this report. Additional information, including definitions and reconciliations to the nearest GAAP measures, appear in the Non-GAAP Measures section on pages 203 to 214.

1. Annualised recurring revenue (ARR) represents the annualised value of the recurring revenue base that is expected to be carried into future periods.
2. Pro forma results are prepared on an adjusted basis and additionally add back the deferred revenue haircut arising on the acquisition of OSIsoft. They include results for both AVEVA and OSIsoft for the 12 months to 31 March 2021.
3. Organic constant currency results are presented under FY21 foreign exchange rates and adjust for M&A activity.
4. Adjusted figures are calculated before amortisation of intangible assets, share-based payments and exceptional items. Where relevant this also includes the tax effect of these adjustments.
5. Net debt is defined as cash and cash equivalents, less the carrying value of the Group's loans and borrowings.
6. Revenue CAGR from FY21 to FY26. FY21 base revenue is on a pro forma basis, including 12 months of OSIsoft revenue
7. Recurring revenue is defined as subscription plus maintenance revenue
8. Cash conversion is defined as free cash flow before tax as a percentage of the Group's adjusted profit before tax.
9. We define 'net zero' as a 100% reduction in emissions with no more than 10% offsets. Our FY30 targets have been submitted for validation to the Science-based Targets Initiative and are set against an FY20 base year.
10. The gender pay parity gap is defined as ensuring people are paid the same or similar as others for the same work, in the same geographic location, and with the same or similar experience levels. This is different to the gender pay gap which compares the earnings of men and women across all jobs.

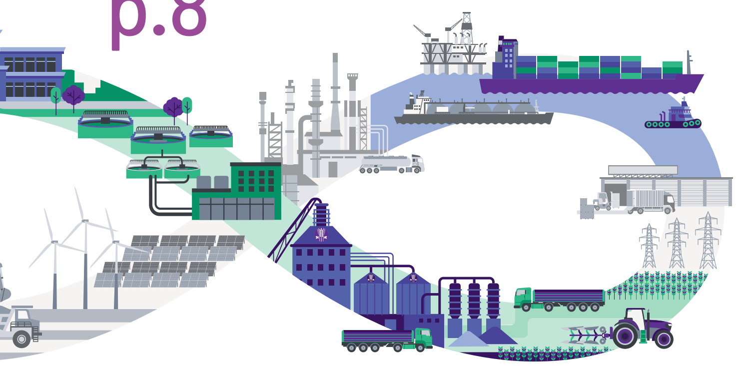
AVEVA Extended Reality (XR) software empowers industrial teams to visualise, manage and collaborate in real or virtual environments.

We spark industrial ingenuity by connecting people with trusted information and insights to drive responsible use of the world's resources.

Over 20,000 industrial enterprises use our innovative products to deliver the essentials of life: safe and reliable energy, food, water and more. We help them collaborate and thrive in an increasingly connected industrial economy.

This integrated report is produced in accordance with UK requirements for the year ended 31 March 2022. It provides insight into our efforts to create value for all stakeholders by driving productivity, economic growth and responsible use of the world's resources.

Inside



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Governance report

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For more online, visit aveva.com

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https://investors.aveva.com/

AVEVA is a global leader in industrial software

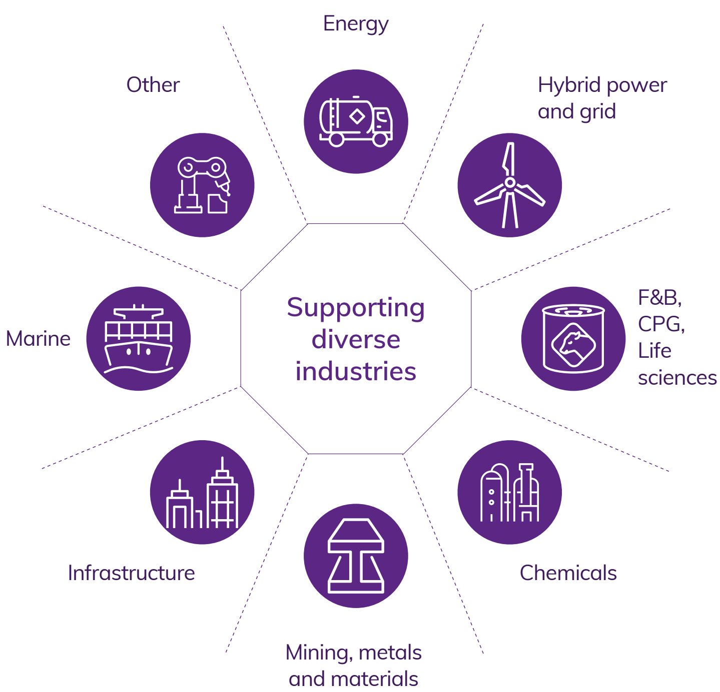
AVEVA's trusted solutions and expanding ecosystem empower our customers—over 20,000 industrial enterprises—to transform their businesses and our world.

These organisations use AVEVA's software to spark their industrial ingenuity and maximise performance in many ways, including:

- **Accelerating innovation, such as digital transformation and energy transition**
- **Visualising and simplifying industrial design and operations**
- **Increasing resilience, sustainability and circularity**
- **Reducing cost, time and resource consumption**
- **Improving energy efficiency, accelerating low-carbon transition and redefining the frontiers of the energy system**
- **Ensuring reliability, security, productivity, quality, safety and compliance**
- **Anticipating, detecting and preventing problems**
- **Training employees and customers**
- **Enabling collaboration and remote operations**
- **Enhancing value for and with their own customers, partners and suppliers**

Who we serve

AVEVA's global customer base spans the critical industries. AVEVA customers deliver the essentials of life, from vital energy, food and water to reliable supply chains, materials and transportation. Our hybrid SaaS solutions deliver a complete digital thread, purpose-built for industry.



Delivering the largest acquisition in our history

Our 2021 acquisition of OSIsoft underscored our position as one of the largest comprehensive industrial software companies in the world and provided a critical foundation layer for AVEVA applications. Uniting the talent, technology and opportunities of these two complementary businesses was a key focus in FY22. Learn more about the integration on page 15.

Global operations, ecosystem and reach

20,000+ customers

in 100+ countries

c. 6,500 employees

5,000+ partners

5,700 certified developers

Learn more about how we work with customers on pages 10, 28 and 48

Sparking industrial ingenuity

AVEVA launched in the 1960s to empower industry with better technology solutions. More than 50 years later, we continue to deliver on this purpose, sparking industrial ingenuity with innovative software.

Today, over 90% of leading industrial companies rely on AVEVA. By connecting people with trusted information and AI-powered insights, we help these businesses design capital projects better and operate more efficiently.

Our software enables businesses to optimise not only their own enterprises, but also their extended ecosystems of customers, partners and suppliers. Together, we are building sustainable economic and social value, helping to drive responsible use of the world's resources.

This is why AVEVA was named one of the world's most innovative companies in 2022.[1]

1. Fast Company, The 10 most innovative manufacturing companies of 2022, March 2022

A framework to define our common future as one AVEVA

Purpose	We spark industrial ingenuity				
Mission	by connecting people with trusted information and insights				
Vision	to drive responsible use of the world's resources.				
Strategy Learn more on pages 22-23.	Cloud-first strategy	Growth and diversification	Innovation	Business model transition	Operational excellence
ESG pillars Learn more on pages 30-41.	Technology handprint	Inclusive culture	Operational footprint		
Values	**Impact** We make a positive, sustainable difference in the world	**Aspiration** We aim high and surpass the expected	**Curiosity** We ask questions, and experiment to find powerful, meaningful solutions	**Trust** We put people first and build relationships based on inclusion and respect	

Our integrated environmental, social and governance (ESG) framework, strategy and values support our purpose, mission and vision.

AVEVA is powering the digitalisation and transformation of the industrial world. Our software helps realise new value for critical industries and the global communities which depend on them.

Nearly half of AVEVA employees participated in workshops and focus groups to help define and articulate our newly integrated company values and culture.

Real-time holistic optimisation through industrial data sharing

Historically, industrial ecosystems have been siloed, reactive and slow.

Many industrial organisations still face challenges sharing timely, accurate data within their own enterprises. The challenge grows for sharing that information with trusted suppliers, partners or customers.

This failure carries real cost, including downtime, delays, waste, and compromises in safety, human potential and environmental sustainability.

But imagine...

What if businesses could dismantle the silos, and enable secure industrial information sharing within a trusted ecosystem?

With 24/7 parallel information exchange:

- partners know when an asset is likely to fail, and can proactively send out maintenance crews before an outage occurs
- suppliers top up critical supplies before customers run low
- OEMs initiate root cause analysis to improve next generation designs
- and enterprises spark new business ventures based on these new efficiencies.

Cleaner, safer water

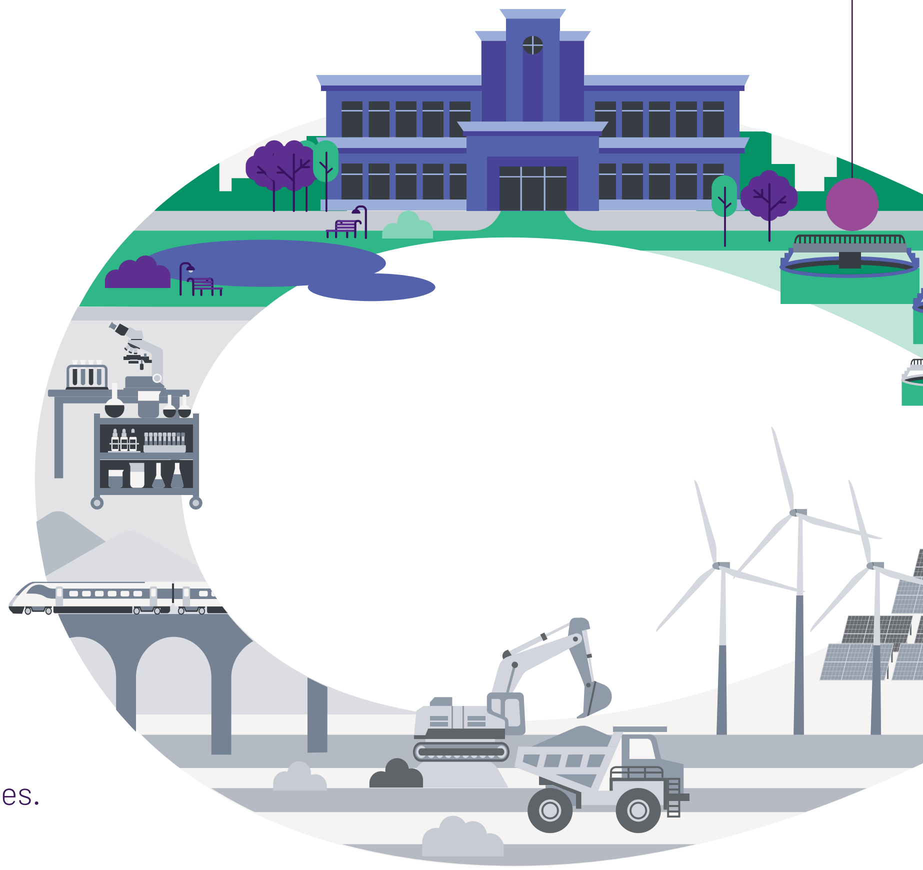
A municipal water utility collaborates with consultants, a pontoon operator, university researchers and data scientists to measure environmental factors in a local lake. Together, they create a model to predict and protect against harmful algae blooms in the water supply.

Outcome

Weekly forecasts of potential blooms, resulting in

zero

unprotected public health incidents



In short, a business could transform from a disconnected member of a linear value chain to a digitally empowered partner in a multi-directional value network.

AVEVA customers are already beginning to realise this vision.

Industrial data is an appreciating asset. The more widely it circulates, the more valuable it becomes.

Reduced time, food waste and carbon footprint

A food company

uses real-time operational data to identify inefficiencies. It starts notifying its ingredient supplier when stocks will run low and when storage capacity will be available. The supplier no longer wastes time and energy idling in the loading dock. The local utility provides rebates due to the company's reduced energy consumption.

Outcomes

Reduced critical control point failures by

64%

Slashed food product recalls caused by fluctuating conditions by

73%

Lower cost and energy consumption

A marine engine manufacturer

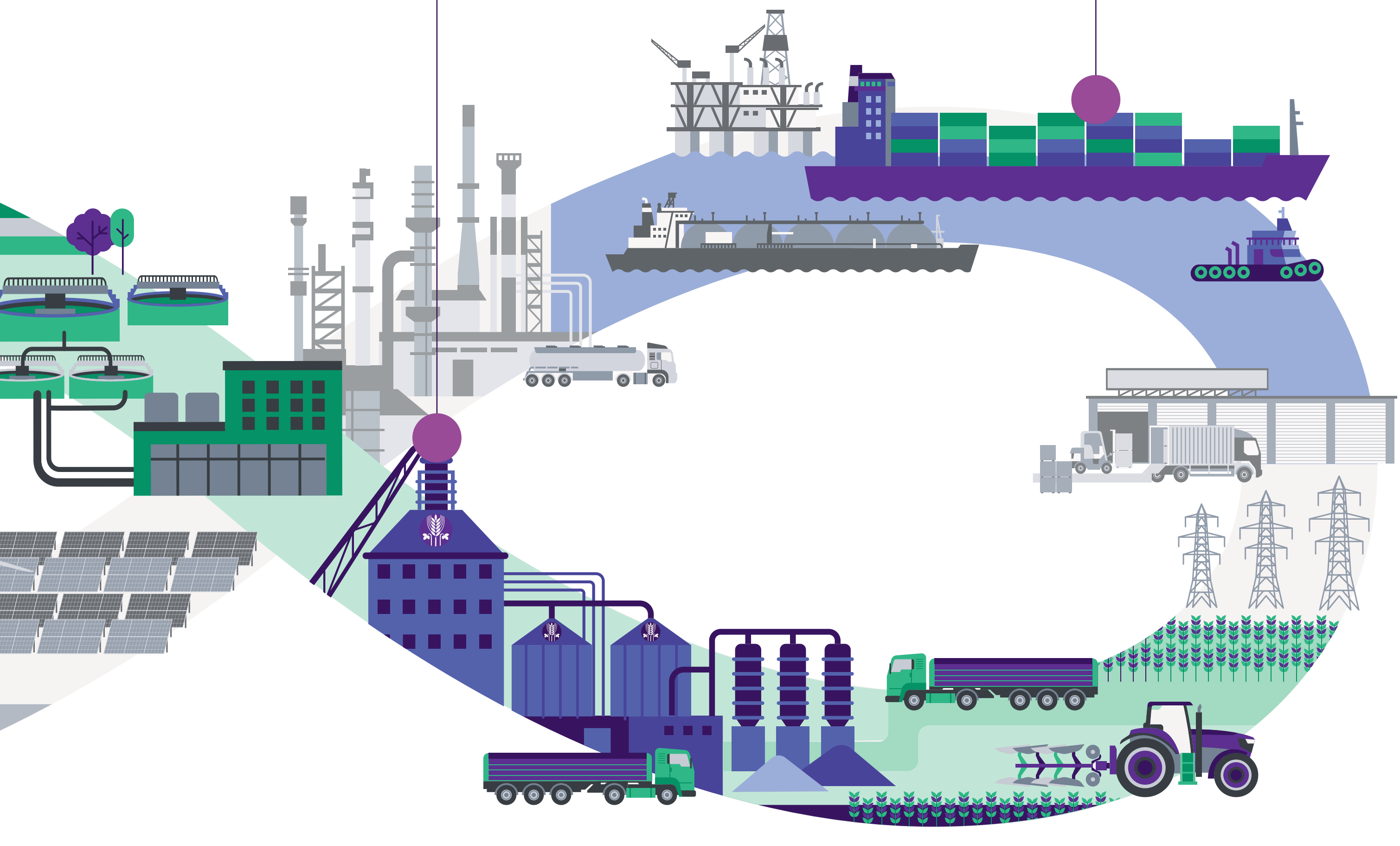
Uses real-time operational and engineering data captured to monitor performance of ships deployed across customer fleets and turns this data into a value-added service. It advises a cargo operator to change its hull cleaning regimen to reduce fuel drag, and notifies a tugboat operator that a third-party engine needs preventive maintenance.

Outcome

A saving in fuel costs of over

$450,000

per vessel per year



AVEVA is uniquely positioned to help our customers—and our planet—succeed in this connected industrial economy.

We are applying over 50 years of industrial expertise and innovation, with a vision to become a leader in industrial information as a service.

Democratising data for sustainability

Dominion Energy uses AVEVA software to share renewable energy data with customers, unlocking new revenue opportunities

Just about every business uses data to optimise its own operations. Advanced industrial enterprises share data to help optimise their extended ecosystems and drive better, more sustainable outcomes with customers, partners and suppliers.

Consider Dominion Energy, a leading North American power provider with an extensive network of renewable and low-carbon power generation. To manage power supply across its grid, Dominion gathers and shares data internally using AVEVA Data Hub, an industrial SaaS solution available on the AVEVA Connect industrial cloud platform.

Data sharing helps Dominion customers validate their transition to low-carbon energy

Because much of Dominion's energy comes from renewable sources, the team discovered that sharing energy source and performance data in real time with customers unlocked a new source of value.

Dominion enables customers to track and validate their decarbonisation commitments within embedded carbon reporting schedules, providing data proof that each customer is using energy from low-carbon sources.

Accelerating to market 50% faster

In turn, Dominion's customers can prove their own net-zero progress to investors and environmental, social and governance (ESG) auditors. Today, Dominion is now sharing data across its network in real time as a new, revenue-producing service. The company has also realised a 50% increase in speed to market for vital environmental data.

AVEVA is helping Dominion Energy grow profitability and accelerate the transition to a low-carbon energy future in North America.

"With AVEVA, we enable our data to reach the cloud quickly, and from there, we can share it with our utility customers so that they can use it.

We're turning real-time data on energy sources into a selling point for our company, providing benefits that encourage our customers to select Dominion over other energy providers. The intelligence of the AVEVA tools means that we can achieve speed to market and realise benefit more quickly, for ourselves and our customers."

Riley Moore, Dominion Energy

Driving responsible use of the world's resources

For more than 50 years, AVEVA has helped industry advance and improve with cutting-edge technology. Our vision is ambitious: beyond mere operational and engineering efficiency, we seek to drive responsible use of the world's resources.

Overview

AVEVA has continued to make good progress towards this vision and delivered solid results in the financial year ended 31 March 2022. Despite the continuing Covid-19 pandemic and increased geopolitical uncertainty, the business demonstrated resilience, while our employees and management team showed remarkable commitment and flexibility.

The Group delivered ARR growth of 10.2% and revenue growth of 7.1% on an organic constant currency basis, while making considerable investment to lay the foundations for future growth.

The Board of Directors proposes a final dividend of 24.5 pence per share, which represents a modest increase over the prior year.

Strategic developments

The industrial software sector remains exciting, with structural growth driven by large trends in technology and imperatives such as sustainability, while our competitive position remains strong.

Following the acquisition of OSIsoft in March 2021, we have made significant progress in integration of the PI System business. This has been a key area of focus for the Board and I am pleased with the progress that we have made, particularly on the product integration and revenue synergies. AVEVA is transitioning to a subscription and SaaS business model and this is an important area that the Board and its Committees continue to focus. The key focus for the Group will be driving Annualised Recurring Revenue (ARR) growth in order to achieve our FY26 financial targets. ESG, culture and succession planning continue to be key topics for the Board and these will also continue to be on our agenda for FY23.

Board developments

As I covered in my Statement last year, Peter Herweck became AVEVA's CEO on 1 May 2021. Peter is familiar with AVEVA's business having served on AVEVA's Board since 2018. He played a key role in bringing together AVEVA and the Schneider Electric industrial software business and more recently, has been leading the business through the integration of OSIsoft.

As part of having a strong and diversified Board, we welcomed two new Board members during the financial year. We were pleased to welcome Hilary Maxson as a Non-Executive Director of AVEVA and as a member of the Nomination and Governance Committee, replacing Peter Herweck when Peter became CEO.

Hilary is Executive Vice President, Group Chief Financial Officer at Schneider Electric and brings a significant range of knowledge and perspective to the Board, supporting AVEVA as it enters a new growth phase.

In addition, we were pleased that Dr. Ayesha Khanna joined the Board as an independent Non-Executive Director. Ayesha is Co-Founder and CEO of ADDO AI, an artificial intelligence (AI) solutions firm and incubator, and brings a significant depth of technology and industry knowledge to the Group's digital transformation strategy.

Following the end of the financial year, we were delighted that Anne Stevens joined the Board in May 2022, as an independent Non-Executive Director and will become Chair of the Remuneration Committee later this year. In her previous roles Anne was Chief Executive of GKN plc as well as Chairman and CEO of SA IT Services from 2011 until December 2014. Prior to this, she was COO for the Americas at Ford Motor Company until 2006. Anne's broad international expertise and wealth of industry knowledge will strengthen the Board and will contribute to the Committee's range of skills.

AVEVA's Deputy CEO and CFO, James Kidd, became Chief Strategy and Transformation Officer on 1 March 2022, focusing on driving both organic and inorganic growth initiatives. James remains on the Board as one of two Executive Directors alongside Peter Herweck. On James' appointment to his new role, Brian DiBenedetto assumed the role of Chief Financial Officer.

Jennifer Allerton, having completed nine years service, retires as Non-Executive Director and Chair of the Remuneration Committee at the conclusion of the 2022 AGM. On behalf of the Board, I would like to thank Jennifer for her support and contributions to the Group and the Board. I wish her the very best for the future.

I'm delighted to have an opportunity to remain AVEVA's Chairman beyond AVEVA's 2022 AGM. I look forward to working with our highly experienced Board and Executive Leadership Team as we ensure AVEVA continues its growth trajectory.

Summary

On behalf of the Board, I would like to sincerely thank all our employees for their support, hard work and dedication this year. Our employees are AVEVA's most valuable asset, continuing to demonstrate flexibility and resilience. We also acknowledge and thank our customers, partners, shareholders and other stakeholders for their continued support. We look forward to a successful future together.

Philip Aiken AM

Chairman

7 June 2022

Connecting people with trusted information and insights

"I am excited about the opportunities ahead of us as AVEVA leads the connection and digitalisation of the industrial world."

AVEVA delivered a solid set of results in FY22, as the business began to grow following disruption caused by the pandemic.

This year of continued recovery from global health and business challenges has brought fresh reminders of how interdependent the world has become.

It has never been more important to connect people using the power of trusted information and insights. Our company has a critical role to play here to foster collaboration, understanding and sustainable growth.

Summary

AVEVA delivered a solid financial performance and made good progress in integrating OSIsoft, which was acquired just before the start of the financial year.

Pro forma[1] organic constant currency[2] ARR[3] increased 10.2%, revenue grew by 7.1% and adjusted[4] EBIT increased 7.7% on the same basis. The revenue growth was led by growth in sales of PI System products, which increased at a double-digit rate and growth from the heritage AVEVA business at a low single-digit rate.

The integration of OSIsoft progressed well, in accordance with AVEVA's plans. During the first half of the financial year, the organisational model was established and leadership roles determined.

R&D work on the product portfolio roadmap to achieve interoperability between products has been progressed to add greater value to customers. Key integrated products that have been launched included AVEVA Unified Operations Center with AVEVA PI System and AVEVA Predictive Analytics with PI System.

AVEVA is on track to achieve both cost and revenue synergies in line with its acquisition model. Pre-tax cash cost synergies are expected of not less than $30 million per annum on a run rate basis by the year ending 31 March 2023. Revenue synergies of at least $100 million per annum are expected by the year ending 31 March 2026.

During FY22 AVEVA achieved initial revenue synergies of £7.4 million ($10.1 million) and £10.8 million ($14.7 million) of cost synergies were realised in the year.

ARR and business model transition

ARR at 31 March 2022 for the combined AVEVA Group on a pro forma constant currency basis was £768.7 million (FY21: £697.8 million), representing a 12 month increase of 10.2%. This growth was driven by the heritage AVEVA business, which increased ARR by a double-digit rate, while OSIsoft increased ARR by a low single digit rate, ahead of its transition to a subscription-based revenue model.

During the year AVEVA also made progress with its subscription transition, with 11.5% growth in on-premises pro forma constant currency subscription revenue and very strong growth in SaaS contract wins, leading to 23.9% growth in SaaS revenue on a pro forma constant currency basis.

The PI System product is expected to increase ARR growth as it moves to the AVEVA Flex subscription model. AVEVA also expects to drive an acceleration in sales of SaaS revenue as more products become available on the cloud and salesforce incentives have been evolved to further encourage sales of these products.

Pro forma regional performance

EMEA revenue was £473.9 million representing an increase of 5.9% (FY21: £447.6 million) and was up 9.7% on an organic constant currency basis. AVEVA achieved good growth in Eastern Europe and the Middle East in particular. The war in Ukraine did not have a material impact on revenue in the financial year. Notable order wins were achieved with companies including International Maritime Industries, Saudi Aramco and Saudi Electricity Company.

Americas revenue was £496.5 million representing an increase of 4.8% (FY21: £473.7 million) and was up 8.4% on an organic constant currency basis. Growth was broad based with all regions delivering a good performance across the USA, Canada and Latin America. Notable order wins were achieved with companies including TC Energy, Pembina, Southern California Gas and General Mills.

Asia Pacific revenue was £265.2 million, representing a decrease of 3.5% (FY21: £274.8 million) and was up 0.7% on an organic constant currency basis. AVEVA saw good growth in China and India, which was largely offset by declines in Korea and Japan due to tough comparative periods. Notable order wins were achieved with companies including Sinopec Engineering and Indian Oil Corporation.

Notes

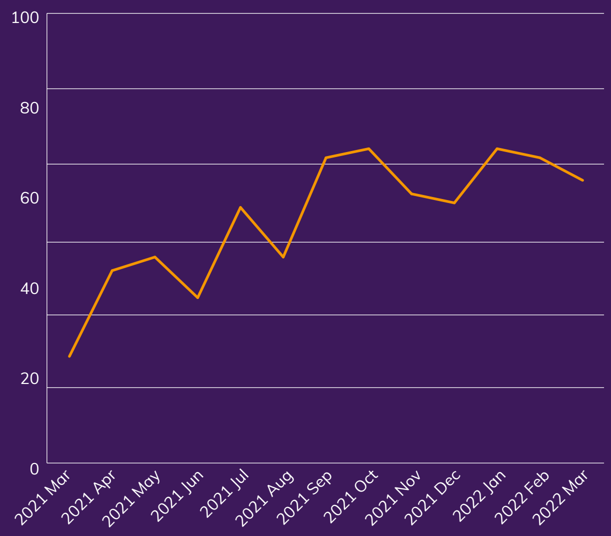
1. On 19 March 2021, the Group announced the completion of the acquisition of OSIsoft, LLC (OSIsoft) enhancing AVEVA's ability to accelerate the digital transformation of the industrial world. To provide a better understanding of the combined comparative trading performance and to improve transparency, non-statutory results are also shown for the combined Group on a pro forma basis. The Directors believe that the pro forma results give helpful insight into the performance of the Group and form a basis from which to consider the outlook.
   Pro forma results include results for both AVEVA and OSIsoft for the 12 months to 31 March 2022 and the 12 months to 31 March 2021. In addition to this, the results have been adjusted to exclude the effect of the deferred revenue haircut under IFRS 3 (Business Combinations), which reduces statutory revenue.
2. Organic constant currency revenue and adjusted EBIT excludes a currency translation reduction of £42.5 million to revenue; and adjusts for the disposals of the Acquis Software, Termis Software and Water Loss Management Software businesses in June 2021 by removing the results of the disposals from each reporting period.
3. ARR makes it easier to track recurring revenue progression by annualising revenue associated with subscription, cloud and Maintenance contracts. It removes timing differences caused by revenue recognition standards by annualising the revenue associated with contracts at a point in time. It is calculated on a constant currency basis.
4. Adjusted metrics are calculated before amortisation of intangible assets, share-based payments and exceptional items. Adjusted Earnings Per Share also includes the tax effects of these adjustments. See note 2c of the Note to the Consolidated Financial Statements.

Accelerating our SaaS journey

Adoption of the AVEVA Connect industrial cloud platform is accelerating, with the number of customers using two or more solutions more than doubling over the period.

Year-on-year growth

+163%



For more metrics indicating our progress against strategic targets, see p.24.

Business highlights

Engineering consists of Engineering and Simulation software. In turn, Engineering software includes Engineering & Design, Project Execution and Engineering Information Management. Simulation includes Simulation & Learning and Value Chain Optimisation.

Engineering contributed 30.9% of pro forma revenue in the period (FY21: 35.1%). On an organic constant currency basis, revenue decreased by 5.7%. This decrease was due to a tough comparator in the prior year that included a significant amount of point-in-time revenue recognition due to several significant multi-year contracts. Underlying business performance was good, contributing to the Group's double-digit ARR growth, with a broad range of new order wins being achieved, particularly in the energy market, which is undergoing a recovery following the Covid crisis. Significant orders were won from companies including Aibel, Saipem SBM Offshore and Worley.

Operations consists of Asset Performance, Monitoring & Control and Information Management (PI System). In turn, Asset Performance consists of Asset Performance Management and Manufacturing Executions Systems software. Monitoring & Control includes HMI SCADA, Enterprise Visualisation and Pipeline Management software. Information Management consists of the recently acquired OSIsoft business.

Operations contributed 69.1% of pro forma revenue in the period (FY21: 64.9%). On an organic constant currency basis, revenue increased by 14.2%. This revenue growth was due to good performances across the business unit from Asset Performance, Monitoring & Control and in particular, Information Management. The PI System business delivered solid double-digit growth in the year, with performance significantly strengthening in Q4 as the benefits of integration began to take effect. The growth in Monitoring & Control revenue was supported by a significant contract extension and renewal with Schneider Electric, with a substantial element of point-in-time revenue recognition. Other significant orders came from companies including General Mills, PepsiCo, Nestle and Rio Tinto.

Cloud

AVEVA made progress during FY22 growing SaaS revenue to £27.8 million representing 23.9% growth on a pro forma organic constant currency basis (FY21: £23.4 million) and orders in annual contract value terms by 89%. Key products were launched on the Group's SaaS platform, AVEVA Connect, during the year including Unified Engineering, Unified Operations Control and Unified Supply Chain. AVEVA is accelerating investment in cloud R&D during FY23 moving products to an industrial hybrid cloud architecture to maximise the opportunities for leveraging data and collaborative working.

Outlook

The ongoing digitalisation of the industrial world continues to drive demand for industrial software and AVEVA is very well positioned with its broad integrated software portfolio to drive sustainable growth. AVEVA's end markets have recovered from the Covid crisis and several key markets are showing positive trends, such as energy, power, shipbuilding and infrastructure.

As communicated in the trading update on 27 April 2022, AVEVA intends to drive an acceleration in ARR growth in FY23 to a level of 15% to 20% per annum. This growth will be underpinned by the business model transition to subscription, improving end market conditions, synergies relating to the PI System integration, and price increases. For example, contracts are beginning to be renewed early as energy markets recover; PI System will accelerate its move to subscription; the Group's cloud transition is being accelerated; and AVEVA implemented a substantial list price increase on 1 April 2022.

As the transition to subscription and SaaS accelerates in FY23, reported revenue will be reduced by the timing of revenue recognition but ARR will increase. The Group expects contract assets to remain broadly stable, impacting point-in-time revenue recognition as AVEVA increasingly moves towards higher ARR value contracts that have rateable revenue recognition.

In addition to this, revenue will be impacted by the war in Ukraine and consequential sanctions on Russia as AVEVA has ceased new business in Russia. The Group continues to support existing non-sanctioned companies where there is no legal basis to terminate contracts. Russia is a relatively small market in the context of the Group, representing around 2% of revenue in FY22. Due to the fixed nature of AVEVA's costs, the loss of revenue will largely drop through to adjusted EBIT.

Adjusted EBIT for FY23 will also be impacted by some additional costs. These include wage inflation due to very competitive software labour market conditions; increased travel and event costs post-Covid; together with investment in cloud R&D, cloud sales and cloud operations. Wage inflation will be more than offset by pricing over time; however, most salary increases feed through at the beginning of the financial year, while list price increases only take effect when contracts are renewed, or new business is signed. While the additional investment in cloud was planned, the Board has decided to pull this investment forward to accelerate AVEVA's transition and the impact of this acceleration in cloud will result in around £20m of additional costs in the current financial year.

As previously communicated in a trading update on 27 April 2022, taking all of these factors into account, revenue growth is expected to be lower in FY23 than in FY22 on an organic constant currency basis and adjusted EBIT margin is expected to reduce, before resuming growth in FY24. If current rates of FX persist, AVEVA will benefit from a significant currency translation gain on a statutory basis, due to the strength of the US dollar versus Sterling. Cash conversion is expected to significantly improve in FY23 and beyond.

Peter Herweck

Chief Executive Officer

7 June 2022

Capturing market opportunities through business and technology trends

To ensure our software addresses emerging business needs, we pay close attention to the market and technology trends influencing the industrial and wider business world. Our understanding of these trends and their impact on our customers helps shape our strategy and product development.

Business trends

Sustainability, energy transition and infrastructure

Sustainable use of resources is more than a trend: it's a global imperative. Regulation and commitment to decarbonisation has increased; for example, Europe is striving to be the first climate-neutral continent. Investors are prioritising environmental, social and governance (ESG) factors and considering sustainability initiatives as a source of competitive advantage and revenue.

With the pressure to achieve a carbon-neutral future and shift to green energy, global markets anticipate the need to significantly upgrade power transmission and distribution (T&D) infrastructure and invest in new clean energy projects. Geographically disparate sources of renewable energy render existing T&D infrastructure inadequate. Grid spending is projected to rise 50% over the next decade in order to meet sustainability commitments. Hydrogen generation will further add to this challenge.

What this means for our customers

The energy transition has implications for existing business models in many industries, particularly the energy sector. Across industries, our customers are increasing investments in sustainability to decarbonises, improve circularity and reduce resource intensity. This includes investments in less resource-intensive cloud transition.

Operating margin and supply chain pressures

Volatile energy and rising commodity prices, supply chain challenges and higher inflation and labour shortages are increasing operating costs and margin pressure. Because digital transformation improves visibility into operations for better decision making, industries with higher levels of digitalisation tend to deliver higher margins.

What this means for our customers

Despite the rising prices, labour uncertainty and supply chain volatility, companies are investing in digitalisation to maintain or even improve margins. To maximise production, businesses are using simulation and visualisation to reduce downtime, both scheduled and unscheduled. Companies are also seeking better information and insights to address the intertwined challenges of supply chains, operations and optimisation.

Connected workers and a changing labour landscape

The pandemic proved that remote work is viable and even advantageous for many types of companies. To streamline processes and increase productivity, companies are empowering connected workers with remote access to robust collaboration tools and decision-ready information. Businesses are also transitioning to autonomous operations, supported by AI, addressing safety and compliance concerns, such as travel to remote or hazardous environments.

A scarcity of qualified labour, intensified by ageing workforces in many markets, has accelerated investments in robotics and automation. The need to transfer the critical knowledge of departing workers and meet the expectations of new ones leads businesses to automate, streamline operations and ensure better access to knowledge resources. This includes virtual and immersive training.

What this means for our customers

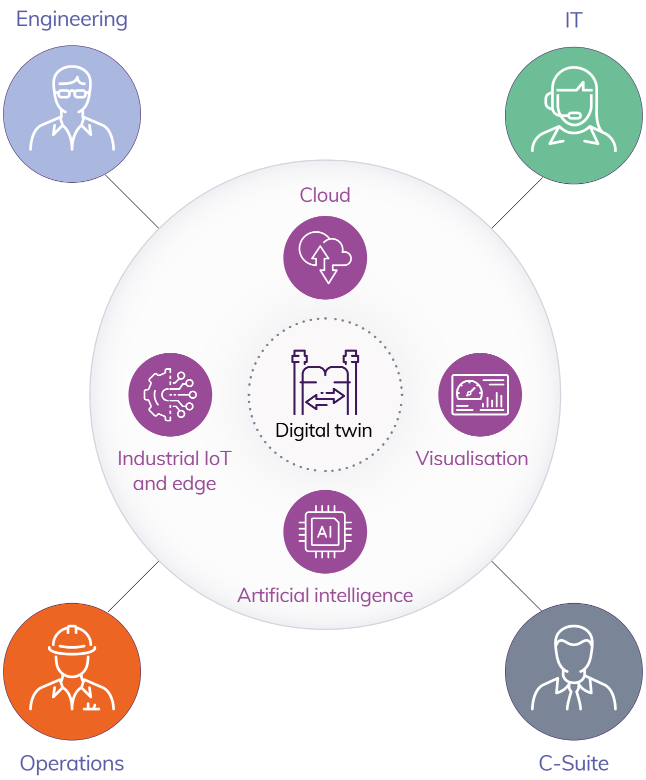
Nearly two-thirds of top CIOs say funding for digital innovation has increased as a result of the pandemic in a recent survey.[1] Customers are relying on these solutions to support remote operations and simulate assets and processes. AI-driven tools help them automate tasks, foster collaboration and knowledge sharing, and liberate employees to focus on less tedious and more valuable work.

Everything as a Service (XaaS)

An increasing number of products and services that were once delivered physically have been digitalised and are now delivered as a service over the internet. The global Everything as a Service (XaaS) market is projected to grow nearly six-fold to exceed $2.38 trillion by 2028.[2] Growth drivers include improved business agility, increasing operational efficiency and demand for artificial intelligence as a service. Most software vendors are transitioning their offerings to SaaS models that offer convenient access and flexibility.

What this means for our customers

Many AVEVA customers have moved to XaaS to reduce capital outlay, support reallocation of IT resources and reduce security or regulatory risks. Some are using XaaS not only as a consumption model, but as a delivery vehicle for their own products and services.



Technology trends

Industrial internet of things (IIoT) and edge technology

Analysts estimate that half of the world's data has been created in the last two years, and that the same will be true in 2024.[3] One factor is smart devices: they're no longer just consumer products but also pipelines, pumps and factories. The IIoT market is projected to exceed US$ 1 trillion by 2028.[4]

What this means for our customers

Some IIoT growth comes from fitting old and remote edge assets with low-cost sensors, giving customers a comprehensive understanding of their extended enterprise. This in turn fuels their ability to take advantage of AI and digital twin technology to reduce costs and maximise performance. The pandemic also tested—and proved—the heightened resilience of companies which had the foresight to invest in structured operational data to build situational awareness and remote operations capabilities..

Distributed and hybrid cloud

There are significant cost, flexibility and sustainability advantages to managing workloads in the cloud. The distributed nature of cloud infrastructure facilitates broad access and agility in the event of a critical outage. At the same time, many companies require hybrid environments, in which some data is stored on-premises or in remote edge settings.

What this means for our customers

AVEVA research confirms that the pandemic accelerated cloud adoption, as industrial organisations invested in operational agility and resilience. Customers continue to seek the flexibility of cloud-ready applications that can take advantage of public, private, edge and hybrid cloud configurations. With most cybersecurity incidents resulting from human error,[5] we anticipate that security concerns focused on better automation will become a driver rather than an inhibitor of cloud adoption.

Artificial intelligence (AI), machine learning and data analytics

The AI market is expected to reach $554.3 billion in 2024,[6] as organisations look to quickly solve business problems at scale. The AI discipline of machine learning and other data analytics tools empower businesses to distil meaning from growing quantities of data.

What this means for our customers

Industrial data—such as engineering documents and designs or operational data collected by IIoT sensors—is a rich organisational asset whose value grows the more customers use it. AI-infused software delivers insights to help realise this value. Use cases range from predictive maintenance and production optimisation strategies to the development of green operations and smart cities and factories.

Visualisation, including extended reality (XR)

Data visualisation for situational awareness and decision making is an important tool for companies running complex and critical operations. Leading companies are increasingly using or prototyping solutions that include immersive XR technologies, and the global pandemic has sped the adoption of these technologies by several years.[7]

What this means for our customers

Data visualisation, information and 3D models are critical tools for many connected workers. The technology is becoming available on mobile devices, and companies will increasingly need to make the content available to their employees. Using XR tools, such as augmented reality and industrial metaverse models that allow workers to remotely monitor and manage real industrial processes in a virtually simulated environment, can drive dramatic improvements in worker performance, safety and productivity.

Digital twins

The preceding technologies of IIoT, distributed cloud, AI and visualisation combine with industrial information to culminate in a digital twin. Digital twins help industrial companies understand and improve their critical assets and processes. Using data and context to create a virtual replica, the twin represents not only physical attributes of an object or system, but also its behaviour, condition, operation and organisational structures. The digital twin supports simulations and analysis of the physical twin throughout its life cycle—even before the physical asset is built.

What this means for our customers

Companies are investing in digital twins to support safer and more efficient operations. To generate maximum value, some customers will connect multiple, simpler digital twins representing individual assets and processes to represent entire enterprises and ecosystems.

Sources: 1. Gartner 2. Fortune Business Insights 3. Statista 4. McKinsey 5. Verizon 6. IDC 7. World Economic Forum

How we create and preserve value

We deliver value to our customers and partners globally, across key industries, through industrial software that advances digital transformation and sustainability. We maximise that value through world-class support, services and training.

Resources and relationships (inputs)

Customers
Our global customer base spans process, batch and hybrid industries, from energy to infrastructure.

People
Our skilled and values-driven international workforce includes experts in technology, engineering and operational processes, customer success, security and more.

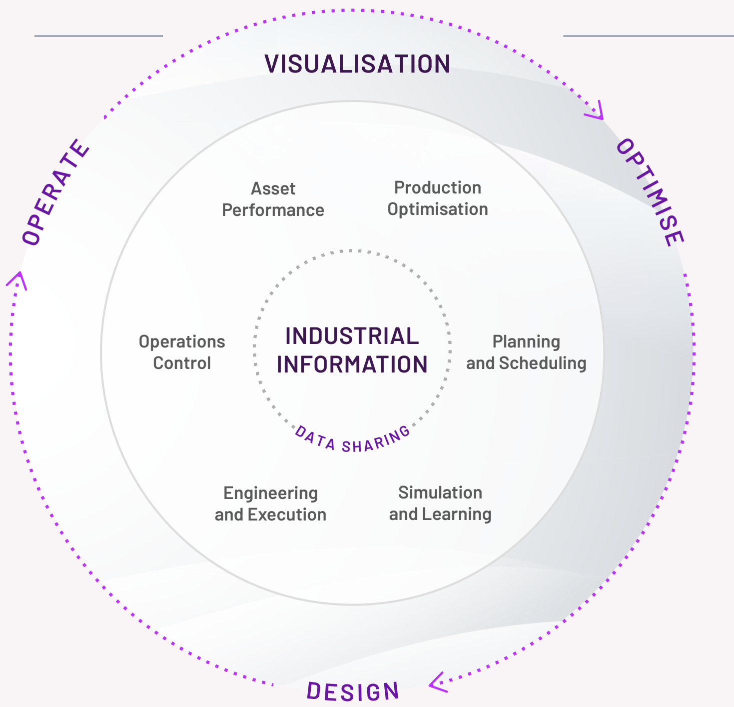
Domain expertise
As one of the world's leading industrial software companies, AVEVA brings a proven track record of understanding specific needs and delivering value across numerous industries.

Research and development
Innovation, academic partnerships, and R&D investments have contributed to a strong portfolio of intellectual property. They allow AVEVA to evolve and expand capabilities to meet changing market needs.

Ecosystem and partners
Our ecosystem of more than 5,000 partners extends AVEVA's geographic, technology and industry-specific reach to offer the solutions of today and the future.

How we create value (activities and levers)

AVEVA's open, agnostic portfolio delivers a complete digital thread, purpose-built for industry



The AVEVA product portfolio supports the full design, operate and optimise life cycle of industrial businesses.

Software

AVEVA solutions and expertise connect people with trusted information and insights. Customers choose our products to optimise industrial operations, engineering and performance.

Our open architecture supports diverse environments of legacy and modern equipment, as well as third-party and in-house assets and systems. This allows our customers and partners to maximise value without compromising existing investments.

Our investments in accordance with the US National Institute of Standards and Technology (NIST) Cybersecurity Framework and NIST Secure Software Development Framework help protect customers' sensitive and mission-critical data, mitigating organisational risk.

Flexible commercial and delivery model

We primarily license and sell our software on a subscription basis, with the balance sold as perpetual licences. The AVEVA Connect industrial cloud platform and AVEVA Flex subscription programme allow customers to take advantage of AVEVA's portfolio through a variety of SaaS, hybrid and on-premises models, depending on evolving business, technology and commercial needs.

Continued investment in cloud and industrial SaaS development allows us to offer more capabilities and solutions as a service each year—translating to increased customer choice, flexibility and speed to value.

Global go-to-market and ecosystem

AVEVA's global direct and indirect channels and robust partner and technology ecosystem help customers realise the value of their AVEVA investments. The direct sales force accounts for three-quarters of revenue, with the balance delivered through our partners and distributors ecosystem.

Value delivery (outputs)

We measure the value we create for investors, customers, employees, partners and communities in both economic and non-economic terms.

Market position and financial performance

- One of the world's leading industrial software companies, as measured by market share and revenue
- Market-leading positions, particularly in operations information, HMI, MES, APM and 3D design software categories
- Over 20,000 customers
- Total Shareholder Return of over 10,000% since AVEVA was first listed

Employment and education

- Circa 6,500 employees, with facilities in 31 countries
- Next generation talent nurture through our early careers programme and partnerships with over 750 universities around the world that share our vision for a more sustainable future

Innovation

Our pioneering software empowers businesses to find new ways of engineering sustainability into facilities and assets from design inception. We enable a connected workforce to monitor, optimise and continually improve sustainable operations and processes.

Operations

To improve the environmental and social impact of our operations, we are greening our campuses, creating a more inclusive culture and improving data collection processes to better measure ESG progress.

Collaboration in a connected world

Our information sharing technology fosters improved collaboration between industrial players and their extended ecosystems: what we call the connected industrial economy. Secure industrial information sharing between trusted partners reduces cost, waste and limits to economic and human potential.

Driving sustainable growth

Strategic pillars

We've built our long-term corporate strategy on five strategic pillars. These guide our growth, ensure we seize opportunities created by market and technology trends, and position our business for long-term success.

ESG considerations are not bolted on, but integrated within each pillar.

Cloud-first strategy

We seek to become the leading provider of industrial information as a service through AVEVA Connect, our industrial cloud platform and our cloud applications. In FY22 we launched AVEVA Data Hub, our first integrated product combining the AVEVA PI System data-sharing technology with the flexibility of the AVEVA Connect industrial cloud platform.

We also continue to prioritise investment in new cloud capabilities for digital transformation, making it easier for our customers to run their businesses and to do business with us:

- Customers are using digital technology, the cloud and industrial data to explore new business models and avenues for growth and profitability;
- With the rise of sensor-based operational data and other IIoT information, advanced industrial information sharing via the cloud allows businesses to optimise their operations while boosting the value of collaboration with key stakeholders;
- Digital transformation also addresses demand for remote operations enabled through the cloud and for connected worker solutions.

ESG in cloud-first strategy

Digital transformation is critical to optimising the use of finite natural resources and transitioning to a global net-zero economy. With industry responsible for more than 40% of global emissions, AVEVA is at the forefront of leading this advance, with our digital solutions assisting our customers in their sustainability commitments. We reflect this in the technology handprint pillar of our ESG approach, and we are currently working towards developing baseline metrics for customer saved and avoided emissions to better track our performance over time.

AVEVA Connect customers using two or more cloud solutions

+163%

FY22 vs. FY21

Innovation

Our investments in cloud, industrial AI, sustainability, integration scenarios and other innovations support our market growth. Priority areas for innovation include:

- Investing in AVEVA Connect, our industrial cloud platform, for it to become the de facto platform for managing, sharing and visualising industrial data as well as providing new opportunities for the broader ecosystem, for example application services;
- Pursuing additional opportunities for innovative sustainability-related solutions, such as monitoring and mitigating greenhouse gas emissions amd increasing circularity;
- Extending our data-led innovations to help customers transform how they work and collaborate. Both our engineering and operations software generate and rely upon a rich layer of industrial data. We collect and contextualise this information, enriching it with AVEVA's purpose-built industrial AI and analytics to create new insights and decision support tools such as digital twins;
- Building powerful visualisation tools that tap into extended reality technologies. These make it easier for teams to understand and act on insights, and to pass these insights on to new employees and teams;
- Protecting our intellectual property and securing future revenue streams through patents. We added 23 patents in FY22, bringing our total to 259; and
- Improving diversity within our teams, adding breadth of perspective for additional creativity and innovation, which are linked to market share growth.

ESG in innovation

As we partner with customers to better understand their challenges and the tools they require to achieve their sustainability ambitions, we will expand our offerings to address these opportunities. We maximise innovation when our teams mirror the diversity of our communities. In line with our inclusive culture philosophy, we have set public goals around gender representation and are establishing internal measures of progress for other focus areas.

Pro forma revenue invested in R&D

13.3%

FY21: 13.1% (up 0.2%)

Growth and diversification

We are driving growth in annualised recurring revenue (ARR) by diversifying in multiple ways, targeting new industries and winning new customers as well as expansions within the installed base. We also seek to win new customers through expansion geographically and inorganically. Our partner ecosystem and the wide relevance of our recently acquired PI System technology opens new doors and creates additional cross-selling opportunities. In the future new opportunities will be available with partners through our cloud platform.

Industries in focus are consumables (including food and beverages, pharmaceuticals and life sciences, and consumer packaged goods) and infrastructure (including transportation, facilities and data centres, cities, water and wastewater, power and renewable energy). Serving customers in these areas helps AVEVA grow and increase resilience. Our investments in digital transformation and sustainability innovation helps us address more needs within industrial businesses. Our primary buyers are still engineering and operations leaders, but our solutions are increasingly relevant to transformation, technology and business leaders as well.

We seek to further increase our geographic coverage across the Americas, APAC and EMEA regions through additional direct sales, supporting investments and the formation of additional strategic partnerships. We also continue to pursue bolt-on acquisitions, early-stage investments, strategic partnerships and transformative deals.

ESG in growth and diversification

As we help more customers and industries achieve greater efficiency, we expand innovation by cutting the cost of curiosity and removing barriers to collaboration. We are advancing the frontiers of the energy system by adding capabilities to support new markets such as the growing clean hydrogen economy and carbon capture, utilisation and storage (CCUS) businesses.

Green revenue*

73.3%

FY21: 49.4%

* Internal AVEVA assessment based on the FTSE Russell Green Revenues Classification System 2.0; FTSE Russell's assessment of AVEVA's green revenue for FY21 complete but FY22 not started.

Business model transition

We continue to evolve our commercial business model to a subscription and cloud-based industrial SaaS model. This supports growth in ARR and net revenue retention (NRR).

The subscription model brings commercial and technical flexibility for customers, giving them easy access to our entire portfolio via a single subscription mechanism, AVEVA Flex, that scales with use.

As a result, our customers and partners can realise additional value by gaining easy access to more of our portfolio through AVEVA Connect, our industrial cloud platform. This transition increases opportunities to monetise our portfolio investments, enhancing our growth and profitability over the long term.

Our transition to a cloud model provides a significantly enhanced customer experience. It also presents new and unique opportunities to increase our partnership ecosystem, opening up new ways to meet customer needs.

ESG in business model transition

Increasing cloud product offerings reduces our Scope 3 Use of Sold Product emissions. These downstream emissions, created from energy consumed by our customers as they use our software, represent the largest share of our overall carbon footprint. By partnering with low-carbon cloud providers, we are advancing our own net-zero commitment while also helping industry customers to decarbonise.

Growth in annualised recurring revenue (ARR)

10.2%

FY22 £768.7m vs. FY21 £697.8m

SaaS as a percentage of revenue

2.3%

FY21: 2.9% (down 60bps)

Operational excellence

In order to position the business for future growth and to realise the synergies available from our recent acquisition, we aim to improve several functional areas of our business. Areas of focus include:

- Improving cash generation through the business model transition to SaaS, cost efficiencies and cash management;
- Service and support transformation, including cloud enablement, to drive increased margin and customer satisfaction;
- Investing in our corporate sustainability function to increase awareness and centralise focus on mitigating our operational footprint;
- Portfolio rationalisation and divestments to shape investment decisions and reduce costs; and
- Completion of the integration of our PI Business and other process, automation and system-level improvements to increase efficiencies and scale to accommodate our projected growth.

ESG in operational excellence

We are committed to operating our business as a responsible corporate citizen, exemplifying environmental stewardship and ethics across our value chain. We track our progress in decarbonisation and employee confidence in reporting unethical behaviour.
In parallel, we are working toward developing policies that will strengthen our ESG standards for suppliers and promote circularity in relation to e-waste.

Cost synergy

£10.8m

(FY21: nil)

Revenue synergy

£7.4m

(FY21: nil)

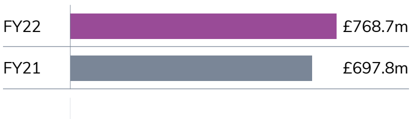
Tracking our targets

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

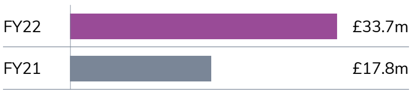
Financial measures

Our financial KPIs are centred around growing our revenues and improving our revenue mix, improving earnings growth, and generating sustainable cash flows. For further commentary see the Finance Review on pages 50 to 53. Our KPIs have evolved to reflect AVEVA's strategic focus on growing ARR, SaaS revenue and cash flow.

ARR
£768.7m
Up 10.2%



SaaS ACV[1]
£33.7m
Up 89.3%



Pro forma[2] revenue
£1,235.6m
Up 3.3%

	ARR	SaaS ACV[1]	Pro forma[2] revenue
Why it is important to us	ARR is an indicator of revenue that can be expected to repeat, and is important in tracking the progress of our transition to a subscription business model.	We are transitioning to a subscription-based business model. SaaS is an important component and measures the progress of this transition.	Revenue is a measure of our business growth over time. Subscription and SaaS transition can impact revenue growth in the short term, but are expected to increase long-term growth.
What has happened during FY22	ARR growth was due to growth in subscription revenue within the heritage AVEVA business.	SaaS ACV grew 89.3% due to increased demand from customers for SaaS solutions.	Pro forma revenue increased due to growth of sales in PI System products, offset by FX headwinds. On an organic constant currency basis, pro forma revenue growth was 7.1%.
How it aligns to strategic pillars	Business model transition	Cloud-first strategy Business model transition	Growth and diversification
FY26 target	Yes	Yes	Yes
Link to remuneration	ARR growth will form part of the FY23 LTIP award and FY23 bonus scheme. AVEVA (excluding OSIsoft) ARR was a target under the FY22 bonus scheme.	SaaS ACV growth will form part of the FY23 bonus scheme	Pro forma revenue growth is a performance metric for LTIPs granted between FY20 and FY22. Pro forma revenue was a personal KPI for our Executive Directors (EDs) in FY22.

KPIs are prepared on a non-GAAP basis. See the Non-GAAP measures section on pages 203 to 214 for the definition, purpose and reconciliation to the nearest GAAP measure.

1. Annual contract value. The average annual revenue generated from a sales contract.
2. Pro forma results are the combined results of AVEVA and OSIsoft, excluding the impact of the revenue haircut. Pro forma results are not available before FY20.
3. Adjusted results exclude normalised and exceptional items.
4. Organic constant currency results are presented under FY21 foreign exchange rates and adjusted for M&A activity.
5. Free cash flow before tax as a percentage of adjusted profit before tax. The definition of cash conversion has changed from previous years.

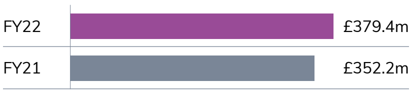
Link to strategic pillars

- Cloud-first strategy
- Innovation
- Business model transition
- Growth and diversification
- Operational excellence

Pro forma[1] organic constant currency[4] adjusted[3] EBIT

£379.4m

Up 7.7%



Pro forma adjusted EBIT is a measure of our profitability.

Pro forma organic constant currency adjusted EBIT grew 7.7% due to growth in revenue being offset by higher costs.

Growth and diversification

Yes

Pro forma organic constant currency adjusted EBIT was a performance measure under the FY22 bonus scheme.

The payout for EDs under strategic KPIs under the bonus scheme may be restricted if EBIT targets are not met.

Adjusted[3] diluted EPS

99.6p

Up 22.5%

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

Adjusted diluted EPS grew due to the inclusion of a full 12 months of the OSIsoft business in FY22.

Pro forma adjusted diluted EPS declined 5.5%.

Growth and diversification

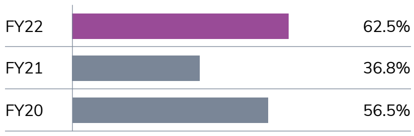
No

Adjusted diluted EPS is a component within the Group's LTIP schemes

Cash conversion[5]

FY22: 62.5%

Up 25.7 percentage points



Cash conversion tracks whether profitability is effectively being converted into cash for organic investment, M&A or returns to shareholders.

Cash conversion improved due to the inclusion of a full 12 months of OSIsoft results.

Operational excellence

Yes

Cash conversion will form part of the strategic KPIs within the FY23 bonus scheme for the EDs.

Non-financial measures

Our non-financial KPIs track progress against our 2030 ESG Goals, reflecting our commitment to advancing women in our workforce, mitigating our environmental impact and exemplifying good governance practices. For further information on our ESG programme, please see pages 30-41.

New hires that are women

35.8%

Up 3.4 pp

Management positions held by women

25.4%

Up 1.4 pp

Leadership positions held by women[1]

20.7%

Up 1.6 pp

Why it is important to us

We are committed to encouraging and supporting women in all areas of our business.
We aim to increase the proportion of women in leadership, management and overall workforce every year as part of our 50/40/30 target.

What has happened during FY22

We are continuing to implement our 5-year DEI Strategic Plan. 27.7% of our employees are women as of 31 March 2022. This is up from 26.5% in FY21.

How it aligns to strategic pillars

Innovation

Link to remuneration

Improving gender diversity was a personal objective for the CEO and the whole Executive Leadership Team in FY22.

1. Director level and above.
2. Heritage AVEVA only.

Link to strategic pillars

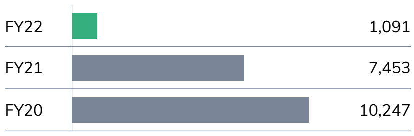
- Cloud-first strategy
- Innovation
- Business model transition
- Growth and diversification
- Operational excellence

Scope 1&2 emissions (tonnes CO_2e)

1,091

Down 89%

From FY20 baseline

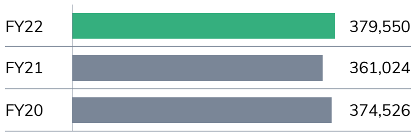


Scope 3 emissions (tonnes CO_2e)

379,550

Up 1.3%

From FY20 baseline



Why it is important to us

We have committed to leading by example on climate action. We have set a goal to achieve net-zero emissions across our operations (Scope 1 and 2) by FY30 and across our value chain (Scope 1, 2 and 3) no later than FY50.

What has happened during FY22

We reduced our Scope 1 and 2 emissions by approximately 89% compared to our FY20 baseline. We are accelerating work to reduce our scope 3 emissions, which increased by 1.3% from our FY20 baseline this fiscal year. This increase was driven primarily by our product sales growth but a return to business travel and employee commuting also contributed.

How it aligns to strategic pillars

Business model transition

Link to remuneration

Reducing Scope 1&2 emissions was a personal objective for the CEO and the whole Executive Leadership Team in FY22.

Trust indicator

Employee level of confidence in reporting unethical conduct as measured in our Workday Peakon survey

8.4/10

New metric

Why it is important to us

Acting ethically, transparently and responsibly is an expectation for everyone at AVEVA. We have committed to increasing employee confidence in reporting unethical behaviour to the top quartile for our industry by FY25.

What has happened during FY22

We added a question on Trust to our quarterly employee engagement surveys to measure employee confidence in this metric.

How it aligns to strategic pillars

Operational excellence

Link to remuneration

N/A

University takes a data-centric approach to net zero

University of California at Davis saves over $150,000 annually

Advancing the University of California's pledge to become carbon neutral by 2025 draws on the ingenuity of talented engineers and operators, working with advanced data tools like AVEVA PI System and AVEVA System Platform

UC Davis, the university's largest physical campus with over 1,000 buildings, started using data to optimise its chilled water system. Using AVEVA's PI System, engineers dispatched water chillers more effectively, at times when electricity was cheaper on the market. This sustainability measure alone generates annual savings of $150,000.

A second initiative focused on HVAC scheduling. Using building occupancy data combined with custom analytics and notifications, all built on PI System, the facilities team can make scheduling heating and cooling more efficient and identify scheduling errors.

"

We have scripts that look at the schedule and change our control system to turn off when we don't expect anyone there."

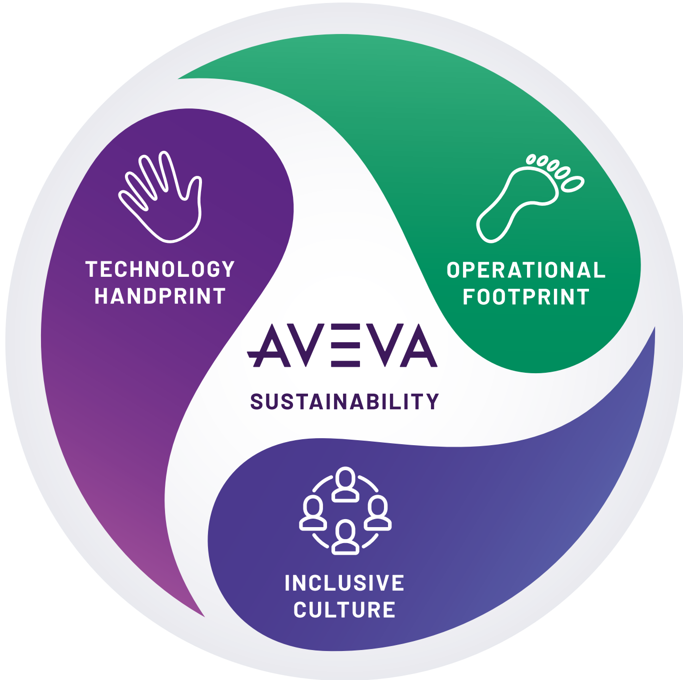
David Trombly, UC Davis Engineering Supervisor

A third initiative, named "The Big Shift," is an ongoing project to improve efficiency throughout the university's heating system. By running different scenarios, campus engineers determined that switching to a low-temperature hot water system would save the campus money and emissions in the long run. Electricity use will rise, but energy consumption can be offset with renewable energy sources that maintain carbon neutrality. After the switch, the campus expects a 62% reduction in annual gas usage.

Our handprint, footprint and culture

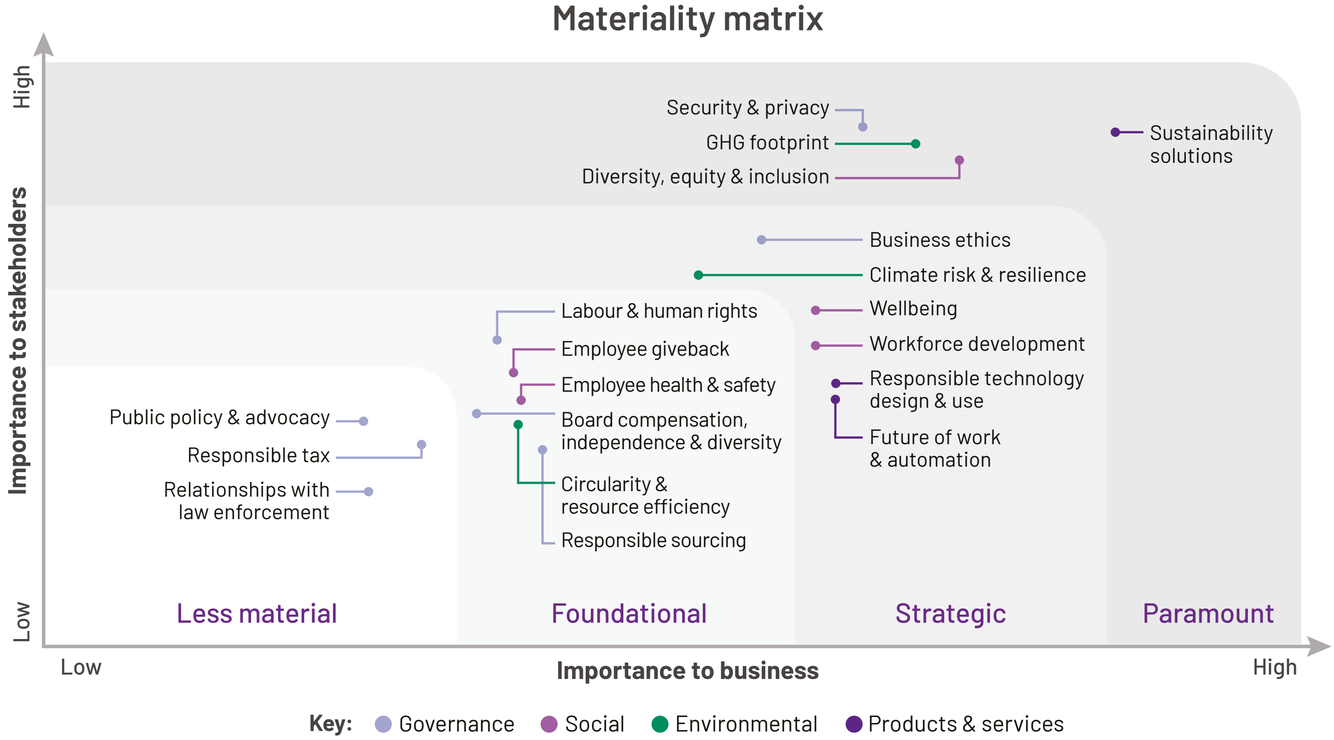
We are pursuing a sustainable future through everything we do, empowering more efficient use of resources through our software and embedding sustainable, responsible practices in all aspects of our business. Our ESG framework reflects how we think about sustainability and execute our strategy.

Our approach prioritises those issues which are most material, as identified as part of a rigorous materiality assessment. We approach materiality through two lenses: what is important to our people and business, and what is important to our other key stakeholders.



For more information about our materiality assessment process, see our Sustainability Progress Report (aveva.com/spr22/)

Materiality matrix



AVEVA's ESG framework and goals at a glance

PURPOSE, MISSION, VISION

We spark industrial ingenuity by connecting people with trusted information and insights to drive responsible use of the world's resources

TECHNOLOGY HANDPRINT

Inspiring our customers to transform the environmental and social impacts of their business through our trusted and secure software

2025 GOALS

1. Develop customer saved and avoided CO_2 emissions baseline and target
2. Develop and deploy green product design principles
3. Develop and launch a sustainability innovation programme
4. Remain in the top 25% of security benchmarks
5. Train all employees annually on cybersecurity

2030 GOALS

Measurably contribute to inclusive and sustainable industrialisation and innovation

MATERIAL ISSUES

- Sustainability solutions
- Responsible technology design and use
- Security and privacy
- Future of work and automation
- Relationships with law enforcement
- Public policy and advocacy

OPERATIONAL FOOTPRINT

Exemplifying ethical business practices and environmental stewardship across our value chain

2025 GOALS

6. Reduce GHG emissions across operations (Scopes 1 & 2) by at least 90%*
7. Reduce GHG emissions associated with business travel (Scope 3) by at least 20%*
8. Deploy an e-waste programme based on a circular economy model
9. Deploy updated ESG supplier policies and screening processes
10. Increase employee confidence in reporting unethical behaviour to top 25% for industry

*Climate goals set against 2020 baseline year

2030 GOALS

Achieve net zero operations + 50% reduction on value chain emissions*

MATERIAL ISSUES

- Climate risk and resilience
- GHG footprint (Scope 1,2 & 3)
- Business ethics
- Circularity and resource efficiency
- Labour and human rights
- Responsible tax
- Responsible sourcing

INCLUSIVE CULTURE

Enabling a culture of inclusion, wellbeing and opportunity for our people and communities

2025 GOALS

11. Demonstrate progress on 50/40/30 gender representation and pay parity targets
12. Year-over-year improvement in employee engagement score
13. Double early career opportunities
14. Ensure all employees have an annual talent review
15. Ensure an average of 12 hours of annual learning per employee

2030 GOALS

Achieve 50/40/30 on gender representation and pay parity

MATERIAL ISSUES

- Diversity, equity and inclusion
- Workforce development
- Wellbeing
- Employee giveback
- Employee health and safety
- Board compensation, independence and diversity

Our three-pillar ESG framework reflects the areas where AVEVA sees the greatest potential for impact through the software we create, the operating model we practise and the partnerships and communities we build. It guides our actions and provides the foundation for our near- and long-term goal setting.

We aligned material issues to these pillars based on opportunities we saw to leverage positive synergies and promote collaboration across environmental, social and governance themes. Our 2025 and 2030 goals focus primarily on issues identified as paramount or strategic during our materiality exercise, but we will continue to disclose information on our management approach for all material issues.

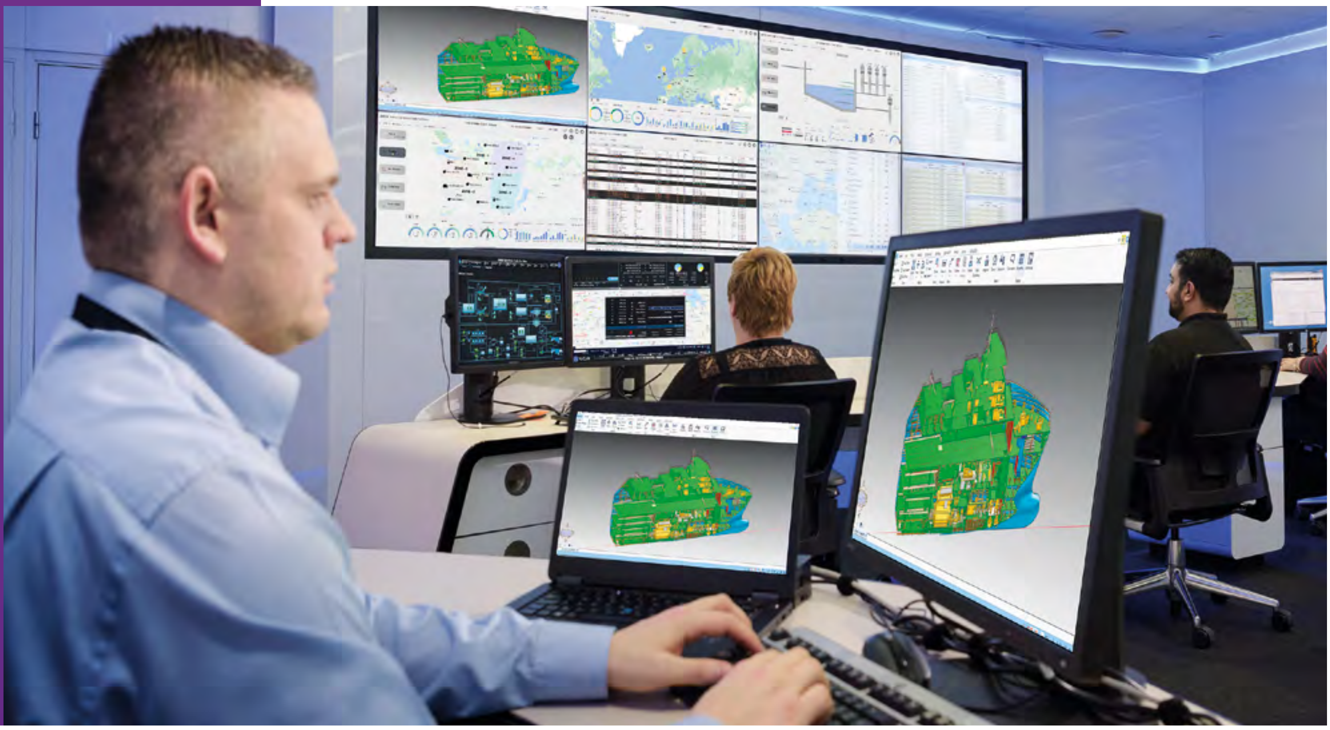
Further details on our 2025 and 2030 goals are available in our Sustainability Progress Report. (aveva.com/spr22/)

We have identified three UN Sustainable Development Goals (SDGs) which align with the three pillars in our ESG framework. We consider these our priority SDGs and have set measurable goals around them. We will continue to speak to our broader contributions to the SDGs through case studies, including examples of how our customers' use of our industrial software supports progress on the Global Goals.

For more details and examples of our SDG alignment, see our Sustainability Progress Report. (aveva.com/spr22/)

TECHNOLOGY HANDPRINT

Technology handprint



Our software spans engineering and operations solutions, helping our customers optimise their entire value chain while contributing to the conservation of natural resources and supporting circularity."

Lisa Johnston, Chief Marketing Officer and Chief Sustainability Officer

Transforming industries through our technology handprint

Our technology handprint is the positive sustainability impact achievable by customers using our secure software products. AVEVA's industrial software helps customers drive responsible use of the world's resources by reducing carbon, promoting circularity, enabling safe food and water and cutting waste.

Increasingly, our products are used to meet the world's most pressing challenges associated with sustainability and energy transition. We are accelerating our sustainability-related R&D and launching a sustainability centre of excellence to help meet growing demand. Our customers trust us with their proprietary information, and we maintain this trust by prioritising the security and privacy of this data.

What gets modelled gets improved

Integrating greenhouse gas (GHG) modelling into our products is an example of AVEVA's sustainability investments. This enables design, analyses and optimisation of industrial processes for sustainability as well as profitability. Since many future plants will be powered by a mix of renewable energy and clean hydrogen, we included libraries that support the modelling of power generation networks that include wind turbines, solar panels, batteries, electrical distribution and hydrogen electrolysis.

AVEVA Unified Supply Chain supports sustainability analysis across the entire oil & gas and petrochemicals value chain. The solution helps organisations make investment and operational planning decisions based on different carbon pricing and carbon cap scenarios.

One of the world's largest energy companies has successfully piloted these capabilities in planning its net-zero roadmap. These new carbon-aware planning capabilities give teams the insight they need to make investment, divestment, purchasing and selling decisions. At the same time, these tools also support adjustment of refinery planning and operations to reduce emissions, while maintaining commercial optimisation and safety.

In FY22, we enhanced our AVEVA Process Simulation product to enable calculation of GHG emission and sustainability metrics for industrial processes.

With refineries contributing six percent of global industrial greenhouse gas emissions, this innovation can significantly impact the achievement of a net-zero carbon energy system.

These product enhancements are also an example of AVEVA's innovative sustainability culture. They originated as winning concepts in our sustainability-themed hackathons, graduating from prototypes to product features.

Partnering for change

In addition to co-innovating with our customers on sustainability, we are also investing in building new capabilities through technology partnerships with global sustainability leaders from Microsoft and Schneider Electric to emerging green start-ups.

AVEVA Insight offers our customers a proven solution for combining industrial data with our AI and analytics capabilities for better business decisions. To enhance this capability in the renewable energy sector, we recently signed a technology partnership with Helios IoT Systems. This collaboration extended our offer with performance calculations specific to solar assets. It will allow us to provide our customers with increased visibility of predictions, KPI and performance of their solar assets. We expect this to result in quicker detection of inefficiencies and expedited troubleshooting.

Our partnerships extend to academia, where we work with universities around the world to shape a more sustainable future.

We collaborate with more than 750 academic institutions to provide our software at no cost.

These partnerships advance the training of students each year with technology skills to further sustainable industries. These partnerships are important, with many of these universities acting as innovation incubators. This year, through Go Green, our global student competition in partnership with Schneider Electric, AVEVA sponsored the category of 'Decoding the Future,' calling for students around the world to reimagine future technology approaches to design, engineering and intelligent operation of critical assets and infrastructure. We've seen more than 21,000 students participating in the competition. We also collaborate with BP and the University of Cambridge to fund doctoral studentships. These partnerships facilitate training of the next generation of infrastructure experts, accelerating development of digital twins, capturing pre-Front-End Engineering Design (FEED) options using AI, and the inclusion of sustainability practices at the point of design.

Security and data privacy at the core

Security and data privacy are core to our organisational culture. We are committed to upholding the highest standard of cyber protection, using components that meet recognised standards and include encryption by default. By design, we seek to address cyber security in all relevant processes, including our software products and day-to-day corporate business activities. We closely monitor security

training data to support achieving 100% employee training on data security and privacy compliance. This includes training on our group data protection policy for all our relevant business lines and subsidiaries which stipulates processes for the access, rectification and deletion of individuals' data. All our employees are required to complete annual training on key data protection principles.

As a software company that serves an increasingly connected and complex industrial world, we treat security and privacy with the highest level of oversight and strive to ensure alignment with the highest standards. Our Group General Counsel and Company Secretary holds global responsibility for data privacy compliance and reports to the Audit Committee on a routine basis.

This includes key third-party privacy notices, like our privacy policy, customer privacy policy and cookie policy. We incurred no monetary losses as a result of legal proceedings related to user privacy in FY22.

We use the US National Institute of Standards and Technology (NIST) Cybersecurity Framework to shape our risk-based approach to security, and we have achieved ISO 27001 for our R&D organisation. Our R&D organisation also undergoes an annual SOC 2 Type II audit by an external, independent assessor to certify the operational effectiveness of our data security internal controls and systems. Other key certifications include ISASecure SDLA, ISO 9001, and ANSSI CSPN First Level Security Certification. External raters place us in the top quartile of our industry for cyber security performance, and we report all notifiable data security incidents to relevant authorities.

We take a lifecycle approach to product security, which helps us to mitigate risks related to performance issues, service disruptions and total customer downtime. In FY22, we successfully supported over 2,000 cloud deployments and achieved 99.97% uptime across our cloud offerings. Steps taken to increase security to support remote work during the Covid-19 pandemic are now permanent, complementing longstanding network security, disaster recovery and systems measures at AVEVA that support business continuity.

We occasionally, although rarely, receive information requests from law enforcement authorities in the jurisdictions in which we do business. We respond to lawful requests from such authorities in compliance with applicable legislation.

OPERATIONAL FOOTPRINT

Operational footprint

Our San Leandro, California building is LEED Gold rated.

Driving sustainability in our own operations

We proactively manage our operational footprint to achieve our ambitions for environmental stewardship and ethical business practices.

Sustainability leadership begins with looking at our own operations, understanding our impact across our value chain and driving positive change. Beyond our climate and business ethics programmes, management priorities for our operational footprint include our sustainable sourcing initiatives, responsible tax strategies and efforts to respect and promote human rights within our sphere of influence.

Measuring and managing our own climate impacts

Driving responsible use of the world's resources starts with leading by example, including measuring and mitigating our own environmental footprint. We recognise the urgent need to take action to address the climate crisis and have set targets aligned to limiting global warming to 1.5 degrees Celsius above pre-industrial levels, in line with the Science Based Targets initiative (SBTi). We submitted our near-term and net-zero targets to the SBTi for validation in October 2021 and are awaiting confirmation.

We are reporting on our governance, strategy and risk management structures and processes related to climate change using the Task Force on Climate-Related Financial Disclosures (TCFD) framework on pages 63-69. In 2021, we also started to report our data and management information related to climate change to CDP, formerly known as the Carbon Disclosure Project.

Recent refinements to our GHG inventory

To demonstrate progress against our climate commitments and to foster trust through transparency, we have continued to refine our data collection approach and systems as our company grows and our sustainability programme matures. During the fiscal year, we stepped up our climate management and reporting, automating the data collection process, using carbon accounting software to help substantiate our data and conducting additional data reviews with third-party decarbonisation consultants. While data published in this report has not been independently verified, we are preparing for third-party assurance of our operational emissions data (Scope 1 and 2) in FY23.

When calculating and reporting our emissions data, we have aligned our methodology to the World Resource Institute's GHG Protocol Corporate Accounting and Reporting Standard (GHG Protocol). For the emissions data reported in this section, we used an operational control approach to define our organisational boundary. GHG data relating to OSIsoft, acquired by AVEVA in March 2021, is now fully integrated into our inventory.

For Scope 2 emissions for purchased electricity, we have moved to dual reporting this fiscal year, using both a location-based and market-based approach. Based on a materiality assessment conducted with third-party support, we have expanded our Scope 3 reporting to go beyond emissions from business travel. Other value chain emissions included as part of our Scope 3 FY22 inventory come from employee commuting, purchased goods and services, capital goods, use of sold products, waste, and fuel- and energy-related activities.

The calculations for our upstream value chain emissions are all based on standard methodologies compliant with the GHG Protocol. For our downstream emissions, we developed a custom model to estimate the energy used by our customers to run AVEVA software. The model was refined based on feedback from third-party experts on decarbonisation and GHG accounting. We are in the process of conducting energy consumption bench testing across our higher intensity software applications to further improve its accuracy. Due to refinements in our processes, we are restating our FY21 emissions data in disclosure for FY22 to allow for a more accurate comparison of our abatement progress.

Progress against net-zero operations commitment

We reduced Scope 1 & 2 emissions by approximately 89% in FY22 compared to our FY20 baseline.

Our Scope 1 emissions declined by 41% and Scope 2 (market-based) emissions by 97% compared to FY21. These reductions were primarily driven by three mitigation activities:

- Rationalisation of our real estate portfolio and consolidation of office space following our recent acquisition of OSIsoft;
- Sourcing 100% renewable energy for our offices globally through a combination of renewable energy credits and participation in green tariff programmes offered by local utilities; and
- Improving emissions tracking for AVEVA's corporate car fleet, reducing the fleet size and migrating to electric vehicles.

Our GHG intensity measurement has fallen primarily because our revenue increased by 44% and our combined Scope 1 and 2 emissions (location-based) decreased by 16%.

Our Scope 3 emissions increased by 5% during the year compared to FY21. This was driven mainly by our product sales growth, which increased our use of sold products emissions. Post-Covid-19 re-opening activities, such as business travel and return to work also contributed to this increase. As a result, overall Scope 3 emissions increased by 1.3% from our FY20 baseline.

We remain committed to accelerating our cloud transition and to developing and deploying green software principles to address our use of sold product emissions. We are also actively working to engage our top suppliers on emissions measurement and reduction, as well as developing policies to support more sustainable business travel and reduce employee commuting.

To learn more about our progress on climate mitigation, including our Scope 3 reduction glide path, please see our Climate Fact Sheet. (aveva.com/climate22/)

	FY22			FY21 (restated)[1]		
Emissions (tonnes CO_2-e)	Global	UK	Other	Global	UK	Other
Scope 1	**931**	**119**	**812**	1,588	138	1,450
Natural gas	**841**	**119**	**722**	1,268	138	1,130
Fleet	**90**	**–**	**90**	321	–	321
Scope 2 (location-based)	**5,040**	**325**	**4,715**	5,537	359	5,178
District heating	**79**	**–**	**79**	95	–	95
Electricity	**4,961**	**325**	**4,635**	5,442	359	5,083
Scope 2 (market-based)	**160**	**–**	**160**	5,865	152	5,713
Electricity	**81**	**(0)**	**81**	5,770	152	5,618
Energy consumption (Mwh)	**19,602**	**2,183**	**17,419**	22,952	2,326	20,626
Direct energy use (Scope 1)	**4,591**	**651**	**3,940**	6,906	751	6,155
Indirect energy use (Scope 2)	**15,011**	**1,532**	**13,479**	16,046	1,575	14,471
Proportion of indirect energy (Scope 2) from renewables (%)	**~100%[2]**	**100%**	**~100%[2]**	7%	69%	0%
Emissions intensity (Scope 1 and 2 location-based emissions/ total revenue)	**5.04**	**10.10**	**4.84**	8.69	12.46	8.49

1. FY21 emissions have been restated due to refinements in our processes. See page 34 for details.
2. In FY22, we procured 100% renewable electricity in all global markets as per RE100 criteria, though for certain select locations due to market and geo-political conditions we have claimed exemption for excluded loads up to <500 Mwh/yr as per the RE100 materiality threshold. While AVEVA is not a RE100 member, we have aligned our RE procurement to RE100 standards in recognition of industry best practice.

Emissions (tonnes CO_2-e)	FY22	FY21
Scope 3 emissions	**379,550**	361,024
Use of sold products	**339,127**	326,064
Purchased good and services	**23,984**	27,156
Business travel	**9,403**	1,198
Employee commute	**1,516**	85
Capital goods	**3,179**	4,872
Fuel- and energy-related activities	**2,203**	1,519
Waste	**138**	130

Empowering our workforce to put integrity first

The Board of Directors, via the Audit Committee, has overall responsibility for oversight of business ethics and preventing corruption. Prioritising integrity is, however, the responsibility of all our people, as outlined in our Business Conduct Guidelines. Ethics training is mandatory for all employees and covers topics including anti-corruption and anti-bribery, whistleblowing, insider trading and modern slavery. Approximately 89% of our colleagues have completed our new corporate ethics training course launched in August 2021.

The Board receives an annual update from the Group General Counsel and Company Secretary on the status of compliance training and any changes to our business ethics and corruption policy.

Driving behaviour through clear policies and procedures

We have a robust anti-bribery and corruption policy, which is reviewed annually and details measures AVEVA takes to ensure compliance with applicable anti-corruption laws. In addition, our due diligence on new business partners assesses bribery and corruption risk. All new employees are required to complete training on the policy within one month of joining our company.

In conjunction with our anti-bribery and corruption policy, we also require employees to read and comply with our corporate gifts and hospitality policy. Compliance in our supply chain is also important to us, and we undertake a screening process for all our suppliers. We also require our partners to comply with all applicable laws relating to bribery and corruption including, but not limited to, the U.S. Foreign Corrupt Practices Act and the UK Bribery Act 2010.

Additionally, we have an internal policy that provides clear and consistent rules relating to anti-competitive behaviour, and we are currently in the process of drafting a corporate policy regarding financial crime, to include explicit prevention measures related to money laundering. While our risk is relatively low, we are currently updating our risk assessment and processes. During the fiscal year, there were no monetary losses as a result of legal proceedings associated with antitrust and competition laws.

Our Speak Up reporting mechanism provides colleagues, contractors and third parties with a way to raise concerns in confidence, without fear of reprisal. The Audit Committee provides independent oversight of the Speak Up programme. To ensure our employees have confidence in our reporting mechanisms, we survey them to assess their comfort with reporting unethical behaviours. In our first quarterly employee engagement survey in Februrary 2022, the average score given for this was 8.4 out of 10.

> **Ethical considerations are at the centre of everything we do at AVEVA. Beyond ensuring our employees receive training to help them meet this expectation, we aspire to support them in recognising their behaviours can drive positive change across our value chain.”**

Helen Lamprell, General Counsel & Company Secretary

Our approach to human rights

As a company, we recognise that our technology can have far-reaching impacts, including on the fundamental rights of others. We therefore have a responsibility to respect and contribute positively to furthering human rights through our products and operations. We have an anti-slavery and human trafficking policy, which outlines our zero-tolerance stance toward modern slavery at AVEVA and in our supply chain. Our dignity at work policy outlines our commitment to foster a work environment free from harassment, discrimination and bullying. We intend to build on these key policies by developing an enterprise-wide human rights policy in the coming year.

Contributing positively to society through a responsible tax strategy

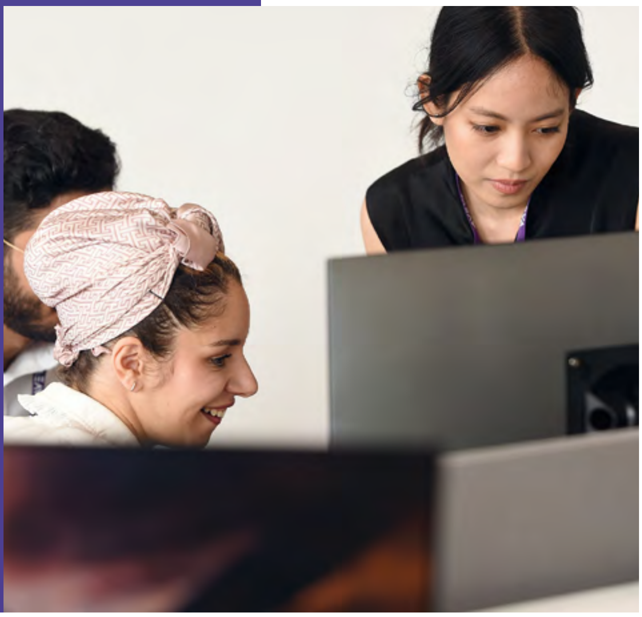
One of the ways we can show we are responsible contributors to society is to be transparent about what we do. In particular, the taxes we pay contribute to our wider economic and social impact, and our approach to taxation reflects our high governance standards.

We comply with and follow the spirit of tax laws in all countries in which we operate. Beyond tax compliance, we are committed to tax fairness, and align tax payments with revenue-generating activity to ensure correct tax payment. Where relevant, AVEVA seeks available tax incentives, relief or exemptions in line with, and in the spirit of, existing tax legislation. We avoid low-tax jurisdictions, or so-called tax havens. Any AVEVA activity in low- or no-tax jurisdictions is for commercial or otherwise essential purposes.

For more information about our approach to our tax responsibilities, see the AVEVA Group plc Tax Strategy (investors.aveva.com/media/0gmpituo/aveva-tax-strategy-fy22.pdf)

INCLUSIVE CULTURE

Inclusive culture



"Our aim is to create an environment where everyone can be themselves at work and be treated with respect. We know that when our people feel included and have a sense of belonging, they are happier, more engaged, inspired, innovative and productive."

Caoimhe Keogan, Chief People Officer

Living up to our values through an inclusive culture

As a company, we are passionate about embracing and advancing a diverse, equitable and inclusive culture, making AVEVA a great place to work. Our people create the innovation and growth that drives our business forward and we are committed to their development. We also take a holistic approach to employee wellbeing, with a focus on mental health as well as physical health and safety.

Empowering our people to help set our values

Just five years ago, AVEVA had 1,700 employees. By the end of the fiscal year, circa 6,500 people were working for our company, with many joining as part of recent mergers and acquisitions. Growing a global organisation this quickly—uniting diverse groups while respecting and celebrating individual differences—requires great care.

To successfully integrate people across the business, we prioritised alignment on values. All our people were invited to participate in discussing and re-articulating the values and culture that help ensure we achieve our vision, mission and purpose. While our fundamental purpose has remained unchanged since AVEVA was founded over 50 years ago, our vision has grown along with our capabilities and scale.

Nearly half of our employees participated in focus groups or feedback sessions during the year, providing input and ensuring our values are widely shared and embraced.

Advancing wellbeing during times of change

Our values serve as a foundation for how we interact with colleagues and partners, customers, and the communities where we do business. The pandemic has changed how many of those interactions happen and we have re-designed our ways of working by listening to our employees. Dynamic work at AVEVA is a mix of in-office and remote working options flexible enough to cater for all needs.

We have created four work modes which reflect employee input and our requirements for flexibility, business sense, work-life balance and collaboration. The four work modes are:

Office-based	Completely office-based with work from home by exception
Conditional choice	Regular days in the office aligned with team needs
Fully flexible	Full control over where to work
Remote	No attachment to an AVEVA office, coming in by exception

Most employees and managers have opted for the hybrid options, between remote and office-based. These options have helped balance needs for safety in the middle of a pandemic, natural cravings for in-person collaboration and local conditions and guidelines. Across AVEVA, there is broad support for hybrid approaches, and we have maintained high productivity levels during this transition.

While dynamic work aims to support wellbeing, the ongoing pandemic continues to create additional mental and physical pressures for many employees. In FY22, we set up a new global network of regional wellbeing champions, building on efforts begun at the onset of the pandemic. We also introduced new resources for our employees, such as a mental health toolkit and a mindfulness hub, as well as guides to help managers on topics such as leading through change and preventing burnout. All of our people are welcome to join live, monthly mindfulness sessions, and we have begun rolling out mental health first aid training in EMEA, with plans to expand to APAC and the Americas in the coming year.

To celebrate Wellbeing Month in October, we hosted 40 events in six languages. Topics included mental and physical health, work-life balance, and general wellbeing. Senior leaders shared personal experiences with mental and physical wellbeing, acknowledging the unique challenges of the Covid-19 pandemic and inviting colleagues to share their experiences and views.

Engagement survey results

Our employee engagement survey, Workday Peakon, provides managers and leadership with the ability to hear how teams feel and understand what employees want to see more of within the organisation.

To ensure we can act even faster on employee feedback, we transitioned from an annual survey to quarterly feedback during the year. The shorter, more frequent surveys are faster to complete and help managers respond quickly to issues identified within teams. Most colleagues (77%) participated in our first quarterly pulse survey in February 2022, reporting a slight overall increase in engagement from an average score of 7.4 in October 2021 to 7.5.

To ensure we address feedback effectively, we provide training for our managers to produce action plans for improvement for their teams. We also continue to actively monitor and manage voluntary employee turnover, which continues to be well below the market average of 15%-18%.

Workforce development in focus

AVEVA people are critical to sparking innovation and achieving our objectives. Investing in current and prospective talent attraction, development and retention is therefore core to our strategy. We enhanced our employee referral programme, deepened our in-house talent acquisition expertise, grew our university partnerships programme, reviewed compensation packages in various territories, improved our talent review processes and introduced new approaches to succession planning.

Growing our early careers talent pipeline

To support early career development, more than 200 of our people were in earn and learn positions during the year. These include internships, apprenticeships and graduate programmes. As we aim to have double the people in earn and learn positions by the end of FY25, we joined the 5% Club, a group that helps employers increase the quality and range of earn and learn opportunities in the UK. We plan to apply learnings from the UK to our early career efforts globally.

Enabling on-demand learning

Curiosity is one of our core values and we see ourselves as a learning organisation. To ensure our employees keep their skills up to date, we work with academic institutions and other learning providers to provide our colleagues with high-quality training.

As an example, in June 2021, we launched LinkedIn Learning, a company-wide platform, available in six languages, to help our employees access relevant online learning to support their development plans. For our managers, the tool is helpful to map out development plans with team members. Over 2,300 of our employees are already learning on the platform, with more than 7,300 hours of learning completed.

Our people managers also continue to receive training to develop leadership skills and build inclusive, high-performing teams. In FY22, we developed 143 new managers through an internal programme that involves collaboration, feedback and peer coaching. Beyond our employee base, we have a contract workforce that continues to support our business, often with niche skills. In FY22, they represented approximately 10% of AVEVA's workforce.

Reviewing and developing our talent

We aim to have all of our people receive regular performance and career development reviews. In addition, we are aiming to conduct yearly talent reviews for all of our employees by 2025. This process helps us assess competence levels, identifying strengths and areas for improvement, and is particularly critical for developing our high-potential employees. Identifying these prospects as early as possible will help us implement structured development and succession plans, and aid in the retention of our top talent.

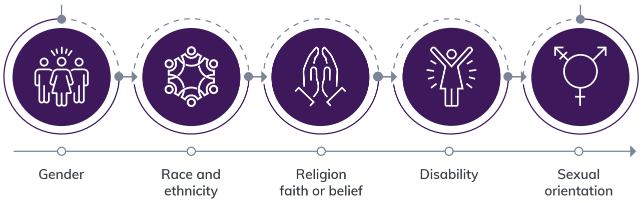
In our efforts to boost the strength and diversity of our talent pipeline, we are piloting a new programme in FY23, Reach, to support and grow top talent through an inclusive and personalised approach. Reach promotes self-directed learning, a culture of open feedback and stronger connections between and across teams. These qualities reinforce our values and our embrace of self-starters and forward-thinkers.

Inclusive culture continued

Diversity, equity and inclusion

As a company built on innovation, information and insight, we know that diversity in our workplace directly correlates with diversity in ideas. Diversity is therefore a source of competitive advantage. Our approach to diversity, equity and inclusion (DEI) focuses on five areas: gender; race and ethnicity; religion, faith and belief; disability or sexual orientation. To foster inclusion, we are developing the capability of our leaders, measuring our impact, improving diversity demographics and improving internal and external communications.

Our DEI focus areas



In December, we published a five-year DEI plan to guide us in achieving our goals in each of our five focus areas.

For more information on our plans to achieve our goals, see our DEI Fact Sheet (aveva.com/dei22/)

To help us assess how to improve our efforts to attract a diverse candidate pool, we commissioned Deloitte to conduct a review of our talent attraction practices in key countries including Australia, India, China, Germany, the UK and the US. The review will support us in identifying improvements in line with industry best practice.

Being a part of the LGBTQ+ community, I know what it feels like to not be able to bring your whole, authentic self to work. I'm proud to be part of AVEVA where we are expanding spaces for all colleagues to be able to share their uniqueness and eccentricities each and every day. While there is still work ahead, we're in this together, and together is how we create change and create lasting impact."

Austin Keith, Development Project Manager and PRIDE@AVEVA Lead

Continuing to develop our targets and reporting

We are establishing internal measures of progress for all five of our DEI focus areas. As a data-driven organisation, we set goals to advance gender representation first as this was where we had the most mature data. You can read more about our progress against our Advancing Women in Technology pledge in our reporting on our key non-financial targets. However, in FY22, we also made significant progress collecting race and ethnicity data for our people in the UK and US.

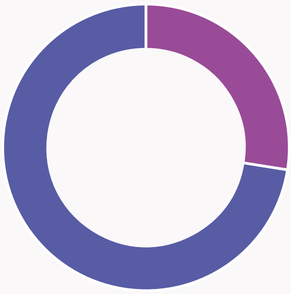
We also released our first combined Gender and Ethnicity Pay Gap Report in 2021. AVEVA is one of only 14 companies in the FTSE 100 to report on the ethnicity pay gap, and we were honoured to receive the Transparency Award from the Global Equality and Diversity Awards[1] for our approach to creating this report.

Read more about our progress on DEI, in our Sustainability Progress Report (aveva.com/spr22/)

1. The Equality & Diversity Hub, Transparency Award winner October 2021.

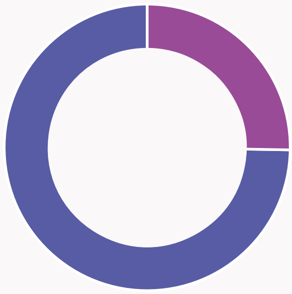
Employee gender diversity

Employees



● Women	1,792 27.7%
● Men	4,680 72.3%

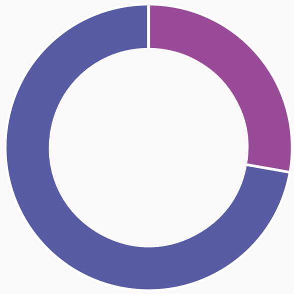
Managers[1]



● Women	288 25.4%
● Men	844 74.6%

1. Defined as anyone who has direct reports.

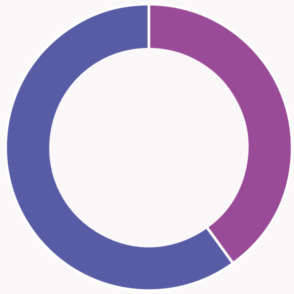
Executive leadership and direct reports[2]



● Women	31 27.9%
● Men	80 72.1%

2. This is equivalent to senior managers and their direct reports as required by the FRC and UK Corporate Governance Code. Note: this is different to how we define women in leadership for our 2030 goal, which is the grade of director and above.

Board of directors[3]



● Women	4 40%
● Men	6 60%

3. As at 31 March 2022.

Our people as agents of change

We empower colleagues around the world through a DEI Annual Impact Fund which we launched during FY22 to support a range of local activities. In APAC, for example, funds were used to deliver DEI training and coaching to people managers and network managers, with the aim of tackling bias and supporting inclusive leadership.

Delivering value to all

Regular engagement with our stakeholders helps us understand their needs, learn from their ideas and increase the value we deliver to all.

Investors

Why we engage

To achieve fair value and appropriate ownership of our shares , we seek to enable a full understanding of our business and our strategy.

How we engage

AVEVA's investor relations team manages the relationship with institutional shareholders and analysts. We are available to speak with investors and analysts on every working day of the year. The CEO, CFO, Chief Strategy and Transformation Officer and members of the operational management team also regularly engage with investors.

We also communicate with our shareholders through roadshows, attendance at conferences, (which over the past year has been virtual due to the pandemic), and channels such as our website, Annual Report and AGM.

These interactions help us promote understanding of AVEVA's market position, strategy and progress in the financial markets. They also allow us to benefit from investors' feedback and understand their expectations for AVEVA's performance.

To better understand internal and external stakeholder perspectives on our ESG priorities, our FY22 materiality assessment included interviews with investors.

We published our first Sustainability Report in October 2021 and are planning our first ESG-focused investor roadshow.

AVEVA's Non-Executive Directors also engage with investors. During the year the Chairman and the Chair of the Remuneration Committee also spoke with key shareholders.

We held a virtual Capital Markets Day in July last year to give an update to the market and our investors on AVEVA's targets for the next five years. This was well attended by both existing and prospective investors, as well as equity analysts. The event attracted 97 firms and 155 people connecting on the day, and a further 1,823 video replay views after the event.

We host product demonstrations and investor days to give investors a better understanding of the AVEVA products and how they work and benefit our customers. This programme included an event held with a number of investors and analysts in February.

By the numbers

3,268
visits to AVEVA's 2021 virtual Capital Markets Day page

400
investor calls and meetings

100,000
visits to our investor relations website

Customers

Why we engage

We seek to understand our customers' needs and challenges so that we can develop products and enter strategic partnerships that will add value.

How we engage

From strategy meetings with our CEO to everyday touchpoints, customers are constantly helping us better understand their businesses and how we can increase value for them.

Our executive engagements programme includes executive sponsors, regional councils, a customer advisory board, summits, strategic briefings, global events and customer visits.

We collaborate with customers on public case studies, which document the value our solutions bring to our clients' businesses.

We also conduct surveys to assess satisfaction and get feedback. We were particularly focused on customers in the past year as we integrated OSIsoft. According to customer success surveys, PI System customer satisfaction increased from 4.71 to 4.85 (out of 5) after the integration.

By the numbers

2,600
instructor-led product and business training days

256,457
technical and product support cases resolved

395
new tailored customer success plans, co-created by customers and customer success managers

5,614
user-generated product enhancement suggestions considered by product teams

198,000
visitors to digital communities where customers seek advice, share ideas in peer forums and manage their accounts.

199
case studies with customer-validated analyses of qualitative and quantitative value delivered

60,419
users of our tech support knowledge base, including developer tools and product tips

20x
increase in customer-led presentations at AVEVA global events

Employees

Why we engage

Our employees are our most valuable asset. Engaging, developing and retaining talent is foundational to our success.

How we engage

We seek to build a culture of inclusion, wellbeing, and opportunity for our employees. Employee engagement starts at the top, with quarterly all-employee All Hands Calls where the Executive Leadership Team provide important business updates and take questions in an open and transparent forum.

We actively encourage peer-to-peer recognition, and through our internal platform, `MyRecognition', colleagues can thank one another for going above and beyond, as well as welcoming new colleagues to the team. In line with our sustainability goals, we also plant a tree for each of our weekly `most recognised' colleagues and our new starters welcomed via the platform.

We measure employee engagement via the Workday Peakon engagement survey, which we have made quarterly instead of annual in order to be more responsive to employee feedback.

We host a series of virtual inductions throughout the year to welcome new colleagues and display what AVEVA has to offer.

Read more about how we promote employee wellbeing and how we respond to employee feedback on page 39.

By the numbers

>90%

employees eligible to participate in My AVEVA Shares programme

3,600

attendees at AVEVAfest, an employee-driven virtual event celebrating technology, strategy and people

>90%

employees and managers report remote and hybrid options as productive as onsite work

+4pt

improvement in employee Net Promoter Score

40

events in six languages during Wellbeing Month

Over 1,000

recognition trees planted in the AVEVA Forest

Communities

Why we engage	As a global leader in industrial software, we have a role to play in driving responsible use of the world's resources. Understanding societal concerns is necessary to contribute to global goals.	
How we engage	Our primary impact on the world is through our products: our technology handprint. We engage to understand how to align with and contribute to global priorities and goals, including the UN Sustainable Development Goals (SDGs). We engage the next generation of engineers through our academic partnerships, in which universities use AVEVA software in their curricula. We further invest in the engineers of the future through our Decoding the Future programme.	AVEVA pledges to donate £1 million each year to charitable causes through the AVEVA Action for Good initiative. We deliver on this pledge through a combination of paid time off, which employees spend on charitable activities, and direct and matching donations to charitable organisations.

By the numbers

1,244

employee volunteers for AVEVA Action for Good initiative

£1m

in corporate donations, matching funds and paid time off

750+

universities using AVEVA software in their curricula

21,000+

students participating in the Go Green engineering challenge

Partners

Why we engage

We engage with our partners to support their sales and development efforts, and find new ways to co-create value. This deepens the value we bring to customers, and in turn our other stakeholders.

How we engage

We collaborate with over 5,000 distributors, system integrators, alliance partners, solution partners, technology partners and original equipment manufacturers. Our partnerships result in a rich product ecosystem.

Our partners play a crucial role in supporting our products' and clients' success. Our customers benefit from their geographic reach, industry-specific and functional domain expertise, implementation support, strategy consulting, value-added reselling and embedded technology.

We maintain an active dialogue throughout the year with partners through our partner platforms, our marketing leads and services, and through our flagship events: AVEVA World Digital, AVEVA PI World Digital and Partner IGNITE. These channels cement and grow our critical relationships with partners.

By the numbers

4,971
partner attendees at AVEVA events

404
users of the Partner Demand Centre

7,847
sales leads passed to distributor partners

760
new users of partner portal providing news and enablement services

Section 172 statement

Our Directors are required to act in the way they consider, in good faith, would most likely promote the success of the Company for the good of its members and stakeholders as a whole, taking into account the factors listed in section 172 of the Companies Act 2006.

Delivering on our strategy requires strong mutually beneficial relationships with our customers, partners, employees and other key stakeholders. In the Stakeholder sections on pages 42-46, we identify our key stakeholders and provide examples of engagement and ongoing dialogue.

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 to ensure that Board decisions are well informed. Information about how we engage with stakeholders and consider stakeholder interests and input in important decisions is included throughout this report.

Find out more about:

Page 42 — Why stakeholders are important to us, how we engage with them, and their interests

Page 90 — How the Board engages with our employees

Page 88 — The stakeholders affected by the Board's activities

Page 91 — How the Board keeps informed about our stakeholders

Page 88 — How we considered stakeholders in the principal decisions made during the year

Page 91 — How we establish the independence of our Directors and manage potential conflicts of interest

A digital twin provides competitive advantage for Nigeria LNG

Driving energy security and innovation

Nigeria LNG Limited (NLNG) is a leading liquefied natural gas producer with production capacity of 22 million tonnes per annum. The company's digital transformation programme is a key enabler for its competitiveness in the short and long term.

One of its flagship projects is the implementation of the NLNG digital twin, developed in partnership with AVEVA and Schneider Electric. The digital twin uses AVEVA Unified Operations Center for visualisation, integrated with AVEVA Information Management and artificial intelligence from AVEVA Predictive Analytics.

Open, agnostic technology integrates with existing landscape

NLNG selected AVEVA as its partner for developing the digital twin for our domain-specific expertise and open, agnostic model, enabling NLNG to build on its existing technology infrastructure.

The project's first phase created a data-centric digital twin of one of NLNG's six LNG trains, visualised through an interactive AVEVA Unified Operations Center (UOC). The digital twin draws data from AVEVA Unified Engineering using AVEVA Asset Information Manager and AI optimisations from more than 60 AVEVA Predictive Analytics models.

The UOC displays the LNG train's production status compared to planned performance, supplemented by contextual information across the production value chain, and integrated with maintenance activity and alerts from the predictive models.

Interactive screens highlight areas which should be investigated before suggesting changes or addressing maintenance issues. With the successful completion of the first phase of the deployment, the team has commenced rollout to NLNG's other trains in a second phase.

Predictive analytics prevent unplanned downtime and loss

One of the tangible benefits of the digital twin is the success of the Predictive Analytics module. The predictive capability enables early identification of anomalies. On at least two occasions, it has provided intervention and corrective support, preventing unplanned downtimes and potential revenue loss. The digital twin also has transformation potential to optimise production, improve productivity, assure asset integrity and ensure health, safety and environment protections.

Schneider Electric and AVEVA have been partners on the NLNG digital transformation journey from the ideation and strategy stage. In addition to the technical capabilities of the digital twin, NLNG has noted the team's collaborative attitude and flexibility in delivering to plan, despite the challenges posed by the pandemic.

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 statutory results compare the performance of the combined AVEVA and OSIsoft business in FY22 with the standalone AVEVA business plus 12 days of OSIsoft ownership in FY21.

The finance review begins with a commentary of those statutory results and then covers pro forma results to show the underlying performance of the combined business.

Statutory results

On a statutory basis[1], revenue for the year was £1,185.3 million which was 44.5% higher compared with the previous year (FY21: £820.4 million). This change was due to the inclusion of OSIsoft in the current year and growth in the business, partly offset by negative FX translation due to the relative strengthening of Sterling, particularly in relation to the US Dollar on average during the year, given that the majority of AVEVA's sales are made in US Dollars.

Subscription revenue, which includes rental contracts and SaaS contracts, grew 17.9% to £424.2 million (FY21: £359.7 million), primarily due to the growth in the heritage AVEVA business Operations business unit.

Maintenance revenue grew by 74.6% to £345.2 million (FY21: £197.7 million), primarily due to the inclusion of OSIsoft in FY22.

Perpetual licences grew 107.0% to £293.1 million (FY21: £141.6 million), primarily due to the inclusion of OSIsoft in FY22 and growth in the OSIsoft business.

Services revenue grew 1.2% to £122.8 million (FY21: £121.4 million) relating to a focus on growing higher margin software revenue.

Total statutory costs increased to £1,203.9 million (FY21: £786.2 million). This increase was mainly due to the acquisition of OSIsoft and the cost of sale, operating cost and amortisation of intangible assets associated with this.

As a result of the acquisition the amortisation charge increased to £226.1 million (FY21: £95.7 million). While the cost of sale increased 28.2% to £232.5 million (FY21: £181.3 million), operating costs including amortisation increased 59.2% to £959.3 million (FY21: £602.5 million) and net interest increased from £2.4 million to £12.1 million.

Cost of sales was £232.5 million (FY21: £181.3 million) representing an increase of 28.2%. This was below the statutory increase in revenue of 44.5%, due to a lower cost of sale for the OSIsoft business, which has a lower services revenue mix.

Research & Development costs were £343.3 million (FY21: £184.5 million) representing an increase of 86.1%. This was due the amortisation of acquired intangible assets, an increase in the scale of the business, growth due to investment in cloud and higher employment costs.

Selling and distribution expenses were £345.4 million (FY21: £226.8 million) representing an increase of 52.3%. This was mainly due to the greater scale of the business and additional amortisation.

Administrative expenses were £246.3 million (FY21: £193.0 million) representing an increase of 27.6%. This reflected a decrease in exceptional items, which was more than offset by the increased scale of the business and underlying higher costs in IT and legal functions.

The Group made a loss before tax of £18.6 million (FY21: profit of £34.2 million). This was largely due to the amortisation of intangible assets relating to AVEVA's combinations with the Schneider Electric industrial software business and OSIsoft, the deferred revenue haircut and exceptional costs.

Basic loss per share was 20.8 pence (FY21: EPS 11.4 pence) and diluted loss per share was 20.8 pence (FY21: EPS 11.3 pence).

The statutory tax charge was £44.0 million (FY21: £9.4 million). This was due to factors including additional taxable profits following the OSIsoft acquisition, US alternative minimum tax and an increase in the UK tax rate from 19% to 25%.

Operating cash flow

Cash generated from operating activities before tax was £197.2 million, compared to £91.2 million generated in the previous year.

This included cash paid in the period in relation to the acquisition of OSIsoft of £67.4 million and other exceptional items of £40.6 million (FY21: £63.2 million).

Cash conversion, defined as free cash flow before tax excluding acquisition costs as a proportion of adjusted profit before tax was 62.5% (FY21: 36.8%).

Dividends

The Directors propose to pay a final dividend of 24.5 pence per share (FY21: 23.5 pence). The final dividend will be payable on 5 August 2022 to shareholders on the register on 8 July 2022.

Balance sheet

On 31 March 2022, AVEVA had net debt of £405.2 million (31 March 2021: £367.4 million). Net debt is defined as loans and borrowings minus cash and cash equivalents. This reflects the $900 million term loan taken out to partly finance the acquisition of OSIsoft, together with cash of £279.3 million (31 March 2021: £286.6 million).

Non-current assets were £5.7 billion (31 March 2021: £5.8 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 were £5.5 billion (31 March 2021: £5.6 billion).

Trade and other receivables were £381.2 million (31 March 2021: £318.0 million). Contract assets increased to £302.1 million from £215.6 million at 31 March 2021. This increase included the impact of new subscription contract wins with point in time revenue recognition.

Contract liabilities were £328.2 million (31 March 2021: £239.7 million). This increase reflected an increase in Maintenance contract wins and the unwinding of the deferred revenue haircut, which arose from the acquisition of OSIsoft.

Pro forma results

The pro forma results are summarised below:

£m	FY22 Unaudited	FY21 Unaudited	Change	Organic constant currency
Revenue	**1,235.6**	1,196.1	3.3%	7.1%
Cost of sales	**(232.3)**	(229.1)	1.4%	4.9%
Gross profit	**1,003.3**	967.0	3.8%	7.7%
Operating expenses	**(638.2)**	(612.3)	4.2%	7.6%
Adjusted EBIT	**365.1**	354.7	2.9%	7.7%
Net interest	**(12.1)**	(16.0)	(24.4)%	
Adjusted profit before tax	**353.0**	338.7	4.2%	
Tax charge	**(50.6)**	(20.1)	151.7%	
Adjusted profit after tax	**302.4**	318.6	(5.1)%	
Adjusted diluted EPS (pence)	**99.6**	105.3	(5.4)%	-
Gross margin	**81.2%**	80.8%	+40bps	+40bps
Adjusted EBIT margin	**29.5%**	29.7%	(20)bps	+30bps
Tax charge	**14.3%**	5.9%	+840bps	-

Pro forma results include results for both AVEVA and OSIsoft for the 12 months to 31 March 2022 and the 12 months to 31 March 2021. In addition to this, the results have been adjusted to exclude the effect of the deferred revenue haircut under IFRS 3 (Business Combinations).
Adjusted metrics are calculated before amortisation of intangible assets, share-based payments and exceptional items. Adjusted Earnings Per Share also includes the tax effects of these adjustments.

Pro forma revenue

Revenue was £1,235.6 million, representing an increase of 3.3% (FY21: £1,196.1 million). Organic constant currency revenue grew 7.1%, adjusted for a currency translation headwind of £42.5 million and minor disposals in the current year.

The revenue mix for the combined Group is shown below:

£m	FY22	FY21	Reported change	Organic constant currency change	% of FY22 total
On-premises rental	**396.4**	364.0	8.9%	11.5%	32.1%
SaaS	**27.8**	23.4	18.8%	23.9%	2.2%
Total subscription revenue	**424.2**	387.4	9.5%	12.3%	34.3%
Maintenance	**395.5**	412.8	(4.2)%	0.4%	32.0%
Total recurring revenue	**819.7**	800.2	2.4%	6.2%	66.3%
Perpetual licences	**293.1**	271.2	8.1%	12.2%	23.7%
Services	**122.8**	124.7	(1.5)%	2.5%	10.0%
Total	**1,235.6**	1,196.1	3.3%	7.1%	100.0%

Subscription revenue growth was driven by sales of on-premises rental contracts within the heritage AVEVA business as the transition to a recuring revenue model continued and also subscription growth from OSIsoft, as it began its business model transition. Within subscription, SaaS revenue grew 18.8% to £27.8 million (FY21: £23.4 million) which was due to sales of cloud solutions such as Value Chain Optimisation, Asset Information Management and Unified Engineering. On an organic constant currency basis the increase was 23.9%.

Maintenance revenue was driven by growth associated with the OSIsoft business, which more than offset a decline at the heritage AVEVA business due to the planned subscription transition.

Perpetual licence increase was driven by strong growth from the heritage OSIsoft business, ahead of its move to a subscription business model.

Services revenue was driven by growth in the overall business, partly offset by a focus on higher margin software revenue.

Notes:

1. Statutory results include the results for the combined AVEVA Group for the 12 months to 31 March 2022 compared to the results for AVEVA Group and 12 days of OSIsoft ownership for FY21.

The revenue mix for the combined Group showing point in time versus overtime revenue recognition is shown below:

	FY22			FY21		
£m	Revenue point in time	Revenue over time	Total	Revenue point in time	Revenue over time	Total
On-premises rental	280.7	115.7	396.4	259.6	104.4	364.0
SaaS	–	27.8	27.8	–	23.4	23.4
Total subscription	280.7	143.5	424.2	259.6	127.8	387.4
Maintenance	–	395.5	395.5	–	412.8	412.8
Total recurring revenue	280.7	539.0	819.7	259.6	540.6	800.2
Perpetual licences	293.1	–	293.1	271.2	–	271.2
Services	–	122.8	122.8	–	124.7	124.7
Total	573.8	661.8	1,235.6	530.8	665.3	1,196.1

Of the total revenue recognised in FY22, £661.8 million (FY21: £665.3 million) was recognised over time representing 53.6% of the total (FY21: 55.6%), demonstrating that AVEVA already has a significant amount of revenue which is recognised rateably.

Revenue recognised at a point in time was £573.8 million (FY21: £530.8 million) representing 46.4% of total revenue (FY21: 44.4%). Of this £280.7 million (FY21: £259.6 million) related to on-premises rental subscription contracts and represented 22.7% of total revenue in the year (FY21: 21.7%), showing that this element is relatively stable year on year.

At 31 March 2022, the Group had a revenue backlog of £781.4 million (FY21: £657.9 million) representing remaining performance obligations which have not been met or are partially met. Of this £487.8 million (FY21: £425.8 million) will be recognisable within one year.

Pro forma costs

An analysis of total expenses is summarised below.

£m	Cost of sales	R&D	Selling and distribution	Admin.	Net impairment gain / loss from financial assets	Total
Adjusted costs	232.3	178.2	280.7	179.9	(0.6)	870.5
FY21	229.1	168.5	278.1	162.1	3.6	841.4
Change	1.4%	5.8%	0.9%	11.0%	(116.7)%	3.5%
Organic constant currency	4.9%	9.2%	4.2%	14.7%	(113.9)%	6.9%

Cost of sales increased largely due to the growth in the business and included higher cloud hosting and infrastructure costs.

Research & Development costs increased due to investment in the development of cloud products and also reflect higher employment costs, reflecting a very competitive labour market.

Selling and distribution expenses increased mainly due to increased sales commissions and sales employment costs.

Administrative expenses increased largely due to higher costs in IT and legal functions with increases in capacity being needed as the business scales.

Net impairment loss from financial assets represents the impairment of accounts receivable and contract assets. The reversal of provisions made during the Covid crisis in FY21, offset by the impairment of assets in Russia, led to a net positive impact in FY22.

Pro forma adjusted EBIT

Adjusted EBIT increased by 2.9% to £365.1 million (FY21: £354.7 million). This resulted in an adjusted EBIT margin of 29.5% (FY21: 29.7%), which was up +30bps on an organic constant currency basis.

Pro forma net interest charge

The combined pro forma interest charge assumes that the £685.1 million term loan was drawn down on 1 April 2020 and therefore a full year's interest is charged in each period. Total net interest was £12.1 million (FY21: £16.0 million). The year-on-year reduction was largely due to lower LIBOR rates.

Pro forma taxation

The pro forma tax charge on adjusted profit before tax was £50.6 million (FY21: £20.1 million), which equates to an effective tax rate of 14.3% (FY21: 5.9%). This tax charge factors in the benefit of UK tax incentives on intellectual property and US tax deductions for the amortisation of goodwill relating to the acquisition of OSIsoft. The year-on-year increase was due to increased US Alternative Minimum Tax and irrecoverable withholding tax. The tax rate on adjusted profit before tax is expected to remain at or below the level seen in FY22 going forward.

Pro forma earnings per share

Pro forma diluted adjusted EPS decreased by 5.4% to 99.6 pence (FY21: 105.3 pence) as a result of the higher adjusted EBIT and lower interest, being more than offset by a higher tax charge.

Normalised and exceptional items

The normalised and exceptional items below have been excluded in presenting the adjusted results.

£m	FY22	FY21
Acquisition costs relating to OSIsoft	**0.8**	44.4
Integration of OSIsoft	**28.0**	6.1
Integration of Schneider Electric industrial software business	**13.5**	27.6
Disposals	**2.8**	–
Retirement of steel fabrication business	**15.4**	–
Impairment of balances with Russian-based counterparties	**7.3**	–
Gain on disposal of pension scheme	**–**	(0.3)
Total exceptional items	**67.8**	77.8
Amortisation	**226.1**	95.7
Share-based payments	**27.4**	16.3
Total normalised items	**253.5**	112.0

Exceptional costs incurred in the integration of OSIsoft, primarily consisting of consultancy and advisor fees and additional temporary resources paid relating to the merging of IT systems and real estate, and rebranding. Costs are anticipated to continue until mid-calendar 2023.

In the year-ended 31 March 2022, Schneider Electric industrial software business integration costs primarily related to the continued build and implementation of a global ERP system and legal entity rationalisation. These costs are expected to continue until mid-calendar 2024.

A £14.9 million impairment of intangible assets associated with the Group's steel fabrication business (£10.9 million and £4.0 million of developed technology and customer relationships respectively) was recognised following the announcement in July 2021 of these products' retirement. Restructuring costs of £0.5 million have also been incurred.

As a result of the invasion of Ukraine by Russia, and the subsequent sanctions enforced by the UK and US governments, the Group fully provided against an additional £4.9 million of trade receivables, £1.0 million of amounts owed by related parties, and £1.4 million of contract assets held with entities within Russia at 31 March 2022.

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 and the amortisation of intangibles relating to the OSIsoft acquisition. Of the £226.1 million amortisation charge, £147.6 million relates to the intangibles acquired through the OSIsoft acquisition.

The increase in share-based payments reflects the increase in the size of AVEVA's business post the acquisition of OSIsoft.

Brian DiBenedetto

Chief Financial Officer

7 June 2022

Management of principal risks and uncertainties

Our risk management approach

We further strengthened our risk management approach and the supporting Group risk function throughout the fiscal year. The Board of Directors retains overall responsibility for the Group's risk management approach, supported by the Executive Risk Committee, which includes all Executive Directors and relevant stakeholders across the business. The Executive Risk Committee meets quarterly to oversee our principal and emerging risks, challenge the acceptability of risk exposure and monitor the adequacy of risk management and mitigation. Through this process, we avoid exceeding our risk tolerance as defined by our Group-wide risk appetite.

Senior leadership actively monitors and manages both principal and emerging risks as part of day-to-day operational activities and is responsible for the effectiveness of risk management within its area of accountability. Business units and functions are supported in their risk management activities by the Group risk function, which owns and maintains the risk management framework and continually monitors the health of the framework across the business.

Our risk appetite articulates the level of risk that the Board is prepared to take in pursuit of business objectives. AVEVA's risk appetite is constantly evolving in response to its operating environment and the wider macroeconomic background, and some risk appetite changes have been made during the year.

We are committed to operating a strong system of internal control in every part of our business. Having a robust risk procedure in place allows for a certain level of risk to be taken without unacceptable exposure to financial losses, regulatory breaches or reputational damage.

Executive Risk Committee – core areas covered in the year to March 2022

Principal risks: deep dives

- Sustainability
- Regulatory compliance
- Cloud
- Talent
- Product security
- PI business integration

Other risk areas: deep dives

- Software compliance and piracy
- Treasury

General reviews

- Principal risk alignment with strategy
- Principal and key risks measurements, appetites and mitigation status
- Integration and transformation risks

AVEVA risk governance structure

The diagram below represents our 2022 risk governance structure.

Group Risk Function

- Own and maintain the Risk Management Framework and refine as required
- Provide the mechanisms and frameworks for all parts of the organisation to manage their risks effectively
- Support Risk owners and leadership teams in embedding the framework across AVEVA
- Monitor the health of the framework across the business.
- Constructively challenge and assist the Board, Executive Risk Committee and Executive Management in considering the range of risks identified and their materiality.

Board

- Agree the nature and extent of the significant risks AVEVA is taking to achieve our objectives
- Overview and challenge on the acceptability of risk exposure and on the adequacy of management of risks
- Periodic deep dives into Dynamic and Emerging Risks

Executive Risk Committee

- Raise the level of management awareness and accountability for the risk universe facing the Company and the mitigating actions
- Review reports on any material breaches of risk appetites and the adequacy of proposed mitigating action
- Drive appropriate risk mitigation strategies and activities and monitor progress and effectiveness of mitigating actions at Group, functional and business unit levels
- Set effective tone from the top and articulating our commitments to effective risk management
- Ensure risk is considered in all key business processes and decisions (strategy, planning, investments, resource allocation).
- As owner, monitor the management of Categories of Risk, Policies, Controls, Risks of Concern and Emerging Risks

Business Units/ Functions

- Ensure Risks are continuously managed through day to day Risk Management.
- Responsible for the completeness of risk management within their area of accountability and verifying they have the necessary resources.
- Self-certification/ Self-Assurance of Key Controls and complete reporting
- Ensure Risk Management Activities remain within Risk Appetite, and provide regular metrics to demonstrate current position.

ESG Executive Committee

- Ensure that climate and broader ESG risks and opportunities are identified and managed in line with the Company's risk appetite and integrated into the enterprise risk management process.
- Oversee and challenge management's performance against ESG- related performance measures and commitments, including climate metrics and targets.

Audit Committee

- Responsible for reviewing the effectiveness of the Group's risk management systems and processes
- Monitor the Group's financial integrity
- Oversee AVEVA's system of internal controls and the work of the internal audit function

Principal risks

Leadership continually assesses and monitors the risks faced by the company, considering the quality of risk assessment and suitability of risk management activities, and determining any actions required to improve management or mitigation. The company measures all identified risks on both a gross and net risk basis, using AVEVA's risk framework. At the end of the fiscal year, the Board identified 12 principal risks over the next 12 to 18 months.

Key changes to principal risks

Industrial digitalisation strategy

Movement towards industrial digitalisation has accelerated within the last 24 months, and our customers understand and accept the need to evolve. With less need to convince customers to digitalise, it is less likely our strategy to capitalise on the opportunities of industrial digital transformation could fail or not provide the expected levels of return.

This risk has been removed from our principal risks as the market has evolved and we do not deem this to be a material threat over the next 18 months.

SaaS subscription

We previously reported on separate principal risks for cloud and subscription. These are now combined into one risk, ultimately linked to growth of SaaS subscriptions.

Principal risks, grouped under four categories below, are presented for likelihood and impact on a gross basis (i.e. without accounting for existing mitigation). They are not presented in order of priority.

	Risk Name	Trend FY22
Strategic – risks identified as threats to our strategic goals and that influence internal decision making		
1	Talent	No change
2	SaaS subscription (combining cloud and subscription from prior year)	Decreasing
3	Sustainability	No change
4	Integration	Decreasing
External – risks that could materialise externally and impact us		
5	Competitors	No change
6	Dependency on energy sector	Decreasing
7	Product security	Increasing
8	Cyber security (corporate systems)	No change
9	Regulatory compliance	Increasing
10	Pandemic-related economic disruption	Decreasing
Operational – risks that could materially disrupt our day-to-day operations		
11	Internal IT systems (suitability and continuity)	Decreasing
Disruptive – risks that threaten our value offering		
12	Disruptive technologies	No change

Decreasing Increasing No change

Principal risks

Strategic risks

	Description	Mitigation
1 **Talent** Gross probability **High** Gross Impact **High** Change in gross risk level – Ownership **Chief People Officer** Categorisation **Industry general**	As a technology company, we are heavily reliant on the people we employ and we compete for the best talent globally. 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 our success. The AVEVA brand must remain attractive for us to successfully attract and retain developers, technical sales staff, consultants and leadership. Talent recruitment and retention challenges have increased globally in the last 12 months, caused by the pandemic and subsequent impacts including changing work-life balance requirements and employer responses (compensation packages, remote working opportunities and wellbeing). The need to retain talent during the key integration of our recent acquisition has also contributed to a continued high risk in the last 12 months.	In the past 12 months, we improved the tracking and visibility of attrition rates. We are also introducing new approaches to succession planning. Additional mitigations we undertook in the last fiscal year include: • Building talent pipelines in niche/hard-to-hire areas; • Using AVEVA's connections to Schneider Electric to source talent; • Review of compensation packages in various territories; • Improving talent review processes; • Increasing in-house talent acquisition expertise; • Partnering with universities; • Leveraging employee referral programmes; and • Strengthening employee engagement activities. We seek to ensure that employees are motivated in their work and receive regular reviews and encouragement to develop their skills. Annually, there is a Group-wide salary review that rewards strong performance and ensures salaries remain competitive. Commission and bonus schemes help to ensure that both AVEVA's success and individual achievement are appropriately rewarded.
2 **SaaS subscription** Gross probability **High** Gross impact **High** Change in gross risk level ↓ Ownership **Chief Strategy and Transformation Officer** Categorisation **Industry general and company-specific**	This risk encompasses all the risk elements related to our shift towards a SaaS subscription model, including product and portfolio readiness, cloud strategy and capabilities, the current structure of the organisation and ability to scale, and competition from other large platform providers and system integrators. Failure to move towards a SaaS subscription model could negatively impact recurring revenue and cash flow generation.	The shift to cloud is a core theme of our five-year business planning process, with functional strategies and investments aligned with our strategic plans. We also have a multi-year business transformation programme to drive operational readiness for the shift to SaaS and grow AVEVA's user base through access to new markets and additional cloud products. Targeted investments have also been made in sales and marketing.

Strategic risks

	Description	Mitigation
3 **Sustainability** Gross probability **Medium** Gross impact **Medium** Change in gross risk level (no change) Ownership **Chief Marketing and Sustainability Officer** Categorisation **Industry general and company-specific**	Increased focus on sustainability and greater stakeholder expectations for management of ESG issues creates reputational, regulatory and product-related risk for AVEVA. If not well-managed, this risk could lead to: • loss of existing customers or failure to acquire new customers; • failure to maintain our ratings in sustainable investment indices and broader reputational impact, leading to loss of investment; • failure to attract or retain the talent and niche skills our business requires; and • failure to meet new ESG-related reporting regulations.	During FY22, we established a dedicated sustainability function and ESG governance structure. To inform the company's prioritisation of ESG management, target-setting, and disclosures, we conducted a robust materiality assessment. A key pillar of our ESG framework is to reduce reliance on fossil fuel industries by seizing opportunities to help customers use digitalisation to thrive in a low-carbon future. To increase what we call our technology handprint, or impact, we are developing sustainability-related offerings and product features and further leveraging AVEVA's partner ecosystems. Sustainability-focused marketing and sales enablement strategies are also in place to support diversification. We disclose climate-related risks and opportunities in accordance with the recommendations of the Taskforce on Climate-related Financial Disclosures (TCFD). In addition, our climate goals include a near-term science-based target and a net-zero commitment.
4 **Integration** Gross Probability **Medium** Gross impact **Medium** Change in gross risk level (decreased) Ownership **SVP Integration** Categorisation **Company-specific**	In 2021, we acquired OSIsoft, now operated as the PI Business within AVEVA. We spent much of the last 12 months ensuring the successful integration of this acquisition. The primary risks we have been addressing as we integrate the PI Business are: • employee turnover; • achievement of cost and revenue synergies; • integrating business processes and systems; and • the risk of disruptive change to core operations.	We set up and are running a comprehensive integration programme, led by our SVP of Integration. This process is overseen by an Integration Management Office Steering Committee, headed by the CEO. As part of this programme, we established cross-organisational workstreams for all major and enabling functions impacted by the integration. The organisation design workstream, for example, is nearly complete, with ongoing checks on employee engagement. To drive our revenue synergies while addressing employee attrition risks, we accelerated recruitment for key revenue-driving skills in the midst of a challenging recruitment market. We also created the right sales operating model with incentives aligned to market dynamics. Some projects to integrate business processes and address systems risk are ongoing, including development of campaign-to-cash processes, office consolidation, and extensive product, portfolio and R&D planning. New corporate values and behaviours were communicated throughout the business, and there have been numerous employee engagement and change initiatives delivered throughout the year to counter the impact of disruptive change.

External risks

	Description	Mitigation
5 **Competitors** Gross probability **High** Gross impact **High** Change in gross risk level – Ownership **Chief Strategy and Transformation Officer** Categorisation **Industry general**	We operate in highly competitive markets. Other technology companies could acquire, merge or move into AVEVA's market space to compete with our offerings, creating a material threat. Existing competitors could also respond more quickly to market demands and trends, resulting in reduced market share and missed growth opportunities. Our industry is characterised by rapid technological change, evolving industry standards, evolving business models and consolidations. In an environment of continuing uncertainty, it is likely that competitor strategies may change or consolidations in our industry could negatively impact our business. Potential negative impacts include increased pricing pressure, cost increases, the loss of market share due to competitor cooperation and, consequently, a reduced ability to integrate solutions.	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 needs. The integration of our PI Business further mitigates this risk, providing us with a distinct competitive advantage and market position. Other mitigations include leveraging our relationship with Schneider Electric, attractive proposals for additional complementary products for existing customers, and flexibility to meet changing market demands and competitive forces.
6 **Dependency on energy sector** Gross probability **Medium** Gross impact **Medium** Change in gross risk level ↓ Ownership **EVP Industrial Engineering Business Unit** Categorisation **Company-specific**	Approximately a third of our revenue is derived from customers in the energy sector, particularly oil and gas companies. In the event of a downturn in energy markets, customers may have less funding for capital projects or additional operational commitments, including the purchase of AVEVA's software products. Significant end-market downturns could materially impact our revenues and profits.	Our products deliver capex certainty and opex reduction, providing meaningful efficiency. Our extensive global presence provides diversification and allows us to avoid over-reliance on specific geographic markets. In FY22, about 33% of our revenue was attributable to customers operating in the energy sector. This represents a decrease from FY21, when 50% was attributable. This change is primarily a result of the OSIsoft acquisition. AVEVA's move towards a subscription-based licensing model further mitigates this risk, as it offers customers greater flexibility over their expenditure. We also continue to leverage our relationship with Schneider Electric to expand into other sectors. In the event of a downturn in the energy market, AVEVA's products act as a natural hedge for one another, with decrease in revenue from capex likely to be offset by an increase in revenue from opex as customers look to further optimise their operations.

External risks

	Description	Mitigation
7 Product security Gross probability **High** Gross impact **High** Change in gross risk level Ownership **Chief Technology Officer** Categorisation **Industry general**	AVEVA's products are complex and new products or enhancements may contain undetected errors, failures, performance problems or defects which may impact our strong reputation with our customers or create negative financial implications. This risk reflects AVEVA's portfolio of products, their functionality and increasing threats in the external cyber environment. The risk level increased during FY22, in part due to the acquisition of the PI business and related growth in our product portfolio. The risk of cyber conflict also increased as the Ukraine crisis developed.	Our products are extensively tested prior to commercial launch. In addition, AVEVA has a robust security development life cycle as a key component of our overall software development process, and we have created formal and collaborative relationships with third-party security researchers, security organisations and regulatory entities to proactively ensure our software is as safe and secure as is reasonable. As part of the integration of our PI Business, we have combined security best practices from both entities, further strengthening our approach. Our threat intelligence capabilities were enhanced throughout the year in response to the cyber security risk to the corporate environment, and product security teams have been able to leverage this information to improve their defences. AVEVA also implemented a sabotage resistance programme across the company during FY22, increasing resistance to insider threat.
8 Cyber security Gross probability **High** Gross impact **High** Change in gross risk level Ownership **Chief Security Officer** Categorisation **Industry general**	Cyber and physical threats continue to grow. We depend on our IT systems not only to run our business but also to deliver services and capabilities to customers, compounding our exposure to this risk. The risk remains elevated due to higher cyber threats associated with remote working, recent developments in Ukraine, and other global or market events impacting supply chain and cloud providers.	To reduce our risk, we conduct continual security assessments of our digital assets. These are combined with regular external penetration testing to ensure a suitable security posture is maintained. Our global security team focuses on: reducing the likelihood of regulatory sanctions and fines being levied; protecting our brand and our digital and physical assets; protecting customer and employee data; and building stakeholders' confidence in our overall security posture. We measure ourself against the NIST Cyber Security Framework and the maturity of our cyber and security controls is audited by independent third-party assessors. These steps constitute a continual verification and improvement programme. We are ISO 27001 certified for our R&D function and continue to maintain SOC2 compliance. We constantly assess and adapt our security capabilities in response to the emerging threat landscape and remain fully committed to protecting the confidentiality, integrity and availability of our infrastructure.

External risks

	Description	Mitigation
9 **Regulatory compliance** Gross probability **High** Gross impact **High** Change in gross risk level Ownership **General Counsel and Company Secretary** Categorisation **Industry general**	AVEVA operates through direct and indirect sales channels and must comply with both international and local laws in each country of operation. If one or more employees acting on our behalf commit, or are alleged to have committed, a violation of law, we could face substantial costs and severe financial penalties and reputational damage. Applicable regulatory risks include geopolitical risk, trade compliance, data protection and privacy, anti-trust, anti-bribery and corruption. Schneider Electric is a major re-seller for AVEVA and major shareholder. We are subject to related-party transaction obligations with respect to our relationship with Schneider Electric.	Compliance policies and guidance materials for our employees and external partners are combined with regular, targeted communications and training platforms. Local management teams are supported by local professional advisors. Corporate legal and finance functions provide further oversight and receive support from external advisors, as required. Dedicated compliance resources, including software and people, enhance management and monitoring of this principal risk. As part of our integration of our recent acquisition of OSIsoft, work is ongoing to harmonise compliance programmes.
10 **Pandemic-related economic disruption** Gross probability **High** Gross impact **High** Change in gross risk level Ownership **Chief Revenue Officer** Categorisation **Industry general**	Because of the global Covid-19 pandemic, AVEVA, like many global companies, operates in an environment with 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 that we serve or the potential for restricted access to funding. Our customers may seek to minimise expenditures by terminating subscriptions or licence arrangements, or attempting to renegotiate or delay previously-agreed payment dates. Customers may also be more cautious and take more time to make purchase decisions.	Our business remains in a strong cash and financial position. Our leadership continues to review our financial position and is prepared to take mitigating steps as necessary. As mentioned above, our products deliver capex certainty and opex reduction for meaningful efficiency in periods of economic and trading disruption. We are also committed to supporting our valued customers and meeting their needs.

Operational risks

	Description	Mitigation
11 **Internal IT systems (suitability and continuity)** Gross probability **High** Gross impact **High** Change in gross risk level Ownership **Chief Information Officer** Categorisation **Company-specific**	We seek to deliver uninterrupted customer and employee services and experiences, supported by our functional IT strategy. We outsource certain IT-related functions to third parties that are responsible for maintaining their own network security, disaster recovery and systems management procedures. If such third-party IT vendors fail to manage their IT systems and related software applications effectively, this could severely impact AVEVA.	During the fiscal year, we made significant improvements to address the legacy risk in our application and infrastructure services. A key strategic programme to support mitigations is in place. It features committed investment, executive support and a global multi-phase plan. For our third-party providers, we are now undertaking a more formal approach with questionnaires and assessments of capabilities before commercial commitment is finalised. To ensure successful business outcomes, we engage external third-party advisors and use best practice metrics and governance.

Disruptive risks

	Description	Mitigation
12 **Disruptive technologies** Gross probability **High** Gross impact **Medium** Change in gross risk level Ownership **Chief Technology Officer** Categorisation **Industry general**	New and unforeseen technology, software or business models threatening our value offering could be developed and become commercially viable. This would impact our profits and prospects. The potential threats seeking to capitalise on digitalisation trends continue but have not increased.	This risk is primarily mitigated through our own innovation initiatives, and remaining at the forefront of technological advances. This is a core strategic strength of our company. In addition, we continually scan the disruptive technology environment to ensure we stay informed and well positioned to respond to any material threats.

Emerging risks

AVEVA defines emerging risks as risks that have a potentially material impact, but which cannot be fully defined or assessed at present and therefore require ongoing monitoring. They typically involve longer time horizons, and if the threat is considered to be significant enough, contingency plans or mitigating actions may be developed.

Whilst emerging risks may not be an immediate threat to our operations and viability, we identify and monitor their development and take further action as required.

AVEVA's emerging risk management process:

Identify ▶ Assess likely impact and timescales ▶ Assess preparedness ▶ Take further action as necessary ▶ Monitor and report

Emerging risks with potentially significant impact will be reported to the Executive Risk Committee on a quarterly basis, at which point decisions will be made as to AVEVA's current level of preparedness and any further mitigating actions deemed necessary.

War in Ukraine

With the outbreak of war, our highest priority is the wellbeing of our employees in the region. Steps have been taken to ensure their safety.

Revenue generated from industrial customers in Russia, Ukraine and Belarus does not meet the materiality threshold to be included as a principal risk over the next 12 to 18 months. However, there are specific risks captured by our risk management process that are being closely monitored and mitigated as the crisis develops. The situation is fast-moving, and it is therefore difficult to fully understand these risks at the current time. Areas of potential impact are listed below:

- Impact to revenues from AVEVA's Russian entity of approximately 2% of Group revenue (assessed as immaterial to overall business over the next 12 months);
- Monitoring and complying with the evolving sanctions applied against Russia;
- Increased cyber security threats (AVEVA is part of the supply chain of some Russian oil and gas companies);
- The potential trapping, loss or devaluation of our assets in Russia, including cash, trade debtors and contract assets (assessed as immaterial to the overall AVEVA Group);
- Exposure to customers who are reliant on a supply chain from Russia, and any subsequent impact to our revenues from such customers;
- Any retaliatory sanctions imposed by the Russian government on western organisations such as AVEVA;
- Any potential sanctions imposed on other geographies where AVEVA materially derives revenues, should the crisis prolong and become more global; and
- Increased volatility in global oil and gas markets as a result of the crisis and the subsequently impact on AVEVA.

We continue to monitor the need to record any emerging risks to AVEVA from any wider geopolitical and globalisation trends resulting from the conflict.

Task Force on Climate-related Financial Disclosures (TCFD)

Our approach

The world has recognised that cutting global carbon emissions in the next nine years by 50% is essential to managing the climate crisis. This is equivalent to a decarbonisation rate of 11.7%—more than double the current rate. This is a generational challenge, and business must play its part.

As a technology company, we have a relatively small carbon footprint. However, we have set mitigation targets aligned to the highest level of ambition under the Paris Agreement as part of our operational footprint commitments. Since the development of clean tech is our core business, we see the potential to play a significant role in the energy transition. We do this through our technology handprint. We've shared positive examples of how we are growing our business through climate-related opportunities throughout this report.

We value transparent disclosure to help investors make informed decisions about where to deploy capital, and take compliance with the Task Force on Climate-related Financial Disclosures (TCFD) recommendations very seriously.

In preparing to fully comply with this year's TCFD reporting requirements, we have formalised the integration of climate-related issues into our governance, strategy, risk management and performance measurement frameworks.

For the first time, we conducted scenario analysis to inform a more comprehensive understanding of possible climate-related risks and opportunities under multiple climate futures. The exercise provided learnings for broader risk management, reinforced the importance of the opportunity realisation strategies we are working towards as part of our corporate strategy and helped validate our ability to remain resilient under the modelled assumptions. As we continue to upskill internal stakeholders on climate change impacts and see our climate data and cross-functional collaboration mechanisms mature, we expect our approach to meeting TCFD recommendations to evolve in parallel.

For clarity, we have summarised in the table below the locations of content related to all 11 TCFD recommendations.

Governance	
a. Describe the Board's oversight of climate-related risks and opportunities	See Governance Report on page 86 and "Ensuring accountability and responsibility for climate-related risks and opportunities" in this section
b. Describe management's role in assessing and managing climate-related risks and opportunities	See "Ensuring accountability and responsibility for climate-related risks and opportunities" in this section
Strategy	
a. Describe the climate-related risks and opportunities the organisation has identified over the short, medium, and long term	See 'Summary of climate-related risks and opportunities' in this section
b. Describe the impact of climate-related risks and opportunities on the organisation's businesses, strategy, and financial planning	See 'Realising the climate opportunity as part of our core business strategy' in this section
c. Describe the resilience of the organisation's strategy, taking into consideration different climate-related scenarios, including a 2°C or lower scenario	See 'Lessons learned from scenario analysis' in this section
Risk management	
a. Describe the organisation's processes for identifying and assessing climate-related risks	See 'Integrating climate risk into risk management' in this section
b. Describe the organisation's processes for managing climate-related risks	See 'Risk identification and assessment processes' in this section
c. Describe how processes for identifying, assessing, and managing climate-related risks are integrated into the organisation's overall risk management	See 'Risk management processes' in this section
Metrics and Targets	
a. Disclose the metrics used by the organisation to assess climate-related risks and opportunities in line with its strategy and risk management process	See 'Measuring what matters' in this section
b. Disclose Scope 1, Scope 2, and, if appropriate, Scope 3 greenhouse gas (GHG) emissions, and the related risks	See 'Operational footprint' in ESG section on pages 34-35
c. Describe the targets used by the organisation to manage climate-related risks and opportunities and performance against targets	See 'AVEVA's ESG framework and goals at a glance' on page 31 and 'Operational footprint' in ESG section on pages 34-35

Ensuring accountability and responsibility for climate-related risks and opportunities

Our commitment to a sustainable future is a shared one, with responsibility for ESG starting with our Board of Directors (Board), cascading down to our executive leadership and across to various business units and functions (see page 83 in Governance Report for an overview of AVEVA's corporate governance structure).

AVEVA's Executive ESG Committee brings together the members of the company's Executive Leadership Team that have a key role to play in our management of climate-related issues. Members include AVEVA's Chief Executive Officer, Chief Financial Officer, Chief People Officer, Chief Strategy and Transformation Officer, Chief Technology Officer and Chief Sustainability Officer. The group meets at least six times a year and as regularly as needed to set strategy and review progress. The VP of Sustainability, who is responsible for driving the day-to-day operations of AVEVA's sustainability strategy, serves as the committee's secretary, planning the agenda for committee meetings, organising presenters, facilitating meeting discussions and coordinating follow-up actions. AVEVA's carbon footprint, sustainability solutions and approach to climate risk management are all topics the Executive ESG Committee discussed in FY22.

In addition to reporting to the Board twice a year, the Chief Sustainability Officer provides a quarterly report to the Executive Risk Committee (ERC) on climate-related risks and mitigations plans which fall under our broader sustainability risk category. The ERC in turn reports to the Audit Committee and the full Board twice per year on AVEVA's full suite of risks.

We will continue to monitor the effectiveness of our climate governance model as our strategy evolves. We will also look for opportunities to expand the climate expertise of those involved, to help us continuously improve our ability to identify, assess and manage climate-related risks and opportunities.

Our Board and management play a key role in AVEVA's climate action strategy and have oversight of the management of climate-related risks and opportunities.

FY22 action highlights

Executive ESG Committee

- Aligned on AVEVA's level of ambition with regard to setting science-based climate targets
- Reviewed renewable energy procurement plans and set the direction for AVEVA's associated level of ambition
- Discussed strategies to support the growth of sustainability-related solutions

Board of Directors

- Supported the strategy of moving forward with a near-term science-based target and long-term, net-zero commitment, to be validated by the Science-Based Targets Initiative
- Approved an ESG KPI as part of the Executive Director remuneration plans for FY22 inclusive of an emissions reduction target, which was also cascaded to the Executive Leadership Team
- Set the expectations that AVEVA be prepared to report on climate-related risks and opportunities in the annual report and demonstrate full alignment with TCFD recommendations

Realising the climate opportunity as part of our core business strategy

At AVEVA we have been collaborating with our customers to optimise sustainable outcomes for decades. AVEVA's software solutions help customers digitalise and realise energy efficiency, circularity, traceability and resilience. We believe our software is part of the technology enablers that can support the transition to a low-carbon future, and we are committed to understanding the short-, medium-, and long-term impacts of the energy transition on our own business.

The table on page 66 describes the primary climate-related risks and opportunities we have identified for AVEVA and sets out our management response to each one. AVEVA defines a time horizon of up to five years as short-term, a time horizon of above five and up to ten years as medium-term, and a time horizon above ten years and up to 30 years as long-term. These time frames have been chosen taking into account the models already used by our Corporate Strategy and Risk/Internal Audit teams, as well as the recognition that climate change is an issue that spans decades.

As we are a technology company, transition risks represent the most material climate-related threat and opportunity for our organisation. Since our core business includes the development and enhancement of our low-carbon software solutions that enable energy and material efficiency, climate-related risk and opportunity has shaped our portfolio strategy for many years. For example, business unit leaders have been explicitly including climate and broader sustainability factors as part of their plans to improve our offerings set since FY20. For the past two budget planning cycles, sustainability impact, which includes the ability to support customer decarbonisation and the realisation of net-zero ambitions, has also been used as a criterion for investment decisions. Most recently, we reviewed our FY23-25 corporate strategy to ensure it fully reflected opportunities in emerging markets related to the energy transition and the growing low-carbon transition needs of our customers.

Physical risks from climate change currently have a low impact on AVEVA's operations, strategy and financial planning. However, we understand that under different future scenarios this may change, and we will continue to monitor signposts identified as part of our climate scenario exercise.

Lessons learned from scenario analysis

Scenario analysis allows us to develop an understanding of how various combinations of climate-related risks, both transition and physical risks, may affect our business, strategies and financial performance over time. To facilitate a shared understanding with our stakeholders, AVEVA conducted a transition analysis in FY22 using scenarios from the World Energy Outlook 2021 (WEO-2021) developed by the International Energy Agency (IEA). The three scenarios we modelled drew from: i) the Net-Zero Emissions by 2050 Scenario (NZE); ii) the Announced Pledges Scenario (APS); and iii) the Stated Policies Scenario (STEPS). We also selected these scenarios based on their granularity and because of their wide-ranging scope, which aligns with the broad range of industries and geographies we serve. We used a consistent time horizon of 2050 for each.

In the table on the next page, we have provided a high-level summary of the business impacts we would expect to see under these three scenarios. We plan to continue to use the outputs of this analysis to monitor what path the world is on and what strategic actions to take across our business. This includes investments we should make in the management of our people and our portfolio to further strengthen our resilience.

As a knowledge-based company, we believe that we are most strongly positioned for growth when our workforce can operate in an environment that supports their health and wellbeing. We also see our portfolio management approach enabling significant revenue growth under all three modelled assumptions, with a successful net-zero transition by 2050 yielding the strongest results. This successful transition does not come without risks. Electricity systems will have to become more cyber-resilient in a future where all businesses are increasingly reliant on the electrical grid. However, given AVEVA's experience managing our own digital security, we are well-positioned to monitor these risks and put in place safeguards, such as choosing suppliers that have strong business continuity practices and plans. Overall, we remain confident that our deep expertise in developing software for energy and material efficiency, combined with our agile organisational culture, will enable us to be flexible in response to the pace of transition change ahead.

We recognise scenario analysis is intended to be a dynamic process. As the availability of information grows over time, we will look to integrate more data into our scenario analysis and deepen integration with our risk assessment process more broadly.

Scenario parameters and assumptions	Net-zero transformation	Middle of road	Business as usual
Primary scenario source	IEA World Energy Outlook 2021 Net Zero Emissions Scenario (NZE)	IEA World Energy Outlook 2021 Announced Policies Scenario (APS)	IEA World Energy Outlook 2021 Stated Policies Scenario (STEPS)
Warming by 2050	1.5°C	1.8°C	2.0°C
Scenario description	Global temperature rise limited to 1.5 °C and other energy-related Sustainable Development Goals achieved as a result of global cooperation on achieving net-zero emissions; an orderly transition across the energy sector; and the effective uptake of all the available technologies and emissions reduction options, guided by market and country conditions.	Low-emission sources account for most power generation capacity additions, with coal consumption peaking and solar PV and wind nearing 500 gigawatts (GW) by 2030. Rapid growth in electric vehicle sales and continued improvements in fuel efficiency leads to peak oil demand around 2025. Global energy demand plateaus after 2030 due to efficiency gains.	Pace of change across power sector sufficient to realise a gradual decline in sector's emissions even as global electricity demand nearly doubles to 2050. Progress largely offset by growth in emissions from hard-to-abate industries, including cement, steel and heavy-duty transport, with strong demand coming from emerging markets and developing economies.
Regulatory environment	Highly regulated; ambitious, net-zero commitments achieved at most levels	Government commitments, including current Nationally determined contributions, achieved	Current policy settings; not all stated commitments achieved
Rising share of renewables	Over 60% of power generation in 2030	Over 45% of power generation in 2030	Over 40% of power generation in 2030
Evolution of industrial sector	Rapid and extensive electrification and digitalisation of global industry; successful pre-2030 deployments of industrial CCUS, electric trucks, clean shipping fuels, green/blue hydrogen	Electrification and energy efficiency reduce global industry emissions, but progress on material efficiency lags; more gradual scale-up of industrial CCUS, clean hydrogen and advanced biofuels	Beyond clean electrification, progress across industries and geographies is uneven; low-carbon liquids and gases fail to become mainstream in energy-intensive sectors in emerging markets
Business impacts			
Productivity	Improvements in levels of air pollution around the world have the potential to enhance the health and wellbeing of our global workforce, contributing to their ability to add value and innovate without health restrictions or additional levels of stress.	Rising air pollution levels, especially in emerging markets and developing economies, may have serious health effects, impacting the ability of our knowledge-based workforce to continue to design, innovate and work without restrictions or additional levels of stress.	
Business continuity	Interruptions of service attributed to volatility in energy markets or cybersecurity issues as a result of reliance on the electrical grid are possible. Interruption would most likely be realised through changes in the stability and security of electricity supply to our cloud and/or data center providers, although all current partners have resiliency strategies.	In addition to cyber security risks, physical impacts of climate change could potentially cause damage to our cloud or data centre providers' physical assets, interrupting delivery of service of our software solutions. AVEVA is continuing to engage with these suppliers on their low-carbon transition plans to understand these risks better. Given our global remote working culture and capabilities, it is anticipated that AVEVA's own workforce would be able to continue to provide reliable services, assuming ongoing internet connectivity.	
Portfolio management	Agility in modifying existing solutions to better support customers and take advantage of new market opportunities related to clean energy innovation will be critical; readiness to grow capabilities through partnership and/or acquisition to keep pace with fast rates of innovation.	Ongoing R&D to support the accelerated development and deployment of clean energy innovation technologies alongside our existing portfolio will be important, including investment in hydrogen electrolysers, advanced biofuels, new CCUS approaches and advanced batteries.	AVEVA's existing portfolio is well-positioned to meet the growing needs of global industry to improve energy efficiency and transition to low-carbon energy sources; our partner ecosystem further extends our capabilities, including for customers focused on electrification.
Customers and markets	Customers are expected to require advanced software to accelerate decarbonisation across their entire value chain, including through achieving improved energy and material efficiency and transitioning to new clean energy technologies. Demand expected to be especially high in Asia and other economies undergoing high rates of development.	Customers are expected to continue to require digital solutions to improve energy efficiency and facilitate fuel switching to low-carbon energy sources. Demand for hydrogen-based fuels and fossil fuels with CCUS likely to be more concentrated in the European Union and countries leveraging an industrial cluster model.	Customers are more likely to be affected by the physical impacts of climate change and are expected to continue to digitalise operations in pursuit of greater resiliency, as well as energy/cost savings. A high degree of engagement to meet customers in the various stages of their low-carbon transitions will be critical, as the rate of transition may be more varied.

Integrating climate risk into risk management

AVEVA has an established multi-disciplinary company-wide risk management approach, and we believe that the most impactful way to manage climate-related risks and opportunities is to integrate these efforts into the existing processes as much as possible. In FY22, we expanded on our existing integration work by conducting a comprehensive climate-related risk and opportunity identification and assessment exercise using TCFD criteria for the first time, as summarised in the graphic on the next page.

Risk identification and assessment processes

As part of the identification process, we first screened our operations and value chain for all climate-related risks and opportunities that are outlined in the TCFD recommendations. For each risk and opportunity, we conducted a series of internal stakeholder interviews and conversations with functional owners and subject matter experts in order to evaluate the possible exposure of impact, likelihood of the frequency in which the risks or opportunities may occur. More than 40 stakeholders from across the company participated in this risk identification exercise, which was coordinated by a core working team with representatives from Sustainability, Risk/Internal Audit, Corporate Strategy, Portfolio and Finance. As part of this exercise, we validated the time horizons for each issue. We also captured the mitigation methods and realisation strategies already underway as part of AVEVA's management response and qualitatively assessed their effectiveness.

Risk management processes

To maximise effectiveness, we aligned risk identification criteria and management processes for AVEVA's climate-related risks and opportunities to AVEVA's Enterprise Risk Management (ERM) practice as much as possible. Notably, we shared the full register of climate-related risks and opportunities prepared in FY22 with the Executive Risk Committee (ERC) for validation. The identified risk/opportunity owners in the register are responsible for the ongoing management of their issues. This includes ensuring that mitigation and/or realisation strategies are effective and reporting performance against relevant KPIs. As the owner of the overarching sustainability risk category, the Chief Sustainability Officer is responsible for quarterly reports on progress to the ERC and for ensuring the level of net risk exposure remains aligned to the risk appetite that has been set by the Board.

AVEVA's climate-related risk management is continually evolving as we improve the tools and expand the resources available to enhance our understanding of the linkages between climate, our business and operations and our customers. The TCFD approach has provided a useful framework to help us build out a comprehensive risk register for sustainability that incorporates climate-related risks. In alignment with the ERM cycle, we plan to update any changes to the risk descriptions, impacts, time horizons and likelihoods quarterly, using feedback from the individual risk owners.

Measuring what matters

AVEVA recognises that metrics and targets are key to effective management of material climate-related risks and opportunities. We have measured our carbon footprint as a business, set ambitious targets to reduce it and are actively tracking our decarbonisation progress (see 'Non-financial measures' in Key Performance Indicators on page 27 and 'Operational footprint' in ESG section on pages 34-35). Separately, we have also committed to develop a customer saved and avoided emissions baseline and target, sometimes referred to as Scope 4 (see 'AVEVA's ESG framework and goals at a glance' on page 31).

As part of ongoing efforts to integrate our climate-related risks and opportunities into our existing ERM process, we expect that over time we will expand on the metrics we use to assess progress and will look to update our TFCD disclosures accordingly.

Summary of AVEVA climate-related risks and opportunities

	Risks		
Type	Physical (acute and chronic)	Policy and legal	Technology
Risk rating			
Driver	• Increased severity of extreme weather events • Changes in precipitation patterns and extreme variability in weather patterns	• Carbon pricing • GHG reporting obligations	• Transitioning to lower-emissions technology / product substitution • Unsuccessful technology investments
Description	Increased severe and extreme weather events may cause disruption events or damage to our facilities and increase passed-through insurance premiums from our landlords. Increased frequency of extreme events and changes in climate and weather patterns can affect the physical safety and security of our employees and our data centre infrastructure, which we rely on for the delivery of our services.	Regulation and/or pricing of greenhouse gas (GHG) emissions, energy and fuel costs and national energy policy could increase expenses related to our data centres, real estate operations, business travel and supplier pricing. Enhanced emissions-reporting obligations may raise our expenses associated with GHG tracking, ongoing reporting and verification activities.	Customers may choose to substitute AVEVA products and services with lower emissions options (including switching to hybrid/cloud). New low-carbon/climate-related technology capabilities (via internal development, partnerships or M&A) may not be well-received by the market.
Probability	Possible	Likely	Possible
Impacts	Increased expenses	Increased expenses	Decreased revenues
Time horizon	S M L	S M	S M L
Management response	AVEVA maintains comprehensive insurance coverage and is developing a crisis management operational plan that will include climate considerations. Business continuity is a priority for our global IT, and in parallel, we continue to migrate IT infrastructure to low-carbon cloud and co-located data centres.	AVEVA is committed to science-based emissions reduction targets and is investing in energy efficiency across our global real estate facilities. We also actively track and participate in industry ESG benchmarks, while continuing to monitor new reporting legislation and global carbon prices.	AVEVA has set aggressive SaaS targets, and we are accelerating cloud/hybrid offers with low-carbon providers. As a technology company, we leverage an incremental delivery model for our software that allows for customer validation or adjustment to new features/products. All software is developed based on market information, and we leverage partnerships to help mitigate innovation risk.

			Opportunities	
	Reputation	Market	Products and services	Markets
	• Stigmatisation • Increased stakeholder concern	• Changing competitor behaviour • Uncertainty in market signals • Competitor changes	• Leverage and expand existing products to accelerate low-carbon transition • Launch new products that accelerate low-carbon transition	• Growth and diversification through access to new markets and industries
	High exposure to carbon-intensive industries may hurt reputation and result in divestment. Failing (or perceived failure) to take climate action may damage our reputation.	Potential inability to fully support customers with our current portfolio as their business models shift away from hydrocarbons and they seek to accelerate their low-carbon transition journeys. Potential inability to target low-carbon and emerging industries/verticals in a timely manner. Potential loss of customers to competitors including industrial technology disruptors, hyperscalers and/or new niche providers.	Energy transition and the imperative for sustainable economic growth increase demand for AVEVA's software, including our core offers for energy and material efficiency. AVEVA launches new products to support challenges customers face as their business model evolves from fossil to low-carbon energy and in response to higher expectation of ESG management.	AVEVA penetrates and/or grows presence in emerging markets linked to the global energy transition and need for industries to decarbonise/achieve low-carbon goals.
	Possible	Almost certain	Likely	Possible
	Decreased revenues	Decreased revenues	Increased revenues	Increased revenues
	S M L	S M L	S M L	S M L
	AVEVA is investing significantly in our sustainability strategy and programmes. We have made a credible net-zero commitment and actively engage with our stakeholders on our climate-related priorities and performance. This includes continuing to share examples of how our solutions are helping customers to decarbonise and achieve their broader sustainability ambitions. We also have an industry diversification strategy in place.	AVEVA has assigned a lead for sustainability-related product offerings. We leverage current market and customer analysis to inform our in-house development, partnerships and M&A. Current capabilities related to low-carbon transition are shared through go-to-market strategies, and we are building towards a sustainability solutions ecosystem. Our shift towards a platform model will strengthen AVEVA's ability to leverage co-opetition, partnerships and compete against hyperscalers, including on low-carbon opportunities.	AVEVA continues to add new product features to existing offers to facilitate carbon awareness and management based on market trends and customer engagement. We are enhancing climate innovation through sustainability hackathons, accelerating the development of climate-related joint offers with partners and deepening integration of climate opportunities into our M&A. Our SaaS offers are delivered through low-carbon cloud providers.	AVEVA's go-to-market campaigns include a focus on our decarbonisation capabilities and use cases to show how our software supports the global energy transition. We are investing in sustainability-focused sales enablement with a specific focus on climate-related emerging markets and low-carbon customer needs. We are continuing to extend into hybrid markets via our distribution channel and have a broader industry sales diversification strategy in place.

Time horizon:

S Short-term: 0-5 years M Medium-term: 5-10 years L Long-term: 10-30 years

Risk rating:

Low Medium High

Non-financial information statement

Focus area	Policies and disclosures	Further reading
Environmental	Greenhouse gas emissions data	Page 35
	Our handprint and footprint	Pages 32-37
Employees	Diversity & inclusion	Pages 40-41
	Employee wellbeing	Pages 38-39, 91
	Values and culture	Pages 7, 38-41, 74
Social matters	AVEVA Action for Good	Page 45
	Group gender diversity	Page 41
	Board gender and ethnic diversity	Page 81
Human rights	Anti-slavery and human trafficking policy	Our full anti-slavery and human trafficking statement is available on our website at aveva.com
	Data protection policy	Our data protection policy is available on our website at aveva.com
Anti-bribery & corruption	Anti-bribery and corruption policy	Page 36 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 aveva.com
Please also see our Sustainability Progress Report for more information on our technology handprint, operational footprint and inclusive culture.		
Non-financial key performance indicators	The key metrics in measuring our non-financial performance.	Pages 26-27
Management of principal risks and uncertainties	Our key risks and how they are mitigated.	Pages 54-62
Business model	How we create value for our stakeholders.	Page 20-21

Viability statement and going concern

Assessment process

The Group assesses its prospects primarily through its five-year strategic planning cycle and budgeting process. This process is led by the Executive Directors, with responsibility for business functions and the regions 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. The Directors determined five years to be an appropriate time horizon, aligned to the period covered by the Group's business planning cycle.

Debt facilities and covenants

At 31 March 2022, the Group has cash and cash equivalents of £279.3 million and access to two debt facilities, both of which expire within the five-year assessment period:

- a term loan of £685.1 million at 31 March 2022, with a termination date of 19 March 2024; and
- an undrawn £250.0 million RCF, with a maturity date of 25 February 2025 and a one-year extension option subject to lender approval.

Under these facilities, the Group is subject to financial covenants relating to interest cover and leverage.

Scenario modelling

As part of the assessment process, management perform stress tests upon the five-year plan using several severe but plausible scenarios. To complete this exercise, the principal risks as laid out on pages 56-61 are reviewed, and their impact upon the long-term viability of the Group considered. Additionally, management complete reverse stress testing, to determine the revenue reduction required to breach financial covenants.

Link to principal risks	Scenario
1. OSIsoft integration	
Risk 1: Talent **Risk 4:** Integration **Risk 7:** Product security	**Description** The Group's acquisition of OSIsoft does not generate management's anticipated revenue and cost synergies. The Group is unable to retain key OSIsoft talent, and OSIsoft products suffer security issues. **Assumptions applied** Revenue: decline due to not achieving remaining revenue synergy targets. Cost: increase due to not achieving remaining synergy targets, paying a salary premium to retain OSIsoft talent or attract replacement employees, and one-off costs associated with mitigating actions over product security breaches.
2. Cloud transition	
Risk 1: Talent **Risk 2:** SaaS subscription **Risk 7:** Product security	**Description** The Group's transition to a subscription business model does not create anticipated revenue uplifts. The Group is unable to attract or retain key talent required to complete the transition successfully, and products hosted by third parties suffer security and hosting issues requiring mitigating action. **Assumptions applied** Revenue: revenue declines as only a portion of the assumed revenue uplift from a subscription business model is achieved. Cost: R&D cost increases as the Group pays a premium to attract employees with the required skills and to address previously unidentified issues in cloud-hosted products. One-off costs associated with mitigating actions over product security breaches are paid.
3. Geopolitical upheaval	
Risk 3: Sustainability **Risk 6:** Dependency on energy sector **Risk 9:** Regulatory compliance	**Description** UK and US sanctions are expanded to other markets, resulting in the Group being unable to trade in certain locations. These sanctions bring forward an energy transition in western markets; longer-term oil and gas capex projects become unviable in favour of renewables. The Group's products do not fit the needs of this enlarged renewables market, and additional R&D is required. **Assumptions applied** Revenue: decline due to ceasing to trade in certain locations, and a reduction in capex projects which the Group is unable to supplement with renewables projects in the short term. Cost: increase in FY24 and FY25 as the Group pulls forward R&D expenditure to address the shift to renewables.

Link to principal risks	Scenario
Reverse stress case	
	Description A scenario modelling the decline in revenue required to either: • be in breach of the Group's financial covenants; or • to eliminate all headroom under the Group's existing debt facilities. **Assumptions applied** Revenue: A consistent annual percentage decrease in revenue Cost: Unaffected **Results** The reduction in revenue from the going concern base case required to result in either a breach of the Group's financial covenants or to eliminate headroom under the Group's debt facilities is:

Financial year of breach	Revenue reduction from base case
FY23	18.7%
FY24	18.2%

For FY25 to FY27, a fixed revenue decline from the base case to create a covenant breach within that financial year creates an earlier covenant breach in FY24.

This reverse stress testing has highlighted that such scenarios would require a substantial deterioration in both customer retention and new customer acquisition, which considerably exceed other viability scenarios.

For all scenarios other than the reverse stress case, the Group does not breach financial covenants. However, for all scenarios the Group will have insufficient cash and cash equivalents to clear the term loan as it becomes due in March 2024. The Group would be able to draw down on the RCF to clear the term loan and would generate sufficient cash before the RCF maturity date in February 2025 to repay the drawn down balance.

These scenarios also do not include potential mitigating actions that could be taken, such as:

- reducing, cancelling or deferring dividend payments;
- reducing discretionary operating costs;
- making prepayments on the term loan, to minimise interest expense; or
- initiating discussions regarding the arrangement of additional financing.

The Directors have identified the following factors which support their assessment, including:

- operating in diverse industries, increasingly so with the acquisition of OSIsoft;
- expertise in many specific areas, including integration and cloud business;
- products deliver capex certainty and opex reduction for customers and thus deliver meaningful efficiency in downturn environments;
- an extensive global presence provides mitigation from over-reliance on key geographic markets;
- strong cost control mechanisms; and
- an RCF of £250.0 million and considerable headroom in cash balances for the majority of the viability period.

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

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

Confirmation of long-term viability

Based on this assessment, the Directors have considered the Group's current position and principal risks and 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 2027.

Going concern statement

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 upon the Group of the global Covid-19 pandemic and economic sanctions following the Russian invasion of Ukraine, and reviews of liquidity and covenant forecasts.

At 31 March 2022, the Group held external debt in the form of a £685.1 million (US$900 million) term loan, due for repayment in March 2024. The Group has access to a £250.0 million Revolving Credit Facility (RCF), of which nil was drawn down at 31 March 2022. This facility is due for renewal in February 2025, with a one-year extension option subject to lender approval. See note 21 on page 170 for further details.

To support the going concern conclusion, the Group has developed several working capital financial models covering the period from the signing of the financial statements to 30 September 2023. The specific scenarios modelled are:

Scenario	Outcome
Base case Based upon the Group's most recent Board-approved forecasts to 31 March 2027. These are the same forecasts used in the Group's viability statement and VIU model for impairment testing purposes.	The Group is not in breach of any financial covenants and is not required to draw down on the RCF. The Group is able to meet all forecasted obligations as they fall due.
Sensitised A severe downside scenario, including reducing revenue (10% from the base case), and introducing delays in cash collection (10% increase from the base case).	
Reverse stress case A scenario created to model the circumstances required to breach the Group's credit facilities within the going concern period. This includes reducing revenue (18% decrease from the base case) and delays in cash collection (10-day increase in debtor days from the base case).	This resulted in a covenant breach at the end of the going concern period. Management believes the possibility of this combination of severe downsides arising to be remote, and that there are numerous mitigating actions which could be taken to avoid a covenant breach. The impacts of these mitigating actions were not considered in the scenario modelling.

Should extreme downside scenarios occur, there are several mitigating actions the Group could take to avoid covenant breaches to maintain liquidity headroom under existing debt facilities. These include cancellation or deferral of dividend payments and reductions in other discretionary spending costs.

The financial statements for the year ended 31 March 2022 have therefore been prepared under the going concern basis of accounting.

This Strategic Report has been approved by the Board of Directors and is signed on its behalf by:

Philip Aiken AM

Chairman

7 June 2022

Chairman's introduction to Governance

Good corporate governance provides a solid base for a healthy organisational culture, effective strategic leadership, and decision making that take into account various stakeholder views and interests.

I am pleased to present the Governance Report for 2022. This has been a noteworthy year for the Board. We continued to adapt the way we operate as a Board to accommodate local Covid-19 restrictions and the challenging macro environment. The Board has also dedicated significant time to the development of AVEVA's purpose, strategy and culture following the OSIsoft acquisition.

Engagement

The Board was delighted to resume its annual two-day board meeting at our Lake Forest office in California. This provided the opportunity for most of the Directors to be together again and to meet with employees at all levels of the organisation including our new colleagues from the OSIsoft business. The Board had been conducting its meetings virtually since March 2020 and so it was a delight to recommence partial physical attendance for some directors in the second half of 2021, including an in-person meeting for many in October 2021.

Culture

Good governance and a commitment to operating with integrity is central to our culture at all levels and in all parts of our business. The environment in which we operate evolves continuously, shaped by emerging trends in customer behaviours and expectations, shifts in regulatory and legal requirements and changing attitudes towards the role of large companies in society. Our internal culture evolves accordingly as we seek to ensure that the way in which we work conforms to our many stakeholders' highest expectations. This is especially significant as we continue to bring two corporate cultures together and realise the expected synergies. The Board and Executive Leadership Team (ELT) are critical in setting the tone of the organisation and play a key role in embedding our culture throughout the Group, in order to ensure that AVEVA's reputation is protected effectively. We were delighted to see the ground up work on visions and values proposed by employees and recommended by management, which we enthusiastically welcomed. During the year our CEO, with support from the Board, led several culture initiatives.

Board and leadership changes

It is essential to ensure that the composition of the Board reflects AVEVA's strategic priorities and that it provides a variety of informed insights to determine the appropriate approach to the management of risk. Each of the Directors brings a particular perspective to every discussion, shaped by their backgrounds in a number of industries and roles over many years. For biographical information on our Board members, please see pages 78 to 81. The Board made several appointments during the year to strengthen Its capabilities.

As included in last year's annual report, Peter Herweck was seconded from Schneider Electric, at the request of the Board, to take up the role of AVEVA's CEO effective from 1 May 2021. In accordance with the terms of the Relationship Agreement between the Company and Schneider Electric (the Relationship Agreement), Schneider Electric appointed Hilary Maxson to the Board and the Nomination and Governance Committee. Hilary brings a wealth of experience to the Board from both Schneider and also Anglo-American where she is a Non-Executive Director. Please see page 129 to 130 for further detail on the terms of the Relationship Agreement.

During the year, we were pleased to welcome Dr. Ayesha Khanna to the Board as an independent Non-Executive Director and member of the Remuneration Committee. Ayesha is a highly experienced business leader with extensive technology and innovation expertise.

On 20 April 2022 we announced that Jennifer Allerton will not seek re-election at this year's AGM after nine years of service. On behalf of the Board, I would like to express my sincerest thanks to Jennifer for her leadership of the Remuneration Committee and invaluable contribution to the Board.

We are delighted to welcome Anne Stevens to the Board as an independent Non-Executive Director and member of the Remuneration and Audit Committees, effective 1 May 2022. At the conclusion of the 2022 AGM, Anne will become the Chair of the Remuneration Committee. Anne brings a wealth of boardroom experience spanning a number of industrial sectors, including acting as chair of a remuneration committee and a distinguished executive career, along with strong leadership skills and broad international business experience.

From 1 March 2022, James Kidd, AVEVA's Deputy CEO and CFO, became AVEVA's Chief Strategy and Transformation Officer. James remains on the Board as one of the two Executive Directors.

The role of Chief Financial Officer was assumed by Brian DiBenedetto, a member of AVEVA's Executive Leadership Team, effective 1 April 2022. Brian has made a valued contribution to AVEVA's finance function during James' recent period of compassionate leave, having transferred from Schneider Electric. Brian is not a member of the Board.

Following discussion by the Board, Dr. Kennedy's employment agreement has been extended for one year. He will remain as Chairman Emeritus, which is not a Board position, and will continue to support the integration of the AVEVA and OSIsoft businesses.

The Board has taken into consideration the recommendations set out in the Hampton-Alexander Review and following the above changes we exceed the 33% target at 40%.

Governance and the Board

As a Board we aim to focus on those aspects of governance that contribute most to the success of the Company: the development of a strategy with attractive value-creation potential, having the right people and processes for its successful implementation, monitoring progress against plan, and managing risk in an ever more volatile external environment.

During the year the Board spent time considering whether AVEVA's governance structure is aligned to current strategy, our growth and current regulatory demands. It was decided to increase the Board's oversight of ESG topics, and we have amended the Remuneration Committee Terms of Reference to include oversight of ESG targets. We also transformed and changed the name of the Nomination Committee to the Nomination and Governance Committee to oversee the bulk of our ESG responsibilities. Our Matters Reserved for the Board and Terms of Reference can be found at https://investors.aveva.com.

The Board undertakes an annual review of its own and its Committees' performance and effectiveness, with the last externally facilitated evaluation being carried out in 2020 in line with the Code. 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 93. I am pleased to report that the overall conclusion of this year's review is that the Board and Committees continue to be effective and function well, but we will allow time during our Board deliberations to address actions stemming from the evaluation.

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 another year of change and challenges. We will maintain our focus on the effective management of risk and on compliance with the high standards of corporate governance across the Group to support the delivery of our long-term sustainable success.

Philip Aiken AM

Chairman

Statement of compliance

Compliance with the UK Corporate Governance Code

The Board is 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.

An explanation of how the Company has applied the Principles set out in the 2018 Code is given below, with cross-references to the relevant sections of this report where more information can be found:

The Board considers that the Company has complied with the Provisions of the 2018 Code throughout the year save for certain exceptions as set out below.

2018 Code Provision	Explanation of non-compliance	Rationale for decision
Composition, Succession and Evaluation – Provision 17 The board should establish a nomination committee to lead the process for appointments, ensure plans are in place for orderly succession to both the board and senior management positions, and oversee the development of a diverse pipeline for succession. A majority of members of the committee should be independent Non-Executive Directors. The chair of the board should not chair the committee when it is dealing with the appointment of their successor.	As the independence of the Chairman is excluded, the Company's Nomination and Governance Committee's membership has not comprised the required 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 and Governance Committee. Following his appointment as CEO on 1 May 2021, Peter Herweck resigned from the Nomination and Governance Committee and Schneider Electric nominated Hilary Maxson to be appointed as a member of the Board and the Nomination and Governance Committee. Hilary Maxson is an experienced executive and brings significant breadth of knowledge and skill to the Board and the Nomination and Governance Committee.	Although the lack of a majority of independent Directors on the Nomination and Governance Committee could reduce scope for challenge to the Committee's decision making, this risk is mitigated by the fact that only two of the Committee members are not independent, which means that a decision of at least one other independent Director is always required. While the relationship agreement remains in place with Schneider Electric, it is foreseen that departure from the Code will endure. Please see page 91 for further detail on the independence of Directors and how we manage conflicts of interest.
Composition, Succession and Evaluation – Provision 19 The chair should not remain in post beyond nine years from the date of their first appointment to the board. To facilitate effective succession planning and the development of a diverse board, this period can be extended for a limited time, particularly in those cases where the chair was an existing Non-Executive Director on appointment. A clear explanation should be provided.	After careful consideration, the Directors requested that Philip Aiken remains Chairman for a further year beyond AVEVA's 2022 AGM, which will extend his tenure beyond nine years from the date of appointment.	Philip continues to provide exceptional leadership, which is particularly valuable as we complete the successful integration of OSIsoft and embed the foundations to support the next phase of subscription-led growth. 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. Our 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 page 94 of the Nomination and Governance Committee Report for further details on the Chairman's tenure.
Remuneration – Provision 32 The board should establish a remuneration committee of independent non-executive directors, with a minimum membership of three, or in the case of smaller companies, two. In addition, the chair of the board can only be a member if they were independent on appointment and cannot chair the committee. Before appointment as chair of the remuneration committee, the appointee should have served on a remuneration committee for at least 12 months.	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 the way the Provision prescribes.	The Board does not consider that Olivier's presence on the Remuneration Committee hinders the Committee's ability to make independent decisions, and is in the best interests of the Company. 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. Again, while the Relationship Agreement remains in place with Schneider Electric, it is foreseen that this departure from the Code will endure. Please see page 91 for further detail on the independence of Directors and how conflicts of interest are managed.

Board of Directors

Philip Aiken

Chairman

Tenure: 10 years and 1 month

Appointed: 1 May 2012

Nationality: Australian

(Chair of Nomination and Governance Committee)

Skills and experience

Philip has over 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.

Philip has been Managing Director of BOC/CIG, Chief Executive of BTR Nylex, Chairman of Robert Walters plc and Balfour Beatty plc, and Senior Independent Director of Kazakhmys plc and Essar Energy plc. Other previous roles include: Director of National Grid plc, Chairman of Gammon Construction, Senior Advisor of Macquarie Bank (Europe), Director of Miclyn 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. Philip's executive experience across a range of companies and sectors brings a wide perspective to Board discussions. His experience is valued by the Board in promoting high standards of corporate governance.

Current external appointments

- Non-Executive Director of Newcrest Mining Limited
- Non-Executive Director of New Energy One Acquisition Corporation plc

Peter Herweck

Chief Executive Officer

Tenure: 4 years 3 months

Appointed: 1 Mar 2018

Nationality: German

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.

Current external appointments

- Non-Executive Director of the supervisory Board of Rudolph GmbH
- Non-Executive Director of Teradyne, Inc

James Kidd

Chief Strategy and Transformation Officer

Tenure: 11 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 Chief Executive Officer from January 2017 to February 2018, leading the merger with the Schneider Electric industrial software business before being appointed Deputy CEO and Chief Financial Officer of the enlarged AVEVA Group. James was appointed Chief Strategy and Transformation Officer on 1 March 2022. Prior to joining AVEVA, James worked for Arthur Andersen and Deloitte, serving technology clients in both transactional and audit engagements.

Current external appointments

- None

Christopher Humphrey

Senior Independent Non-Executive Director

Tenure: 5 years 11 months

Appointed: 8 Jul 2016

Nationality: British

(Chair of Audit Committee and Member of Nomination and Governance Committee)

Skills and experience

Chris is a qualified accountant with over 25 years of 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's significant background in accounting and corporate finance brings useful skills to the Board, which is especially relevant to his position as Chair of the Audit Committee.

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: 8 years 11 months

Appointed: 9 Jul 2013

Nationality: British and Swiss

(Chair of Remuneration Committee and Member of Audit Committee until 15 July 2022)

Skills and experience

Jennifer has more than 40 years of experience in technology, working in multinational companies in the UK, the US, Brazil, Asia and Switzerland. 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.

Current external appointments

- Non-Executive Director of Iron Mountain Inc.
- Non-Executive Director of Sandvik AB.
- Non-Executive Director of Barclays Bank Ireland plc

Olivier Blum

Non-Executive Director

Tenure: 2 years 1 month

Appointed: 30 April 2020

Nationality: French

(Member of Remuneration Committee)

Skills and experience

As Executive Vice President of Schneider Electric's Energy Management business, Olivier is responsible for the entire Energy Management portfolio of world-leading technologies, software and services. Olivier is an active promoter of sustainability and 'Electricity 4.0' as the fastest route to a net zero world that is more electric and more digital.

Olivier has been a member of the Executive Committee since 2014. In his previous role as Chief Strategy & Sustainability Officer, Olivier led the development of corporate strategy, mergers & acquisitions, sustainability and quality. Prior to that, Olivier led Schneider's people strategy as Chief Human Resources Officer between 2014 and 2020.

Olivier began his career at Schneider Electric in 1993 in his home country of France. He has been living and working in Asia for the last two decades. Olivier brings substantial international experience and perspective to the Board, in addition to his expertise in people and HR roles and corporate strategy.

Current external appointments

- None

Board of Directors continued

Paula Dowdy

Independent Non-Executive Director

Tenure: 3 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.

Paula brings experience in a variety of roles at leading technology companies (including senior management positions) as well as experience in leading the integration of businesses in the software industry.

Current external appointments

- None

Dr. Ayesha Khanna

Independent Non-Executive Director

Tenure: 7 months

Appointed: 28 Oct 2021

Nationality: Singaporean

(Member of Remuneration Committee)

Skills and experience

Ayesha is Co-Founder and CEO of ADDO AI, an artificial intelligence solutions firm and incubator. She has been a strategic advisor on artificial intelligence and smart cities to leading corporations and governments. Ayesha also serves on the Board of Infocomm Media Development Authority (IMDA), the Singapore government's agency that develops and regulates its world-class technology sector. Ayesha was named one of Southeast Asia's groundbreaking female entrepreneurs in 2018 by Forbes. She is also founder of 21st Century Girls, a charity that teaches girls coding and artificial intelligence.

Prior to founding ADDO AI, Ayesha spent more than a decade on Wall Street developing large-scale trading, risk management and data analytics systems.

Ayesha brings experience advising leading corporations and governments on artificial intelligence and smart cities as well as a significant depth of technology and industry knowledge.

Current external appointments

- Director of Infocomm Media Development Authority (IMDA) Singapore
- Director of Sport Singapore
- Director of Ngee Ann Polytechnic
- Director of NEOM Tech & Digital

Hilary Maxson

Non-Executive Director

Tenure: 10 months

Appointed: 1 Aug 2021

Nationality: American

(Member of Nomination and Governance Committee)

Skills and experience

Hilary joined Schneider Electric in 2017 as SVP and CFO of the Building and IT business unit, based in Hong Kong. She was subsequently appointed SVP & CFO of the Group's newly formed Energy Management business unit in 2019, relocating to Paris. Energy Management is the Group's largest business unit with more than 75% of its revenues, and management of its low- and medium-voltage businesses as well as secure power.

Prior to joining Schneider Electric, Hilary held a variety of finance and business development positions across the globe primarily in the power and utilities industry. She started her career at Bank of America and Citigroup, in New York, and then joined the AES Corporation where she spent 12 years, penultimately as CFO of Africa and then CFO of Asia, preceded by Managing Director of M&A and other senior positions.

On 23 April 2020, Hilary was appointed EVP & Group CFO for Schneider Electric and became a Member of its Executive Committee. She is currently located in Paris, France. Hilary's international experience in the power and energy industries, as well as her background in corporate development roles in financial services, will benefit the Board's discussions.

Current external appointments

- Non-Executive Director of Anglo American plc

Ron Mobed

Independent Non-Executive Director

Tenure: 5 years 3 months

Appointed: 1 Mar 2017

Nationality: British

(Member of Nomination and Governance Committee and Audit Committee)

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.

Ron has a broad base of experience in corporate executive roles which is valuable in supporting strategic Board discussions.

Current external appointments

- Supervisory Board Member of Fugro N.V.
- Non-Executive Chairman of Robert Walters plc

Anne Stevens

Independent Non-Executive Director

Tenure: 1 month

Appointed: 1 May 2022

Nationality: American

(Member of Audit Committee and Remuneration Committee)

Skills and experience

Anne brings strong leadership skills and broad international business experience including a wealth of commercial expertise in North, Central and South America.

Until April 2022, Anne was an independent Non-Executive Director and Chair of the Remuneration Committee of Anglo American plc.

Anne was Chief Executive of GKN until April 2018 having previously been an Independent Non-Executive Director. Anne has held a number of executive positions including Chairman and CEO of SA IT Services, Chairman and CEO of Carpenter Technology Corporation and COO for the Americas at Ford Motor Company. Her early career was spent at Exxon Corporation, where she held roles in engineering, product development, and sales and marketing.

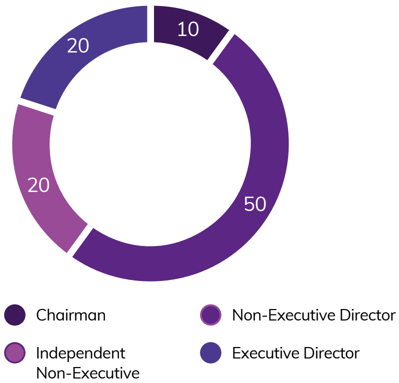
Current external appointments

- Non-Executive Director of Aston Martin Lagonda Global Holdings plc
- Non-Executive Director of Harbour Energy plc

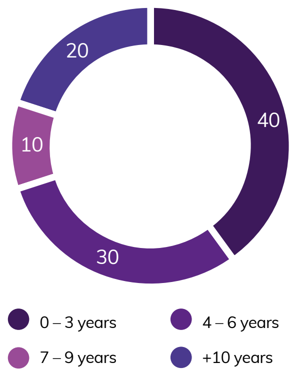
Directors who served during the year

Craig Hayman stepped down from the Board on 7 July 2021

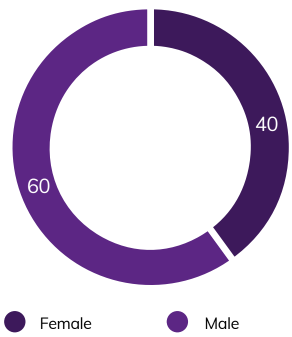
Board independence (%)[1]



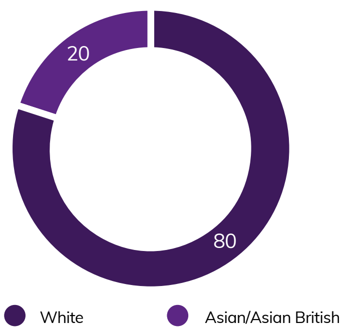
Board tenure (%)[1]



Board gender (%)[1]



Board ethnicity (%)[1]



1. All charts reflect the Board as at 31 March 2022

Board leadership, purpose and culture

Led this year by the CEO, we reviewed our purpose, mission and vision this year in view of the enlarged organisation and to reflect the development of our business and to align to our culture (Page 38). These were developed with the collective voice of the company, incorporating input from focus groups from a cross-section of employees, and the views of the Strategic Leadership Team, and our long-term strategy.

Purpose – the why

The Board is responsible for setting the Company's purpose and values and ensuring that these are aligned with the Group's culture. Our purpose, 'We spark industrial ingenuity', sits alongside our mission, 'connecting people with trusted information and insights' and vision 'to drive responsible use of the world's resources.'

Having a clear purpose, mission and vision gives employees a sense of belief and determination and a common goal. This supports a strong culture, which drives performance across the business in terms of financial and non-financial value. Our purpose is therefore at the heart of Board discussions and is central when we discuss and review our business model and our competitive advantage, business performance and progress towards strategic goals, and the concerns and requirements of our various stakeholders.

Values – the how

Our values help guide our people in their daily activities and support our behavioural framework. They show that how we do things is just as important as what we do, and describe the behaviours we encourage all employees to adopt, to best serve the interests of our broader workforce and business, customers, investors and other key stakeholders. At AVEVA, we conduct ourselves with honesty and integrity, and it is our values that provide the code that sets us apart, makes us who we are, and guides everything we do. We present our values of Impact, Aspiration, Curiosity, and Trust on page 7.

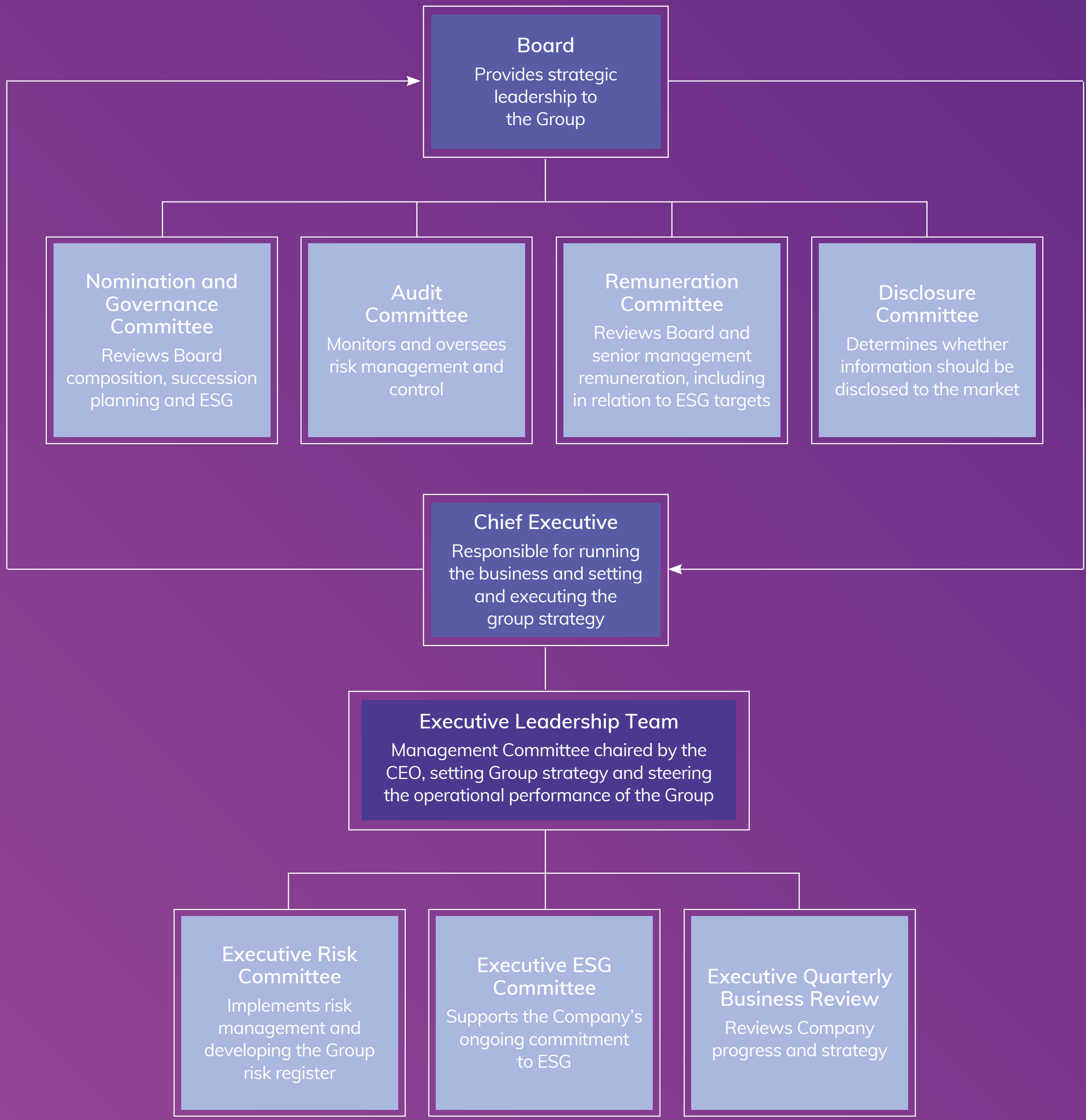
Culture – how we work together

We work hard to create a culture and an environment that allows everyone to thrive, working together effectively and safely, and treating each other fairly and with respect, to contribute to the growth of the organisation. The Board gains valuable insight and feedback from the Executive Directors in respect of the culture and behaviour across the Group. Please refer to our Sustainability Progress Report (www.aveva.com/en/about/sustainability/esg-reporting/2022-Sustainability-Progress-Report) for more information on our culture initiatives and how these align with our purpose and values.

Governance at a glance

AVEVA has a clear corporate governance framework which provides clear lines of accountability and responsibility.

Our governance structure



Division of responsibilities

Individual Board members have clearly defined roles and responsibilities but share collective responsibility for the long-term sustainable success of the Company.

The roles and responsibilities of the Board, its Committees, Chairman and the CEO are available and regularly reviewed. The Board is assisted by the Nomination and Governance, 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. Some decisions are, however, sufficiently material that they can only be made by the Board as a whole. The Board also maintains a list of Matters Reserved for the Board which can be viewed at 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.

Role	Responsibilities
Chairman Philip Aiken	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.
Chief Executive Officer Craig Hayman (to 1 May 2021) Peter Herweck (from 1 May 2021)	Peter is responsible for developing, 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.
Senior Independent NED Christopher Humphrey	Christopher acts as a sounding board for the Chairman and 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 Chairman present) on an annual basis to lead the review of the Chairman's performance.
Chief Strategy and Transformation Officer James Kidd	James works closely with Peter to drive forward implementation of strategy and lead our transformation projects. The role focuses on driving both organic and inorganic growth initiatives.
Independent Non-Executive Directors Jennifer Allerton Paula Dowdy Ron Mobed Christopher Humphrey Dr. Ayesha Khanna (from 28 October 2021)	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.
Non-Executive Directors Olivier Blum Hilary Maxson (from 1 August 2021) Peter Herweck (to 1 May 2021)	As appointees of Schneider Electric, our majority shareholder, and as per the Relationship Agreement, Hilary and Olivier add unique and valuable insight and 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. In addition, they bring deep insights from their strong experience.
Company Secretary Helen Lamprell (from 1 November 2021)	Helen was appointed General Counsel and Company Secretary on 1 November 2021. She assists the Chairman with meeting preparation and the induction of new Board members, and provides corporate governance guidance and advice to the Board, including supporting the Board with the policies, processes, information, time and resources it needs in order to function effectively and efficiently. Helen also ensures robust governance practices throughout the Company.

Applied governance

Keeping the Board informed

The Chairman, with the assistance of the Company Secretary, ensures that the Board receives accurate, timely and clear information.

Each Director is issued with an agenda, briefing papers and comprehensive operating and financial management reports for the period under review, seven days before any Board or Committee meeting. The Company Secretary attends all Board and Committee meetings, and all Directors have access to her advice and, if necessary, to independent professional advice at the Company's expense to assist with the discharge of their responsibilities as Directors. All Directors are provided with a rolling schedule of proposed meeting dates. Any Director who is unable to attend a meeting is invited to provide views to the Chairman ahead of that meeting, having reviewed the agenda, briefing papers and management information. Following each Board meeting, an actions schedule is prepared for follow-up and discussion at the next meeting, along with the preparation of formal minutes, which are circulated and submitted for approval at the next meeting. 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.

Membership and attendance

Director	Board meetings (scheduled)	Board meetings (ad-hoc)	Nomination and Governance Committee	Audit Committee	Remuneration Committee
Philip Aiken	6(6)	3(4)	5(5)	N/A	N/A
Peter Herweck[1]	6(6)	4(4)	1(1)	N/A	N/A
James Kidd[2]	5(6)	2(4)	N/A	N/A	N/A
Christopher Humphrey	6(6)	4(4)	5(5)	4(4)	N/A
Jennifer Allerton	6(6)	2(4)	N/A	4(4)	7(7)
Oliver Blum	6(6)	1(4)	N/A	N/A	7(7)
Paula Dowdy	6(6)	1(4)	N/A	N/A	6(7)
Dr. Ayesha Khanna[3]	3(3)	0(2)	N/A	N/A	3(3)
Hilary Maxson[4]	4(4)	0(2)	3(3)	N/A	N/A
Ron Mobed[5]	6(6)	1(4)	5(5)	4(4)	4(4)
Craig Hayman[7]	1(1)	0(2)	N/A	N/A	N/A

1. Peter Herweck was appointed as CEO effective 1 May 2021 and resigned as a member of the Nomination and Governance Committee on 1 May 2021.
2. James Kidd became AVEVA's Chief Strategy and Transformation Officer on 1 March 2022. James remains on the Board as one of the two Executive Directors.
3. Dr. Ayesha Khanna was appointed as an independent Non-Executive Director on 28 October 2021 and became a member of the Remuneration Committee on 27 January 2022.
4. Hilary Maxson was appointed as Non-Executive Director and a member of the Nomination and Governance Committee on 1 August 2021.
5. Ron Mobed resigned as a member of the Remuneration Committee on 27 January 2022.
6. Anne Stevens was appointed as an independent Non-Executive Director on 1 May 2022.
7. As disclosed in last year's Annual Report, Craig Hayman stepped down from the Board following the 2021 AGM.

Non-attendance at meetings was due to unavoidable prior commitments and some meetings being called at short notice.

Culture

The Board receives regular updates from the CEO on culture initiatives, especially around the enablement of a culture of inclusivity, wellbeing and opportunity for our employees and communities. Further updates include details of the employee engagement survey results, cultural awareness initiatives, key new hires and developments relating to Diversity, Equity and Inclusion. By way of example, the employee engagement survey was useful in drawing out employees' views on the culture of the Company.

Other culture-related Board-monitoring initiatives from the year included:

- an annual update by the Company Secretary on the results of the Corporate Ethics training programme and Corporate Ethics policy amendments; and
- updates from the Audit Committee Chair on our Speak Up programme.

For further information on our culture please see pages 38-41, and our Sustainability Progress Report.

OSIsoft integration

The Executive Directors provide regular updates to the Board on the progress made in integrating the OSIsoft business into the Group. Overviews include cost synergies, revenue synergies, culture and employee matters and feedback from investors, employees and other stakeholders. The Board also received information on new organisation designs for the various functions across the business. A number of Board members were able to receive first-hand information and gauge the progress of integration when they visited the office in San Leandro, California during the year. The Board supported the identification and appointment of new ELT members to support the growth and strategic direction of the Company.

Shareholders

The CEO, CFO and Chief Strategy and Transformation Officer ensure that they regularly engage with investors and feedback is provided to the Board as a whole. During the year, the Non-Executive Directors engaged with investors, and the Chairman and the Chair of the Remuneration Committee spoke with key shareholders to enable the Board to obtain a clear understanding on their views, which have taken these into consideration in Board decisions.

Applied governance continued

ESG

The Chief Marketing Officer and Chief Sustainability Officer keeps the Board informed on sustainability and broader ESG matters. The Company's broad sustainability initiatives support delivering on the Company's purpose, as set out on page 7.

Discussion points during the year included the outcomes of our ESG materiality assessment, a review of our sustainability strategy and FY22 focus initiatives, efforts to accelerate AVEVA's sustainability offerings, as well as an end-of-year progress update on our FY22 objectives and results. A dedicated Diversity, Equity and Inclusion session was also held and a deep dive on climate matters shared. The latter included a review of our carbon footprint, science-based targets, renewable energy commitments and broader strategies to support achieving net zero. The Board was proud to support AVEVA's first public environmental and social pledges, announced during our Capital Markets Day, and publication of our first Sustainability Report which covered our technology handprint, operational footprint and inclusive culture. In addition, the Nomination Committee was redesignated as the Nomination and Governance Committee to ensure satisfactory oversight of its ESG responsibilities.

Feedback has been very positive on the increase to three for the number of days employees can commit to community work under the AVEVA Action for Good programme.

The Board will continue its semi-annual formal reviews of ESG initiatives and the evaluation of choices around making pledges and setting goals.

For further information on our work on ESG topics please see pages 30 to 41.

Governance and the role of the Company Secretary

The Company Secretary is responsible for keeping the Board and Committees informed about the corporate governance landscape. During the year the Board re-evaluated its governance framework in view of its increasing ESG responsibilities. The Board therefore decided to expand the Nomination Committee to become the Nomination and Governance Committee. As part of its annual review of constitutional documents the Board updated its Matters Reserved for the Board and the Remuneration and Nomination and Governance Committee Terms of Reference to include ESG responsibilities.

AVEVA runs a series of initiatives aiming to support high-quality governance, including:

- an external corporate legal advisor supports the Audit Committee's review of forthcoming corporate governance changes that will affect the Committee;
- a specialist remuneration advisor 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 the Company Secretary, 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.

Succession planning

There is a clear need to ensure that there is an appropriate pool of talented and capable individuals to fill senior roles and support delivery of AVEVA's strategic objectives. A succession planning process has been established across the Group to facilitate this, which is reviewed twice a year. Each business and corporate function prepares and maintains succession plans with the support of local and Group HR and with input from the ELT. The Board continually reviews succession planning and once again had a deep dive session on succession planning across the Group.

Please see page 94 for succession planning in relation to the Board.

Stakeholders

The Board recognises the importance of maintaining open dialogue with its various stakeholders. The Board directly and indirectly engages with the Group's key stakeholders so that it can understand their interests and take these into account in its decision-making. This includes regular dialogue with shareholders and engagement with employees.

Considering stakeholders in principal decisions

- The Board is also clear on its legal duty to act in good faith, to promote the success of the Group for the benefit of shareholders and to have regard to the interests of our stakeholders. These include: the likely consequences of any decisions we make in the long term; the interests of employees; the need to foster the relationships we have with all our stakeholders; the impact of our operations on the community and the environment; and the need to maintain the highest standards of business conduct and to act fairly between stakeholders. Please see page 47 in relation to how the Board has considered its duty pursuant to section 172 of the Companies Act 2006.
- The Board engages with and is advised of stakeholder views, in a number of different ways. These include regular business reviews, updates from the Chief People Officer on employee matters, employee engagement survey results, updates on investor feedback and share register activity from the Investor Relations team, and customer updates. Detailed below are examples of matters discussed during the year and the stakeholders considered by the Board:

Topic	Stakeholders considered	Process	Outcome
Continued Covid-19 pandemic response	• Shareholders • Employees • Customers • Community • Government	Consideration was given to: • how we could maintain our services to customers during the crisis; • how we could keep our workforce safe; • the impact of these decisions on our ability to deliver our strategic plans and returns for shareholders.	Extended home working arrangements where necessary. Kept strategic plans under review. Approved interim and final dividend. Recommended before final dividend (board cannot approve the final dividend).
External business and political environment	• Employees • Customers • Communities • Shareholders	Reviewed: • updates on the jurisdictions in which AVEVA operates including following the invasion of Ukraine.	Ensured robust risk management and controls. Reviewed potential risks and mitigations. ELT tasked with keeping employees informed on external environment affecting their work and resources for support and information.
ESG targets and sustainability	• Communities • Employees • Government	Reviewed: • the impact of our operations on the environment and communities; • current government regulations and targets; • our reputation from a shareholder and employee perspective.	Endorsed targets set out during Capital Markets Day. Endorsed first Sustainability Report. Increased Action for Good leave to three days per year. Revised and approved new Committee Terms of Reference and Matters Reserved to include ESG responsibilities.
Board composition and succession plans	• Employees • Shareholders • Communities	Considered: • strengthening capabilities and skills on the Board and Committees; • Directors' tenure, external commitments, conflicts of interests and succession planning; • wider organisational succession plans.	Appointed three new Non-Executive Directors including new Remuneration Committee Chair to enhance Board skills. Extended Chairman appointment. Extended Chairman Emeritus appointment. Regular review of management of talent pipeline and diversity targets.
Financial results	• Employees, • Shareholders	Reviewed: • CFO, Audit Committee Chair and Auditor reports; • shareholder feedback.	Approved trading updates, interim and recommend final dividend. Discussed and agreed the five year-plan.
Culture	• Employees	Reviewed and considered: • existing workforce engagement practices; and • Executive Directors' office visits to global locations to speak to employees.	Outcome/follow-up action arising from the engagement surveys. Deeper understanding of local business operations, strengths and challenges, with discussion by the Board and follow-up action Review of the new purpose, mission and vision. Increased focus on the Speak Up programme and employee reporting metrics.

Please see pages 42 to 46 for detailed discussion of our stakeholder engagement activities.

Applied governance continued

Board activities

The Board provides clear leadership to the Group in order to promote the long-term success of the business whilst ensuring the Group has an appropriate risk and control framework, adequate resources and appropriate values and standards to deliver its strategy. The Board regularly discusses strategic topics and addresses short-, medium- and long-term issues. The agenda for each Board meeting includes a number of regular and important items, including reports from the Chief Executive Officer, the Chief Strategy and Transformation Officer, the Chief Financial Officer, other Executive Committee members and each Committee Chair. The table below sets out a non-exhaustive list of the key areas of focus for the Board's activities and topics discussed during the year for the Group taken as a whole:

Financial reporting and controls

Stakeholders considered

- Reviewed monthly reports on performance against budget and forecast.
- Reviewed the five-year business plan.
- Reviewed and approved half- and full-year results and announcements.
- Assessed whether the Annual Report and Accounts were 'fair, balanced and understandable'.
- Approved the 2022 Annual Report and Accounts.
- Reviewed dividend policy and approved payment of an interim dividend and agreed to recommend payment of a final dividend.
- Reviewed and renewed the Group's financing agreements.
- Reviewed and approved the budget for FY23.
- Considered the Company's continued response to the Covid-19 pandemic, including any necessary revisions to financial plans for the year ahead, capital allocation and the internal control framework.
- Held 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.
- Reviewed the Company's taxation strategy.

Strategy and management

Stakeholders considered

- Held detailed strategy sessions throughout the year to further develop future strategy.
- Received presentations from senior management on risks and opportunities, both strategic and otherwise.
- Reviewed and approved various material investments/ transactions.
- Received internal and external presentations on the wider market.
- Reviewed the progress made on the Company's transition to subscription and cloud revenue streams, with a focus on increasing Annualised Recurring Revenue (ARR).

Covid-19

Stakeholders considered

- 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.
- Received updates on employee engagements such as the quarterly CEO 'all hands' calls, which include comprehensive updates on business performance and also office and work from home arrangements.

Key to Stakeholder groups and Partners

Investors

Customers

Employees

Communities

Investor relations

Stakeholders considered

- Reviewed investor feedback on half- and full-year results, trading updates and outcomes from investor roadshows.
- Reviewed the 2021 AGM proxy voting figures and the investor landscape for the year ahead.
- Reviewed and approved the 2022 AGM Notice of Meeting.
- Approved inaugural Sustainability Report.

Governance and reporting

Stakeholders considered

- Continued NED-only meetings at the end of each Board meeting.
- Received updates on changes and potential changes in regulations and assessed their impact, including ESG-related regulations.
- Received updates from each of its Committees at each Board meeting.
- Reviewed and approved the Group's sustainability framework.
- Reviewed and approved the Board's principal policies, including the new Modern Slavery Statement.
- Reviewed and approved the Matters Reserved for the Board and Committee Terms of Reference.
- Reviewed the Group's governance structure to ensure it remains fit for purpose in view of the enlarged Group and in light of the growing importance of ESG-related matters.
- Reviewed, considered and updated potential conflicts of interest at each meeting.
- Undertook an internal evaluation of its own performance and that of its Committees and individual Directors.
- Discussed and reviewed management and Board succession plans.
- Reviewed the fees for the Non-Executive Directors to ensure that they remain competitive and appropriate.

Risk management and controls

Stakeholders considered

- Reviewed the effectiveness of internal control and risk management systems.
- Reviewed the Company's appetite for risk and approved the principal risks and uncertainties affecting the business.
- Received regular updates from the Audit Committee in respect of internal and external audit reviews.
- Approved the appointment of PwC as external auditor on the recommendation of the Audit Committee.
- Reviewed results of employee engagement surveys in view of the risk of employee attrition and the need for retention.
- Reviewed Speak Up reports.

Integration and transformation

Stakeholders considered

- Regularly discussed updates on integration and transformation projects.
- Considered transformation planning in view of ongoing Covid-19 restrictions and risk framework.
- Reviewed, considered and approved culture initiatives and new purpose, mission and vision in light of OSIsoft acquisition.
- Oversaw the comprehensive integration programme in relation to the integration of the newly acquired PI Business.

For FY23 the Board will focus on the following priorities:

- completion of the integration of the OSIsoft group;
- continued transitions to subscription and cloud revenue streams;
- ESG; and
- workforce engagement.

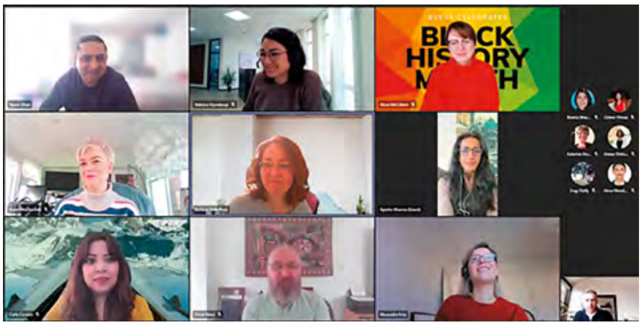
Applied governance continued

Engaging with our workforce

The Board recognises that our employees are fundamental to our business and specifically to the successful delivery of our strategic ambitions. We can only continue as a long-term sustainable business if we attract, retain and motivate high-potential employees. This means being a responsible employer and listening to employees. The Board considers the implications of decisions on employees and the wider workforce, where relevant and feasible. The Board and the ELT work closely together on workforce engagement, regularly considering the best approach to take so as to create a meaningful and regular dialogue.

The 2018 Code outlines three suggested workforce engagement approaches (namely, a director appointed from the workforce, a formal workforce advisory panel, or a designated Non-Executive Director). Following an analysis of AVEVA's application of the Code, the Board continuously reviews, considers and discusses its existing workforce engagement practices. The size and structure of the business and the diversity of our employee base complicates the feasibility of implementing any of the three specific workforce engagement methods recommended in the 2018 Code and, as such, none of the three suggested approaches have been implemented. The Board therefore feels that the alternative chosen method of direct engagement between the Board and the ELT and our workforce (as set out below) is effective and ensures that the employee voice is broadly reflected in the boardroom.

The Board is happy that with Covid-19 restrictions slowly coming to an end in most jurisdictions where AVEVA's employees are based, it can continue to increase its direct engagements when the Board and individual Directors visit our global offices. For most of the year, due to restrictions, workforce engagement had to be managed using other means and video-conference 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 (as part of their ongoing initiatives).



Direct engagement

Direct engagement between the Board and workforce provides the Board with insight into AVEVA's culture and the opportunity to gauge perspectives at different levels across the business. This is especially important given the Board's focus on bringing two cultures together following the OSIsoft acquisition.

In January 2022, Dr Ayesha Khanna attended a virtual meeting with the diversity, equity, inclusion and wellbeing (DEIW) network in our EMEA region, where information was shared around local information and planned activities, including a recent workshop hosted by Companies for Good to help AVEVA leaders understand the benefits of DEI to our organisation. A key target of the Board is in raising awareness of its role on enhancing our global DEI&W initiatives.

In March 2022, the Board held a two-day meeting in Lake Forest, California and the Board's activities included a townhall, meetings with various function representatives, in-depth sales and R&D presentations, a session on succession planning within the wider organisation and a technology review. Following the Lake Forest meetings, a number of Board members travelled to San Leandro, California to meet with employees of the OSIsoft business. The Board gained a deeper understanding of the local operations and of the different processes and challenges the business and its workforce faces during the integration phase.

The Board welcomes these opportunities to deepen its understanding of how the Company's purpose, strategy and values are embedded in particular sites and countries. The benefits are mutual: the Board obtains direct insight into local business operations and projects as well as local strengths and challenges, while our people have an opportunity to better understand the Board and provide direct feedback on topics of importance to them, their business or function and/or their location. This is also a helpful method of engaging with high-potential and talented individuals in an informal environment.

The Executive Directors travel to AVEVA office locations to keep in touch with employees based across the globe and to understand local challenges and opportunities first-hand. Feedback following such office visits is provided to the Board and further actions are taken if necessary.

The Board hopes to increase its number of meetings at our global locations during the next year.

ELT engagement

The ELT regularly engages with all employees through a range of formal and informal channels, including via calls for all employees, emails from the CEO and other ELT members, town halls, face-to-face gatherings and online publications via our intranet which encourage discussion and comment.

Surveys and all-employee calls

During the year, we carried out regular employee engagement surveys to gauge views on the OSIsoft integration, culture, DEI initiatives, Company culture and general workforce opinions on what is working and what is not.

The Board considers the employee engagement surveys as its principal tool to measure employee engagement, motivation, affiliation and commitment to AVEVA. These surveys provide insight into employee views and have a consistently high response rate with more than 80% employee responses per survey. Please see page 39 for further information on our employee engagement surveys.

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 comprised overall business performance including financial and economic factors influencing performance, updates on the OSIsoft integration, technology updates, flexible working 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 talks by well-known wellbeing experts and an increase in resources for employees to access.

Keeping informed

During the year various ELT members and the CEO provided regular all-employee newsletters and intranet updates on progress with the OSIsoft integration, updates on the transformation programme, DEI, wellbeing, our sustainability initiatives, major contract wins and other topics relevant to all employees.

Concerns and grievances

The Audit Committee has oversight over 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.

The Board is kept informed on incidents and on reporting levels and remediation. These provide indicators of conduct risks and of the strength of embedding and awareness of AVEVA policies, values and business ethics, as well as employees' comfort levels in raising incidents. The Board believes that the Speak Up programme fosters a caring organisation and encourages employees to come forward to raise a concern in good faith.

Independence and conflicts of interest

The importance of independent judgement on the part of the Board is a fundamental governance principle and one supported by the Board. The Code provides examples of circumstances that it considers are likely to impair, or could appear to impair, a Non-Executive Director's independence, and tenure is one of these.

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

The Board considered an agreement which was disclosed to it by Dr Khanna prior to its execution. As disclosed at the time of her appointment, Dr. Khanna is the Co-Founder and CEO of ADDO AI Pte Ltd (ADDO AI), an artificial intelligence solutions firm and incubator. It was proposed that ADDO AI enter into an agreement with the Company's controlling shareholder, Schneider Electric, whereby ADDO AI would provide HR service automation technology to Schneider Electric. The Board considered the fact that the agreement would not be material to either party and was on normal commercial terms. The Board concluded that Dr. Khanna would continue to be without conflict and independent in character and judgement and without relationships or circumstances likely to affect, or which could appear to affect, her judgement.

Chairman's tenure

The Board believes that it is in the best interests of the Company and our shareholders that the current Chairman oversees the integration of the OSIsoft business 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 Senior Independent Director, together with the rest of the Board, therefore considers that Philip Aiken's continuing Chairmanship for a further year beyond AVEVA's 2022 AGM will benefit the Group during a period of expansion: it will ensure stability and consistency in leadership at a time when we are embarking on an integration plan to create a combined, stronger business and at a time where there have been a number of changes in the leadership of the organisation. See page 94 of the Nomination and Governance Committee's report for further information on the Chairman's tenure.

Independent Non-Executive Directors

The Board has considered the recommendations of the Nomination and Governance 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 Christopher Humphrey, Jennifer Allerton, Ron Mobed, Paula Dowdy, Dr. Ayesha Khanna and Anne Stevens 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 five independent Non-Executive Directors comprise more than half of the Board (excluding the Chairman who was deemed independent on appointment only).

The Board, on the recommendation of the Nomination and Governance 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 Nomination and Governance Committee

Applied governance continued

considers in making its recommendations 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. It was concluded that none of the five independent Non-Executive Directors or their immediate families have ever had a material relationship with the Group, received additional remuneration apart from Directors' fees, participated in the Group's share plans or pension schemes, or 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, Olivier Blum and Hilary Maxson represented the Company's majority shareholder, Schneider Electric (SE). As such, they are not considered independent within the meaning of the 2018 Code. The Board has noted that Olivier and Hilary continue to be independent of mind and will. They regularly leverage their deep understanding and knowledge of AVEVA and its core business. This enriches Board discussions, and they also provide objective judgement and effective challenge to management and the wider Board. Both Directors are aware of their duty to exercise independent judgement and to promote the success of the Company while taking all relevant factors and stakeholder interests into account, not just those of SE.

The Board has established a formal protocol to ensure the independence of Directors by governing any potential conflicts of interest experienced by any Directors. Complying with the protocol, Hilary Maxson 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 Hilary 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 appointer.

The Board, under the leadership of the Chairman, and the Nomination and Governance 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. These include temporary separation or recusal from a 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 whether 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 of 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 conflicts of interest and time commitment for both Executive Directors and Non-Executive Directors. The following external appointments were approved during the year in line with this requirement:

- Philip Aiken's appointment as a Non-Executive Director of New Energy One Acquisition Corporation plc;
- Dr. Ayesha Khanna's appointment as a Director of Infocomm Media Development Authority (IMDA) Singapore, a Director of Sport Singapore, a Director of Ngee Ann Polytechnic and a Director of NEOM Tech & Digital;
- Hilary Maxson's appointment as Executive Vice President, Group Chief Financial Officer at Schneider Electric and as a Non-Executive Director of Anglo American plc.

Prior to these appointments, the Board considered the time required, including whether this would impact the Directors' ability to devote sufficient time to their current role. The Board considered that the appointments, and related arrangements to manage conflicts of interest, would not interfere with their roles with the Company.

Our Board members share a deep sense of responsibility and in practice Board members' time commitment far 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, all Non-Executive Directors regularly have meetings with executive management to stay informed of all Company matters.

Board induction and training

On joining the Company, each new Director participates in an induction process which is organised by the Company Secretary. The aim of the induction is to assist the Director to familiarise themselves with key areas of the business and its culture, in addition to the roles and responsibilities of the Board and each member of the ELT, along with opportunities to visit and experience the Group's business operations. Each new Director is provided with an induction pack containing general and specific information relating to their role such as a schedule of meetings, copies of Board minutes, terms of reference of the Committees and other Committee-specific information, various policies and procedures, and details of their duties and obligations as a Director of a listed company. New Directors also spend time with individual Board members, ELT members and the Company Secretary.

It is of key importance that Directors receive appropriate training and development they require in order to discharge their duties effectively and enhance their skills and knowledge. Training opportunities are provided both internally and externally to assist where Directors feel their skills or knowledge would benefit from further development. During the year, the Board undertook renewed and updated ethics training in line with the rest of the Company.

Nomination and Governance Committee report

Philip Aiken AM

Nomination and Governance Committee Chair

Membership and attendance

Chair	
Philip Aiken AM	5/5
Committee members	
Ron Mobed	5/5
Christopher Humphrey	5/5
Hilary Maxson*	3/3
Peter Herweck*	1/1

* Hilary Maxson replaced Peter Herweck on 1 August 2021, following Peter's resignation on 30 April 2021 upon his apopintment to CEO.

Attending by invitation
Group General Counsel and Company Secretary
Other members of the Board
Advisors

The Committee met five times during the year.

As we are moving to a new phase of growth, it is of vital importance that our Board and Executive Leadership Team have the right balance of diversity, skills, experience and knowledge.

We are pleased to present our report on the Nomination and Governance 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 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;
- the selection of three new Board members;
- the update of the Committee's Terms of Reference to include ESG oversight responsibilities; and
- succession planning.

Board evaluation

The Board engages an independent external evaluation provider every three years to evaluate the performance of the Board and its Committees. The last external evaluation was undertaken in 2020 by Better Boards. During FY22, an internal evaluation, led by the Chairman with the support of the Company Secretary, took place.

The FY22 Board evaluation process

Scope and methodology

The Committee was keen to have a comparison against last year's evaluation results to measure progress. 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 provided assurance on the progress made since FY21 and identified any areas where further action was required.

Evaluation process

During a Board meeting, the Chairman and Company Secretary briefed the Directors on the internal evaluation process.

Directors completed a confidential questionnaire to assess the effectiveness of the Board, its Committees, the Committee Chairs and the Chairman.

Following the analysis of the completed questionnaires, the Chairman discussed the results with the Company Secretary and the conclusions and results were circulated to the Board.

Conclusions

The Chairman discussed the final report on the performance evaluation with the Board at its May 2022 meeting and identified progress and further actions to be taken. In particular, the Board agreed that it found employee engagement very useful and looked forward to a full resumption of activities as Covid-19 recedes.

The discussions also considered the progress made by the Board and Directors in implementing the recommendations of the previous evaluation.

Nomination and Governance Committee report continued

Results of the FY22 Board evaluation

The FY21 review was broadly positive but highlighted that post the OSIsoft transaction, the Board might consider an adjustment to its composition.

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 FY21 and FY22.

Progress against outcomes from the previous year

Actions identified in FY21	FY22 progress
Succession planning	The search for ELT members has completed with a mixture of internal promotions and hires from outside the organisation. In addition, two new independent Directors have been appointed following a rigorous selection process. The Board also reviewed succession plans for critical talent throughout the organisation.
Building on the current strengths of the Board	The Board appointed three new Directors to complement the strengths and skills already on the Board.

FY22 actions

The FY22 review suggested that post pandemic the Board would like to spend more time on employee engagement and wider stakeholder engagement. In addition, the Board agreed that in light of its refreshed membership it would be appropriate to spend some time considering the competitive market landscape and alliance management.

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

Board composition and succession planning

In FY22, we saw a number of changes to the composition of the Board. These changes were in response to Jennifer Allerton indicating her desire to step down as Remuneration Committee Chair at the end of the 2022 AGM after nine years of service and to the need to enhance and diversify the skillset on the Board. The new growth phase following the OSIsoft acquisition also presented the appropriate time for us to continue to review the composition of the Board and ELT to support our long-term strategic objectives.

Prior to starting each of the searches for two new independent Non-Executive Directors, the Committee met to consider the desired skills, personal attributes and experience required for the roles, taking into account the future needs and challenges of the business. In addition, we discussed the recruitment process. External search agencies and open advertising were not used for the recruitment of Ayesha Khanna as the appointment was sourced through the Board's own targeted searches. However, it was decided that a search agency be used for the recruitment of Anne Stevens, Odgers Berndtson is an independent search agency with no other connection with the Company or any of its Directors, and has complied with the Code on DEI.

Following each of the searches, a list of potentially suitable candidates was presented for consideration from which the first-round candidates were identified for interview. The Committee members were unanimous in their selection of the shortlist based on the relevance of each individual's skills, experience and attributes to the criteria already identified.

Short-listed candidates were then invited to spend time with the Chairman, other Directors and the CEO to gain insight into the business and to enable the candidate to assess what would be required of them over time in the role of Independent Non-Executive Director.

The candidates were discussed by the Committee and their appointments recommended to the Board. The Board concluded that the significant depth of technology and industry knowledge that Dr. Ayesha Khanna brings, and the broad international expertise and previous leadership of a remuneration committee that Anne Stevens brings, made them ideal candidates to join the Board and strengthen the diverse mix of skills and experience.

Dr. Ayesha Khanna was appointed as an independent Non-Executive Director with effect from 28 October 2021 and Anne Stevens was appointed as an Independent Non-Executive Director with effect from 1 May 2022. It is anticipated that Anne Stevens will succeed Jennifer Allerton as Chair of the Remuneration Committee after the close of the 2022 AGM.

In April 2021, it was announced that Peter Herweck would be transferred from Schneider Electric on the request of the Company's Board to the role of AVEVA's CEO, effective 1 May 2021. In accordance with the terms of the Relationship Agreement, Schneider Electric nominated Hilary Maxson for Board membership and she was appointed a member of the Board and of the Nomination and Governance Committee effective 1 August 2021. Hilary brings a significant range of financial and strategic knowledge and perspective to the Board, which will be of great value to the Company as it continues to grow.

I am confident that the refreshed Board will continue to drive our strategy forward and progress our objectives and priorities in FY22.

Succession planning in relation to the Chairman

In February 2022 we announced that, after careful consideration, the Directors have requested that Philip Aiken remains as Chairman for a further year beyond AVEVA's 2022 AGM. Philip continues to provide exceptional leadership, which is particularly valuable as we complete the successful integration of OSIsoft and embed the foundations to support the next phase of subscription-led growth. 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.

While recognising the risk of the Company becoming too reliant on the views and skills of one individual, we believe that non-compliance with the nine-year Director tenure required by the 2018 Code is appropriate given the circumstances the business faces, and the value-add that Phil continues to bring in his role as Chairman. Starting from its first meeting following the 2022 AGM, the Committee will keep Phil's appointment under review as we continue to move through the integration process and will put in place appropriate succession plans. The Senior Independent Director continues to act as de facto Chair of the Nomination and Governance Committee when Phil's succession planning is discussed. All discussions regarding the extension of Phil's tenure were also led by the Senior Independent Director.

Diversity, Equity and Inclusion

DEI continues to be a focus for the Committee. We have a diverse Board where 'every member has a voice' and which is dedicated, committed and ambitious. The Board's membership is diverse in gender and geographically, with nationals from Australia, France, Germany, Singapore, the UK and the USA. This diversity aids the Board's discussions and decision-making processes, given the international nature of our business.

At 31 March 2022 the gender diversity on our Board equaled 40%, well in advance of the timing suggested by the Hampton-Alexander Review, FTSE Women Leaders: Improving gender balance in FTSE Leadership. Please refer to page 41 for the breakdown of gender diversity statistics across our business. The Board also now exceeds the requirements of the Parker Review 'Beyond One by '21', in respect of ethnic diversity, and is committed to only working with executive search consultants that have adopted a voluntary code of conduct addressing diversity in its widest sense. AVEVA supports the recommendations set out in the recently published FTSE Women Leaders review and will continue to consider the recommendations when reviewing DEI at AVEVA.

The Committee reviewed whether diversity, equity and inclusion across the wider business was being progressed satisfactorily. Further information on the Company's progress on diversity and inclusion initiatives can be found on page 40.

A key feature of our DEI initiatives is our focus on embracing all diversity. We have taken great strides in this regard. We have a well-established DEI team working across the Company, and several senior employees act as ambassadors. Initiatives are led by the ELT with regular reporting to the Board.

We continue to focus on our broader DEI strategy through a comprehensive programme of activities. Highlights of FY22 include:

- publication of our first Gender and Ethnicity Pay Gap Report;
- publication of our first DEI five-year plan;
- introduction of our first DEI Impact Fund
- Board engagement with our employee resource groups and regional networks;
- celebration of Black History Month;
- diversity, equity and inclusion coaching programme for ELT members;
- inclusion and awareness workshops for managers in EMEA;
- People Committee now reviewing all senior-level appointments and promotions;
- completion of a comprehensive disability audit; and
- global review of recruitment practices.

The Company maintains a DEI Policy, which is linked to AVEVA's values, applies to all employees and is reviewed on an annual basis. We are committed to ensuring that all AVEVA policies, strategies, processes and behaviours promote diversity, equity and inclusion and contribute to our vision of an inclusive Company culture.

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

DEI is about creating an organisational culture supported by behaviours, attitudes and practices which benefit the Company and everyone who works in, and with it. It takes account of the fact that whilst people are similar, we also differ in many ways.

In addition to professional diversity, the Board endorses five focus areas defined in our global DEI Policy: gender, race/ethnicity, religion/faith/belief, sexual orientation and disability. For further information on our DEI initiatives please see page 40.

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 AVEVA's 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 current growth phase of the Company. 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 FTSE 100 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's 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.

Following review, we were satisfied that each Director continues to contribute the time, as well as the focus, care and quality of attention, required for 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, excluding Jennifer Allerton who will not stand for re-election at the AGM. It is also recommended that Hilary Maxson, Dr Ayesha Khanna and Anne Stevens stand for election in accordance with our Articles of Association.

The Committee will continue to assess composition and succession planning in light of both the results of the Board evaluation and the eventual search for a new Chairman.

Annual review

In its annual review, the Committee:

- assessed its own performance and effectiveness;
- reviewed and approved its Terms of Reference. It was decided to update the Terms of Reference to include responsibilities relating to ESG matters, the development and promotion of the Company's culture and the oversight and review of the Company's workforce engagement mechanisms. The aim is to ensure that workforce policies and practices are consistent with the Company's purpose, values and standards and support its strategy and long-term sustainable success.

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 and Governance Committee Chair

Audit Committee report

Christopher Humphrey

Audit Committee Chairman

Membership and attendance

Chair	
Christopher Humphrey	4/4
Committee members	
Jennifer Allerton	4/4
Ron Mobed	4/4
Attending by invitation	
Chairman	
Other Board members	
CEO	
CFO	
Group General Counsel and Company Secretary	
Head of Internal Audit & Risk	
Other senior members of the Group Finance and IT teams	
External audit partner	

The Committee met four times during the year.

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 (Chairman), Jennifer Allerton and Ron Mobed. Jennifer Allerton will step down as a Non-Executive Director and member of the Audit Committee at the conclusion of the 2022 AGM to be replaced by Anne Stevens. All the Committee members are regarded by the Board as independent Non-Executive Directors. Committee meetings are also regularly attended by other Board members and relevant senior management at the invitation of the Chair, to provide Company insight, advice and reports to help the Committee consider the Company's approach to its primary responsibilities. In addition, the external audit partner is invited to attend all meetings.

Role of the Committee

The Committee is appointed by the Board to monitor the financial integrity of the Group. It confirms to the Board that the financial statements within the Annual Report are fair, balanced and understandable and comply with all applicable legislation and regulation. It also reviews the Group's risk management processes and internal controls; including 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 monitors its performance through regular effectiveness reviews.

Committee membership and skills

I was appointed Chairman 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), as I am a Chartered Management Accountant and a Fellow of CIMA, and have previously held the role of Chief Executive Officer and prior to that Group Finance Director of Anite plc, a UK-listed company; and prior to that 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 and I have maintained an up-to-date understanding of financial and corporate governance best practice by attending many 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. Brief biographical details for all the members of the Committee are included on pages 78-81.

In my capacity as Chairman of the Committee, I am pleased to report on the operations of the Committee during the past year, with emphasis 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 Terms of Reference

The role of the Committee is set out in its Terms of Reference which are available on the Company's website at www.aveva.com. The Committee monitors the integrity of the financial statements of the Group, and the Committee members (as part of the full Board) review all proposed regulatory announcements to be made by the Group, with consideration given to any significant financial reporting judgements 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 from the Group's auditor regarding improvements to internal controls and the adequacy of resources within the Group's finance function. The Committee also assesses the process that has been established to ensure that the Annual Report is fair, balanced and understandable, reporting to the Board on its findings.

Risk and internal controls

The principal risks the Group faces are set out on pages 56-61. At least on 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 enhancement of internal controls is required; and
- Agrees action plans to deliver any necessary or recommended enhancements.

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

- The annual internal audit plan. The Committee receives regular updates from the internal audit function on the outcomes of agreed independent reviews;
- 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.

There is a formal whistleblowing policy, known as 'Speak Up', which has been communicated to employees. This policy provides information on the process to follow if any employee feels it is appropriate to make a disclosure. The Committee is satisfied that the process is effective and reviews key issues which are reported.

Key estimates and judgements

The Committee discusses with management and the auditor the approach that has been taken in assessing all key estimates and judgements. These include:

- revenue recognition;
- impairment of assets;
- provisions for impairment of financial assets;
- valuation and useful life of acquired intangibles;
- valuation of retirement benefits; and
- allocation of goodwill to cash-generating units (CGUs).

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

Internal audit

The in-house internal audit function executes annual internal audit plans, providing the Committee with an independent view on the strength of internal controls and mitigation of some of the biggest areas of risk for the business. Where some audit reviews require specialist resource or capacity, 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 financial year ended in March 2003 and cannot therefore remain our auditor beyond 2023. A tender process was undertaken during the prior year, and PricewaterhouseCoopers (PwC) was appointed for the year ending 31 March 2023. Shareholder approval of the appointment was obtained at the Annual General Meeting on 7 July 2021. The Committee will oversee handover and induction arrangements to ensure a smooth transition.

The Company confirms that it has 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 a formal statement of independence is received from the auditor each year. Chris Voogd will complete his second year with the Group this year. The Board and the Audit Committee are satisfied that the independence of the auditor has been maintained.

The Company has a non-audit services policy in place to ensure that the provision of non-audit services by the external auditor does not impair its independence or objectivity. All non-audit services must be pre-approved by the Audit Committee. 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 £50,000. The Audit Committee receives a report each year analysing fees paid for other non-audit work by the external auditors. EY did not perform any non-audit services work for the Company in the year ended 31 March 2022.

The Committee advises the Board on the auditor's remuneration. The audit fees paid to EY for the statutory audit were £1.6 million (FY21: £1.9 million). The Committee continues to keep under review the cost-effectiveness and quality of the audit service.

The Committee also discusses the nature, scope and results of the audit with the external auditor. The effectiveness of the external audit process is dependent on appropriate audit risk identification and a robust assessment of key estimates and judgements at the start of the audit cycle. We challenge the auditor regarding its test of management's assumptions each audit cycle and request feedback from management on their assessment of auditor effectiveness. Overall, both management and the Committee are satisfied as to the quality and effectiveness of the external audit process.

The Committee meets quarterly with the auditor without any members of the Executive Leadership Team being present. I also meet individually with the Head of Internal Audit and Risk, Chief Financial Officer and other senior finance team members.

Significant accounting issues

Significant accounting issues and judgements are identified by the Group finance function and via the external audit process and are reviewed by the Committee. Significant issues considered by the Committee in respect of the year ended 31 March 2022 are set out in the following table:

Significant issue	How it was addressed
Revenue recognition	The Committee oversees the application of the Group's revenue recognition policies alongside monitoring the reporting compliance and controls framework. The accounting treatments of complex or unusual contracts are presented to the Committee by management on a regular basis, and also discussed with the external auditor.
Alternative performance measures (APMs)	Management use APMs such as Adjusted EBIT and Annualized Recurring Revenue (ARR) to report the performance of the business. Management's interpretation and definition of APMs are closely monitored as well as the consideration of their presentation in the Annual Report in the context of being fair, balanced and understandable. The Committee regularly review an analysis of items that are classified as exceptional. These have been challenged regarding both transparency and consistency and the Committee are in agreement with management's assessment.
Going concern and viability statement	The Committee has overseen the preparation of both Going Concern and Viability Statements, paying attention to modelling, scenarios, liquidity positions and covenants. The Committee approved the disclosures in relation to both the Going Concern and Viability Statements, and recommended to the Board the preparation of the financial statements under the Going Concern basis.
Asset impairment	The group has significant goodwill and other non-current assets. Goodwill arising on the acquisition of OSIsoft was required to be allocated to CGUs for the purposes of impairment testing. The Committee are satisfied that management has determined an appropriate basis for this allocation that represents the expected future synergies of the acquisition. Management has performed an assessment for impairment triggers using the same forecast used for the going concern assessment. The Committee are satisfied that no impairment triggers have been identified and that the likelihood of impairment is low.
Pensions	At each reporting period management are required to reassess the actuarial assumptions and overall valuation of the defined benefit pension schemes. The UK scheme remains the most significant to the group and is the main area of focus. Management has updated the assumptions with the assistance of their actuaries. The Committee 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 as at the year end.
Share Based Payments	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. The Committee are satisfied that the fair value of the LTIPs granted in the year are appropriate based upon the model used, and confirmed that the vesting assumptions made by management are consistent with the latest available Board approved forecasts, as required.
Bonuses	Following the harmonisation of the bonus schemes, bonuses are payable based upon four key metrics: • Combined Group Adjusted EBIT; • Annualised Recurring Revenue for standalone AVEVA; • OSIsoft New Revenue; and • Personal KPIs. The Committee has reviewed and examined the basis of the preparation and judgements involved in the calculations.
Russia	The recent geopolitical events in Russia and Ukraine have introduced uncertainty. The Committee has discussed with management and are comfortable that the judgements taken are appropriate, specifically in relation to revenue recognition, the recoverability of assets and the modelling scenarios used when considering impairment reviews. As part of their review and challenge, the Committee also considered updates from the Group General Counsel.
OSIsoft integration	The Committee has worked closely with management to oversee key aspects of the OSIsoft acquisition accounting, including judgemental areas such as the finalisation of the fair values recognised in the acquired balance sheet.
Covid-19	The Committee continues to consider potential impacts of Covid-19 on accounting considerations. This includes reviews of forecasts, asset impairments, Share Based Payments vesting and impairment.
Tax provisions	Updates from management were evaluated in respect of uncertain tax positions and related provisions, including consideration of anti-hybrid tax liabilities, the tax basis step up arising from the acquisition of partnership interests in OSIsoft LLC, and risks associated with transfer pricing. The Committee also considered the views of the external auditor's tax specialists, and is in agreement with the judgements taken.

Audit planning and main audit issues

At the September 2021 meeting of the Committee, the auditor presented its audit plan for FY22. This included a summary of the proposed audit scopes for the year for each of the Group's subsidiaries and a summary of what the auditor considered to be the most significant financial reporting risks facing the Group, together with the auditor's proposed audit approach to these significant risk areas.

FRC reviews

The Company was not subject to any FRC reviews during the year. Should this occur in the future, we will advise shareholders in the subsequent Annual Report.

TCFD reporting

The Committee has received detailed updates from the VP of Sustainability during the year describing AVEVA's Task Force on Climate-Related Financial Disclosures (TCFD) compliance workstream progress. This is the first year that AVEVA will formally report against TCFD requirements, including the climate-related risks and opportunities that impact the business, and it is imperative therefore that Committee continues to oversee this reporting.

Assessing the content of the Annual Report

The Board takes responsibility for determining that the whole Annual Report is fair, balanced and understandable and provides the necessary information for shareholders. The Committee concentrates its review on the financial statements only and the process which underpins the long-term viability statement. The Committee recommended to the Board the adoption of the financial statements as at 31 March 2022.

Annual evaluation of Committee performance

The Committee's effectiveness was assessed as part of the internal Board evaluation, as further explained in the Nomination and Governance Committee Report on pages 93-94. 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 100-101.

Committee activities in FY22

I chaired four scheduled meetings of the Committee in FY22, working closely with management to ensure that the Committee is provided with the comprehensive information and support that it requires.

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

The following specific business was dealt with at each meeting during FY22:

Meeting	Matters discussed

May 2021	• Approval of prior minutes and actions
	• Review of Committee objectives
	• Year-end reporting, including:
	  ◦ Status update
	  ◦ Review of draft accounts
	  ◦ Accounting judgements
	  ◦ Tax update
	  ◦ Going concern and viability statement
	  ◦ External auditor's reports
	• Internal Audit update
	• Advance ERP programme update

September 2021	• Approval of prior minutes and actions • Review of Committee objectives • Internal Audit update • External auditor planning • Risk management governance update • Review of corporate governance developments • Cyber security detailed review • OSIsoft finance integration update • Advance ERP programme update • Tax update

October 2021	• Approval of prior minutes and actions
	• Review of Committee objectives
	• Interim reporting; including:
	  ◦ Accounting update report from management
	  ◦ Tax update
	  ◦ Treasury update
	  ◦ Interim report from external auditors
	  ◦ Review of draft interim financial statements
	• Advance ERP programme update
	• Internal Audit update
	• Risk management governance update
	• Regulatory compliance review
	• TCFD update
	• Cyber security update

March 2022	• Approval of prior minutes and actions • Review of Committee objectives • FY22 year-end external auditor planning • Advance ERP programme update • Internal Audit update, including FY23 plan • Risk governance update • Treasury update • Tax update • Review of Committee Terms of Reference • Non-audit services policy • Whistleblowing summary • TCFD update • Cyber security update

Audit Committee objectives

The Committee agreed several objectives at the start of the financial year.

Objective	Activity in the year	Progress
Integration and transformation	As the finance transformation (the Advance programme) continues, there are some critical projects that the Audit Committee should monitor. These include ERP, transfer pricing, legal entity rationalisation programme (LERP) and shared services. The Audit Committee should monitor the progress of these projects and understand the project risks and implementation risks associated. Regular updates from management will be sought.	Update presentations to the Committee have been made throughout the year, including a detailed report presented in March 2022.
Cyber	The Committee continued its focus on monitoring the cyber risks faced by the Company, and management actions and mitigations put in place to manage the risk down to an acceptable level. The Committee sought regular updates on any cyber incidents. There have been significant projects underway where progress was required to be regularly reported to the Committee.	A detailed update on AVEVA's strategy to manage cyber security risks was provided at the September 2021 Committee meeting. This included a section on product security provided by the Chief Technology Officer.
Auditor rotation	FY22 has been the final year for EY prior to handing over to PwC. The Committee has overseen the handover process and dedicated the necessary time to ensure the relationship with the new audit firm and the new audit partner is successfully initiated. The Committee has closely monitored any dependencies or issues for auditor independence during the planned auditor transition period.	Updates have been provided at each Audit Committee meeting during the year and PwC has also been present in an observational capacity.
Risk-based internal audit reviews	The Committee has focused on the outcomes of reviews of higher risk and key operational areas of the business provided by Internal Audit, alongside management reviews of the internal control environment. Internal Audit has continued to oversee internal control and report to the Audit Committee on management assurance initiatives.	The internal audit plan has been fully achieved, included all scoped risk-based reviews.
Taxation	During FY22, the Company will integrate OSIsoft into the global transfer pricing methodology. The Committee will seek to understand any risks related to the integration and how any risks will be incorporated into the accounting (tax provisioning). Following the appointment of PwC as auditor the Group will appoint a new global advisor or advisors in Q2 for transfer pricing and global tax compliance. The Committee will monitor the appointment and transition to the new advisors to ensure accurate and timely compliance with local legislation.	The Group has completed the design phase of the integration of OSIsoft within the AVEVA transfer pricing methodology. The Group has appointed Praesto Consulting to assist with the automation of the calculation of the new OSIsoft transfer pricing adjustments. The automation of the calculation will enable the proposed cross-selling scenarios. The Group has appointed Deloitte to undertake AVEVA's tax compliance for FY23. The Group is working to agree on FY23 engagement terms. Following a competitive process, the Group has appointed Deloitte to advise the Group on transfer pricing risks and opportunities.

Objective	Activity in the year	Progress
Revenue metrics	Annualised Recurring Revenue is a metric required for external and internal reporting. The Committee should monitor and assess how these metrics are calculated including judgemental areas, integration with OSIsoft and the automation of the process.	Annualised Recurring Revenue is produced monthly by AVEVA.
Corporate governance	The Committee should focus on the changes and new initiatives that are being introduced via a range of reviews that impact corporate governance and audit committees specifically. This includes Audit & Assurance Policy, UK SOX, climate change reporting and approach to audit. The Committee should understand and benchmark its oversight of these areas.	These areas are being kept under review by the Finance Leadership Team and other leadership across the Group. Discussions continue regarding BEIS audit and corporate governance proposals, and these include alignment with PwC as incoming external auditors. A detailed update on the role of the audit committee in TCFD was included in the Audit Committee papers for September 2021 and a further update was included in March 2022.

Committee objectives for FY23

In March 2022, the Committee considered its objectives for the year ahead and it was agreed the following would be prioritised:

- induction for the new Committee members;
- Group integration and transformation initiatives;
- audit firm transition; and
- risk management framework development.

Christopher Humphrey

Audit Committee Chair

Remuneration Committee report

Annual Statement

Jennifer Allerton

Remuneration Committee Chair

Membership and attendance

Chair	
Jennifer Allerton	7/7
Committee members	
Ron Mobed*	4/4
Paula Dowdy	6/7
Olivier Blum	7/7
Dr Ayesha Khanna*	3/3
Attending by invitation	
CEO	
CFO	
CPO	
Group General Counsel and Company Secretary	

* Dr Khanna replaced Ron Mobed on the Committee in January 2022

The Committee met seven times during the year.

This report is in three sections:

- this Annual Statement;
- Remuneration at a glance; and
- the Implementation Report.

Dear fellow shareholder

I am pleased to present the Directors' Remuneration Report for the year ended 31 March 2022.

FY22 was another challenging year as the Covid-19 pandemic continued to impact our daily lives. AVEVA reopened the majority of its offices during the year but continued to support those in the workforce who continued to work from home. As the pandemic waves peaked at different times around the world, the health and wellbeing of our global employees and the safety of our customers, partners, suppliers and investors remained amongst our highest priorities.

We learned from experience that our employees remained productive regardless of location and, as a result, developed our 'dynamic work' programme which articulates our commitment to more flexible ways of working whilst recognising the benefits that in-office collaboration brings. We were delighted to see more and more in-office team meetings and workshops with both employees and customers as we brought people together in a meaningful way, often for the first time in nearly two years.

Integration of OSIsoft

The OSIsoft acquisition completed on 19 March 2021, and over the last 12 months there has been significant work to bring the OSIsoft and AVEVA teams together. The combination of the two companies reinforces AVEVA as a true global leader in industrial software and provides our customers with world-class solutions and software. The alignment between cultures, through the creation of a new set of shared values, integration of our functional teams through diligent organisation design work, and the ongoing alignment of reward and incentive frameworks continues to be an important focus of this successful integration.

Incentive outcomes for FY22

Business context

AVEVA has delivered a solid set of results during another challenging year with Annualised Recurring Revenue growing by 10.2%. Following our acquisition of OSIsoft, OSIsoft new business revenues were £159.1 million and we delivered meaningful revenue and cost synergies through the integration. We improved our pro forma organic constant currency adjusted EBIT margin with pro forma organic constant currency adjusted EBIT up by 7.7%. Alongside this, pro forma organic constant currency revenue was up 7.1% year on year and Total Contract Values from cloud Software as a Service (SaaS) grew 136.5%.

FY22 annual bonus outcome

The FY22 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 61% of maximum for the Chief Executive Officer and 61% of maximum for the Chief Strategy and Transformation Officer. James Kidd's bonus opportunity was pro-rated to two-thirds (100% of salary) to reflect the fact that he was absent from the business for a period of compassionate leave. As per the current policy, 50% of Peter Herweck's bonus will be deferred into shares under the Deferred Share Scheme. Consistent with the current policy and due to shareholding requirements having been met, this bonus deferral is reduced to 25% for James Kidd.

2019-2022 LTIP outcome

The 2019 Long-Term Incentive Plan (LTIP) award has achieved 50.5% of maximum. AVEVA performed in the bottom half of the comparator group for the TSR measure over the three-year period, meaning that only Revenue Growth and EPS Growth measures reached their vesting thresholds. James Kidd will therefore receive 50.5% of maximum under the plan. Peter Herweck does not receive any AVEVA LTIP awards.

Considering incentive outcomes in the round

The Remuneration Committee gave careful consideration to the incentive outcomes for FY22, taking into account various internal and external factors. These included the Company's overall revenue performance, synergies achieved from the OSIsoft integration, year-on-year growth in SaaS contracts and the significant progress made on ESG strategy, commitments and reporting. The Committee is satisfied that the annual bonus and long-term incentive resulting outcomes are appropriate and consistent with the experience of shareholders.

Similar to previous years' statements, we have included a double-page 'At a glance' summary that clearly describes the remuneration arrangements and performance outturns in FY22 and the approach to executive pay for FY23. You can see this analysis on pages 108-109.

Looking forward

Our Remuneration Policy was approved by shareholders at the 2020 AGM and a new policy framework will be submitted to the 2023 AGM for approval. The competitive nature of the global market and the industry sector in which we operate suggest that the current Remuneration Policy is at risk of not being fit for purpose. We will, of course, consult with shareholders in advance.

Wider workforce

We continue to engage regularly with our workforce on the issues that matter to them, particularly reward and recognition. Our regular employee engagement surveys offer the opportunity to understand how employees feel about their own reward, and throughout the year we have been highly responsive to compensation issues. We have taken an agile approach, addressing compensation pressures in certain markets or for certain talent pools as they arise, rather than relying solely on an annual salary review. This flexibility is important for AVEVA in today's challenging talent market. The Board also engages openly with employees through many of AVEVA's employee-led groups and forums and through office visits, but we have not yet had any two-way dialogues on executive pay with employees.

Throughout 2021, we continued to integrate our teams from OSIsoft and AVEVA by focusing on our shared values and looking for 'best of both' opportunities when it comes to employee experience. For example, OSIsoft colleagues were offered the opportunity to participate in AVEVA's employee share purchase scheme, and AVEVA adopted OSIsoft's practice of supporting up to three days annually of employer-funded volunteering time as part of our Action for Good programme. We also responded rapidly to emerging crisis situations, putting in place enhanced medical benefits for our colleagues in India at the height of the pandemic and providing targeted wellbeing support in countries impacted by the war in Ukraine. Throughout 2022 we will continue to improve our employee reward and benefit offerings as we further embed a more holistic approach to our largest employee populations and ensure that our offerings remain fit for purpose in the global talent markets within which we operate.

Board and Committee changes

I was pleased to welcome Dr Ayesha Khanna to the Remuneration Committee, replacing Ron Mobed. I would like to thank Ron for his extremely valuable work on the Committee over the years. Ron continues to serve on the Audit and Nomination and Governance Committees of the Board. There were no other changes to the Remuneration Committee's membership during the year.

James Kidd, Deputy CEO and CFO, was absent from AVEVA for a period of compassionate leave during FY22 and on his return he was appointed Chief Strategy and Transformation Officer (CSTO). He remains an Executive Director of AVEVA and a member of the Board. Brian DiBenedetto, on loan from Schneider Electric, covered for James in his absence, and Brian subsequently assumed the role of Chief Financial Officer. He is not a member of the AVEVA Board but does have a remuneration package in line with the AVEVA Executive Leadership Team.

Finally, we were delighted with the appointment of Anne Stevens as an independent Non-Executive Director from 1 May 2022. Anne has joined the Remuneration Committee and the Audit Committee from the same date. I will step down as a Non-Executive Director and Chair of the Remuneration Committee at the conclusion of the 2022 AGM as I time-out after nine years as a Non-Executive Director of AVEVA. At that point Anne Stevens will become the new Chair of the Remuneration Committee.

Annual Statement continued

Remuneration Policy

The Remuneration Committee undertook a full review of the Remuneration Policy in 2020. No changes to the Policy are being proposed at this time but it will be reviewed again in advance of the 2023 AGM. It is the Committee's opinion that the Policy operated as intended over the last financial year. We also believe the changes implemented at the last review have allowed us to remain competitive in the global market and are aligned with investor expectations.

Taking into account the views of our shareholders, we outline below the key decisions regarding the implementation of the Policy for FY23.

Salary: for FY23, Peter Herweck will receive a salary increase of 3.3% with effect from 1 April 2022. This increase is aligned with the wider workforce increases granted as part of AVEVA's annual salary review. James Kidd will not receive a base salary increase for FY23.

Bonus: unchanged from FY22, the maximum annual bonus opportunity for FY23 will be 150% of salary for James Kidd and 200% for Peter Herweck.

Shareholding requirements:
- In-employment shareholding requirements remain unchanged and continue to be at market-leading levels, equivalent to 200% and 325% of salary for the CEO and CSTO respectively, noting that Peter Herweck's requirement is based on deferred share holdings from his bonus contribution only as he does not participate in the AVEVA LTIP
- Post-employment shareholding requirements remain unchanged from those approved at the AGM in 2020.

LTIP: unchanged from FY22, the maximum LTIP opportunity will be 175% of salary for James Kidd. Peter Herweck, who is on secondment from Schneider Electric to the AVEVA CEO role, will not participate in the AVEVA Long-term Incentive Plan, as previously disclosed.

LTIP performance measures: as noted in last year's report, the Committee is keen to ensure that ARR is included as a long-term measure of business performance and has therefore decided to introduce it for the first time for the FY23 LTIP award with a weighting of 20%. EPS growth (40%) and relative Total Shareholder Return (40%) will remain as the two additional performance measures for the plan, which will cover the financial years FY23 to FY25.

Pensions: James Kidd remains aligned to the wider UK workforce pension scheme and receives a pension contribution of 10% of salary. Peter Herweck does not participate in the AVEVA pension plan.

Committee activities during the year

The Committee met seven times during the year and focused on a broad range of remuneration topics related to both executives and the wider workforce. These included:

- Aligning OSIsoft employee remuneration with AVEVA's long-term incentive programme;
- Harmonising wider workforce remuneration;
- Further aligning sales incentives and rewards with desired business outcomes;
- Wider workforce retention measures, including rewards for critical talent;
- Continued focus on gender pay gap transparency for our 20 largest countries by employee population; and
- Understanding of the ethnicity pay gap.

Although there is still work to do, I am particularly delighted to note that AVEVA has seen a 43% reduction in its UK gender pay gap since 2017, with the mean gender pay gap now at 14.9%, whilst the number of women at all levels in the Company has increased. We also delivered on our commitment to report on the ethnicity pay gap for the first time in 2021. We believe in the value of data and transparency to inform positive action for both our business and our people.

This will be my last report as Chair of AVEVA's Remuneration Committee as I reach my maximum term and will be stepping down after the 2022 AGM. I would like to take this opportunity to thank shareholders for their continued constructive engagement on the remuneration landscape at AVEVA during a time of significant growth and transformation. I look forward to ensuring a smooth transition of the work of the Chair and, as always, if shareholders have any questions or comments, the Remuneration Committee will be delighted to receive them and will respond.

Jennifer Allerton

Remuneration Committee Chair

At a glance

Current policy

The table below summarises the key remuneration elements of the Remuneration Policy approved by shareholders at the 2020 AGM. The Policy is set out in full on pages 87 to 95 of the 2020 Annual Report and Accounts, which is available on the Company's website at investors.aveva.com.

		Remuneration Policy approved at the 2020 AGM	Implementation for FY23
Fixed pay	Base salary	Salaries are reviewed annually, although there is no automatic entitlement to an increase. Base salary normally increases in line with the wider UK workforce. 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.	Peter Herweck's base salary has been set at £785,000 with effect from 1 April 2022. This represents an increase of 3.3% which is in line with the wider workforce. There is no change to James Kidd's base salary which remains at £530,000. We note that our market positioning on base salaries remains modest compared to the FTSE 100 benchmark; and even more so in the context of AVEVA being one of the few companies in the FTSE 100 competing in the global market for software talent. In January 2022 we undertook an out-of-cycle adjustment exercise, targeted at critical talent segments of our wider workforce, in response to changing market dynamics in the technology sector. We also addressed hyperinflation in some of the countries that we operate in as part of this exercise. Further to this, an annual salary budget increase of 3.2% for FY23 for the wider workforce was made, with effect from 1 April 2022.
	Benefits	In line with benefits provided for other senior employees in the Group, Executive Directors currently receive a mobility allowance or Company car, a fuel allowance and an annual allowance towards a range of benefits.	No changes from FY22 for Peter Herweck or James Kidd.
	Pensions	James Kidd is a member 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 employer's National Insurance contributions.	James Kidd will remain aligned to the wider UK workforce and receive a pension contribution of 10% of salary. Peter Herweck will not participate in the AVEVA pension plan and will not receive cash in lieu of pension contributions from AVEVA. He will retain his Schneider Electric pension arrangement.

The focus of our Remuneration Policy is to provide competitive variable and performance-related elements of the packages which are aligned to shareholders' objectives. The proposed increases in incentive value as a result of proposed FY23 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 FY23
Variable pay	Annual bonus – opportunity	The maximum bonus opportunity is 200% of base salary for the CEO and 175% of base salary for the CSTO.	No changes are proposed for FY23 bonus opportunity.
	Annual bonus – deferral	50% of any bonus earned is deferred into shares under the Deferred Share Scheme. If shareholding guidelines are met, the bonus deferral will be reduced to half the usual amount (i.e. 25% of any bonus to be deferred). The existing three-year bonus deferral holding period remains.	No changes are proposed for FY23 bonus deferral.
	Long-term incentive – opportunity	Under the Policy the maximum LTIP opportunity is 300% of base salary for the CEO and 250% of base salary for the CSTO.	No change to the LTIP opportunity for the CSTO at 175% of base salary is being proposed. Performance measures for FY23 LTIP awards will be based on ARR (20%), EPS growth (40%) and relative Total Shareholder Return (40%). Further details are set out on page 120. Peter Herweck will not be granted an AVEVA LTIP award for FY23. Peter continues to participate in Schneider Electric long-term incentive arrangements at Schneider Electric's cost, with no recharge to AVEVA.
	Long-term incentive – threshold vesting	Where a sliding scale of targets is used, attaining the threshold level of performance for any measure will not typically produce a vesting of more than 20% of the maximum.	No changes proposed for FY23.
Shareholding requirements – in employment		Shareholding requirements were increased in 2020 to market-leading levels: • For James Kidd, an annual bonus opportunity of 150% and 175% LTIP opportunity equates to a shareholding of 325% of annual salary. • For Peter Herweck, shareholding requirements would be 200% for annual bonus only, as he will not be issued any AVEVA LTIPs.	No changes proposed for FY23.
Shareholding requirements – post employment		A two-year post-employment shareholding guideline, with 100% of the shareholding guideline for the first year and 50% for the second year post employment.	No changes proposed for FY23.
Malus and clawback – provisions		The provisions apply to the annual bonus, the deferred bonus scheme and LTIPs.	No changes proposed for FY23. For further details, see pages 119 to 120.

At a glance continued

How we performed in FY22

ARR	Pro forma adjusted diluted EPS	TSR	Pro forma adjusted EBIT
up 10.2% to £768.7m	**down 5.5% to 99.58p**	**15th out of 23 companies**	**up 2.9% to £365.1m**

Remuneration of our Executive Directors for FY22 and FY23

The table below summarises how Executive Directors were remunerated for FY22, together with the implementation of the policy for FY23.

	Key elements	Applies to	How we paid our Executive Directors in FY22	Implementation of the current policy for FY23
Fixed pay	Base salary	Craig Hayman	£718k (0% salary increase)	n/a
		James Kidd	£530k (3.3% salary increase)	£530k (0% salary increase)
		Peter Herweck	£760k	£785k (3.3% salary increase)
	Pensions	Executive Directors other than Peter Herweck	10% of salary for Craig Hayman and James Kidd Not applicable for Peter Herweck	
	Benefits	Craig Hayman and James Kidd	Mobility allowance, US and UK medical, car allowance, fuel allowance and £600 of flexible benefits	
		Peter Herweck	FY23: Housing allowance, car allowance, medical insurance, tax equalisation, personal liability insurance and personal insurance protection	

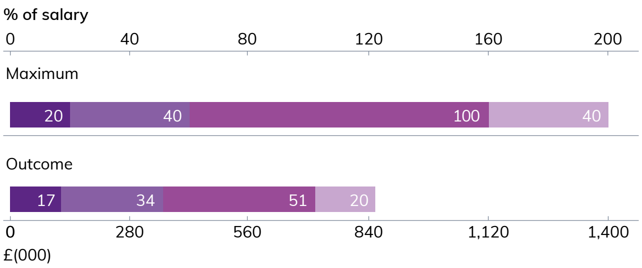
Annual bonus	Performance period		FY22	FY23
	Opportunity applied	Craig Hayman	16% of salary (see page 113)	n/a
		James Kidd	100% of salary[1]	150% of salary
		Peter Herweck	200% of salary	200% of salary
	Criteria[1]		Pro forma adjusted EBIT: 50% AVEVA (excl. OSIsoft) ARR: 20% OSIsoft new revenue: 10% Strategic objectives: 20%	Profit (adjusted EBIT) margin: 25% ARR growth: 25% Cloud SaaS growth: 25% Cash conversion: 10% Strategic objectives: 15%
	Payable	Peter Herweck	£851k (61% of maximum)	n/a
		James Kidd	£324k (61% of maximum)[1]	

Long-term incentives			Vesting in respect of FY22	Awarded in respect of FY23
	Performance period	Both Executive Directors	1 April 2019 – 31 March 2022	1 April 2022 – 31 March 2025
	Opportunity applied	Craig Hayman	250% of salary	n/a
		James Kidd	175% of salary	175% of salary
	Time horizon	Both Executive Directors	Three-year performance period, followed by a two-year holding period	
	Criteria		EPS growth: 50% Relative TSR: 25% Strategic objectives: 25%	EPS growth: 40% Relative TSR: 40% ARR: 20%
	Payable	Craig Hayman	£529k (51% of maximum)	n/a
		James Kidd	£397k (51% of maximum)	

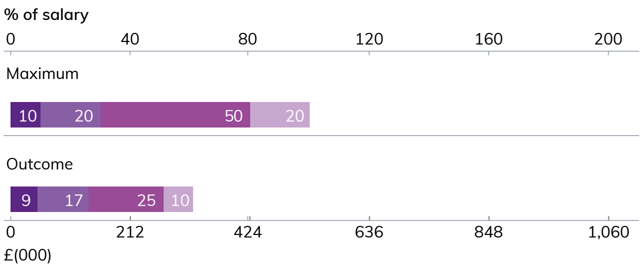
1. James Kidd's bonus was decreased to two-thirds of the 150% of salary disclosed in the FY21 Annual Report due to his time away from AVEVA on compassionate leave. James received 61% of this reduced opportunity.

Annual Incentive Scheme

Peter Herweck



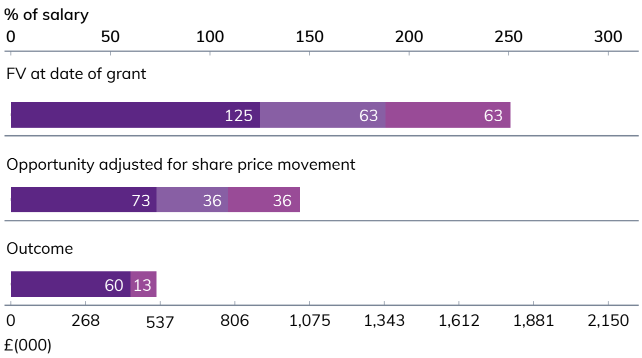
James Kidd



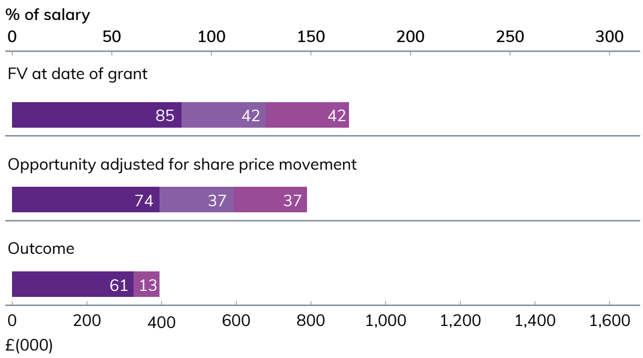
OSIsoft new revenue · ARR · Adjusted EBIT · Personal objectives

Long-Term Incentive Plan

Craig Hayman



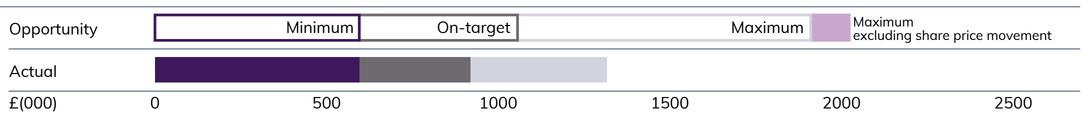
James Kidd



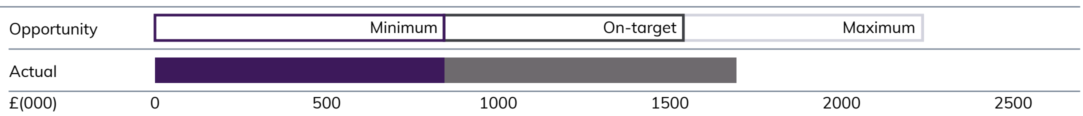
EPS · TSR · Revenue

Maximum total remuneration opportunity compared to actual remuneration received for the year ending March 2022

James Kidd



Peter Herweck



Fixed · Bonus · LTIPs

At a glance continued

Our approach to setting pay

AVEVA operates in the 'UK plc' executive remuneration environment, but needs to attract and retain talent from a technology sector with a high US influence. Half of our leadership team 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.

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

Clarity	The Committee welcomes open dialogue with shareholders on any aspect of remuneration. We consulted shareholders as part of 2020's review of our Remuneration Policy. This provided valuable insights into their views on the proposed changes, which received widespread support. 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 exercise 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 and using the same metrics in a clear and transparent manner.
Simplicity	Each component of our Remuneration Policy is clearly laid out and explained in a clear and simple manner. Across the Company, we ensure our remuneration arrangements are simple by design, communicated clearly and understood by all participants. Although the quantum will vary, the policies and practices of remuneration are consistently applied across all levels.
Risk	When determining award outcomes, the Committee assesses the performance of the Company and the individual in order to ensure that sound judgement and appropriate risk management are applied. This ensures that excessive rewards are not granted, reputational risk is protected and behavioural risks are identified and mitigated. 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. As a final safeguard, our robust malus and clawback provisions apply to both the annual bonus and the Long-Term Incentive Plan.
Predictability	The Remuneration Policy clearly states the threshold, on-target and stretch levels of performance opportunity available. Achievement is measured against predetermined targets defined in advance of the programme launch. Targets and measures are not altered or amended mid-programme, ensuring that performance achievement is aligned to original goals and objectives at all times.
Proportionality	The annual bonus programme rewards achievement against AVEVA's annual operating growth targets together with personal objectives for the individual. The Long-Term Incentive Plan, meanwhile, rewards long-term achievement of goals and the creation of shareholder value, both of which are aligned to the overall strategy. The Committee may apply discretion if and when needed to reduce outcomes of both the annual bonus and Long-Term Incentive Plan, for both Company and individual performance.
Alignment to culture	The Committee assesses performance under the annual bonus programme against a range of objectives, including those related to AVEVA customers, AVEVA employees and our culture, strategy and risk. This ensures incentive outcomes are aligned to our values and purpose.

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

UK comparison peer group		
Avast	Ocado	Smiths Group
Micro Focus	Sage	Sophos

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

While market data provides 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 executive remuneration levels.

Implementation Report

Remuneration Committee membership, role and remit

The Remuneration Committee is appointed by the Board. The current members are Jennifer Allerton (Chair), Paula Dowdy, Olivier Blum and Dr Ayesha Khanna who we welcomed as a new member of the Committee on 27 January 2022. Ron Mobed served during the year and remains a member of the Group's Audit and Nomination and Governance Committees. All the Committee members except for Olivier are regarded by the Board as independent Non-Executive Directors. Jennifer has been a member of the Remuneration Committee since 2013 and became Chair in July 2017. Committee meetings are also regularly attended by the CEO, CFO and Chief People Officer (CPO) at the invitation of the Chair, to provide Company insight and advice to help the Committee consider appropriate remuneration. No Committee member or invited attendee is present during the discussion of their own remuneration.

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

The principles of our Remuneration Policy

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

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

Advice and auditors

Following a competitive tender process, the Committee appointed Deloitte as remuneration advisor with effect from 1 October 2019. Deloitte's role is to provide the Committee with independent advice on executive pay arrangements, including market trends and corporate governance developments, and to work through any other remuneration implications with the Committee. 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 £59,600 (FY21 fees: £85,140). In addition, Deloitte also provides tax advisory, employment law and other consultancy services to the Company. The Committee is content that its advice is objective and independent. Deloitte is a founding member of the Remuneration Consultants Group and adheres to its Code of Conduct in relation to executive remuneration consulting in the UK.

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

Shareholder voting and engagement

The table below shows the results of the most recent votes on the Policy (July 2020) and Implementation Report (July 2021).

	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 2021	275,120,791	98.73%	3,527,936	1.27%	3,556,426

The Committee was very pleased with the vote in favour of the Directors' Remuneration Report (DRR) in 2021. We will continue to engage regularly with shareholders to ensure that the disclosures and information provided in the report meet shareholder expectations.

Implementation of policy for the year ended 31 March 2022

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 2022 and the previous financial year.

	Salary £'000	Benefits[1] £'000	Pension[2] £'000	Total fixed pay £'000	Annual bonus[3] £'000	LTIPs[4,5] £'000	One-off awards £'000	Total variable pay £'000	Total £'000
Peter Herweck FY22	**697**	**145**	**–**	**842**	**851**	**–**	**–**	**851**	**1,693**
Peter Herweck FY21	–	–	–	–	–	–	–	–	–
Craig Hayman FY22	**193**	**7**	**17**	**216**	**119**	**529**	**–**	**648**	**864**
Craig Hayman FY21	718	26	62	806	672	2,606	939	4,217	5,023
James Kidd FY22	**530**	**20**	**46**	**595**	**324**	**397**	**–**	**721**	**1,316**
James Kidd FY21	513	20	44	577	429	1,302	–	1,731	2,308

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. Benefits for Peter Herweck include a £130,000 housing allowance, £14,400 car allowance and £12,916 medical insurance for himself and his family.
2. See below for further information on pensions.
3. James Kidd's bonus opportunity was reduced by one-third due to his period of absence from the business on compassionate leave.
4. For FY22, the 2019 LTIP has been valued based upon the number of options outstanding at 31 March 2022 (Craig Hayman: 38,438, James Kidd: 28,855) multiplied by the average share price in the quarter ending 31 March of 2,723p and vesting outcome of 50.5% due to performance.
5. The 2018 LTIP value for FY21 has been restated from the year-end share price at 31 March 2021 of 3,422p to reflect the share price at the date of vesting (28 September 2021) of 3,647p and a vesting outcome of 87.9% due to performance. This increased the single figure of total remuneration by £161k for Craig Hayman and by £80k for James Kidd. The 2018 LTIP is due to be released at the end of the two-year holding period on 28 September 2023.

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

Departure of Craig Hayman

Craig Hayman stepped down from the Board on 7 July 2021. For FY22, the figures in the single total figure table above therefore represent those amounts which relate to his in-role remuneration from 1 April to 7 July 2021 (circa three months). Salary, pension and benefits are as received for that three-month period, notwithstanding that as an employee he received his salary, pension allowance and benefits until the end of his contractual notice period on 31 January 2022. His bonus was reduced by:

i. time pro-rating for time in role;
ii. limiting any amount to on-target outcome (i.e. multiplying by 50%); and
iii. limiting the total to the cash element only (i.e. multiplying by 75%).

The 2019 LTIP award was reduced by two-thirds for time pro-rating and subject to the same performance vesting outcome of 50%.

Base salary

Peter Herweck was appointed as CEO in May 2021 and his salary of £760,000 is pro-rated for the time in role. James Kidd received a salary of £530,000.

Benefits

In FY22, James Kidd was provided with a £600 annual allowance towards a range of flexible benefits. He also received a car allowance of £14,400 per annum and a fuel allowance of £4,800 per annum. In line with the terms agreed for his transfer from Schneider Electric and as disclosed in last year's report, Peter Herweck receives an annual housing allowance of £130,000 and a car allowance of £14,400. Peter also received private medical insurance scheme for his family totalling £12,916 per annum.

Pension

The Company's defined benefit scheme is not open to new members, and none of the Executive Directors in the year are or have ever been a member. James Kidd is a member of the AVEVA Group Personal Pension Plan (a defined contribution scheme). He receives a cash-in-lieu allowance equivalent to 10% of salary, reduced for the effect of employer's National Insurance contributions. The UK scheme and his contribution levels are consistent with those for the wider workforce. During FY22, James Kidd received cash in lieu of contributions of £45,686 (FY21: £44,221).

Implementation Report continued

How pay is linked to performance for the year ended 31 March 2022

Annual incentive scheme

For FY22, the maximum opportunity for Executive Directors under the annual incentive scheme was 200% of base salary for the CEO (Peter Herweck) and 150% for the CSTO (James Kidd), requiring a stretch level of performance for full payout.

The performance targets were based on:

- Pro forma adjusted EBIT at organic constant currency with a maximum weighting of 50% of bonus opportunity.
- Annualised recurring revenue (ARR) with a maximum weighting of 20% of bonus opportunity.
- OSIsoft new revenue with a maximum weighting of 10% of bonus opportunity.
- Key performance objectives, with a maximum of 20% of bonus opportunity. The key strategic performance objectives were agreed with the Remuneration Committee at the start of 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. Peter and James had the same shared strategic objectives for FY22.

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

For FY22, 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 2022 is set out below. This includes both the cash element of the bonus and the portion deferred into shares under the deferred share scheme.

Metric	Thresholds (min), budget (mid) and targets (max)	Actual	% of max achieved	Peter Herweck (% of salary)		James Kidd (% of salary)	
				Max	Actual	Max[1]	Actual
OSIsoft new revenue	Min: £134m Mid: £148m Max: £163m	£159.1m	87%	20%	17%	10%	9%
ARR (AVEVA only)	Min: £490m Mid: £505m Max: £525m	£518.5m	84%	40%	34%	20%	17%
Pro forma adjusted EBIT (organic constant currency)	Min: £357m Mid: £379m Max: £404m	£379.4m	51%	100%	51%	50%	25%
Strategic objectives	see overleaf	see overleaf	50%	40%	20%	20%	10%
Totals as a percentage of salary				200%	122%	100%	61%
Bonus receivable					£851,292		£323,817
Granted in cash					£425,646		£242,863
Granted in shares					£425,646		£80,954

1. James Kidd's bonus opportunity reduced to two-thirds due to his period of absence from the business.

The Committee gave careful consideration to this outcome in respect of various internal and external factors. The Committee is satisfied that the annual bonus outcomes are appropriate and consistent with the experience of shareholders and will be consistently applied to the wider workforce.

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

Executive Director

Peter Herweck, CEO
James Kidd, CSTO

Shared objectives	Weighting (as % of maximum bonus opportunity)	Actual vesting (as % of maximum bonus opportunity)
OSIsoft integration		
Goal: FY22 integration plan ensuring key milestones achieved and overall revenue for the Group of £1.25bn is delivered	7%	50%
Effectively integrated the OSIsoft business, undertaking a rigorous organisation design programme to integrate all key areas such as R&D, sales, support and the corporate functions. Created aligned culture and espoused new shared values for the combined organisation. Established new customer propositions, and cross- and up-sell opportunities identified and executed. Group pro forma revenue of £1.24bn was achieved.		
Goal: Deliver revenue synergies in line with plan		
Achieved.		
Goal: Deliver cost synergies in line with plan		
Exceeded.		
Move to cloud		
Goal: Develop new five-year strategic plan to accelerate the move to cloud, ensuring ARR becomes a leading financial performance metric for the business and performance incentives are aligned	7%	50%
Five-year strategic plan presented at Capital Markets Day in July 2021. ARR has become a leading performance metric for the business, was built into the FY22 bonus scheme for all employees, and is being added to the FY23 Long-Term Incentive Plan for senior employees along with being incorporated into our sales incentive plans.		
Goal: Deliver significant year-on-year growth in SaaS total contract value		
Achieved year-on-year growth in SaaS total contract value.		

Implementation Report continued

Shared objectives	Weighting (as % of maximum bonus opportunity)	Actual vesting (as % of maximum bonus opportunity)
Environmental, Social and Governance		
Goal: Deliver a strategic framework for sustainability which is aligned with the Board and communicated at Capital Markets Day	6%	50%
AVEVA's 2030 agenda was published on 1 July 2021: https://investors.aveva.com/capital-markets-day		
Goal: Ensure baseline metrics and long-term goals are established for AVEVA's key pillars of: Technology Handprint, Operational Footprint and Inclusive Culture		
The following goals have been established: • Footprint: net-zero operations by 2030; net-zero value chain by 2050; SBTs S1-3 • Culture: 50/40/30 gender representation and <1% pay parity • Handprint: Baseline complete for green revenue		
Goal: Increase our female hiring rate from 32% (FY21) to 34%		
Overachieved with 36% of all new hires in FY22 being female.		
Goal: Reduce our Scopes 1 and 2 GHG emissions footprint by at least 10% through increased renewable energy procurement		
Overachieved with 89% reduction for combined AVEVA and OSIsoft GHG footprint. 93% reduction for AVEVA alone. Renewable Energy Credits (RECs) purchased for 100% of our office electricity load.		
Stretch Goal: Achieve a minimum of average 30% female representation across the ELT and ELT's own top leadership teams		
Improved from 24.6% in FY21 to 27.9% in FY22		
Stretch Goal: Establish a FY20 GHG emissions baseline for the heritage OSIsoft organisation and deliver a reduction of at least 10% in FY22		
Completed OSIsoft Scopes 1 and 2 baseline of 1,948 tCO_2e (FY20) and achieved reduction of 76% through RECs.		
Stretch Goal: Develop a 2030 target for green revenue by the end of FY22		
Internal only.		
Total	**20%**	**10%**

Long-term incentives vesting in respect of the year ended 31 March 2022

The LTIP awards granted under the Long-Term Incentive Plan in 2019 that were capable of vesting based on performance over the three-year period ended 31 March 2022 were subject to the following performance targets:

- Delivery of adjusted diluted EPS growth performance targets (50% of maximum);
- Relative total shareholder return (TSR) against the comparator group detailed below (25% of maximum); and
- 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)
Adjusted diluted EPS (average growth)[1, 2]	50%	5% p.a.	15% p.a.	10.7%	82.9%
TSR vs peer group[2]	25%	Median	Upper quartile	15th out of 23 companies	0%
Total revenue growth[3, 4]	25%	3%	7%	3.6%	36.1%
Overall % vesting					50.5%

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. Results used to determine growth in FY20 to FY21, and FY21 to FY22, are on a pro forma basis, including 12 months of results for AVEVA and OSIsoft in both periods.

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.

Other information in relation to FY22

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 FY22:

Long-term incentives granted during the year ended 31 March 2022

Executive Director	Date of grant	Basis of award	Face value of awards[1]	Performance period
James Kidd	15 July 2021	175% of base salary	£927,500	1 April 2021 – 31 March 2024

Implementation Report continued

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 is summarised below:

LTIP performance element	Weighting	Minimum performance	Mid performance	Maximum performance
EPS growth[1]	50%	25% vesting for growth of 5% p.a.	80% pays out for growth of 10% p.a.	100% vesting for growth of 15% p.a.
Relative TSR performance	50%	25% vesting at median performance (50th percentile)	Linear vesting between min and max performance	100% vesting if in the upper quartile (75th percentile)

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 EPS growth over the three-year performance period ending 31 March 2024.

For the FY22 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 remain the same as for FY21 and reflect a comparable list of similar-sized and larger organisations, resulting in a list of 25 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 FY22 award

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

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

Deferred Share Awards

Executive Director	Date of grant	Basis of award	Face value of awards[1]	Performance period
Craig Hayman	15 July 2021	Deferred element of FY21 annual bonus	£168,134	No performance period. Awards vest in in three equal annual tranches on the date of announcement for FY22, FY23 and FY24.
James Kidd			£107,247	

1. Deferred bonus for FY21 is calculated as 25% of the actual bonus outcome for that year.

Approach for FY23

Base salary FY23

Peter Herweck's base salary has been set at £785,000 with effect from 1 April 2022. This represents an increase of 3.3% which is in line with the wider workforce. There is no change to James Kidd's base salary which remains at £530,000. We note that our market positioning on base salaries remains modest compared to the FTSE 100 benchmark and even more so in the context of AVEVA being one of the few companies in the FTSE 100 competing in the global market for software talent.

	Base salary with effect from 1 April 2021	Base salary with effect from 1 April 2022	Increase
Peter Herweck	£760,000	£785,000	3.3%
James Kidd	£530,000	£530,000	0%

As part of the Policy renewal in 2020, the Committee undertook an extensive review of the Executive Directors' remuneration against market. It was noted at that point that our market positioning was modest compared to the size of the Company we have become. Since then, the OSIsoft acquisition has further increased the size and complexity of the business. The Committee is also mindful of the need to ensure that our market positioning on salaries ensures we remain competitive as a top-half FTSE 100 company, competing in the global industrial software market. 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 FY23

James Kidd has unchanged terms and conditions for FY23 which are aligned to the wider UK workforce, and there are no planned changes to either the benefits structure or quantum.

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 and he will receive the following benefits: housing allowance, car allowance, medical insurance, tax equalisation, personal liability insurance and personal insurance protection.

Annual incentive scheme FY23

The FY23 maximum bonus opportunity for the CSTO will remain at 150% of base salary.

The maximum annual bonus opportunity for Peter Herweck is 200% of salary. The level of deferred bonus is remaining unchanged from FY22 at 50%, with this amount being reduced by 25% in the event of the shareholding requirement having been met.

The Committee acknowledges that the increased salary level for Peter Herweck results in an increase in annual incentive opportunity and can confirm that it continues 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 FY23, the proposed targets reflect the enlarged Group, absolute growth above FY22 and progress towards a subscription business model. 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 FY23 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)
Profit (adjusted EBIT) margin	25%
ARR growth	25%
Cloud SaaS growth	25%
Cash conversion	10%
Strategic objectives	15%

For FY23, the annual incentive scheme will see both AVEVA and OSIsoft employees aligned to the same financial performance metrics for the combined Group. Annualised Recurring Revenue and Cloud SaaS Growth are our two key strategic growth objectives and including them in the short-term incentive ensures all employees are aligned globally on this critical focus. The strategic 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 determine the performance outcomes for the year, we will be thoughtful in our assessment of results, balanced with the shareholder and workforce experience.

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

Implementation Report continued

Long-Term Incentive Plan FY23

There are no proposed increases in LTIP opportunity for FY23 for James Kidd. The maximum LTIP award will remain unchanged at 175% of salary. Peter Herweck will not be granted an LTIP award for FY23.

The Committee is mindful of the share price performance between the granting of the 2021 and 2022 LTIP awards, and considered scaling back the level of 2022 LTIP awards for James Kidd. However, it was felt appropriate to maintain the level at 175% of salary in light of the following contextual points:

- The role of CSTO is unique relative to typical FTSE 100 companies and as the CEO is not being granted LTIP awards, James is the only Executive Director being granted a 2022 LTIP award.
- The quantum of the LTIP award (175% of salary) is within the AVEVA policy maximum of 250% of salary for other Executive Directors; modest relative to the FTSE 100 market for an executive director in a company of AVEVA's size; and low compared to the US market.
- Any scale-back at grant may be damaging in the competitive talent market in which we compete, for wider LTIP participants.
- Notwithstanding the above, the Committee is committed to preventing any inappropriate windfall gains at the end of the three-year performance period. Therefore, at the time of vesting of the 2022 awards, the Committee will make a specific determination in this context as to whether to use its discretion to reduce vesting levels at that time.

In terms of performance measures for the FY23 LTIP award to be granted in 2022, the Committee has replaced the Total Revenue Growth measure with Annualised Recurring Revenue (ARR).

The TSR peer group is unchanged from FY22, with 25 companies selected to form a bespoke peer group. These companies were chosen on the basis that they accurately reflected AVEVA's projected size, industry specialism and global reach. The companies are listed below:

	Name	Market cap[1]	Sector
1	ABB Group	£53,394m	Electrical components
2	Amadeus	£22,398m	Computer services
3	Ansys	£21,220m	Software
4	Aspen Technology	£7,312m	Software
5	Autodesk	£37,675m	Software
6	Avast	£6,330m	Software
7	Bentley Systems	£8,409m	Software
8	Cadence	£31,731m	Software
9	Dassault Systems	£48,690m	Software
10	Emerson Electric	£41,944m	Electronic equipment
11	General Electric	£78,545m	Diversified industrials
12	Hexagon	£27,638m	Software
13	Honeywell	£100,533m	Diversified industrials
14	IBM	£87,297m	Computer services
15	Manhattan Associates	£6,314m	Software
16	Nemetschek	£7,902m	Software
17	PTC	£9,827m	Software
18	Rockwell Automation	£24,896m	Electronic equipment
19	ServiceNow	£83,349m	Software
20	Siemens	£97,037m	Diversified industrials
21	Synopsys	£35,632m	Software
22	Teamviewer	£2,269m	Software
23	Temenos N	£6,156m	Software
24	The Sage Group	£7,351m	Software
25	Trimble	£13,334m	Electronic equipment
	AVEVA	£8,244m	Software

1. Market capitalisation used is a three-month average to 31 March 2022.

The performance targets for the FY23 LTIP award are to be as follows:

LTIP performance element	Weighting	Minimum performance	Mid performance	Maximum performance
EPS growth	40%	25% vesting for 5% CAGR	80% vesting for 8% CAGR	100% vesting for 11% CAGR
Relative TSR performance	40%	25% vesting at median performance (50th percentile)	Linear vesting between min and max performance	100% vesting if in the upper quartile (75th percentile)
ARR	20%	25% vesting for 15% CAGR	80% vesting for 17% CAGR	100% vesting for 20% CAGR

Shareholding guidelines

AVEVA's shareholding guidelines are at market-leading levels: including both annual bonus and LTIPs are 325% for James Kidd and 200% of annual salary for Peter Herweck as he does not receive an AVEVA LTIP. The shareholding requirements apply to all newly issued LTIPs and deferred bonus shares granted in respect of FY21 and later years. If the 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.

Shareholding guidelines and interests in shares (audited)

Shareholding guidelines (audited)

Executive Director share ownership guidelines are set out in the Remuneration Policy on page 107. The interests of the Executive Directors in office at 31 March 2022 in the share capital of the Company as a percentage of base salary were as follows. Shares are valued for these purposes at the financial year-end price, which was 2,450p at 31 March 2022.

	Number of shares held as at 31 March 2022[1]	Value as at 31 March 2022	Value of shares as % of base salary	Share ownership guideline as a % of base salary	Guideline met
Peter Herweck	13,533	331,559	44%	200%	No
James Kidd	131,185	3,214,033	606%	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 persons) of the Executive Directors in office at the date of this report in the share capital of the Company as at 31 March 2022 were as follows:

	Shares owned outright at 31 March 2022	Shares owned outright at 31 March 2021	LTIP unvested and subject to performance conditions	LTIP unvested and subject to holding period	Deferred bonuses unvested and subject to continued employment	GESPP matching shares unvested and subject to continued employment	Vested and not exercised	Total interests
Peter Herweck	13,533	–	–	–	–	48	–	13,581
James Kidd	131,160	105,033	75,414	–	8,435	87	25	215,121

Outstanding scheme interests (audited)

	As at 1 April 2021 Number	Normal grants during the year	Dividend equivalent	Exercised during the year	Lapsed/ forfeited during the year	As at 31 March 2022	Exercise price p	Gain on exercise of share options £
Peter Herweck								
GESPP	–	48	–	–	–	48	n/a	–
Total	–	48	–	–	–	48		–
James Kidd								
LTIP	91,565	23,679	1,198	(36,053)	(4,975)	75,414	3.556	1,342,053[1]
Deferred shares	19,927	2,738	116	(14,321)	–	8,460	n/a	525,918[2]
GESPP	–	87	–	–	–	87	n/a	–
Total	111,492	26,504	1,314	(50,374)	(4,975)	83,961		1,867,970

1. Market value at exercise date was 3,726p for 36,053 shares.
2. Market value at exercise date was 3,485p for 7,630 shares, and 3,886p for 6,691 shares.

Summary of LTIP targets for all LTIPs in issue

Existing AVEVA LTIPs

Details of the LTIP targets for FY20 (granted in 2019, vesting at 51% of maximum due to performance, and now only subject to continued employment), FY22 (granted in 2021) and FY23 (to be granted in 2022) awards are set out on pages 117 and 120 of this report.

The remaining subsisting LTIP award is for FY21 (granted in 2020) and the performance targets for this award are as follows:

- 50% EPS growth with 25% vesting for 5% growth per annum, 80% vesting for 10% growth per annum and 100% vesting for 15% growth per annum;
- 25% relative TSR performance against a comparator group of 27 companies with 25% and 100% vesting for median and upper quartile performance respectively; and
- total revenue growth with 25% and 100% vesting for 3% and 7% growth respectively.

Straight-line vesting applies between points.

Implementation Report continued

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)

Craig Hayman stepped down from the Board on 7 July 2021. His leaving remuneration arrangements were detailed on page 98 of the 2021 Annual Report and continue to apply. David Ward left the Group on 7 May 2021 and was rewarded in line with the terms and conditions of his employment. Other than this, no other payments were made to past Directors during FY22.

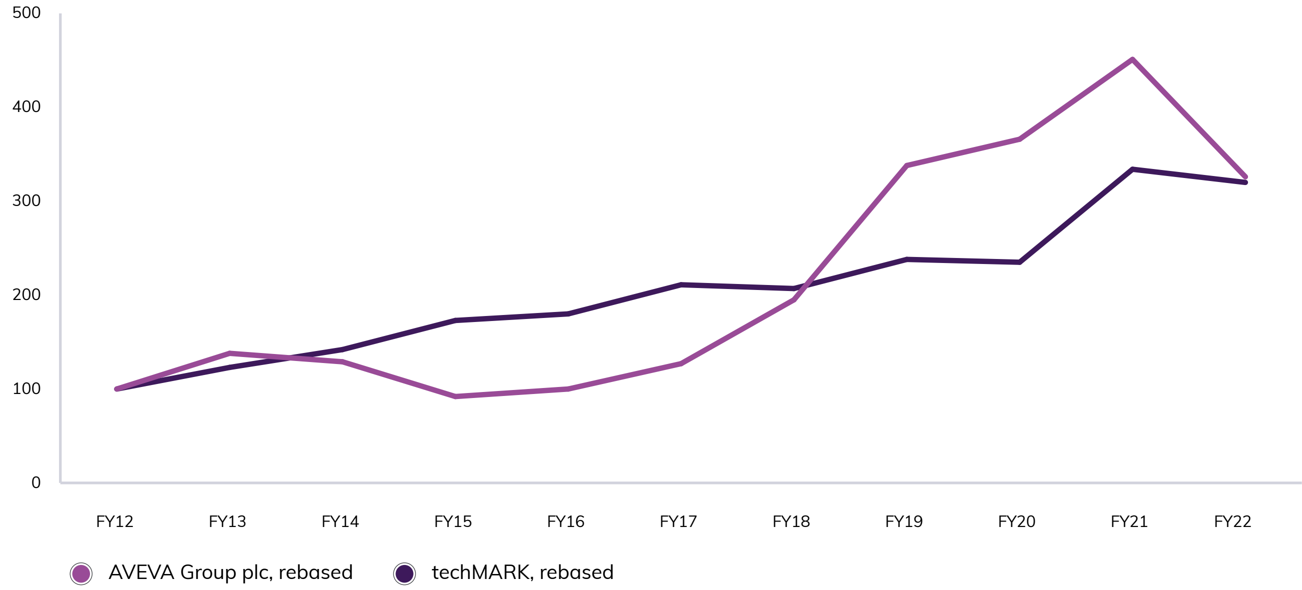
Payments for loss of office (audited)

No payments were made for loss of office during FY22.

Total shareholder return vs. techMARK All-Share Index FY12–FY22

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

Total shareholder return (GBP)



CEO single figure ten-year history

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

	FY13	FY14	FY15	FY16	FY17	FY18	FY19	FY20	FY21	FY22
Richard Longdon (to 31 December 2016)	963	1,163	517	561	395	–	–	–	–	–
James Kidd (1 January 2017 to 18 February 2018)	–	–	–	–	127	949	–	–	–	–
Craig Hayman (19 February 2018 to 30 April 2021)	–	–	–	–	–	137	7,346	5,650	5,023	632
Peter Herweck (1 May 2021 onwards)	–	–	–	–	–	–	–	–	–	1,693
CEO single figure of total remuneration (£'000)	**963**	**1,163**	**517**	**561**	**522**	**1,086**	**7,346**	**5,650**	**5,023**	**2,326**
Annual incentive payout (% of maximum)	94%	50%	8%	8%	18%	91%	98%	71%	57%	61%
LTIP payout (% of maximum)	33%	94%	0%	0%	0%	0%	n/a[1]	100%	88%	51%

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

Change in remuneration of Directors and all employees (audited)

The tables below illustrate 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 FY21 financial year through to the end of the FY22 financial year) calculated on an FTE basis, as well as the previous disclosure of the change between FY20 and FY21. AVEVA Group plc only employs the Directors and a very small proportion of the workforce. Therefore, the comparator data for the average employee has been calculated by reference to UK and US employees. This is considered to provide a more representative comparison than the employees of the Parent Company only and reflects that the Group offices of heritage AVEVA and SES are headquartered in these countries respectively, and together employ just over one-quarter of its workforce. Typical salary inflation in some other AVEVA locations is materially higher than the UK and US, which would distort the comparison.

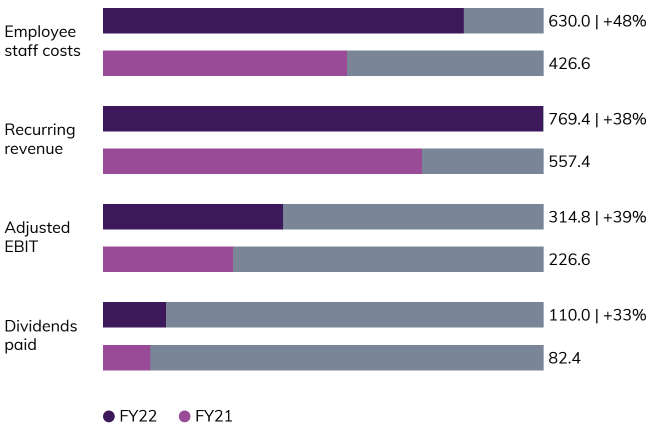
	Executive Directors		Non-Executive Directors							Average UK & US employee
% change (FY21 to FY22)	CEO	CSTO	Philip Aiken	Jennifer Allerton	Christopher Humphrey	Ron Mobed	Paula Dowdy	Peter Herweck	Olivier Blum	
Base salary	n/a[1]	3.3%	15.5%	9.8%	8.5%	5.7%	5.7%	0%	0%	4.9%
Benefits	n/a[1]	0%	n/a	n/a	n/a	n/a	n/a	n/a	n/a	0%
Annual bonus	n/a[1]	(24.5)%[2]	n/a	n/a	n/a	n/a	n/a	n/a	n/a	5.4%
% change (FY20 to FY21)										
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%

1. Due to the change in CEO, and the significant difference in remuneration packages between Craig Hayman and Peter Herweck, a year-on-year comparison of CEO salary is not deemed appropriate.
2. James Kidd's FY22 bonus was reduced by one-third due to his time away from the business on compassionate leave.

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)



Implementation Report continued

CEO pay ratio

The table below discloses the ratio of the Chief Executive Officer's pay to that of the other employees for FY22. The CEO total remuneration is his FY22 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 percentile 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
FY22	Option A	48:1	34:1	25:1
FY21	Option A	109:1	80:1	61:1
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	£48,457	£68,250	£91,753
Salary only	£46,004	£63,720	£80,000

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

The total remuneration in respect of FY22 for the employees identified at the 25th, 50th and 75th percentile is £48k, £68k and £92k, respectively. The base salary in respect of FY21 for the employees identified at the 25th, 50th and 75th percentile is £46k, £64k and £80k, respectively.

The pay ratio for the 25th, 50th and 75th percentile declined year-on-year. This is due to:

- An increase in total pay and benefits for all percentiles.
- The lower value of LTIPs vesting in FY22, due to the lower share price and performance vesting.
- The inclusion of the final tranche of Craig Hayman's buy-out awards in FY21. Excluding these awards, the FY21 pay ratio was 89:1, 65:1 and 49:1 for the 25th, 50th and 75th percentile respectively.

The Committee has reviewed the FY22 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, and impact of role (including for 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 the Company provided that Board approval is sought prior to accepting the appointment. Whether or not the Director concerned is permitted to retain their fees is considered on a case-by-case basis. Neither Craig Hayman nor James Kidd held any outside appointments during the year. Peter Herweck holds the following positions:

- Non-Executive Director of the supervisory Board of Rudolf GmbH
- Non-Executive Director of Teradyne, Inc.

Service contracts and appointment letters

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

Name	Date of appointment	Date of contract	Continuous service date	Notice period
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.

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
Philip Aiken	1 May 2012	5 November 2020	Conclusion of 2023 AGM	3 months
Jennifer Allerton	9 July 2013	1 July 2019	Conclusion of 2022 AGM	3 months
Christopher Humphrey	8 July 2016	27 June 2019	26 June 2022	3 months
Ron Mobed	1 March 2017	1 March 2020	28 February 2023	3 months
Paula Dowdy	1 February 2019	28 January 2022	Conclusion of 2023 AGM	3 months
Olivier Blum	30 April 2020	30 April 2020	29 April 2023	3 months
Hilary Maxon	1 August 2021	26 July 2021	31 July 2023	3 months
Dr. Ayesha Khanna	28 October 2021	28 September 2021	27 October 2024	3 months
Anne Stevens	1 May 2022	19 April 2022	30 May 2025	3 months

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.

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.

In 2018 the Company reviewed the Non-Executive Director fees and increased the fees to a maximum of £700,000. AVEVA entered the FTSE 100 in 2019 and over the past four years has increased in size and complexity, and in 2021 acquired OSIsoft. The fees have been increasing to reflect the growth of AVEVA, the responsibilities of the roles and market conditions, growing from £390k for FY2018 to £656k in FY2022. The current fees include the appointment of an additional independent Non-Executive Director during 2022. Schneider Electric Non-Executive Directors continue to waive their fees as they have done since 2018.

As the Company moves forward in its development, it is being proposed to shareholders for approval at the 2022 AGM to increase the maximum fee level to £1.25m to give sufficient flexibility in the medium term and to ensure there is the ability to operate the most effective Board and Committee governance structure commensurate with the Company's growth. This will allow both the retention and attraction of Non-Executive Directors to the Board, with the appropriate skills and experience, and if deemed appropriate, increase the number of Directors on the Board. This is of paramount importance to the effective leadership of the Company by the Board, supported by its Committees.

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

	FY22 fees £	FY21 fees £
Philip Aiken (Chairman)	**320,000**	277,000
Christopher Humphrey	**92,800**	85,550
Jennifer Allerton	**81,000**	73,750
Paula Dowdy	**65,000**	61,500
Dr Ayesha Khanna	**32,500**	–
Ron Mobed	**65,000**	61,500
Olivier Blum[1]	**–**	–
Peter Herweck[1]	**–**	–
Hilary Maxson[1]	**–**	–

1. Olivier Blum and Hilary Maxson have waived their fees for their current three-year term. Peter Herweck waived his Non-Executive Director fee until he was appointed CEO on 1 May 2021.

Implementation Report continued

Implementation of Remuneration Policy for Non-Executive Directors in FY23

Non-Executive Directors (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 FY23, it has been decided that fees should 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	FY23 fees £	FY22 fees £
Chairman	**350,000**	320,000
Basic Non-Executive Director	**68,000**	65,000
Vice Chairman	**40,000**	40,000
Committee Chair (Audit and Remuneration)	**20,000**	16,000
Senior Independent Director	**11,800**	11,800

Non-Executive Directors' 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 2022	Shares owned outright at 31 March 2021
Philip Aiken (Chairman)	**4,154**	4,154
Christopher Humphrey	**7,110**	7,110
Jennifer Allerton	**17,777**	17,777
Paula Dowdy	**–**	–
Dr Ayesha Khanna	**–**	–
Ron Mobed	**5,333**	5,333
Olivier Blum	**–**	–
Hilary Maxson	**–**	–

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

7 June 2022

Other statutory information

Directors' Report

The Directors' Report for the year ended 31 March 2022 comprises pages 74-131 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 on pages 1-73 instead, as the Board considers them to be of strategic importance. These are:

- operations during the year and likely future business developments (throughout the Strategic Report);
- stakeholder engagement (see pages 42-46, 87 and 90-91); and
- risk management and internal control (page 47).

The Strategic Report and the Directors' Report together form the management report for the purposes of the Financial Conduct Authority Disclosure Guidance and Transparency Rule (DTR) 4.1.8R.

Dividends

The Directors recommend the payment of a final dividend of 24.5 pence per ordinary share (FY21: 23.5 pence). If approved at the forthcoming Annual General Meeting, the final dividend will be paid on 5 August 2022 to shareholders on the register at close of business on 8 July 2022.

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.

The financial KPIs we use to measure our performance at Group level include annualised recurring revenue, SaaS ACV, pro forma revenue, pro forma organic constant currency adjusted EBIT, adjusted diluted EPS and cash conversion. We also track non-financial KPIs around gender diversity, carbon emissions and employee trust. We set out the figures for the year ended 31 March 2022 on pages 24-27. You can find a discussion of the principal risks and uncertainties facing the Group on pages 54-73.

Research and development

The Group continues an active programme of research and development, updating and extending its range of products. Further details can be found on page 20.

Intellectual property

The Group owns and/or licenses intellectual property, both in our software tools and the products we derive from them. The Directors consider such intellectual property to be of significant value to the business and the Group has a comprehensive programme to protect it.

Branches

The Group, through various subsidiaries, operates its business through branches and offices in the UK and overseas.

Financial instruments

We discuss the Group's financial risk management objectives and policies and its exposures in note 23 to the consolidated financial statements.

Going concern and viability statement

The Company's going concern and viability statement are detailed on pages 71-73 of the Strategic Report.

Directors and their interests

The Directors who served during the financial year ended 31 March 2022 are shown on pages 78-81.

We disclose Directors' share and share option holdings and those of their connected persons in the Remuneration Committee Report on pages 121 and 126.

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 procedures in place throughout the year to deal with conflict situations, and these have operated effectively. No conflicts arose during the year which required the Board to exercise its authority or discretion in relation to such conflicts. As set out on pages 79 & 80. Further details on how we manage conflicts can be found on page 81 and 82.

Share capital

You can find details of the issued share capital and share capital structure in note 27 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 UK 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 its 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 be decided by a poll. A member may vote personally or by proxy at a general meeting. Any form of proxy must be delivered to the place or address specified by the Company for that purpose in the notice or by way of note to the notice convening the meeting or any document accompanying such notice 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 or other sum 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.

Political donations

The Company did not make any political donations or incur any political expenditure during the year ended 31 March 2022. The Company has a policy of not making donations to political organisations or independent election candidates, or incurring political expenditure anywhere in the world.

Powers for the Company to buy back shares

The Company was authorised at the 2021 AGM to purchase up to 30,116,752 of its own ordinary shares of 3 5/9 pence each in the market. This authority expires on the earlier of 6 October 2022 and the date of the 2022 AGM. The Company did not purchase any of its own shares under this authority during the year. In accordance with the Directors' stated intention to seek annual renewal a special resolution will be proposed at the AGM to renew this authority until the earlier of the end of the Company's 2023 AGM and 30 September 2023, in respect of up to 30,162,404 ordinary shares, which is approximately 10% of the Company's issued share capital (excluding treasury shares) as at 7 June 2022.

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's £250 million Revolving Credit Facility dated 25 August 2020 (as amended and restated on 23 December 2021) with Barclays Bank plc as agent provides that if:

- Schneider Electric SE ceased to hold directly or indirectly 50.1% or more of the issued and registered voting share capital of the Company; or
- any person or group of persons acting in concert (other than Schneider Electric SE) gains control of the Company, 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. There are no arrangements between the Company and any shareholder under which a shareholder has agreed to waive future dividends, except as set out below under the heading Employee Benefit Trust.

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 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 has been notified, in accordance with Disclosure Guidance and Transparency Rule 5 (DTR 5), of the following interests in the Company's ordinary share capital:

	As at 31 March 2022		As at 31 March 2021	
Name of holder	Number	Percentage held %	Number	Percentage held %
Schneider Electric SE	177,931,087	59.1	176,471,625	58.6
Estudillo Holdings LLC	13,655,570	4.5	13,655,570	4.5

In the period from 31 March 2022 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

Members may appoint Directors by ordinary resolution and may remove any Director (subject to the giving of special notice). If desired, they 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 Annual General Meeting 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 2022 to stand for re-election.

Listing Rules disclosures

For the purpose of the FCA's Listing Rule 9.8.4C 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 15 July 2022 at 9.30 a.m. 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, and is available on the Company's website.

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 54,307 ordinary shares in AVEVA Group plc, representing 0.02% (FY21: 135,235 shares representing 0.04%) 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 and Governance 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 a 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.

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:

- 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;
- 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;
- 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
- 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.

Since 1 September 2021, Schneider Electric has been under no restrictions as to further acquisitions of shares or making offers. Further details of the Relationship Agreement are set out in the Prospectus dated 6 November 2020, at 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, for 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 90-91 for further details on workforce engagement, where we discuss how the Directors have engaged with employees, and pages 87-89 where we set out how the Directors have had regard to employee interests and the effect of that regard, including on the principal decisions taken by the Company during the financial year. In addition, please see pages 87-89 where we summarise how the Directors have had regard to the need to foster the Company's business relationships with suppliers, customers and others, and the effect of that regard, including on the principal decisions taken by the Company during the financial year.

Directors' indemnity

'Qualifying third-party indemnity' provisions (as defined in section 234 of the Companies Act 2006) were in force during the financial year ended 31 March 2022 for the benefit of the Directors of the Company and, as at the date of this report, are in force for the benefit of the Directors of the Company. In relation to certain losses and liabilities which they may incur (or may have incurred) in connection with their duties, powers or office. The Company also maintains directors' and officers' liability insurance which gives appropriate cover for legal action brought against its Directors.

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 page 35 of the Strategic Report of the Strategic Report and include them as part of the Directors' Report disclosures. Also included on pages 63 to 69 and pages 34 to 35 of the Strategic Report are our climate-related disclosures consistent with the TCFD Recommendations and Recommended Disclosures, and Streamlined Energy and Carbon Reporting (SECR) disclosures.

Auditor

A resolution to appoint PricewaterhouseCoopers LLP as auditor will be put to the members at the Annual General Meeting. Ernst & Young LLP (the Company's auditors for the financial period ended 31 March 2022) will not seek reappointment and will therefore cease to hold office at the conclusion of the Annual General Meeting.

As reported in the 2020 annual report, the Board agreed to tender the external audit contract for the Company during 2021. The Audit Committee oversaw a formal and comprehensive tender process for the external audit appointment. On the recommendation of the Audit Committee, the Board is recommending to shareholders in the Notice of AGM the appointment of PricewaterhouseCoopers LLP as the Company's new auditor with effect from the year ending 31 March 2023. Details of the tender process are provided in the Audit Committee Report on page 97 of the Annual Report and Accounts 2022. The Audit Committee assessed the candidates based on the experience of their proposed teams, their knowledge of the sectors in which the Company operates and their technical expertise. The Audit Committee has confirmed to the Board that its recommendation that PricewaterhouseCoopers LLP be appointed as the Company's auditor is free from third-party influence and that no restrictive contractual provisions have been imposed on the Company regarding its choice of auditor.

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 UK-adopted 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 as at the end of the financial year 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 Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for taking such steps as are reasonable to safeguard the assets of 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 78-81. 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, 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 78-81) 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 UK law and applicable accounting standards, give a true and fair view of the assets, liabilities, financial position and result 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:

Helen Lamprell

Group General Counsel and Company Secretary

7 June 2022

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 2022 and of the Group's loss for the year then ended;
- the Group financial statements have been properly prepared in accordance with UK adopted international accounting standards;
- 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 2022 which comprise:

Group	Parent Company
Consolidated income statement for the year ended 31 March 2022	Company balance sheet as at 31 March 2022
Consolidated statement of comprehensive income for the year then ended	Statement of changes in equity for the year then ended
Consolidated balance sheet as at 31 March 2022	Statement of cash flows for the year then ended
Consolidated statement of changes in shareholder's equity for the year then ended	Related notes 1 to 10 to the financial statements including a summary of significant accounting policies
Consolidated cash flow statement for the year ended	
Related notes 1 to 30 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 UK adopted international accounting standards. 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 believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Group and Parent 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.

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.

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 macroeconomic impact of the Ukraine crisis, the remaining impact of Covid-19 on the Group, the Group's access to available sources of liquidity and forecast compliance with associated covenants including repayment/expiry dates and associated plans;
- We obtained management's going concern assessment, including the cash flow forecasts for the going concern period to 30 September 2023;
- 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 10% and increases debtor days by 10%; 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 a liquidity shortfall);
- We assessed the reasonableness of all key assumptions, namely revenue performance per revenue stream, adjusted EBIT margin and working capital movements. 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 remaining impact of Covid-19 and ongoing impact of the conflict in Russia and Ukraine;
- We confirmed the availability of the Revolving Credit Facility "RCF" and term loan 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 have also inspected the underlying agreements for other compliance matters which may otherwise impact the availability of the RCF and term loan;
- We compared current trading performance to management's going concern 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 reduction of discretionary expenditure, reducing, deferring, or cancelling dividend payments, making prepayments under the term loan to minimise expense and maximise cash, and cash repatriation. We have also considered 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 from the date of approval of the financial statements to 30 September 2023.

We observed that the adjusted EBIT for the Group continues to grow (2022: £314.8 million, 2021: £226.4 million) and the Group generates positive operating cashflows (2022: £139.8 million, 2021: £58.4 million). The Group acquired OSISoft on 19 March 2021, which contributed to the increase in positive consolidated cashflows. As part of the funding of the acquisition consideration, the Group obtained a $900 million term loan from Schneider Electric, its majority shareholder, however this is not repayable during the going concern period. As at 31 March 2022, the term loan balance including capitalised fees, interest and foreign exchange amounted to £684.5m. The Group has access to a committed revolving credit facility of £250m, which doesn't expire until 2025 (undrawn as at 31 March 2022). 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 from the date of the approval of the financial statements to 30 September 2023.

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	• We performed an audit of the complete financial information of seven (2021: nine) components and audit procedures on specific balances for a further ten (2021: ten) components. • The components where we performed full or specific audit procedures accounted for 73% of adjusted Profit before tax , 86% of Revenue and 82% of Total assets.
Key audit matters	• Risk of inappropriate revenue recognition • Impairment of goodwill and intangible assets
Materiality	• Group materiality of £13.8m which represents 5% of adjusted profit before tax..

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 105 reporting components of the Group, we selected 17 components covering entities within the UK, US, Canada, China, France, Germany, Korea, Japan, Russia, India, Sweden, and the Netherlands, which represent the principal business units within the Group.

Of the 17 components selected, we performed an audit of the complete financial information of 7 components ("full scope components") which were selected based on their size or risk characteristics. For the remaining 10 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 73% (2021: 77%) of the Group's adjusted Profit before tax, 86% (2021: 79%) of the Group's Revenue and 82% (2021: 84%) of the Group's Total assets. For the current year, the full scope components contributed 68% (2021: 70%) of the Group's adjusted Profit before tax, 69% (2021: 52%) of the Group's Revenue and 79% (2021: 81%) of the Group's Total assets. The specific scope component contributed 4% (2021: 7%) of the Group's adjusted Profit before tax, 17% (2021: 27%) of the Group's Revenue and 3% (2021: 3%) 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 accounts tested for the Group.

Of the remaining 90 components that together represent 27% 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 eliminations, obtaining a sample of additional cash confirmations, and foreign currency translation recalculations to respond to 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 AVEVA AB (Sweden) as specific scope compared to review scope in the comparative period, as part of our rotational audit scoping strategy, replacing AVEVA Software GB Limited that was a specific scope last year. The remaining reduction of 2 full scope entities is a result of specific treasury entities used by the Group in the prior year to execute the OSIsoft acquisition.

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 seven full scope components, audit procedures were performed on three of these directly by the primary audit team. For the remaining four full scope components and 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.

The Group audit team continued to follow a programme of planned visits that has been designed to ensure that the Senior Statutory Auditor or senior members of the team visit at least two components or as allowed by travel restrictions associated with COVID-19. During the current year's audit cycle, visits were undertaken by the primary audit team to the component teams in the US and Sweden. These visits involved where appropriate, discussing the audit approach with the component team and any issues arising from their work, meeting with local management, attending closing meetings, and reviewing relevant audit working papers on risk areas. For all component teams, the primary team interacted regularly with the component teams where appropriate during various stages of the audit, reviewed relevant 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.

Climate change

There has been increasing interest from stakeholders as to how climate change will impact companies. The Group has determined that the most significant future impacts from climate change on its operations will be from the impact of the high exposure to carbon intensive industries on the Group's reputation and the potential inability to fully support customers with their current portfolio as business models shift away from hydrocarbons. These are explained on pages 68 to 69 in the Task Force for Climate related Financial Disclosures and on pages 54 to 62 in the principal risks and uncertainties, which form part of the "Other information," rather than the audited financial statements. Our procedures on these disclosures therefore consisted solely of considering whether they are materially inconsistent with the financial statements or our knowledge obtained in the course of the audit or otherwise appear to be materially misstated.

Governmental and societal responses to climate change risks are still developing, and are interdependent upon each other, and consequently financial statements cannot capture all possible future outcomes as these are not yet known. The degree of certainty of these changes may also mean that they cannot be taken into account when determining asset and liability valuations and the timing of future cash flows under the requirements of UK adopted international accounting standards and for the parent company United Kingdom Accounting Standards, including FRS 101 "Reduced Disclosure Framework" (United Kingdom Generally Accepted Accounting Practice)..

Our audit effort in considering climate change was focused on assessing the effects of material climate risks disclosed on pages 54 to 62 have been appropriately reflected in asset values and associated disclosures where values are determined through modelling future cash flows, being Goodwill and Intangible assets. We also challenged the Directors' considerations of climate change in their assessment of going concern and viability and associated disclosures.

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
Risk of inappropriate revenue recognition Refer to the Audit Committee Report (pages 96 to 101); Accounting policies (pages 194 to 199); and Note 2b of the Consolidated Financial Statements (pages 148 to 149) The group has reported revenue of £1,235.6 million (2021: £820.4 million) and this continues to be an important KPI for the Group. In particular, the risks are: • Inappropriate application of the group revenue recognition policy (subscription revenue: £424.2 million, 2021: 359.7 million) and IFRS 15 'Revenue' for licence revenue recognition, could result in, for example, revenue being recorded when performance obligations have not been satisfied and incorrect deferral of revenue for support and maintenance and other obligations; and Inappropriate revenue recognition in relation to cut off for all revenue streams, as revenue may not have been recognised in the correct accounting period. This includes 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).	**Walkthroughs and controls** 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 financial controls. Licence revenue recognition for perpetual and subscription arrangements: 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: • agreeing licence revenues to signed contracts or software licence agreements; • agreeing the revenue to subsequent payment as evidence of collectability; • checking evidence such as delivery of licence keys to support that software has been delivered to customers prior to revenue recognition; • 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; • ensuring appropriate allocation of the fair value of contract consideration and recognition of revenue for other deliverables included within the contract; and We have performed an independent assessment using our industry knowledge to establish whether the fair value attributed to support and maintenance services is appropriate including for any non-standard contracts. 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. 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. 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.	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 2022, were appropriate.

Risk	Our response to the risk	Key observations communicated to the Audit Committee
Risk of inappropriate revenue recognition continued	**Cut-off and percentage of completion projects** 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. 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: • Low margin/loss making projects, including ensuring losses are appropriately recognised; • 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; • Change requests issued by the customer and the impact on the project accounting; • The estimated costs to complete, including changes during the life of the project and historical forecast accuracy; and • The status of billings, achievement of milestones and the recoverability of contract assets/ shipped not billed balances. **Management override** 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. **Disclosures** 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. **Group oversight** We performed full and specific scope audit procedures over this risk area in 17 locations, which covered 86% of the risk amount. Where detailed procedures were performed by component teams, the primary team exercised oversight of the testing and performed additional testing of contracts over £2 million or containing non-standard terms.	

Risk	Our response to the risk	Key observations communicated to the Audit Committee
Impairment of goodwill and intangible assets Refer to the Audit Committee Report (pages 96 to 101); Accounting policies (pages 194 to 199); and Note 14 of the Consolidated Financial Statements (pages 164 to 165) The group has significant goodwill (2021: £3.9 billion) and other non- current intangible assets (2021: £1.7 billion) across its divisions, arising from the reverse acquisition of Schneider Electric Software and the prior year OSIsoft acquisition. The additional goodwill and intangible assets arising from the OSIsoft acquisition have been allocated to Cash Generating Units in the current year, requiring management judgement to determine where the future synergies are expected to arise. Management applies judgement in valuing these assets, particularly in estimating revenue growth and operating margin performance which drive future cash flows and appropriate discount rates. This estimation uncertainty is increased as a result of the multiple locations the Group operates in, continued integration and migration activities, the remaining impact of Covid-19 and the macroeconomic impact of the Ukraine crisis. As a result, there is a risk that impairment adjustments are not identified by management and the group's non-current assets are overstated. Given the magnitude of the goodwill and intangibles (2021: £5.6 billion), we have upgraded this to a significant risk and key audit matter in the current year.	We have assessed the continued appropriateness of the cash generating units (CGUs) and operating segments identified by management; We have understood and walked through management's process for determining its cash flow forecasts and assessed the design effectiveness of controls over the impairment review process; We assessed the cash flow forecasting models, particularly revenue growth, average operating margin, discount rate and long-term growth rate, including consistency with the strategic plans for the Group and assessment of historical forecast accuracy and impact of COVID-19, response to climate related risk and the crisis in Ukraine to date and over the forecast period, including searching for contrary evidence to management's position. This included reviewing industry data, revenue pipeline/backlog data, competitor analysis and management's operational and strategic plans. We also re-performed the calculations in the model to test the mathematical integrity; With the assistance of EY valuation specialists we have assessed the discount rate applied to each CGU by obtaining the underlying data used in the calculation and benchmarking it against an EY range derived from comparable organisations and market data; We calculated the degree to which the key inputs and assumptions, including revenue growth, operating margin, long-term growth rate and discount rate would need to fluctuate before an impairment was triggered and considered the likelihood of this occurring and performed our own sensitivity analysis over key assumptions; We assessed whether there were any other indicators of impairment, which would give rise to the impairment of an individual asset; and We audited the related disclosures with reference to the requirements of IAS 36 and confirmed their consistency with the audited impairment models.	We concluded that the impairments recorded over specific intangible assets were appropriately recognised. No further impairment adjustments were required for goodwill and intangible assets. The allocation of goodwill and intangibles to CGUs was consistent with the expected future cash flow forecasts of the respective CGUs. The sensitivity disclosures in note 14 of the Group financial statements adequately reflect that a reasonably possible change in certain key assumptions would lead to the recoverable amount falling below the book value in respect of the recoverability of goodwill.

In the prior year, our auditor's report included a key audit matter in relation to the acquisition accounting for OSIsoft, LLC due to the materiality of the transaction and the complexity of the judgements necessary to determine the purchase price accounting adjustments in respect of goodwill and intangible assets. In the current year, the finalisation of the purchase price adjustments was not considered an area giving rise to a risk of material misstatement and did not consume a significant amount of audit effort.

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 £13.8 million (2021: £5.6 million), which is 5% (2021: 5%) of adjusted Profit before tax. In the current year we calculated adjusted Profit before tax this based upon statutory profit before tax adjusted for exceptional items (£67.8 million) and amortisation of intangible assets (£226.1m). In the prior year this was calculated by only adjusting for exceptional items, given minimal amortisation on OSIsoft related intangible assets due to the timing of the acquisition. We consider the add back of exceptional items and amortisation on the acquired intangibles to be appropriate as the users of the accounts focus on the underlying trading performance of the business excluding the impact of exceptional and normalised items and before non-cash amortisation. This change in performance benchmark reflects the impact of the amortisation charge which has increased significantly as a result of the acquisition of OSIsoft LLC and contributed to a statutory loss before tax in the current year.

We initially determined materiality for the Parent Company to be £93.0 million (2021: £95.3 million), which is 2% (2021: 2%) of total assets. We believe that total assets is an appropriate 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 restricted the materiality to £13.8 million (2021: £5.6 million)to ensure that the materiality for the Parent Company will not be higher than the Group.

Starting basis
- Loss before tax – £18.6 million

Adjustments
- Amortisation – £226.1m
- Exceptional items – £67.8m

Materiality
- Totals £275.3m adjusted profit before tax
- Materiality of £13.8m (5% of materiality basis)

During the course of our audit, we reassessed materiality which was higher based on final results than the initial materiality calculated.

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% (2021: 75%) of our planning materiality, namely £10.3m (2021: £4.2m). We have set performance materiality at this percentage due to our assessment of the control environment and lower likelihood of misstatements.

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 £1.5m to £10.3m (2021: £0.8m to £2.1m).

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 £0.7m (2021: £0.3m), 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 131, 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 this gives rise to 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
- a Corporate Governance Statement has not been prepared by the company

Corporate Governance Statement

We have reviewed 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 by the Listing Rules.

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 73;
- 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 pages 71 to 73;
- Director's statement on whether it has a reasonable expectation that the group will be able to continue in operation and meets its liabilities set out on pages 71 to 73;
- Directors' statement on fair, balanced and understandable set out on page 131;
- Board's confirmation that it has carried out a robust assessment of the emerging and principal risks set out on pages 54 to 62;
- The section of the annual report that describes the review of effectiveness of risk management and internal control systems set out on pages 88 to 89; and;
- The section describing the work of the audit committee set out on pages 96 to 101.

Responsibilities of directors

As explained more fully in the directors' responsibilities statement set out on page 131, 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.

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 that are directly relevant to the specific assertions in the financial statements (UK adopted international accounting standards, FRS 101, the Companies Act 2206 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 economic sanction compliance, 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 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 the susceptibility to management bias relating to performance targets and the opportunity for 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 the procedures listed for the Key Audit Matters above, 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, sending of legal confirmation letters, journal entry testing, and full and specific scope management enquiries. Some of 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 7 July 2021 to audit the financial statements for the year ending 31 March 2022.
- The period of total uninterrupted engagement including previous renewals and reappointments is 20 years, covering the years ending 31 March 2003 to 31 March 2022.
- 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

Cambridge

8 June 2022

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 2022

	Notes	2022 £m	2021 £m
Revenue	3,4	**1,185.3**	820.4
Cost of sales		**(232.5)**	(181.3)
Gross profit		**952.8**	639.1
Operating expenses			
Research & Development costs		**(343.3)**	(184.5)
Selling and distribution expenses		**(345.4)**	(226.8)
Administrative expenses		**(246.3)**	(193.0)
Net impairment loss on financial assets		**(6.7)**	(3.7)
Other (expense)/income	6	**(17.6)**	5.5
Total operating expenses		**(959.3)**	(602.5)
(Loss)/profit from operations	5	**(6.5)**	36.6
Finance revenue	7	**1.9**	0.6
Finance expense	8	**(14.0)**	(3.0)
(Loss)/profit before tax from continuing operations		**(18.6)**	34.2
Income tax expense	10(a)	**(44.0)**	(9.4)
(Loss)/profit for the year attributable to equity holders of the parent		**(62.6)**	24.8

(Loss)/profit from operations		**(6.5)**	36.6
Amortisation of intangible assets	15	**226.1**	95.7
Share-based payments	26	**27.4**	16.3
Exceptional items	6	**67.8**	77.8
Adjusted EBIT	2c	**314.8**	226.4

(Loss)/earnings per share (pence)			
• basic	12	**(20.78)**	11.35
• diluted	12	**(20.78)**	11.27

All activities relate to continuing activities.

The accompanying notes are an integral part of this Consolidated Income Statement.

Consolidated Statement of Comprehensive Income

for the year ended 31 March 2022

	Notes	2022 £m	2021 £m
(Loss)/profit for the year		**(62.6)**	24.8
Items that may be reclassified to profit or loss in subsequent periods:			
Exchange gain arising on translation of foreign operations		**159.1**	20.7
Total of items that may be reclassified to profit or loss in subsequent periods		**159.1**	20.7
Items that will not be reclassified to profit or loss in subsequent periods:			
Actuarial remeasurements on retirement benefits	25	**3.4**	(2.5)
Deferred tax on actuarial remeasurements on retirement benefits	10(a)	**(2.2)**	0.5
Deferred tax on losses and other timing differences	10(a)	**2.9**	–
Total of items that will not be reclassified to profit or loss in subsequent periods		**4.1**	(2.0)
Total comprehensive income for the year, net of tax		**100.6**	43.5

The accompanying notes are an integral part of this Consolidated Statement of Comprehensive Income.

Consolidated Balance Sheet

31 March 2022

	Notes	2022 £m	2021 £m
Non-current assets			
Goodwill	14	**4,004.6**	3,904.1
Other intangible assets	15	**1,472.5**	1,662.3
Property, plant and equipment	16	**44.7**	48.5
Right-of-use assets	22(b)	**95.1**	111.9
Deferred tax assets	24	**47.2**	21.4
Trade and other receivables	18	**8.4**	19.4
Customer acquisition costs		**6.3**	0.3
Investments	17	**0.4**	0.4
Retirement benefit surplus	25	**16.6**	13.1
		5,695.8	5,781.4
Current assets			
Trade and other receivables	18	**381.2**	318.0
Contract assets	3	**302.1**	215.6
Cash and cash equivalents	19	**279.3**	286.6
Restricted cash	19	**–**	7.3
Current tax assets		**12.1**	18.9
		974.7	846.4
Total assets		**6,670.5**	6,627.8
Equity			
Issued share capital	27(a)	**10.7**	10.7
Share premium	27(b)	**2,842.1**	3,842.1
Other reserves	27(c)	**1,370.4**	1,209.6
Retained earnings		**986.0**	130.3
Total equity		**5,209.2**	5,192.7
Current liabilities			
Trade and other payables	20	**224.0**	271.3
Contract liabilities	3	**328.2**	239.7
Lease liabilities	22(c)	**22.1**	22.9
Current tax liabilities		**33.8**	45.6
		608.1	579.5
Non-current liabilities			
Loans and borrowings	21	**684.5**	654.0
Lease liabilities	22(c)	**73.3**	88.9
Deferred tax liabilities	24	**71.2**	82.0
Other liabilities	20	**10.7**	18.2
Retirement benefit obligations	25	**13.5**	12.5
		853.2	855.6
Total equity and liabilities		**6,670.5**	6,627.8

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 7 June 2022. They were signed on its behalf by:

Philip Aiken
Chairman

Peter Herweck
Chief Executive Officer

Company number
2937296

Consolidated Statement of Changes in Shareholders' Equity

31 March 2022

					Other reserves						
	Notes	Share capital £m	Share premium £m	Merger reserve £m	Cumulative translation adjustments £m	Capital redemption reserve £m	Reverse acquisition reserve £m	Treasury shares £m	Total other reserves £m	Retained earnings £m	Total equity £m
At 1 April 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/(loss)		–	–	–	20.7	–	–	–	20.7	(2.0)	18.7
Total comprehensive income		–	–	–	20.7	–	–	–	20.7	22.8	43.5
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	26	–	–	–	–	–	–	–	–	16.3	16.3
Tax arising on share-based payments		–	–	–	–	–	–	–	–	2.1	2.1
Investment in own shares	27	–	–	–	–	–	–	(1.1)	(1.1)	–	(1.1)
Cost of employee benefit trust shares issued to employees	27	–	–	–	–	–	–	9.7	9.7	(9.7)	–
Equity dividends	11	–	–	–	–	–	–	–	–	(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
Loss for the year		–	–	–	–	–	–	–	–	(62.6)	(62.6)
Other comprehensive income		–	–	–	159.1	–	–	–	159.1	4.1	163.2
Total comprehensive income/(loss)		–	–	–	159.1	–	–	–	159.1	(58.5)	100.6
Share-based payments	26	–	–	–	–	–	–	–	–	27.4	27.4
Tax arising on share-based payments		–	–	–	–	–	–	–	–	(0.2)	(0.2)
Investment in own shares	27	–	–	–	–	–	–	(1.3)	(1.3)	–	(1.3)
Cost of employee benefit trust shares issued to employees	27	–	–	–	–	–	–	3.0	3.0	(3.0)	–
Equity dividends	11	–	–	–	–	–	–	–	–	(110.0)	(110.0)
Capital reduction	27	–	(1,000.0)	–	–	–	–	–	–	1,000.0	–
At 31 March 2022		**10.7**	**2,842.1**	**615.6**	**202.4**	**101.7**	**452.5**	**(1.8)**	**1,370.4**	**986.0**	**5,209.2**

The accompanying notes are an integral part of this Consolidated Statement of Changes in Shareholders' Equity. Details of other reserves are contained in note 27(c).

Consolidated Cash Flow Statement

for the year ended 31 March 2022

	Notes	2022 £m	2021 £m
Cash flows from operating activities			
(Loss)/profit for the year		**(62.6)**	24.8
Income tax expense	10(a)	**44.0**	9.4
Net finance expense	7,8	**12.1**	2.4
Amortisation of intangible assets	15	**226.1**	96.3
Depreciation of property, plant and equipment and right-of-use assets	16,22	**36.6**	28.2
Loss on disposal of property, plant and equipment	5	**0.4**	1.0
Impairment of intangible assets	6(d)	**14.9**	–
Gain on disposal of pension scheme	25	**–**	(0.3)
Loss on disposal of subsidiaries	6,13	**2.8**	–
Share-based payments	26	**27.4**	16.3
Difference between pension contributions paid and amounts charged to operating profit	25	**(0.5)**	0.3
Research & Development expenditure tax credit		**(2.2)**	(3.1)
Changes in working capital:			
Trade and other receivables		**(53.6)**	(5.5)
Contract assets		**(78.3)**	(70.8)
Customer acquisition costs		**(5.4)**	(0.3)
Trade and other payables		**(45.5)**	5.5
Contract liabilities		**81.0**	(13.0)
Cash generated from operating activities before tax		**197.2**	91.2
Income taxes paid		**(59.8)**	(32.8)
Net cash generated from operating activities		**137.4**	58.4
Cash flows from investing activities			
Purchase of property, plant and equipment	16	**(8.6)**	(10.9)
Purchase of intangible assets	15	**–**	(0.5)
Payment on disposal of pension scheme		**–**	(0.3)
Acquisition of subsidiaries, net of cash acquired	13a	**–**	(3,029.5)
Adjustment to consideration on completion of business combination		**6.2**	–
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 business, net of cash	13b	**1.6**	–
Interest received	7	**1.9**	0.3
Net cash generated/(used) in investing activities		**1.1**	(3,122.4)
Cash flows from financing activities			
Interest paid	8	**(12.7)**	(2.8)
Purchase of own shares	27(c)	**(1.3)**	(1.1)
Proceeds from borrowings, net of fees incurred	21	**–**	645.6
Payment of principal element of lease liability	22	**(23.3)**	(18.5)
Proceeds from rights issue	27	**–**	2,835.5
Transaction costs on issue of shares	27	**–**	(28.6)
Payment of facility arrangement fees		**–**	(2.0)
Dividends paid to shareholders of the parent	11	**(110.0)**	(82.4)
Net cash generated/(used) in financing activities		**(147.3)**	3,345.7
Net (decrease)/increase in cash and cash equivalents		**(8.8)**	281.7
Net foreign exchange difference		**1.5**	(109.6)
Opening cash and cash equivalents	19	**286.6**	114.5
Closing cash and cash equivalents	19	**279.3**	286.6

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 High Cross, Madingley Road, Cambridge, CB3 0HB. 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 188 to 193.

AVEVA sells industrial software for designing, building and operating large-scale industrial assets. AVEVA serves customers across a range of industries, from energy to pharmaceuticals, and mining to infrastructure.

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 194 to 199.

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 UK-adopted IASs. 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.

Except for the application of UK-adopted IASs, for which there are no material differences from IFRSs as issued by the IASB and adopted by the EU when applied to the Group, accounting policies have been applied consistently to all years presented unless otherwise stated.

The Group previously combined Selling and distribution expenses and Administrative expenses on the face of the Consolidated Income Statement within Selling & administrative expenses. These have been separated for the year ended 31 March 2022 due to their materiality.

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 upon the Group of the global Covid-19 pandemic and economic sanctions following the Russian invasion of Ukraine, and reviews of liquidity and covenant forecasts.

At 31 March 2022, the Group held external debt in the form of a £685.1 million (US$ 900.0 million) term loan, due for repayment in March 2024. The Group has access to a £250.0 million Revolving Credit Facility (RCF), of which nil was drawn down at 31 March 2022. This facility is due for renewal in February 2025, with a one-year extension option subject to lender approval. See note 21 for further details.

To support the going concern conclusion, the Group has developed several working capital financial models covering the period from the signing of the financial statements to 30 September 2023. The specific scenarios modelled are:

Scenario	Outcome
Base case	
Based upon the Group's most recent Board approved forecasts to 31 March 2027. These are the same forecasts used in the viability statement and VIU model used for impairment testing (see note 14).	The Group is not in breach of any financial covenants and is not required to draw down on the RCF. The Group is able to meet all forecasted obligations as they fall due.
Sensitised	
A severe downside scenario, including reducing revenue (10% from the base case), and introducing delays in cash collection (10% increase from the base case).	The Group is not in breach of any financial covenants and is not required to draw down on the RCF. The Group is able to meet all forecasted obligations as they fall due.
Reverse stress case	
A scenario created to model the circumstances required to breach the Group's credit facilities within the going concern period. This includes reducing revenue (18% decrease from the base case) and delays in cash collection (10 day increase in debtor days from the base case).	This resulted in a covenant breach at the end of the going concern period. Management believes the possibility of this combination of severe downsides arising to be remote, and that there are numerous mitigating actions which could be taken to avoid a covenant breach. The impact of these mitigating actions were not considered in the scenario modelling.

Should extreme downside scenarios occur, there are several mitigating actions the Group could take to avoid covenant breaches to maintain liquidity headroom under existing debt facilities. These include cancellation or deferral of dividend payments and reductions in other discretionary spending costs.

The financial statements for the year ended 31 March 2022 have therefore been prepared under the going concern basis of accounting.

Notes to the Consolidated Financial Statements continued

2. Key accounting policies continued

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, or estimate thereof.

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 to revenue is made to revenue, on the date of the contract modification. The adjustment to revenue will incorporate the effects of both scenarios noted above and is accounted for as a mixture of termination and continuation. If the purpose of the modification is to provide the customer with distinct goods and/or services which are sold at a price reflecting their standalone selling price, the modification is accounted for as a separate contract. Where the purpose of a modification is to renew a customers' contract before the full period has lapsed, and the remaining goods and/or services are distinct to the goods and/or services provided prior to the date of the contract modification, the Group accounts for the modification as if it were a termination of the existing contract and the creation of a new contract. If the purpose of the modification is to re-define the scope of a highly customer-specific project (relating to the implementation of the Group's software) to involve additional services and fees, this would constitute a contract modification and would be recognised as a continuation of the existing agreement. An adjustment will be made to revenue on a cumulative catch-up basis.

Subscription

The Group offers a number of non-cancellable, fixed-term subscription licensing models typically of between one month and seven years and include on-premises rentals and Software as a Service (SaaS).

On-premises rentals

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

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.

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.

Perpetual licences

Customers are charged an initial or perpetual licence fee for on-premises 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.

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 multiple non-GAAP measures throughout this Annual Report. They are not defined by IFRSs and therefore may not be directly comparable with similarly titled measures of other companies. They are not intended to be a substitute for, or superior to, GAAP measures. Additional information for all non-GAAP measures, including definitions, rationale for their presentation, and reconciliations from the closest IFRS measure is provided in the Non-GAAP Measures section on pages 203 to 214.

The main non-GAAP presentations are adjusted and pro forma results.

Adjusted results

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 affect the understanding of the performance for the year and the comparability between periods.

Adjusted earnings before interest and tax (EBIT) is presented on the face of the Consolidated Income Statement and is reconciled to profit from operations as required to be presented under the applicable accounting standards. The Directors believe that this alternative measure of profit provides a reliable and consistent measure of the Group's underlying performance.

Adjusted earnings per share is calculated having adjusted profit after tax for the normalised and exceptional items, their tax effect, the deferred revenue haircut arising due to the fair valuing of OSIsoft's contract liabilities on acquisition, and the tax effect of the deferred revenue haircut.

Normalised items

These are recurring items which management considers could affect the underlying results of the Group.

These items relate to:

- amortisation of intangible assets;
- share-based payment charges; and
- tax step up due to intangible assets recognised on acquisition of OSIsoft, LLC.

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 considers these items to not reflect the underlying performance of the Group.

In the year ended 31 March 2022, the following changes have been made to the definition of normalised items:

- inclusion of the impact of the tax step up arising on the acquisition of OSIsoft;
- removal of the impact of fair value adjustments on financial derivatives; and
- inclusion of the impact of amortisation of other software.

Further commentary and explanation of these changes is provided in the Non-GAAP Measures section on pages 203 to 214.

Notes to the Consolidated Financial Statements continued

c. Non-GAAP measures continued

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 6.

Management considers these significant, non-recurring-items to be inherently not reflective of the future or underlying performance of the Group.

Pro forma results

For the year ended 31 March 2022, pro forma results are the Group's adjusted results with an additional adjustment to add back the deferred revenue haircut arising due to the fair valuing of OSIsoft's contract liabilities on acquisition. Pro forma results do not form part of the financial statements and are unaudited.

For the year ended 31 March 2021, pro forma results are the Group's adjusted results adjusted for the deferred revenue haircut, with the addition of pre-acquisition OSIsoft results for the period. It is assumed no synergies or trading between the groups occurred, and that the term loan used to finance the acquisition was entered into on 1 April 2020.

These are presented to increase year-on-year comparability, given the significant impact of the OSIsoft acquisition upon the Group's results.

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.

As part of the acquisition of OSIsoft in the year ended 31 March 2021, the Group 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.

Allocation of goodwill to cash generating units

The Group recognised £2,562.4 million of goodwill on completion of the acquisition of OSIsoft, LLC. This was unallocated at 31 March 2021 and was required to be allocated to the cash generating units (CGUs) expected to benefit from the synergies of the business combination by 31 March 2022.

Judgement was required in determining that the existing CGUs of Americas, Asia Pacific and EMEA are still the smallest identifiable group of assets that generate cash inflows that are largely independent of the cash inflows from other assets or groups of assets. The basis for this conclusion was the ongoing integration of the OSIsoft business into the existing AVEVA regional structure and management's monitoring of the business on a regional level.

Judgement was also required in the allocation of goodwill to these CGUs. The increase in cumulative return as a result of the OSIsoft acquisition was calculated by CGU. This was determined as being the incremental return by CGU of the year ended 31 March 2022 VIU model used for impairment testing purposes over the year ended 31 March 2021 VIU model. Goodwill was then allocated proportionate to a CGU's share of the overall increase in cumulative return. See note 14 for the results of this allocation.

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 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 the standard level of 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 administrative expenses line item. Further details about the assumptions used and sensitivity analysis performed in the impairment review are set out in note 14.

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 the year ended 31 March 2021, management assessed available forward-looking information by considering 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. This was reassessed in the year ended 31 March 2022, based upon historical information since the beginning of the pandemic. It was determined that there was no evidence that collectability was impaired, and the forward-looking provision was reversed.

Following the enforcement of international sanctions, management assessed the collectability of trade receivables and contract assets held by entities within Russia. See note 6 for further details.

Notes to the Consolidated Financial Statements continued

e. Significant accounting estimates 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 2022 was £14.5 million (2021: £7.9 million) and contract assets was £2.0 million (2021: £7.7 million). Details of the provision for impairment of receivables are contained in note 18.

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 £3.3 million (2021: £2.5 million) and contract assets by £3.6 million (2021: £1.7 million). A decrease of 100bps across all ECL rates would reduce the provision for impairment of trade receivables by £0.7 million (2021: £1.5 million) and contract assets by £0.5 million (2021: £1.6 million).

Intangible assets

The combination with OSIsoft, LLC completed in the year ended 31 March 2021. This required the Group to recognise at fair value the identifiable intangible assets of OSIsoft, 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 OSIsoft, LLC were reduced by one year, the annual amortisation would increase by US$27.1 million. If they were increased by one year, the annual amortisation would reduce by US$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 25 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 2022, net of obligations, was £3.1 million (2021: £0.6 million).

3. Revenue

An analysis of the Group's revenue is as follows:

Year ended 31 March 2022	Services transferred at a point in time £m	Services transferred over time £m	Total £m
On-premises rental	280.7	115.7	396.4
SaaS	–	27.8	27.8
Total subscription revenue	280.7	143.5	424.2
Maintenance	–	345.2	345.2
Perpetual licences	293.1	–	293.1
Services	–	122.8	122.8
	573.8	611.5	1,185.3

Year ended 31 March 2021	Services transferred at a point in time £m	Services transferred over time £m	Total £m
On-premises rental	236.1	100.2	336.3
SaaS	–	23.4	23.4
Total subscription revenue	236.1	123.6	359.7
Maintenance	–	197.7	197.7
Perpetual licences	141.6	–	141.6
Services	–	121.4	121.4
	377.7	442.7	820.4

Contract balances are as follows:

	2022 £m	2021 £m	2020 £m
Trade receivables (non-current)	0.2	0.7	2.0
Trade receivables (current)	287.3	245.3	181.2
Contract assets	302.1	215.6	142.4
Contract liabilities	328.2	239.7	177.0

Contract assets have increased year-on-year predominantly due to an increase in the number and value of multi-year subscription licenses (rentals). The structure of these contracts results in the cumulative revenue recognised in the initial years being higher than the invoiced total. Contract assets are stated net of a provision of £2.0 million (2021: £7.7 million). The provision has decreased year-on-year due to the reversal of an historical forward-looking provision made due to the uncertainty caused by the onset of the Covid-19 pandemic. As there is limited evidence that Covid-19 has harmed cash collection, management believes this is no longer required. This has been offset by a provision of £1.4 million relating to contract assets with counterparties based in Russia. See note 6 for further information.

Trade receivables increased year-on-year as a result of revenue growth in the last quarter of the year. Contract liabilities have increased primarily due to the impact of the reduction in prior year contract liabilities caused by the revenue haircut taken on acquisition of OSIsoft, LLC.

Revenue for the year ended 31 March 2022 includes £215.8 million (2021: £159.3 million) which was included in contract liabilities at the beginning of the year. Revenue of £3.1 million (2021: £3.1 million) recognised in the year ended 31 March 2022 related to performance obligations satisfied in previous years.

The transaction price allocated to the remaining performance obligations (unsatisfied or partially unsatisfied) as at 31 March is as follows:

	2022 £m	2021 £m
Within one year	487.8	425.8
More than one year	293.6	232.1

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 Technology, Finance and Legal. Balance sheet information is not included in the information provided to the ELT.

	Year ended 31 March 2022				
	Americas £m	Asia Pacific £m	EMEA £m	Corporate £m	Total £m
Revenue					
On-premises rental	134.2	81.5	180.7	–	396.4
SaaS	9.3	4.9	13.6	–	27.8
Total subscription revenue	143.5	86.4	194.3	–	424.2
Maintenance	170.7	58.8	115.7	–	345.2
Perpetual licences	105.6	84.6	102.9	–	293.1
Services	47.2	30.3	45.3	–	122.8
Regional revenue total	467.0	260.1	458.2	–	1,185.3
Adjusted cost of sales[1]	(53.6)	(22.1)	(39.9)	(116.7)	(232.3)
Adjusted selling and distribution expenses[1]	(98.2)	(51.0)	(97.3)	(34.2)	(280.7)
Adjusted administrative expenses[1]	–	–	–	(179.9)	(179.9)
Net impairment loss on financial assets	–	2.0	(1.4)	–	0.6
Regional contribution	315.2	189.0	319.6	(330.8)	493.0
Adjusted Research & Development costs[1]					(178.2)
Adjusted EBIT					314.8
Exceptional items, normalised items[1] and net interest					(333.4)
Loss before tax					(18.6)

1. Adjusted cost of sales, adjusted selling and distribution expenses, adjusted administrative expenses and adjusted Research & Development costs exclude the impact of exceptional and normalised items. Normalised items include amortisation of intangible assets and share-based payments.

	Year ended 31 March 2021				
	Americas £m	Asia Pacific £m	EMEA £m	Corporate £m	Total £m
Revenue					
On-premises rental	84.5	90.1	161.7	–	336.3
SaaS	10.1	5.4	7.9	–	23.4
Total subscription revenue	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
Regional revenue total	265.4	221.3	333.7	–	820.4
Adjusted cost of sales[1]	(50.0)	(19.8)	(39.9)	(70.8)	(180.5)
Adjusted selling and distribution expenses[1]	(64.4)	(40.7)	(68.0)	(21.2)	(194.3)
Adjusted administrative expenses[1]	–	–	–	(97.8)	(97.8)
Net impairment loss on financial assets	(1.0)	(1.8)	(0.9)	–	(3.7)
Regional contribution	150.0	159.0	224.9	(189.8)	344.1
Adjusted Research & Development costs[1]					(116.4)
Adjusted EBIT					227.7
Exceptional items, normalised items[1] and net interest					(193.5)
Profit before tax					34.2

1. Adjusted cost of sales, adjusted selling and distribution expenses, adjusted administrative expenses and adjusted Research & Development costs exclude the impact of exceptional and normalised items. Normalised items include amortisation of intangible assets, and share-based payments.

Other segmental disclosures

The Company's country of domicile is the UK. Revenue attributed to the UK amounted to £31.7 million (2021: £39.9 million). Revenue attributed to all foreign countries amounted to £1,153.6 million (2021: £780.5 million). The USA accounted for 28% of the Group's revenue (2021: 25%). No other country is considered to be material to the Group (2021: 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 (2021: none).

Non-current assets (excluding deferred tax assets and retirement benefits) held in the UK amounted to £1,601.8 million (2021: £1,673.7 million). Non-current assets (excluding deferred tax assets and retirement benefits) held in all foreign countries amounted to £4,012.4 million (2021: £228.8 million). There are material non-current assets (excluding deferred tax assets and retirement benefits) located in the USA amounting to £3,951.9 million (2021: £129.3 million). There are no material non-current assets located in any other individual country outside of the UK (2021: none).

5. (Loss)/profit from operations

(Loss)/profit from operations is stated after charging:

	2022 £m	2021 £m
Depreciation of right-of-use assets	**22.9**	19.5
Depreciation of owned property, plant and equipment	**13.7**	8.7
Amortisation of intangible assets:		
• included in Research & Development costs	**164.6**	67.8
• included in selling and distribution expenses	**61.3**	27.9
• included in administrative expenses	**0.2**	0.6
Loss on disposal of property, plant and equipment	**0.4**	1.0
Net foreign exchange losses	**0.2**	1.6

During the year the Group (including its subsidiaries) obtained the following services from the Group's auditor at costs as detailed below:

	2022 £m	2021 £m
Fees payable to the Group auditor for:		
• the audit of the Parent Company and Consolidated Financial Statements	**1.5**	1.9
• the audit of the Group's subsidiaries pursuant to legislation	**0.9**	0.9
Fees payable to the Group auditor and its associates for other services:		
• audit-related assurance services (including procedures over November 2020 rights issue prospectus in the year ended 31 March 2021)	**0.1**	0.4
	2.5	3.2

Notes to the Consolidated Financial Statements continued

6. Exceptional items

	2022 £m	2021 £m
Acquisition of OSIsoft	0.8	44.4
Integration of OSIsoft and associated activities	28.0	6.1
Integration of SES and associated activities	13.5	27.6
Disposal of Acquis Software, Termis Software and Water Loss Management Software business (note 13(b))	2.8	–
Retirement of steel fabrication business	15.4	–
Impairment of balances with Russia-based counterparties	7.3	–
Gain on disposal of pension scheme	–	(0.3)
	67.8	77.8

The total net cash outflow during the year as a result of exceptional items was £59.8 million (2021: £63.2 million).

a. Acquisition of OSIsoft

Adviser fees incurred due to the acquisition of OSIsoft, which completed on 19 March 2021. No further cost relating to this acquisition are anticipated. This has resulted in a cash outflow of £19.2 million (2021: £26.0 million).

b. Integration of OSIsoft and associated activities

Costs incurred in the integration of OSIsoft, primarily consisting of consultancy fees advisers and additional temporary resources paid relating to the merging of IT systems and real estate, and rebranding. Costs are anticipated to continue until at least the end of the year ended 31 March 2023. This has resulted in a cash outflow of £29.5 million (2021: £3.5 million).

c. Integration of SES and associated activities

In the year ended 31 March 2022, costs primarily related to the continued build and implementation of a global ERP system and legal entity rationalisation. These costs are expected to continue until 2024. Costs in the years ended 31 March 2022 and 31 March 2021 included work undertaken to exit the Transitional Service Agreements (TSAs) provided by Schneider Electric which ended in August 2021. In the year ended 31 March 2021, £5.2 million was reimbursement by Schneider Electric for capital expenditure incurred as part of the Group's migration activities covered by TSAs. The associated cash outflow was £12.6 million (2021: £33.7 million).

d. Retirement of steel fabrication business

A £14.9 million impairment of intangible assets associated with the Group's steel fabrication business (£10.9 million and £4.0 million of developed technology and customer relationships respectively) was recognised following the announcement in July 2021 of these products' retirement. A discounted cash flow model was used to determine the value in use over the assets' remaining life. Restructuring costs of £0.5 million have also been incurred. This has resulted in a cash outflow of £0.1 million (2021: £nil).

e. Impairment of balances with Russia-based counterparties

As a result of the invasion of Ukraine by Russia, and the enforcement of subsequent international sanctions, the Group fully provided against £4.9 million of trade receivables, £1.0 million of amounts owed by related parties, and £1.4 million of contract assets held with entities within Russia at 31 March 2022. This has resulted in a cash outflow of £nil (2021: £nil).

f. Income statement impact

Exceptional items were included in the Consolidated Income Statement as follows:

	2022 £m	2021 £m
Cost of sales	0.2	0.8
Research & Development costs	0.5	0.3
Selling and distribution expenses	3.4	3.9
Administrative expenses	38.8	78.3
Net impairment loss on financial assets	7.3	–
Other expense/(income)	17.6	(5.5)
	67.8	77.8

7. Finance revenue

	2022 £m	2021 £m
Net return on pension assets	–	0.1
Bank interest receivable and other interest earned	1.9	0.5
	1.9	0.6

8. Finance expense

	2022 £m	2021 £m
Bank interest payable and similar charges	0.5	0.3
Interest on term loan	8.6	0.2
Commitment fee for term loan	0.3	–
Arrangement and commitment fees for credit facilities	1.7	–
Interest on lease liabilities	2.9	2.5
	14.0	3.0

9. Staff costs

Staff costs relating to employees (including Executive Directors) are shown below:

	2022 £m	2021 £m
Wages and salaries	524.3	358.4
Social security costs	47.6	29.8
Pension costs	28.4	22.1
Share-based payments	27.4	16.3
	627.7	426.6

The average number of persons (including Executive Directors) employed by the Group was as follows:

	2022 Number	2021 Number
Project delivery and customer support	2,085	1,695
Research, development and product support	1,729	1,429
Sales and marketing	1,504	1,107
Administration	1,001	649
	6,319	4,880

Directors' remuneration

The Directors of AVEVA Group plc received remuneration as follows:

	2022 £m	2021 £m
Directors' remuneration	3.9	7.1
Aggregate gains on the exercise of share options	1.9	17.4
	5.8	24.5

	2022 Number	2021 Number
Directors accruing benefits under defined contributions	2	2

As disclosed on page 91 of the Group's 2021 Annual Report, Peter Herweck has not participated in the Group's LTIP, nor received a pension or cash in lieu of pension contributions from the Group. He has retained his Schneider Electric LTIP share options and continued to participate in his Schneider Electric pension arrangement, with the cost being met by Schneider Electric. See the Directors' Remuneration Report on pages 102 to 126 for further details.

Notes to the Consolidated Financial Statements continued

10. Income tax expense

a. Tax on loss

The major components of income tax expense are as follows:

	2022 £m	2021 £m
Tax charged in Consolidated Income Statement		
Current tax		
• UK corporation tax	–	–
• Foreign tax	65.1	41.9
• Adjustments in respect of prior periods	(0.4)	(1.9)
	64.7	40.0
Deferred tax		
• Origination and reversal of temporary differences (note 24)	(18.3)	(29.3)
• Adjustments in respect of prior periods	(2.4)	(1.3)
	(20.7)	(30.6)
Total income tax expense reported in Consolidated Income Statement	44.0	9.4

	2022 £m	2021 £m
Tax relating to items charged/(credited) directly to Consolidated Statement of Comprehensive Income		
Deferred tax on actuarial remeasurements on retirement benefits	2.2	(0.5)
Deferred tax on losses and other timing differences	(2.9)	–
Tax credit reported in Consolidated Statement of Comprehensive Income	(0.7)	(0.5)

b. Reconciliation of the total tax charge

The differences between the total tax expense shown above and the amount calculated by applying the standard rate of US (2021: US) corporation tax to the profit before tax are as follows:

	2022 £m	2021 £m
Tax on Group profit before tax at standard US (2021: US) corporation tax rate of 24% (2021: 24%)[1]	**(4.5)**	8.2
Effects of:		
• expenses not deductible for tax purposes	**9.2**	1.8
• US alternative minimum tax	**19.8**	7.0
• non-deductible acquisition costs	**–**	3.0
• Research & Development incentives	**(10.2)**	(5.3)
• UK rate change impact on deferred tax	**13.5**	–
• irrecoverable withholding tax	**13.9**	–
• movement on unprovided deferred tax balances	**1.0**	(1.9)
• differing tax rates	**4.1**	(0.2)
• adjustments in respect of prior years	**(2.8)**	(3.2)
Income tax expense reported in Consolidated Income Statement	**44.0**	9.4

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 (236.6)% (2021: 27.5%). The Group's effective tax rate before exceptional and other normalised adjustments was 12.4% (2021: 21.2%).

Notes to the Consolidated Financial Statements continued

11. Dividends paid and proposed on equity shares

The following dividends were declared, paid and proposed in relation to the legal entity AVEVA Group plc:

	2022 £m	2021 £m
Declared and paid during the year		
Interim 2021/22 dividend paid of 13.0 pence (2020/21: 12.4 pence) per ordinary share	39.2	35.6
Final 2020/21 dividend paid of 23.5 pence (2019/20: 23.3 pence) per ordinary share	70.8	46.8
	110.0	82.4
Proposed for approval by shareholders at the Annual General Meeting		
Final proposed dividend 2021/22 of 24.5 pence (2020/21: 23.5 pence) per ordinary share	73.9	70.8

The proposed final dividend is subject to approval by shareholders at the Annual General Meeting on 15 July 2022 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 5 August 2022 to shareholders on the register at the close of business on 8 July 2022.

12. (Loss)/earnings per share

	2022 Pence	2021 Pence
(Loss)/earnings per share for the year:		
• Basic	(20.78)	11.35
• Diluted	(20.78)	11.27
Adjusted earnings per share for the year:		
• Basic	100.37	81.86
• Diluted	99.58	81.31

	2022 Millions	2021 Millions
(Loss)/earnings per share		
Weighted average number of ordinary shares for basic earnings per share	301.3	218.5
Effect of dilution: employee share options[1]	–	1.5
Weighted average number of ordinary shares adjusted for the effect of dilution	301.3	220.0
Adjusted earnings per share		
Weighted average number of ordinary shares for basic earnings per share	301.3	218.5
Effect of dilution: employee share options	2.4	1.5
Weighted average number of ordinary shares adjusted for the effect of dilution	303.7	220.0

1. The effect of share options are anti-dilutive in the year ended 31 March 2022 due to the Group recognising a net loss for the period. They are therefore excluded from the diluted earnings per share calculation.

The calculations of basic and diluted earnings per share (EPS) are based on the net loss attributable to equity holders of the parent for the year of £62.6 million (2021: profit £24.8 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 26.

Details of the calculation of adjusted EPS are set out below:

	2022 £m	2021 £m
(Loss)/profit after tax for the year	**(62.6)**	24.8
Amortisation of intangible assets	**226.1**	95.7
Share-based payments	**27.4**	16.3
Exceptional items	**67.8**	77.8
Effect of acquisition accounting adjustments[1]	**50.3**	3.3
Tax effect on exceptional items	**(9.5)**	(15.1)
Tax effect on normalised adjustments (excluding net finance expense)	**16.0**	(23.0)
Tax effect on acquisition accounting adjustments[1]	**(13.1)**	(0.9)
Adjusted profit after tax	**302.4**	178.9

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.

13. Business combinations

a. 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 £3,825.2 million (US$5,095.1 million) was paid.

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 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. This was released in the year ended 31 March 2022 upon finalisation of the completion accounts.

At the end of the previous reporting period, the acquisition accounting had been provisionally determined. This has been finalised in the current year, as part of the measurement period permitted under IFRS 3. Changes to the provisionally reported fair values as set out in note 14 of the 2021 Annual Report are due to finalisation and review of the acquired balance sheet. The overall movement is not deemed material.

The fair values of identifiable assets acquired and liabilities assumed at the acquisition date are:

	Carrying value at acquisition £m	Fair value adjustment £m	Fair value £m
Non-current assets			
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	(3.0)	19.0
Trade and other receivables	2.9	–	2.9
Customer acquisition costs	10.3	(10.3)	–
Investments	0.4	–	0.4
Total non-current assets	93.2	1,218.3	1,311.5
Current assets			
Trade and other receivables	75.6	(5.5)	70.1
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
Total current assets	233.0	(9.5)	223.5
Current liabilities			
Trade and other payables	(115.1)	(5.0)	(120.1)
Contract liabilities	(136.2)	60.5	(75.7)
Lease liabilities	(6.8)	–	(6.8)
Current tax liabilities	(29.9)	(0.5)	(30.4)
Total current liabilities	(288.0)	55.0	(233.0)
Non-current liabilities			
Lease liabilities	(37.9)	–	(37.9)
Retirement benefit obligations	(0.9)	(0.4)	(1.3)
Total non-current liabilities	(38.8)	(0.4)	(39.2)
Net identifiable assets and liabilities	**(0.6)**	**1,263.4**	**1,262.8**
Goodwill			2,562.4
Total consideration			**3,825.2**

Goodwill of £1,358.0 million is expected to be deductible for tax purposes.

The main factors leading to the recognition of goodwill are the value of the assembled OSIsoft, LLC workforce and the future synergy benefits expected to arise from integrating the two combined businesses.

Costs incurred in the year ended 31 March 2021 that were directly attributable to raising debt (£2.9 million) and equity (£28.6 million) were offset against the corresponding financial liability and share premium respectively. All remaining transaction costs were expensed and included within administrative expenses. Additional details are included within note 6.

From acquisition date to 31 March 2021, OSIsoft, LLC contributed revenue and profit after tax of £20.7 million and £10.8 million respectively in the Consolidated Income Statement, 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%) in the 12 months to 31 March 2021, before a revenue haircut of approximately £53.0 million.

b. Disposal of Acquis Software, Termis Software and Water Loss Management Software business

On 11 May 2021 the Group entered into an agreement to sell the business and assets of Acquis Software, Termis Software and Water Loss Management Software to Schneider Electric for an aggregate consideration of £1.6 million. This transaction was made at arm's length, with the consideration set based upon independent advice and resulted in a net cash inflow of £1.6 million.

This completed on 30 June 2021. A loss on disposal of £2.8 million was recognised, calculated as follows:

	Total £m
Cash consideration	1.6
Gross consideration	**1.6**
Net assets disposed	(4.4)
Loss on disposal	**(2.8)**

Net assets disposed comprised:

	Total £m
Non-current assets	
Goodwill	5.2
Other intangible assets	0.1
Total non-current assets	**5.3**
Current liabilities	
Contract liabilities	(0.9)
Total current liabilities	**(0.9)**
Net assets	**4.4**

The net loss on disposal is included within other (expense)/income. Disposed goodwill of £5.2 million has been allocated to the following CGUs, based on the value of cash flows for the disposed business relative to the cash flows for the CGU overall:

- Americas: £nil
- Asia Pacific: £1.9 million
- EMEA: £3.3 million

14. Goodwill

	2022 £m	2021 £m
At 1 April	**3,904.1**	1,295.7
Acquisition of business[1]	**–**	2,578.0
Measurement period adjustments	**(15.6)**	–
Disposals[2]	**(5.2)**	–
Exchange adjustment	**121.3**	30.4
At 31 March	**4,004.6**	3,904.1

1. Goodwill arising on business combinations in the year ended 31 March 2021 was unallocated as at 31 March 2021.
2. Disposals in the year ended 31 March 2022 were allocated to CGUs as per note 13(b).

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)	
	2022 £m	2021 £m	2022 £m	2021 £m
Americas	**1,589.0**	386.9	**25.3**	25.3
Asia Pacific	**1,018.0**	282.6	**16.0**	16.0
EMEA	**1,397.6**	622.4	**34.7**	34.7
Unallocated	**–**	2,612.2	**–**	–
	4,004.6	3,904.1	**76.0**	76.0

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 2022, the goodwill impairment testing was carried out on a VIU basis using the most recently approved management budgets for the year ended 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 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.

The Group has considered the impact of its identified climate risks, as laid out on pages 68 to 69. It is believed that these risks are not material to the financial statements at 31 March 2022.

The key assumptions used in the VIU model were as follows:

	Discount rate			Long-term growth rate			Average operating margin		
	2022	2021	Break-even[1]	2022	2021	Break-even[1]	2022	2021	Break-even[1]
Americas	**10.2%**	12.0%	15.0%	**1.5%**	1.8%	(6.1)%	**32.3%**	29.7%	21.6%
Asia Pacific	**10.1%**	12.0%	16.9%	**1.8%**	2.0%	(9.7)%	**35.2%**	29.1%	19.8%
EMEA	**8.9%**	9.9%	13.0%	**1.1%**	1.8%	(5.1)%	**27.8%**	27.5%	19.5%

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

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 25bps, to reflect potential future increases in government bond yields and associated risk-free rates;
- decreasing long-term growth rates by 25bps, to a minimum of 1%, to reflect a worse than predicted long-term global economic outlook;
- restricting year-on-year revenue growth to a maximum of 5%, to reflect the risk that future operational growth is not achieved; and
- restricting year-on-year operating margin to a maximum of 30%, 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 sensitised scenario is below:

	2022		2021	
	Base case[1]	Sensitised[2]	Base case[1]	Sensitised[2]
Americas	**60%**	**5%**	95%	37%
Asia Pacific	**93%**	**7%**	116%	38%
EMEA	**62%**	**3%**	74%	25%

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.

Notes to the Consolidated Financial Statements continued

15. Other 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
Cost								
At 1 April 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
Disposals	**–**	**–**	**–**	**–**	**(0.1)**	**–**	**–**	**(0.1)**
Exchange adjustment	**46.5**	**15.0**	**6.0**	**1.3**	**0.3**	**0.4**	**1.2**	**70.7**
At 31 March 2022	**1,381.9**	**502.3**	**212.6**	**28.1**	**6.5**	**16.3**	**39.5**	**2,187.2**
Amortisation and impairment								
At 1 April 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
Charge for the year	**163.6**	**45.4**	**13.2**	**2.7**	**0.2**	**–**	**1.0**	**226.1**
Impairment[1]	**10.9**	**4.0**	**–**	**–**	**–**	**–**	**–**	**14.9**
Exchange adjustment	**11.0**	**4.6**	**0.4**	**1.2**	**0.5**	**0.5**	**1.2**	**19.4**
At 31 March 2022	**440.7**	**171.1**	**14.1**	**28.1**	**6.2**	**15.0**	**39.5**	**714.7**
Net book value								
At 1 April 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
At 31 March 2022	**941.2**	**331.2**	**198.5**	**–**	**0.3**	**1.3**	**–**	**1,472.5**

1. Impairment of intangible assets relating to the Group's steel fabrication business. See note 6 for additional information.

The following intangible assets are individually material at 31 March 2022:

	Net book value 2022 £m	Net book value 2021 £m	Estimated end of life
Developed technology recognised on the reverse acquisition of AVEVA Group plc	**141.5**	189.8	February 2026
Developed technology recognised on the acquisition of OSIsoft, LLC	**789.5**	863.0	March 2029
Customer relationships recognised on the reverse acquisition of AVEVA Group plc	**96.1**	112.5	February 2030
Customer relationships recognised on the acquisition of OSIsoft, LLC	**234.8**	249.5	March 2031
AVEVA brand	**76.0**	76.0	Indefinite
PI brand	**122.5**	130.1	March 2031

16. Property, plant and equipment

	Long leasehold buildings and improvements £m	Computer equipment £m	Fixtures, fittings and office equipment £m	Total £m
Cost				
At 1 April 2020	15.3	26.2	12.6	54.1
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)	(2.4)	(9.7)
Exchange adjustment	(1.1)	(1.6)	(0.7)	(3.4)
At 31 March 2021	25.8	28.5	18.8	73.1
Additions	**0.9**	**7.2**	**0.5**	**8.6**
Disposals	**(0.2)**	**(1.9)**	**(0.6)**	**(2.7)**
Exchange adjustment	**0.9**	**1.0**	**0.6**	**2.5**
At 31 March 2022	**27.4**	**34.8**	**19.3**	**81.5**
Depreciation				
At 1 April 2020	5.3	15.9	5.3	26.5
Charge for the year	2.3	5.0	1.4	8.7
Disposals	(1.5)	(5.0)	(2.2)	(8.7)
Exchange adjustment	(0.4)	(1.1)	(0.4)	(1.9)
At 31 March 2021	5.7	14.8	4.1	24.6
Charge for the year	**4.3**	**6.6**	**2.8**	**13.7**
Disposals	**(0.1)**	**(1.8)**	**(0.4)**	**(2.3)**
Exchange adjustment	**0.2**	**0.4**	**0.2**	**0.8**
At 31 March 2022	**10.1**	**20.0**	**6.7**	**36.8**
Net book value				
At 1 April 2020	10.0	10.3	7.3	27.6
At 31 March 2021	20.1	13.7	14.7	48.5
At 31 March 2022	**17.3**	**14.8**	**12.6**	**44.7**

Notes to the Consolidated Financial Statements continued

17. 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 2022, the Group held the following principal investments. The addresses of all subsidiaries, principal or dormant, are provided on pages 200 to 201.

	Country of incorporation or registration		Country of incorporation or registration
AVEVA Financing Limited	UK	AVEVA K.K.	Japan
AVEVA Software GB Limited	UK	AVEVA Software K.K.	Japan
AVEVA Solutions Limited	UK	OSIsoft Japan, K.K.	Japan
OSIsoft (UK) Limited	UK	AVEVA Asia Pacific Sdn. Bhd.	Malaysia
AVEVA Software Argentina S.A.	Argentina	AVEVA Sdn. Bhd.	Malaysia
OSIsoft Argentina SRL	Argentina	AVEVA Software México SA de CV	Mexico
AVEVA Pty Ltd.	Australia	OSIsoft Mexico S. de R.L. de C.V	Mexico
AVEVA Software Australia Pty Ltd	Australia	AVEVA Software Holdings Netherlands BV	Netherlands
OSIsoft Australia Pty Ltd.	Australia	AVEVA 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., Ltd.	Republic of Korea
OSIsoft Canada ULC	Canada	AVEVA Limited Liability Company	Russia
AVEVA Software Chile SpA	Chile	OSIsoft OOO (LLC)	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) Ltd	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 España, S.L Sociedad Unipersonal	Spain
AVEVA Denmark A/S	Denmark	AVEVA AB	Sweden
AVEVA SAS	France	OSIsoft Sweden AB	Sweden
OSIsoft France Sarl	France	AVEVA Software (Thailand) Co. Ltd	Thailand
AVEVA GmbH	Germany	OSIsoft Technologies Bilişim Hizmetleri Limited Şirketi	Turkey
OSIsoft Europe GmbH	Germany	AVEVA Software Middle East FZ-LLC	United Arab Emirates
AVEVA East Asia Limited	Hong Kong	AVEVA Inc.	USA
AVEVA Information Technology India Private Limited	India	AVEVA Software, LLC	USA
AVEVA Software Private Limited	India	AVEVA US 1 Corp	USA
AVEVA Solutions India LLP	India	AVEVA US 2 Corp	USA
OSIsoft India Private Limited	India	AVEVA US Blocker Corp	USA
AVEVA Software Italia S.p.A	Italy	OSIsoft, LLC	USA
OSIsoft Italy S.R.L.	Italy		

As at 31 March 2022, AVEVA Group plc held a 4% (2021: 6%) investment in Finca Global of £0.4 million (2021: £0.4 million) and a 19% (2021: 20%) investment in Dianomic Systems, Inc of £nil (2021: £nil).

18. Trade and other receivables

	2022 £m	2021 £m
Current		
Trade receivables	**287.3**	245.3
Amounts owed from related parties (note 28)	**37.6**	21.6
Prepayments and other receivables	**56.3**	51.1
	381.2	318.0
Non-current		
Trade and other receivables	**8.4**	19.4
	8.4	19.4

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 2022, the provision for impairment of receivables was £16.4 million (2021: £7.9 million) and an analysis of the movements during the year was as follows:

	£m
At 1 April 2020	7.6
Charge for the year	1.4
Utilised	(0.4)
Exchange adjustment	(0.7)
At 31 March 2021	7.9
Charge for the year	**11.3**
Utilised	**(3.3)**
Exchange adjustment	**0.5**
At 31 March 2022	**16.4**

At 31 March, the ageing analysis of trade receivables and amounts owed from related parties (net of provision for impairment) was as follows:

			Past due not impaired			
	Total £m	Neither past due nor impaired £m	Less than four months £m	Four to eight months £m	Eight to twelve months £m	More than twelve months £m
At 31 March 2022						
Trade receivables	**287.3**	**211.1**	**66.1**	**8.0**	**2.1**	**–**
Amounts owed from related parties	**37.6**	**18.8**	**9.5**	**6.5**	**2.8**	**–**
	324.9	**229.9**	**75.6**	**14.5**	**4.9**	**–**
At 31 March 2021						
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
	266.9	181.5	70.7	7.1	4.7	2.9

Further disclosures relating to the credit quality of trade receivables are included in note 23(b).

Notes to the Consolidated Financial Statements continued

19. Cash and cash equivalents

	2022 £m	2021 £m
Cash at bank and in hand	**105.7**	279.7
Short-term deposits	**173.6**	6.9
Net cash and cash equivalents per cash flow	**279.3**	286.6
Restricted cash	**–**	7.3
	279.3	293.9

£11.6 million of cash at bank and in hand was held in Russia at 31 March 2022. Due to the introduction of international sanctions upon Russian entities, cash is likely to remain deployed within Russian operations whilst sanctions remain in force.

Restricted cash represented funds held in escrow in relation to the acquisition of OSIsoft, LLC. This was released during the year ended 31 March 2022 as a result of the finalisation of the completion accounts process.

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 are included in note 23(b).

20. Trade and other payables

	2022 £m	2021 £m
Current		
Trade payables	**30.0**	39.6
Amounts owed to related parties (note 28)	**6.2**	1.5
Social security, employee taxes and sales taxes	**21.1**	28.5
Accruals	**148.7**	176.8
Other liabilities	**18.0**	24.9
	224.0	271.3
Non-current		
Other liabilities	**10.7**	18.2
	10.7	18.2

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 reduced year-on-year following the payment of transaction related costs associated with the acquisition of OSIsoft, LLC.

21. Loans and borrowings

The Group has access to a £250.0 million Revolving Credit Facility (RCF). The facility is unsecured but carries the support of various operating entities within the Group. Interest on drawings is calculated at a floating market rate of interest, being either Euribor, SONIA or USD LIBOR plus a variable margin linked to the Group's net leverage ratio. A commitment fee, linked to the margin, is also payable on undrawn amounts. The RCF term was extended during the year and has a maturity of 25 February 2025 (2021: 25 February 2024). The facility includes the mechanism to request an additional one-year extension, subject to the lender's acceptance. As at 31 March 2022 the RCF was undrawn (2021: £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 linked 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 2022 was £684.5 million (2021: £654.0 million), inclusive of £0.6 million (2021: £0.8 million) of capitalised fees.

22. Leases

a. Background

As at 31 March 2022, the Group was entered into lease contracts as a lessee for various properties, vehicles, and items of office equipment for use in its operations.

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 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[1]	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
Additions	**1.7**	**0.1**	**0.5**	**2.3**
Remeasurement[1]	**1.5**	**–**	**–**	**1.5**
Depreciation expense	**(21.2)**	**(0.3)**	**(1.4)**	**(22.9)**
Exchange adjustment	**2.2**	**0.2**	**(0.1)**	**2.3**
At 31 March 2022	**93.0**	**1.0**	**1.1**	**95.1**

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 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[1]	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
Additions	**1.7**	**0.1**	**0.5**	**2.3**
Remeasurement[1]	**1.5**	**–**	**–**	**1.5**
Accretion of interest	**2.7**	**–**	**–**	**2.7**
Payments	**(24.3)**	**(0.3)**	**(1.4)**	**(26.0)**
Exchange adjustment	**2.9**	**0.2**	**–**	**3.1**
At 31 March 2022	**93.2**	**1.0**	**1.2**	**95.4**
At 31 March 2021				
Current	21.3	0.2	1.4	22.9
Non-current	87.4	0.8	0.7	88.9
At 31 March 2022				
Current	**21.0**	**0.3**	**0.8**	**22.1**
Non-current	**72.2**	**0.7**	**0.4**	**73.3**

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.

The potential impact of lease covenants is considered to be immaterial.

A maturity analysis of lease liabilities is included within note 23(c).

Notes to the Consolidated Financial Statements continued

22. Leases continued

d. Income statement impact

The following items have been recognised in the Consolidated Income Statement:

	2022 £m	2021 £m
Depreciation expense on right-of-use assets	22.9	19.5
Interest on lease liabilities	2.7	2.5
Expense relating to short-term leases	2.7	2.7
Expense relating to leases of low-value assets	0.2	0.1
Total amount recognised in Consolidated Income Statement	28.5	24.8

The Group had total cash outflows for leases of £28.9 million (2021: £24.1 million).

23. Financial risk management

The Group's principal financial instruments comprise cash and short-term deposits and a term loan. 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 market interest rates such as Euribor, SONIA or USD 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% increase in the sterling and US dollar interest rates would have increased net finance expense by £5.7 million (2021: no impact). A 1% decrease would have decreased net finance expense by £1.0 million (2021: 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 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 2022, the Group had outstanding currency exchange contracts to buy SGD$3.6 million (2021: none) and sell €5.2 million (2021: €6.8 million). No outstanding currency exchange contracts were held in US dollars (2021: to sell US$2.1 million).

In the year ended 31 March 2021, 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 on 19 March 2021. 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 2021.

31 March 2022	Increase/(decrease) in average rate	Profit/(loss) £m	Equity £m
US dollar	10%	(5.1)	(5.1)
	(10%)	5.1	5.1
Euro	10%	(1.5)	(1.5)
	(10%)	1.5	1.5

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

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 is set out below:

			Past due			
At 31 March 2022	Total £m	Current £m	Less than four months £m	Four to eight months £m	Eight to twelve months £m	More than twelve months £m
Trade receivables						
Expected loss rate %		1%	6%	16%	21%	100%
Gross carrying amount	303.7	213.0	70.5	9.6	2.7	7.9
Loss allowance	(16.4)	(1.9)	(4.4)	(1.6)	(0.6)	(7.9)

Notes to the Consolidated Financial Statements continued

23. Financial risk management continued

			Past due			
At 31 March 2021	Total £m	Current £m	Less than four months £m	Four to eight months £m	Eight to twelve months £m	More than twelve months £m
Trade receivables						
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)

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 2022 the Group has access to undrawn borrowing facilities of £250.0 million (2021: £250.0 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 2022	Lease liabilities £m	Trade and other payables £m	Amounts owed to related parties £m	Term loan £m	Total £m
Current financial liabilities					
Less than three months	6.4	48.0	4.0	–	58.4
Between three months and six months	6.2	–	1.4	–	7.6
Between six months and one year	11.8	–	0.8	–	12.6
	24.4	48.0	6.2	–	78.6
Non-current financial liabilities					
One to two years	21.2	7.2	–	685.1	713.5
Two to five years	45.3	3.5	–	–	48.8
Greater than five years	11.9	–	–	–	11.9
	78.4	10.7	–	685.1	774.2
Total financial liabilities	102.8	58.7	6.2	685.1	852.8
Effect of discounting	(7.4)	–	–	–	(7.4)
Offsetting cost of obtaining financing	–	–	–	(0.6)	(0.6)
Carrying amount	95.4	58.7	6.2	684.5	844.8

At 31 March 2021	Lease liabilities £m	Trade and other payables £m	Amounts owed to related parties £m	Term loan £m	Total £m
Current financial liabilities					
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
Non-current financial liabilities					
One to two years	22.2	11.2	–	–	33.4
Two to five years	48.7	7.0	–	654.8	710.5
Greater than five years	24.9	–	–	–	24.9
	95.8	18.2	–	654.8	768.8
Total financial liabilities	121.2	82.7	1.5	654.8	860.2
Effect of discounting	(9.4)	–	–	–	(9.4)
Offsetting cost of obtaining financing	–	–	–	(0.8)	(0.8)
Carrying amount	111.8	82.7	1.5	654.0	850.0

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 2022	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	€5.2	–	–	–
Inflow	£4.4	–	–	–
Forward foreign exchange contracts (GBP/SGD)		–	–	–
Outflow	£2.0	–	–	–
Inflow	$3.6	–	–	–

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	–	–	–

Notes to the Consolidated Financial Statements continued

23. Financial risk management continued

d. Fair values

The carrying amounts of financial instruments and their classification under IFRS 9 are:

	2022 £m	2021 £m
Non-current financial assets		
• **at amortised cost**		
Trade and other receivables: trade receivables	0.2	0.7
Current financial assets		
• **at amortised cost**		
Trade and other receivables: trade receivables	287.3	245.3
Trade and other receivables: amounts owed from related parties	37.6	21.6
Cash and cash equivalents	279.3	286.6
Restricted cash	–	7.3
• **at fair value through profit or loss**		
Investments	0.4	0.4
Total financial assets	604.8	561.9
Non-current financial liabilities		
• **at amortised cost**		
Loans and borrowings (fair value – 2022: £685.1 million, 2021: £654.8 million)	(684.5)	(654.0)
Lease liabilities	(73.3)	(88.9)
Other liabilities	(10.7)	(18.2)
Current financial liabilities		
• **at amortised cost**		
Trade and other payables: trade payables	(30.0)	(39.6)
Trade and other payables: amounts owed to related parties	(6.2)	(1.5)
Trade and other payables: accruals	(148.7)	(176.8)
Trade and other payables: other payables	(18.0)	(24.9)
Lease liabilities	(22.1)	(22.9)
Total financial liabilities	(993.5)	(1,026.8)
Net financial liabilities	(388.7)	(464.9)

Unless otherwise stated, the carrying amounts of these financial assets and liabilities in the Group's financial statements approximates their fair values.

The Group's financial assets 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).

The Group holds forward foreign exchange contracts which are measured at Level 2 fair value subsequent to initial recognition. The fair value of the asset in respect of foreign exchange contracts at 31 March 2022 is £nil (2021: £0.3 million).

The resulting loss of £0.4 million (2021: gain of £0.7 million) on the movement of the fair value of forward foreign exchange contracts is recognised in the Consolidated Income Statement within 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 21 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, issue new shares, or amend its borrowings.

The Board monitors the capital structure on a regular basis and determines the level of annual dividend. The Group is subject to financial covenants on its term loan and RCF, see note 21 for further details. The Group has complied with these covenants during the year.

24. 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[1] £m	Total £m
At 1 April 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
Charge 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)
Acquisition of business	**–**	**8.4**	**–**	**(2.2)**	**6.6**	**12.8**
(Charge)/credit to income statement	**(0.5)**	**(13.4)**	**1.1**	**8.9**	**24.6**	**20.7**
(Charge)/credit to other comprehensive income	**(2.2)**	**–**	**–**	**2.7**	**0.2**	**0.7**
Charge to equity	**–**	**–**	**(0.4)**	**–**	**–**	**(0.4)**
Exchange adjustment	**(0.1)**	**0.3**	**–**	**0.5**	**2.1**	**2.8**
At 31 March 2022	**(3.8)**	**(86.5)**	**5.5**	**22.0**	**38.8**	**(24.0)**

1. Other temporary differences consist principally of deferred tax on fixed assets, expenses deductible in the 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:

	2022 £m	2021 £m
Deferred tax liabilities	**(71.2)**	(82.0)
Deferred tax assets	**47.2**	21.4
	(24.0)	(60.6)

At the balance sheet date, the Group has unused tax losses of £99.9 million (2021: £54.9 million) available for offset against future profits. Losses of £1.9 million (2021: £2.4 million) expire after 10 years and £0.4 million losses (2021: £nil) expire after 9 years. All other losses may be carried forward indefinitely. No deferred tax asset has been recognised for tax losses of £13.9 million (2021: £20.1 million).

It is likely that the majority of the overseas earnings would qualify for the UK dividend exemption. However, £73.4 million (2021: £54.5 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. No deferred tax liability (2021: £0.3 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.

The directors have recognised a deferred tax asset of £9.9m relating to unused tax losses that are considered to be able to be offset against taxable profits expected to arise in future accounting periods. Management have based their assessment on the latest forecasts approved by the board which reflects the transition to a subscription-based business model and achieving the Group's 2026 financial targets.

Deferred tax adjustments of £12.8m have been made in the measurement period relating to the acquisition of OSIsoft LLC (note 13a). These adjustments primarily relate to the finalisation of the future tax deductions for the acquired intangible fixed assets following agreement of the completion accounts.

Notes to the Consolidated Financial Statements continued

25. 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	Other £m	Total £m
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)
Additions	**–**	**–**	**1.2**	**1.2**
Current service cost	**–**	**0.1**	**1.6**	**1.7**
Net interest on pension scheme liabilities	**1.5**	**–**	**0.3**	**1.8**
Return on pension scheme assets	**(1.8)**	**–**	**–**	**(1.8)**
Actuarial remeasurements	**(3.0)**	**(0.4)**	**–**	**(3.4)**
Employer contributions	**(0.2)**	**(0.1)**	**(1.9)**	**(2.2)**
Exchange adjustment	**–**	**–**	**0.2**	**0.2**
At 31 March 2022	**(16.6)**	**2.8**	**10.7**	**(3.1)**

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 was recognised in other (expense)/income.

The Group's retirement benefit balances can be categorised as follows:

	2022 £m	2021 £m
Retirement benefit surplus	**(16.6)**	(13.1)
Retirement benefit obligations	**13.5**	12.5
Net retirement benefit surplus	**(3.1)**	(0.6)

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 triennial actuarial assessment as at 31 March 2022 is ongoing and is expected to be completed for disclosure within the Group's 2023 Annual Report.

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:

	2022 %	2021 %
Main assumptions:		
Discount rate	**2.6**	2.0
Inflation assumption – RPI	**3.8**	3.3
Rate of salary increases	**3.1**	5.3
Rate of increase of pensions in payment	**3.4**	3.1
Rate of increase of pensions in deferment	**3.1**	2.6
Cash commutation	**20% of pension**	20% of pension

The duration of scheme liabilities is estimated to be 15 years (2021: 16 years).

For the years-ended 31 March 2022 and 2021, the mortality assumptions adopted imply the following weighted average life expectancies:

	2022 Years	2021 Years
Male currently aged 65	**22.7**	22.6
Female currently aged 65	**23.8**	23.8
Male currently aged 45	**23.6**	23.6
Female currently aged 45	**25.0**	25.0

25. Retirement benefits continued

Company contributions were £0.2 million (2021: £0.2 million), comprising deficit contributions totalling £nil (2021: £nil) per annum plus an administration charge of £0.2 million (2021: £0.2 million). The total contributions in the year ended 31 March 2023 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)	
	2022 £m	2021 £m
0.25 percentage point increase to:		
• discount rate	(2.7)	(3.1)
• inflation (including pension increases linked to inflation)	1.6	1.9
Additional one-year increase to life expectancy	3.1	3.4

The assets and liabilities of the scheme at 31 March 2022 and 2021 were as follows:

	2022 £m	2021 £m
Equities	14.6	17.7
Bonds	6.7	13.2
Other	70.1	60.5
Total fair value of assets	91.4	91.4
Present value of scheme liabilities	(74.8)	(78.3)
Net pension asset	16.6	13.1

The amounts recognised in the Consolidated Income Statement and Consolidated Statement of Comprehensive Income for the year are analysed as follows:

	2022 £m	2021 £m
Administrative expenses		
Past service cost	–	0.1
Finance revenue		
Interest income on pension scheme assets	(1.8)	(1.9)
Finance costs		
Interest on pension scheme liabilities	1.5	1.6
Taken to Consolidated Statement of Comprehensive Income		
Actual return on pension scheme assets	2.2	3.4
Less: interest income on pension scheme assets	(1.8)	(1.9)
	0.1	1.5
Changes in assumptions and experience adjustments on liabilities	2.6	(3.7)
Remeasurement gain on defined benefit plan	2.7	(2.2)

Analysis of movements in the present value of the defined benefit pension obligations during the year are analysed as follows:

	2022 £m	2021 £m
At 1 April	78.3	75.1
Interest on pension scheme liabilities	1.5	1.6
Benefits paid	(2.4)	(2.2)
Actuarial loss due to experience	1.6	(1.8)
Actuarial loss due to changes in the economic assumptions	(4.1)	5.5
Actuarial gain due to changes in the demographic assumptions	(0.1)	–
Past service cost	–	0.1
At 31 March	74.8	78.3

The above defined benefit obligation arises from a plan that is wholly funded.

Changes in the fair value of plan assets are as follows:

	2022 £m	2021 £m
At 1 April	**91.4**	90.0
Interest income	**1.8**	1.9
Contributions by employer	**0.2**	0.2
Benefits paid	**(2.4)**	(2.2)
Actual return less interest in income	**0.4**	1.5
At 31 March	**91.4**	91.4

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:

	2022	2021
Rate of increase of pension in payment	**2.3 to 2.5%**	1.5 to 2.5%
Discount rate	**1.6%**	0.1 to 0.8%

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[1]	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[2]	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 £28.4 million (2021: £20.6 million) represents contributions payable to these schemes by the Group at the rates specified in the rules of the plans.

Notes to the Consolidated Financial Statements continued

26. Share-based payment plans

The Group has four active equity-settled share schemes: the AVEVA Group plc Long-Term Incentive Plan (LTIP) 2021; the AVEVA Group Management Bonus Deferred Share Scheme (Deferred Share Scheme); the AVEVA Group plc Senior Employee Restricted Share Plan 2021 (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 '000s	Restricted Share Plan '000s	Deferred Share Scheme '000s	GESPP '000s	Total '000s
Outstanding at 1 April 2020	1,123.1	405.8	120.7	–	1,649.6
Exercisable at 1 April 2020	250.3	3.9	0.3	–	254.5
Granted	280.3	636.3	23.6	–	940.2
Rights issue adjustment[1]	286.9	137.4	27.1	–	451.4
Forfeited	(15.0)	(12.4)	–	–	(27.4)
Exercised	(533.0)	(84.2)	(35.6)	–	(652.8)
Outstanding at 31 March 2021	1,142.3	1,082.9	135.8	–	2,361.0
Exercisable at 31 March 2021	25.4	70.0	25.7	–	121.1
Granted	**344.8**	**694.4**	**15.6**	**108.2**	**1,163.0**
Forfeited	**(259.6)**	**(148.1)**	**(4.5)**	**(2.2)**	**(414.4)**
Expired	**(3.7)**	**–**	**–**	**–**	**(3.7)**
Exercised	**(190.4)**	**(282.8)**	**(86.1)**	**(13.1)**	**(572.4)**
Outstanding at 31 March 2022	**1,033.4**	**1,346.4**	**60.8**	**92.9**	**2,533.5**
Exercisable at 31 March 2022	**160.6**	**133.2**	**5.4**	**–**	**299.2**

1. Additional options were awarded to scheme participants as a result of the November 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:

	LTIP	Restricted Share Plan	Deferred Share Scheme	GESPP
Year ended 31 March 2022				
Weighted average exercise price	**3.56p**	**3.56p**	**nil**	**Nil**
Expected volatility	**28 to 39%**	**28% to 39%**	**39%**	**28% to 36%**
Risk-free interest rate	**0.2 to 0.5%**	**0.1 to 0.5%**	**nil**	**0.1 to 1.4%**
Expected life of option	**3 to 5 years**	**1 to 3 years**	**2 to 4 years**	**2 to 3 years**
Weighted average share price	**£38.33**	**£38.18**	**£39.17**	**£32.20**
Valuation type	**Black-Scholes and Monte Carlo**	**Black-Scholes**	**Black-Scholes**	**Black-Scholes**
Year ended 31 March 2021				
Weighted average exercise price	3.56p	3.56p	nil	–
Expected volatility	36 to 46%	36 to 46%	46%	–
Risk-free interest rate	nil to 0.1%	nil to 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	–

The weighted average remaining contractual life for the options outstanding at 31 March 2022 is 5.5 years (2021: 5.9 years).

The weighted average share price at date of exercise for options exercised during the year was £34.88 (2021: £41.83).

The average fair value of options granted during the year was £34.70 (2021: £39.46). 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 2022 the Group recognised an expense of £27.4 million related to equity-settled share-based payment transactions (2021: £16.3 million).

a. Long-Term Incentive Plan

The performance conditions attached to the options awarded in the financial years ended 31 March 2022, 2021, and 2020 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 102 to 126.

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. The first biannual share purchase occurred 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.

Notes to the Consolidated Financial Statements continued

27. Share capital and reserves

a. Share capital

	2022 £m	2021 £m
Allotted, called-up and fully paid		
301,621,651 (2021: 301,155,427) ordinary shares of 3.56 pence each	**10.7**	10.7

Details of the shares issued during the year and the prior year are as follows:

	2022 Number	2022 £m	2021 Number	2021 £m
At 1 April	**301,155,427**	**10.7**	161,512,219	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	**466,224**	–	247,842	–
At 31 March	**301,621,651**	**10.7**	301,155,427	10.7

The Company issued 466,224 (2021: 247,842) ordinary shares of 3.56 pence each with a nominal value of £16,603 (2021: £8,806) pursuant to the exercise of share options. The total proceeds were £16,603 (2021: £8,806), which included a premium of £nil (2021: £nil).

During the year ended 31 March 2021, 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.

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.

	2022 £m	2021 £m
At 1 April	**3,842.1**	574.5
Capital reduction	**(1,000.0)**	–
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	**2,842.1**	3,842.1

The Company received approval from shareholders to perform a £1.0 billion capital reduction at the Annual General Meeting on 7 July 2021. This completed on 10 August 2021, resulting in a reduction in share premium and an increase in reserves within retained earnings.

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 affected 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, nil shares (2021: 23,197) were purchased by the EBT at a price of £nil (2021: £47.83). 110,766 shares (2021: 380,316) with an attributable cost of £2.5 million (2021: £9.7 million) were issued to employees in satisfying share options that were exercised. Matching shares for the UK Share Incentive Plan are held within a separate trust. During the year, 29,805 (2021: nil) were purchased by the trust at a weighted average price of £30.39. No shares have been transferred to employees.

In the year ended 31 March 2021, an additional 71,300 shares were obtained as a result of the November 2020 rights issue. These are held at nil value.

	£m
At 1 April 2020	12.1
Own shares purchased	1.1
Shares issued to employees	(9.7)
At 31 March 2021	3.5
Own shares purchased	**1.3**
Shares issued to employees	**(3.0)**
At 31 March 2022	**1.8**

28. 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

Schneider Electric SE is the Group's majority shareholder. Additional information is provided in note 30.

During the year, Group companies entered into the following transactions with Schneider Electric Group companies:

	2022 £m	2021 £m
Sales of goods and services	**104.6**	62.2
Purchases of goods and services	**(6.8)**	(3.4)
Interest expense on term loan	**(8.6)**	(0.2)
Other non-trading transactions	**1.6**	13.7

On 19 March 2021, the AVEVA Group received a 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.

Other non-trading transactions of £1.6 million (2021: £nil) comprised the sale of Acquis Software, Termis Software and Water Management Software. See note 13(b) for further details.

In the year ended 31 March 2021, other non-trading transactions of £13.7 million related to amounts received in reimbursement for expenditure incurred as part of the Group's migration from activities covered by Transitional Service Agreements following the combination with the Schneider Electric industrial software business. Of these transactions, £8.5 million related to operating expenses incurred, and £5.2 million to capital expenditure.

The Transitional Service Agreement with Schneider Electric ended on 31 August 2021. A new Service Agreement was entered into on 1 September 2021 under which Schneider Electric (through SE Digital) will continue to provide ERP-related support services until 31 December 2023 whilst the AVEVA Group completes its global roll out of the new ERP system.

As disclosed on page 91 of the Group's 2021 Annual Report, Peter Herweck has retained his Schneider Electric LTIP share options and continued to participate in his Schneider Electric pension arrangement, with the cost being met by Schneider Electric. See the Directors' Remuneration Report on pages 102 to 126 for further details.

The Group did not make any payments to Schneider Electric SE, the parent company of the Schneider Electric Group (2021: £nil). All transactions were with subsidiary companies within the Schneider Electric Group.

Notes to the Consolidated Financial Statements continued

28. Related party transactions continued

As at 31 March, Group companies held the following balances with Schneider Electric Group companies:

	2022 £m	2021 £m
Trade receivables	37.6	18.9
Trade payables	(5.8)	(1.3)
Non-trading receivables	–	2.7
Non-trading payables	(0.4)	(0.2)
Term loan[1]	(685.1)	(654.8)

1. This balance represents the contractual obligation owed to Schneider Electric Group companies. The carrying value per the Consolidated Balance Sheet is stated after offsetting directly attributable costs for obtaining this financing.

All balances held were with subsidiary companies within the Schneider Electric Group.

Terms and conditions of transactions with related parties

Outstanding balances at 31 March 2022 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 2022, the Group has recorded an impairment against £1.0 million of receivables relating to amounts owed by related parties situated in Russia (2021: £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. The amounts set out in the table above are stated before impairment.

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 Executive Leadership Team (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 102 to 126.

	2022 £m	2021 £m
Short-term employee benefits	9.5	5.4
Share-based payments	2.9	6.4
	12.4	11.8

c. Transactions with other related parties

Dr J Patrick Kennedy controls 4.4% (2021: 4.5%) of the issued ordinary share capital of AVEVA Group plc through his controlling ownership of Estudillo Holdings Corp and is Chairman Emeritus of the Group, a board advisory position.

During the period, Group companies entered into the following transactions with Dr J Patrick Kennedy, and with companies in which Dr J Patrick Kennedy has a shareholding:

	2022 £m	2021 £m
Purchase of goods and services	4.1	0.1
Chairman Emeritus salary	0.2	–

29. Commitments and contingencies

	2022 £m	2021 £m
Bank guarantees and sureties	**11.1**	12.8
Parent Company guarantees	**50.6**	44.7
	61.7	57.5

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.

30. Ultimate controlling party

The largest group in which the results of the Company are consolidated is that headed by Schneider Electric SE, for which the accounts are available at 35 rue Joseph Monier, 92500 Rueil-Malmaison, France. It is the ultimate parent company and is incorporated in France.

At 31 March 2022, Schneider Electric SE controlled 178,573,525 ordinary shares (2021: 176,471,625) representing 59.2% (2021: 58.6%) of the total issued ordinary share capital of AVEVA Group plc.

Information on the relationship agreement between the Group and Schneider Electric SE is set out on pages 129 to 130 of the Directors' Report.

Company Balance Sheet

31 March 2022

	Notes	2022 £m	2021 £m
Non-current assets			
Investments	5	**4,647.0**	4,630.9
Deferred tax assets		**7.7**	3.6
		4,654.7	4,634.5
Current assets			
Trade and other receivables	6	**15.2**	129.6
		15.2	129.6
Total assets		**4,669.9**	4,764.1
Equity			
Issued share capital	8(a)	**10.7**	10.7
Share premium	8(b)	**2,842.1**	3,842.1
Capital redemption reserve		**101.7**	101.7
Merger reserve		**619.6**	619.6
Retained earnings		**1,090.7**	182.9
Total equity		**4,664.8**	4,757.0
Current liabilities			
Trade and other payables	7	**3.5**	5.6
Current tax liabilities		**1.6**	1.5
		5.1	7.1
Total equity and liabilities		**4,669.9**	4,764.1
Profit for the year		**(9.5)**	92.1

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 188 to 193 were approved by the Board of Directors on 7 June 2022 and signed on its behalf by:

Philip Aiken
Chairman

Peter Herweck
Chief Executive Officer

Company number
2937296

Company Statement of Changes in Shareholders' Equity

31 March 2022

	Share capital £m	Share premium £m	Merger reserve £m	Capital redemption reserve £m	Retained earnings £m	Total shareholders' funds £m
At 1 April 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
Profit for the year	**–**	**–**	**–**	**–**	**(9.5)**	**(9.5)**
Share-based payments	**–**	**–**	**–**	**–**	**11.3**	**11.3**
Share options granted to employees of subsidiary companies	**–**	**–**	**–**	**–**	**16.1**	**16.1**
Tax arising on share options	**–**	**–**	**–**	**–**	**(0.1)**	**(0.1)**
Dividends paid	**–**	**–**	**–**	**–**	**(110.0)**	**(110.0)**
Capital reduction	**–**	**(1,000.0)**	**–**	**–**	**1,000.0**	**–**
At 31 March 2022	**10.7**	**2,842.1**	**619.6**	**101.7**	**1,090.7**	**4,664.8**

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 2022 were authorised for issue by the Board of Directors on 7 June 2022 and the balance sheet was signed on the Board's behalf by Philip Aiken, Chairman, and Peter Herweck, Chief Executive Officer. 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 2022. 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

The significant accounting policies of the Company are laid out below. The full statement of Group accounting policies is included on pages 194 to 199.

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 IAS 24 'Related party disclosures';
- the requirements of IFRS 2 'Share-based payments';
- the requirements of IFRS 7 'Financial instruments: disclosures'; and
- the requirements of IFRS 13 'Fair value measurements'.

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.

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. Results for the year

AVEVA Group plc reported a loss for the financial year ended 31 March 2022 of £9.5 million (2021: profit of £92.1 million).

Audit fees of £9,000 (2021: £8,000) are borne by another Group company.

The Company had an average of two employees during the year (2021: two).

Directors' remuneration is disclosed in the Directors' Remuneration Report on pages 102 to 126. The Company bears the remuneration expense for Executive and Non-Executive Directors, with the exception of elements of Peter Herweck's remuneration.

As disclosed on page 91 of the Group's 2021 Annual Report, Peter Herweck has not participated in the Group's LTIP, nor received a pension or cash in lieu of pension contributions from the Group. He has retained his Schneider Electric LTIP share options and continued to participate in his Schneider Electric pension arrangement, with the cost being met by Schneider Electric. See the Directors' Remuneration Report on pages 102 to 126 for further details.

4. Dividends

	2022 £m	2021 £m
Declared and paid during the year		
Interim 2021/22 dividend paid of 13.0 pence (2020/21: 12.4 pence) per ordinary share	**39.2**	35.6
Final 2020/21 dividend paid of 23.5 pence (2019/20: 23.3 pence) per ordinary share	**70.8**	46.8
	110.0	82.4
Proposed for approval by shareholders at the Annual General Meeting		
Final proposed dividend 2021/22 of 24.5 pence (2020/21: 23.5 pence) per ordinary share	**73.9**	70.7

The proposed final dividend is subject to approval by shareholders at the Annual General Meeting on 15 July 2022 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 5 August 2022 to shareholders on the register at the close of business on 8 July 2022.

5. Investments

	£m
At 1 April 2020	1,334.1
Additions	3,296.8
At 31 March 2021	4,630.9
Additions	16.1
At 31 March 2022	**4,647.0**

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. The increase in investment for the year ended 31 March 2022 entirely relates to share options granted to AVEVA Solutions Limited employees.

Details of the Company's subsidiary undertakings are set out in note 17 in the Consolidated Financial Statements of the Group.

6. Trade and other receivables

	2022 £m	2021 £m
Amounts owed by Group undertakings	**15.2**	129.6

Amounts owed by Group undertakings are non-interest bearing and are repayable on demand.

Notes to the Company Financial Statements continued

7. Trade and other payables

	2022 £m	2021 £m
Social security, employee taxes and sales taxes	–	3.3
Accruals	**1.4**	0.4
Amounts owed to Group undertakings	**2.1**	1.9
	3.5	5.6

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

	2022 £m	2021 £m
Allotted, called-up and fully paid		
301,621,651 (2021: 301,155,427) ordinary shares of 3.56 pence each	**10.7**	10.7

Details of the shares issued during the year and the prior year are as follows:

	2022 Number	2022 £m	2021 Number	2021 £m
At 1 April	**301,155,427**	**10.7**	161,512,219	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	**466,224**	–	247,842	–
At 31 March	**301,621,651**	**10.7**	301,155,427	10.7

The Company issued 466,224 (2021: 247,842) ordinary shares of 3.56 pence each with a nominal value of £16,603 (2021: £8,806) pursuant to the exercise of share options. The total proceeds were £16,603 (2021: £8,806), which included a premium of £nil (2021: £nil).

During the year ended 31 March 2021, 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.

Details of share options awarded to Executive Directors during the year are contained in the Directors' Remuneration Report. Note 26 of the Consolidated Financial Statements for the Group includes details of share option awards made during the year.

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.

	2022 £m	2021 £m
At 1 April	**3,842.1**	574.5
Capital reduction	**(1,000.0)**	–
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	**2,842.1**	3,842.1

The Company received approval from shareholders to perform a £1.0 billion capital reduction at the Annual General Meeting on 7 July 2021. This completed on 10 August 2021, resulting in a reduction in share premium and an increase in reserves within retained earnings.

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 affected 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 2022 (2021: £nil).

10. Commitments and contingencies

	2022 £m	2021 £m
Parent Company guarantees	50.6	43.2
Loan guarantee	685.1	654.8
	735.7	698.0

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 £685.1 million (2021: £654.8 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.

Statement of Group Accounting Policies

Statement of compliance

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 UK-adopted IASs. 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 188 to 193.

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 2021:

- amendments to IFRS 16 'Covid-19 related rent concessions beyond 30 June 2021'; and
- amendments to IFRS 4, IFRS 7, IFRS 9, IFRS 16 and IAS 39 'Interest rate benchmark reform – Phase 2'.

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.

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 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.

Statement of Group Accounting Policies continued

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 affected, 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 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 and 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.

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.

Statement of Group Accounting Policies continued

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.

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 26 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 2022 is provided below, alphabetically by country.

Country	Name	Address
UK	AVEVA Group plc	High Cross, Madingley Road, Cambridge, CB3 0HB, UK
Argentina	AVEVA Software Argentina S.A.	Italia 415 piso 4., C.P. 1638 Vicente Lopez, Provincia de, Buenos Aires, Argentina
Argentina	OSIsoft Argentina SRL	Alem Leandro N. Av. 592 Piso:6, 1001-Ciudad Autonama, Buenos Aires, Argentina
Australia	AVEVA Pty. Ltd.	Level 9, 25 King Street, Bowen Hills, Queensland 4006, Australia
Australia	AVEVA Software Australia Holdings Pty Ltd	Level 9, 25 King Street, Bowen Hills, Queensland 4006, Australia
Australia	AVEVA Software Australia Pty Ltd	Level 9, 25 King Street, Bowen Hills, Queensland 4006, Australia
Australia	OSIsoft Australia Pty Ltd	Level 7, 99 St Georges Terrace, Perth, WA 6000, Australia
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
Brazil	OSIsoft do Brasil Sistemas Ltda	Alameda Santos, 1940 15 andar, Cerqueira Cesar, CEP 01418-002, São Paulo, Brazil
Bahrain	OSIsoft Technologies Middle East W.L.L.	Office 2302-04, 23rd Floor, Almoayyed Tower, Building No. 2504, Road 2832, Block 428, Seef Suburb, Bahrain
Canada	AVEVA Software Canada Inc.	49 Quarry Park Blvd. SE, Calgary Alberta T2C 5H9, Canada
Canada	OSIsoft Canada ULC	600-1741 Lower Water Street, Halifax, Nova Scotia, B3J OJ2, Canada
Chile	AVEVA Software Chile S.p.A.	Rycardo Lyon 222, Oficina 1801, Providencia
China	AVEVA Solutions (Shanghai) Co. Limited	Unit 05-07, 37th Floor (33rd Floor), No. 88, Yincheng Road, Shanghai Free Trade Zone, Shanghai
China	OSIsoft (Shanghai) Technology Co., Ltd	Suite 4105, No.268 Xi Zang Middle Road, Shanghai, Huangpu District, China
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
Colombia	AVEVA Software Colombia S.A.S.	Cento Empresarial Colpatria, Torre 3, Piso 6, Calle 127A 53A-45, Bogota, Colombia
Czech Republic	OSIsoft Czech Republic, s.r.o.	Politických obětí 117, Frýdek-Místek – Místek, 738 01, Czech Republic
Denmark	AVEVA Denmark A/S	Indkildevej 6D, 9210 Aalborg SØ, Denmark
France	AVEVA SAS	5-7 Square Felix Nadar, 94300 Vincennes, France
France	OSIsoft France Sarl	81 Boulevard Pierre, 1er, 33110 Le Bouscat, France
Germany	AVEVA GmbH	Otto-Volger-Street 7c, 65843 Sulzbach (Taunus), Germany
Germany	OSIsoft Europe GmbH	Mainzer Landstrasse 178-190, 60327 Frankfurt am Main, Germany
Hong Kong	AVEVA East Asia Limited	Room 1003 10/F Tower 1, Lippo Centre, 89 Queensway, Admiralty, Hong Kong
India	AVEVA Information Technology India Private Limited	Unit No 202, Wing A, 2nd Floor, Bldg No. 2, Supreme Business Park, Supreme City, Powai, Mumbai – 400076, India
India	AVEVA Solutions India LLP	Tower 1, 2nd Floor, Wave Rock, S Y No. 115 TSIIC IT/ITES SEZ, Nanakramguda, Hyderabad Hyderabad TG 500008 IN
India	AVEVA Software India Private Limited	Unit No 202, 2nd Floor, A Wing, Supreme Business Park, Hiranandani Gardens, Powai, Mumbai, Mumbai City, Maharashtra, 400076, India
India	AVEVA Software Private Limited	Unit No 202, A Wing, Supreme Business Park, Hiranandani Gardens, Powai, Mumbai, Mumbai City, Maharashtra, 400076, India
India	OSIsoft India Private Limited	Unit No 202, Wing A, 2nd Floor, Supreme Business Park, Supreme City, Powai, Mumbai – 400076, India
Italy	AVEVA Software Italia S.p.A	Viale Milano no. 177, Gallarate, Milan, Italy
Italy	OSIsoft Italy S.R.L.	Milano (MI) Viale, 20134, Forlanini Enrico 23, Milan, Italy
Japan	AVEVA K.K.	Oase Shibaura MJ Building, 2-15-6 Shibaura, Minato-ku, Tokyo 108-0023, Japan
Japan	AVEVA Software K.K.	Oase Shibaura MJ Building, 2-15-6 Shibaura, Minato-ku, Tokyo, Japan
Japan	OSIsoft Japan, K.K.	15-6, Shibaura 2-Chome, Minato-ku, Tokyo, Japan
Malaysia	AVEVA Asia Pacific Sdn. Bhd.	43-2, Plaza Damansara, Jalan Medan Setia 1, Bukit Damansara, Kuala Lumpur W.P., 50490, Kuala Lumpur, Malaysia

Country	Name	Address
Malaysia	AVEVA Sdn. Bhd.	43-2, Plaza Damansara, Jalan Medan Setia 1, Bukit Damansara, Kuala Lumpur W.P., 50490, Kuala Lumpur, Malaysia
Mexico	AVEVA Software Mexico SA de C.V.	Piso 2, 111 Presidente Masaryk, Polanco, Miguel Hidalgo, 11560 Ciudad de Mexico, Mexico
Mexico	OSIsoft Mexico S. de R.L. de C.V.	Miguel de Cervantes Saavedra, 233-901, Granada Miguel Hidalgo, Ciudad de Mexico, 11520, Mexico
Netherlands	Asset+ Solutions IP B.V.	Baarnsche dijk 10 B, 3741LS, Baarn, Netherlands
Netherlands	AVEVA (The Netherlands) B.V.	Baarnsche dijk 10 B, 3741LS, Baarn, Netherlands
Netherlands	AVEVA Software Holdings Netherlands B.V.	Baarnsche dijk 10 B, 3741LS, Baarn, Netherlands
Netherlands	AVEVA Software Netherlands B.V.	Baarnsche dijk 10 B, 3741LS, Baarn, Netherlands
Norway	AVEVA AS	Golf Tower, Kanalsletta 2, N-4033, Stavanger, Norway
Norway	OSIsoft Norway AS	Intertrust (Norway) AS, Munkedamsveien 59B, 0270, Oslo, Norway
Republic of Korea	AVEVA Korea Limited	25 F, West Tower, Mirae Asset Center 1 Building, 26 Eulji-ro 5-gil, Jung-gu, Seoul, Republic of Korea
Republic of Korea	AVEVA Software Korea Limited	25 F, West Tower, Mirae Asset Center 1 Building, 26 Eulji-ro 5-gil, Jung-gu, Seoul, Republic of Korea
Republic of Korea	OSIsoft Korea Co., Ltd.	25th Flr., Center1 west, 26, Eulji-ro 5-gil, Jung-gu, Seoul, Republic of Korea
Russia	AVEVA Limited Liability Company	3rd Floor, Office 9, premises IV, Pavlovskaya Street, 7, 115093, Moscow, Russia
Russia	Schneider Electric Software RU (In liquidation)	Moika Embankment 58, lit. A, of. 504, 190031, St. Petersburg, Russia
Russia	OSIsoft OOO (LLC)	Letnikovskaya st.2, bld. 1, 4th floor, offices 401-405, 115114, Moscow, Russia
Singapore	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
South Africa	OSIsoft South Africa (Pty) Ltd	Clearwater Office Park Building 3, Ground Floor Millenium Road And Christiaan De Wet Road, Johannesburg, Gauteng 1735, South Africa
Spain	AVEVA Software España S.L.U.	Avda Manoteras, Num 44, Puerta 1, 28050, Madrid, Spain
Spain	OSIsoft Espana, S.L Sociedad Unipersonal	Cuzco IV, Paseo de la Castellana, 141 Planta 5a, 28046, Madrid, Spain
Sweden	AVEVA AB	PO Box 50555, Drottninggatan 18, SE-202 15, Malmö, Sweden
Sweden	OSIsoft Sweden AB	Regus Malmö Central, Adelgatan 21, SE-211 22, Malmö, Sweden
Thailand	AVEVA Software (Thailand) Co., Ltd	89 AIA Capital Center, 20th Floor, Room 2028-2030, Ratchadapisek Road, Kwaeng Dindaeng, Khet Dindaeng, Bangkok 10400, Thailand
Turkey	AVEVA Yazilim Ve Hizmetleri Anonim Şirketi	Kurtköy Aeropark, Yenişehir Mahallesi, Osmanli Bulvari, No:11 Kat 5 A/28, Pendik, Istanbul, 34912, Turkey
Turkey	OSIsoft Technologies Bilişim Hizmetleri Limited Şirketi	Kavaklidere Mahallesi, Ataturk Blv. No: 185, Cankaya, Ankara, Turkey
UAE	AVEVA Software Middle East FZ-LLC	D-201 - D-212, 2 Office Park Block D, Dubai Internet City, Dubai, United Arab Emirates
UK	AVEVA Consulting Limited	High Cross, Madingley Road, Cambridge, CB3 0HB, UK
UK	AVEVA Engineering IT Limited	High Cross, Madingley Road, Cambridge, CB3 0HB, UK
UK	AVEVA Finance Limited	High Cross, Madingley Road, Cambridge, CB3 0HB, UK
UK	AVEVA Financing Limited	High Cross, Madingley Road, Cambridge, CB3 0HB, UK
UK	AVEVA Limited	High Cross, Madingley Road, Cambridge, CB3 0HB, UK
UK	AVEVA Managed Services Limited	High Cross, Madingley Road, Cambridge, CB3 0HB, UK
UK	AVEVA Software GB Limited	101 Science Park, Milton Road, Cambridge, CB4 0FY, UK
UK	AVEVA Solutions Limited	High Cross, Madingley Road, Cambridge, CB3 0HB, UK
UK	AVEVA to the Power of PI Limited	High Cross, Madingley Road, Cambridge, CB3 0HB, UK
UK	AVEVA UK 1 Limited	High Cross, Madingley Road, Cambridge, CB3 0HB, UK
UK	AVEVAPI Limited	High Cross, Madingley Road, Cambridge, CB3 0HB, UK
UK	CADCentre Engineering IT Limited	High Cross, Madingley Road, Cambridge, CB3 0HB, UK
UK	CADCentre Limited	High Cross, Madingley Road, Cambridge, CB3 0HB, UK
UK	CADCentre Pension Trustee Limited	High Cross, Madingley Road, Cambridge, CB3 0HB, UK
UK	CADCentre Property Limited	High Cross, Madingley Road, Cambridge, CB3 0HB, UK

Full list of addresses and subsidiaries continued

Country	Name	Address
UK	LFM Software Limited	High Cross, Madingley Road, Cambridge, CB3 0HB, UK
UK	OSIsoft (UK) Limited	Capital House, 15th Floor, Chapel Street, London, NW1 5DH, UK
UK	Tribon Solutions (UK) Limited	High Cross, Madingley Road, Cambridge, CB3 0HB, UK
USA	AVEVA Inc.	251 Little Falls Drive, Wilmington, DE 19808, USA
USA	AVEVA Software, LLC	251 Little Falls Drive, Wilmington, DE 19808, USA
USA	AVEVA US 1 Corp	251 Little Falls Drive, Wilmington, DE 19808, USA
USA	AVEVA US 2 Corp	251 Little Falls Drive, Wilmington, DE 19808, USA
USA	AVEVA US Blocker Corp	251 Little Falls Drive, Wilmington, DE 19808, USA
USA	OSIsoft LLC	251 Little Falls Drive, Wilmington, County of New Castle, Delaware 19808
USA	Wonderware de Mexico, Inc.	251 Little Falls Drive, Wilmington, DE 19808, USA
USA	Wonderware of Venezuela, Inc.	251 Little Falls Drive, Wilmington, DE 19808, USA

Non-GAAP measures

The Group presents various non-GAAP measures, which management believes 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 either a substitute for them or superior to them.

As non-GAAP measures are not defined by IFRS, they may not be directly comparable with other companies who use similar measures.

The Group's non-GAAP measures are consistent with those presented in the 2021 Annual Report, except for:

- Standalone AVEVA and standalone OSIsoft results are not reported. Management believes presentation of separate results is not required due to the ongoing integration of OSIsoft into the Group.
- Normalised items (see definition and commentary below) have been redefined to:
  - include the impact of the tax step up arising on the acquisition of OSIsoft;
  - remove the impact of fair value adjustments on financial derivatives; and
  - include the impact of amortisation of other software.
- Cash conversion has been redefined (see definition and commentary below), also resulting in the inclusion of free cash flow before tax as a non-GAAP measure.
- Net cash has been redefined to:
  - include the US $900 million term loan drawn down on 19 March 2021; and
  - exclude treasury deposits.

  It has consequently been renamed net debt.

Further information, definitions, the intent in presenting, and a reconciliation from the nearest IFRS measure are provided below.

Non-GAAP measure	Closest equivalent IFRS measure	Definition and purpose
Income statement presentations		
Adjusted results	Group GAAP results	The Group's results excluding exceptional and normalised items (see definitions below). Adjusted EPS is calculated based upon profit after tax, adjusted for exceptional and normalised items, the deferred revenue haircut (see definition below), and the tax effect of these items. Management believes that adjusted results provide a reliable and consistent measure of the Group's underlying performance. The business is managed and measured day-to-day on an adjusted basis, and Group performance elements of employee bonus and share schemes are typically also on this basis. Adjusted results exclude the costs relating to major integration and restructuring events while including the benefits. They also exclude significant recurring expense relating to normalised items. Therefore, adjusted results present a more favourable view than GAAP measures and should not be considered to be a complete picture of the Group's financial performance. See section a below for a reconciliation.
Pro forma results	Group GAAP results	Pro forma results are presented to provide a year-on-year performance comparison for the Group, given the significant impact of the OSIsoft acquisition on the Group's results for the year ended 31 March 2022. Management have considered pro forma results in the day-to-day running of the business for the year ended 31 March 2022, and they have been incorporated into performance elements of employee bonus and share schemes. Pro forma results do not represent the enlarged Group's actual results and do not purport to represent what the combined results would have been in comparative periods. They share the same limitations as adjusted results and present a more favourable view than GAAP measures. In addition, due to the acquisition of OSIsoft completing close to the year-end, comparatives for the year ended 31 March 2021 do not represent the legal form of the Group for the full 12 months and include results that are not attributable to the Group's shareholders. **Pro forma results for the year ended 31 March 2022** Pro forma results for the year ended 31 March 2022 are prepared on an adjusted basis and additionally exclude the impact of the deferred revenue haircut (see definition below). **Pro forma results for the year ended 31 March 2021** Pro forma results for the year ended 31 March 2021 have been prepared on the basis that: • The financial information is the combination of the consolidated financial statements of AVEVA Group plc and OSIsoft, LLC for the year to 31 March 2021. • 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. • There has been no trading between the two groups for either of the years presented. • The term loan was entered into on 1 April 2020, and interest accrued from that date.

Non-GAAP measures continued

Non-GAAP measure	Closest equivalent IFRS measure	Definition and purpose
Pro forma results continued		**Pro forma adjusted diluted EPS** The pro forma adjusted diluted EPS calculation assumes: • Rights issue shares were issued on 1 April 2020. • Rights issue adjustments for unexercised share options at the date of the rights issue were made at the later of 1 April 2020 and the share option award date. • No timing adjustments made for actual or potential share option awards to OSIsoft employees. For reconciliations, see: • Section a below for pro forma results, pro forma constant currency results, and pro forma organic constant currency results. • Section b for pro forma revenue, pro forma constant currency revenue, and pro forma organic constant currency revenue by fee type and by geographic region. • Section e for pro forma effective tax rate. • Section f for pro forma adjusted diluted EPS.
Reconciling items to adjusted and pro forma results		
Exceptional items	No direct equivalent	Exceptional items are excluded from statutory measures to determine adjusted and pro forma results. Exceptional items are non-recurring and are identified by virtue of either their size or their nature. These items can include, but are not restricted to: • fees associated with business combinations; • costs incurred in integrating acquired companies; and • costs of significant restructuring exercises. In the year ended 31 March 2022, exceptional items also include the loss on disposal of a business, the impairment of intangible assets following the decision to end-of-life associated products, and provisions against balances with Russia-based counterparties following the introduction of international sanctions. For additional information and reconciliations, see: • Exceptional items are included on the face of the Consolidated Income Statement in the reconciliation to adjusted EBIT. • Exceptional items are included in the reconciliation to adjusted and pro forma results in section a below. • The nature of exceptional items and the income statement impact by line item is included within note 6 of the Notes to the Consolidated Financial Statements. • The tax impact of exceptional items is included in the reconciliation to adjusted profit after tax in note 12 of the Notes to the Consolidated Financial Statements.
Normalised items	No direct equivalent	Normalised items are excluded from statutory measures to determine adjusted and pro forma results. Normalised items are recurring items which management considers could affect the underlying results of the Group. These include: • amortisation of intangible assets • share-based payment charges; and • tax step up due to intangible assets recognised on acquisition of OSIsoft, LLC. The following changes have been made to the definition of normalised items in the year ended 31 March 2022: • The tax step up has been included within normalised items for the first time. This benefit accrues evenly across the financial year and, given the proximity of the completion of the OSIsoft acquisition to the year-end (such that the benefit only accrued for 13 days in the year ended 31 March 2021), it did not have a material impact in previous years. Note that this is a tax effect, and hence does not impact pre-tax measures such as adjusted EBIT or pro forma adjusted EBIT. • Fair value adjustments on financial derivatives have been removed from normalised items for the year ended 31 March 2022. This is due to their relative immateriality compared to the Group's results (2022: £0.3 million, 2021: £(0.7) million) and is intended to simplify the Group's normalised items. • Amortisation of intangible assets has been expanded to include amortisation of other software for the year ended 31 March 2022. Historically, this category has been presented as amortisation of intangible assets (excluding other software). This is due to the relative immateriality of amortisation of other software compared to the Group's results (2022: £0.2 million, 2021: £0.6 million), and is intended to simplify the Group's normalised items. • The tax impact of normalised items is included in the reconciliation to adjusted profit after tax in note 12 of the Notes to the Consolidated Financial Statements. For additional information and reconciliations, see: • Normalised items are included on the face of the Consolidated Income Statement in the reconciliation to adjusted EBIT. • Normalised items are included in the reconciliation to adjusted and pro forma results in section a below. • The impact of each normalised item by income statement line item is included in the reconciliation to adjusted and pro forma costs in section b below.

Non-GAAP measure	Closest equivalent IFRS measure	Definition and purpose
Deferred revenue haircut	No direct equivalent	The deferred revenue haircut is excluded from statutory measures to determine pro forma results. For the purposes of adjusted EPS, it is also excluded from adjusted profit after tax. The deferred revenue haircut is the impact of the unwind of a fair value adjustment to acquired contract liabilities on completion of the acquisition of OSIsoft in March 2021. The impact is excluded due to the inconsistent impact on current and prior year pro forma results; due to the timing of the OSIsoft acquisition, the deferred revenue haircut unwound for 13 days in the year ended 31 March 2021 (£3.3 million impact), but a full year in the year ended 31 March 2022 (£50.3 million impact). In addition, covenants on the Group's term loan are calculated after excluding the impact of the deferred revenue haircut. For additional information and reconciliations, see: • Deferred revenue haircut is included in the reconciliation to pro forma results in section a below. • The impact of the deferred revenue haircut by fee type and geographic region is included in section b below. • The tax impact of the deferred revenue haircut is included in the reconciliation to adjusted profit after tax in note 12 of the Notes to the Consolidated Financial Statements.
Constant currency and organic constant currency		
Constant currency	Group GAAP results	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 effect of foreign exchange translation. For reconciliations, see: • Section a below for pro forma constant currency results. • Section b below for pro forma revenue constant currency, by fee type and by geographic region. • Section b below for pro forma constant currency costs.
Organic constant currency	Group GAAP results	Constant currency figures adjusted for merger and acquisition activity. Organic constant currency results exclude the income statement contributions in both current and prior year of the disposed Acquis Software, Termis Software and Water Loss Management software business (see note 13(b) of the Notes to the Consolidated Financial Statements). Organic constant currency enables measurement of performance on a comparable year-on-year basis without the effects of foreign exchange movements and merger and acquisition activity. For reconciliations, see: • Section a below for pro forma organic constant currency results. • Section b below for pro forma revenue organic constant currency, by fee type and by geographic region. • Section b below for pro forma organic constant current costs.

Non-GAAP measures continued

Non-GAAP measure	Closest equivalent IFRS measure	Definition and purpose
Revenue measures		
Annualised recurring revenue (ARR)	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. ARR is presented on a pro forma organic constant currency basis. The pro forma and organic constant currency bases are defined above. ARR formed part of the Group bonus scheme and LTIP targets for FY22 and will form part of the Group LTIP targets for FY23. This cannot be reconciled to an IFRS measure.
Recurring revenue	Revenue	Recurring revenue is defined as subscription revenue plus maintenance revenue. Increasing recurring revenue is a financial target for the Group, with the aim of achieving over 80% recurring revenue by the financial year ending 31 March 2026. 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 revenue by fee type in section b below for a reconciliation.
Profit measures		
Adjusted EBIT and pro forma adjusted EBIT	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 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. For reconciliations, see: • The face of the Consolidated Income Statement or section a below for adjusted EBIT. • Section a below for pro forma adjusted EBIT (presented in the profit from operations line).
Adjusted and pro forma adjusted EBIT growth	No direct equivalent	Year-on-year percentage increase in adjusted EBIT. Adjusted results allow for the comparison of results year-on-year without the 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.
Adjusted and pro forma adjusted EBIT margin	No direct equivalent	Adjusted EBIT as a percentage of revenue. Improving adjusted EBIT margin is a financial target for the Group, with the aim of achieving an adjusted EBIT margin of at least 35% by the financial year ended 31 March 2026. Adjusted results allow for the comparison of results year-on-year without the 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.
Adjusted and pro forma adjusted EPS	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 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 12 of the Notes to the Consolidated Financial Statements.
Adjusted and pro forma profit after tax	Profit after tax	Profit after tax, adjusting for exceptional and normalised items, the tax effect of those items, and the deferred revenue haircut and its tax effect. Adjusted results allow for the comparison of results year-on-year without the 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 12 of the Notes to the Consolidated Financial Statements.

Non-GAAP measure	Closest equivalent IFRS measure	Definition and purpose
Tax measures		
Effective tax rate	No direct equivalent	Tax expense for the year per the income statement expressed as a percentage of profit before tax. See section e below for a reconciliation.
Effective tax rate before exceptional and normalised items	No direct equivalent	Tax expense 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. See section e below for a reconciliation. The tax effect of exceptional and normalised items is provided in note 12 of the Notes to the Consolidated Financial Statements.
Cash measures		
Cash conversion	No direct equivalent	Free cash flow before tax (see definition below) as a percentage of the Group's adjusted profit before tax (the Group's profit before tax excluding exceptional and normalised items). This is a financial target for the Group, which targets an average 100% cash conversion for the five-year period from the financial year ending 31 March 2022 to the financial year ending 31 March 2026. Additionally, this is included as a strategic target within the Executive Directors' bonus scheme for the year ended 31 March 2023. This measures how efficiently the Group's profit are converted into cash for organic investment, M&A and returns to shareholders. The definition of cash conversion has changed from that presented in the 2021 Annual Report. Previously, cash conversion was defined as cash generated from operating activities before tax as a percentage of adjusted EBIT. Management believes that use of free cash flow before tax, and inclusion of cash outflows necessary as part of the Group's day-to-day operations, provides a better indication of the Group's trading performance. See section d below for a reconciliation.
Free cash flow before tax	Cash generated from operating activities before tax	Free cash flow before tax is used in determining cash conversion (see definition above). It is calculated as : • cash generated from operating activities before tax; plus • capital expenditure, lease repayments, interest paid and received, purchase of own shares; excluding • cash outflow on M&A related exceptional items. See section d below for a reconciliation.
Net debt	No direct equivalent	Total cash, cash equivalents, overdrafts, and the carrying value of the Group's term loan. This metric was called net cash in previous years. The definition of net debt has changed to: • include the carrying value of the Group's term loan. This term loan was drawn down on 19 March 2021 and has been included as it is a significant future obligation affecting the Group's liquidity; and • exclude treasury deposits, due to their relative immateriality. Net debt is a measure of the strength of the Group's balance sheet. See section c below for a reconciliation.

Non-GAAP measures continued

a. Reconciliation to adjusted and pro forma results

Year ended 31 March 2022

	Statutory £m	Normalised items £m	Exceptional items £m	Adjusted £m	Revenue haircut £m	Pro forma £m	Impact of foreign exchange £m	Pro forma constant currency £m	Disposal of business £m	Pro forma organic constant currency £m
Revenue	1,185.3	–	–	1,185.3	50.3	1,235.6	42.5	1,278.1	(0.7)	1,277.4
Cost of sales	(232.5)	–	0.2	(232.3)	–	(232.3)	(8.0)	(240.3)	0.9	(239.4)
Gross profit	952.8	–	0.2	953.0	50.3	1,003.3	34.5	1,037.8	0.2	1,038.0
Operating expenses										
Research & Development costs	(343.3)	164.6	0.5	(178.2)	–	(178.2)	(5.7)	(183.9)	0.5	(183.4)
Selling and distribution expenses	(345.4)	61.3	3.4	(280.7)	–	(280.7)	(9.1)	(289.8)	–	(289.8)
Administrative expenses	(246.3)	27.6	38.8	(179.9)	–	(179.9)	(6.0)	(185.9)	–	(185.9)
Net impairment (loss)/gain on financial assets	(6.7)	–	7.3	0.6	–	0.6	(0.1)	0.5	–	0.5
Other expense	(17.6)	–	17.6	–	–	–	–	–	–	–
Total operating expenses	(959.3)	253.5	67.6	(638.2)	–	(638.2)	(20.9)	(659.1)	0.5	(658.6)
(Loss)/profit from operations	(6.5)	253.5	67.8	314.8	50.3	365.1	13.6	378.7	0.7	379.4
Finance revenue	1.9	–	–	1.9	–	1.9	0.1	2.0	–	2.0
Finance expense	(14.0)	–	–	(14.0)	–	(14.0)	(0.5)	(14.5)	–	(14.5)
(Loss)/profit before tax	(18.6)	253.5	67.8	302.7	50.3	353.0	13.2	366.2	0.7	366.9

Year ended 31 March 2021

	Statutory £m	Normalised items £m	Exceptional items £m	Adjusted £m	Revenue haircut £m	Pre-acquisition OSIsoft £m	Term loan interest £m	Pro forma £m	Disposal of business £m	Pro forma organic £m
Revenue	820.4	–	–	820.4	3.3	372.4	–	1,196.1	(3.9)	1,192.2
Cost of sales	(181.3)	–	0.8	(180.5)	–	(48.6)	–	(229.1)	0.9	(228.2)
Gross profit	639.1	–	0.8	639.9	3.3	323.8	–	967.0	(3.0)	964.0
Operating expenses										
Research & Development costs	(184.5)	67.8	0.3	(116.4)	–	(52.1)	–	(168.5)	0.5	(168.0)
Selling and distribution expenses	(226.8)	27.9	3.9	(195.0)	–	(83.1)	–	(278.1)	–	(278.1)
Administrative expenses	(193.0)	16.3	78.3	(98.4)	–	(63.7)	–	(162.1)	–	(162.1)
Net impairment loss on financial assets	(3.7)	–	–	(3.7)	–	0.1	–	(3.6)	–	(3.6)
Other income	5.5	–	(5.5)	–	–	–	–	–	–	–
Total operating expenses	(602.5)	112.0	77.0	(413.5)	–	(198.8)	–	(612.3)	0.5	(611.8)
Profit from operations	36.6	112.0	77.8	226.4	3.3	125.0	–	354.7	(2.5)	352.2
Finance revenue	0.6	–	–	0.6	–	0.1	–	0.7	–	0.7
Finance expense	(3.0)	–	–	(3.0)	–	(0.9)	(12.8)	(16.7)	–	(16.7)
Profit before tax	34.2	112.0	77.8	224.0	3.3	124.2	(12.8)	338.7	(2.5)	336.2

b. Constant currency and organic constant currency

Revenue by fee type

	On-premises rental £m	SaaS £m	Total subscription revenue £m	Maintenance £m	Total recurring revenue £m	Perpetual licences £m	Services £m	Total £m
Year ended 31 March 2022								
Statutory revenue at actual rates	396.4	27.8	**424.2**	345.2	**769.4**	293.1	122.8	**1,185.3**
Revenue haircut	–	–	**–**	50.3	**50.3**	–	–	**50.3**
Pro forma revenue at actual rates	396.4	27.8	**424.2**	395.5	**819.7**	293.1	122.8	**1,235.6**
Impact of foreign exchange	9.5	1.2	**10.7**	18.1	**28.8**	9.4	4.3	**42.5**
Pro forma revenue at constant currency rates	405.9	29.0	**434.9**	413.6	**848.5**	302.5	127.1	**1,278.1**
Disposal of business	–	–	**–**	(0.5)	**(0.5)**	–	(0.2)	**(0.7)**
Pro forma organic revenue at constant currency rates	405.9	29.0	**434.9**	413.1	**848.0**	302.5	126.9	**1,277.4**
Year ended 31 March 2021								
Statutory revenue at actual rates	336.3	23.4	**359.7**	197.7	**557.4**	141.6	121.4	**820.4**
Revenue haircut	–	–	**–**	3.3	**3.3**	–	–	**3.3**
Pre-acquisition OSIsoft revenue at actual rates	27.7	–	**27.7**	211.8	**239.5**	129.6	3.3	**372.4**
Pro forma revenue at actual rates	364.0	23.4	**387.4**	412.8	**800.2**	271.2	124.7	**1,196.1**
Disposal of business	–	–	**–**	(1.4)	**(1.4)**	(1.6)	(0.9)	**(3.9)**
Pro forma organic revenue at actual rates	364.0	23.4	**387.4**	411.4	**798.8**	269.6	123.8	**1,192.2**
Change								
Statutory change	17.9%	18.8%	**17.9%**	74.6%	**38.0%**	107.0%	1.2%	**44.5%**
Pro forma change at actual rates	8.9%	18.8%	**9.5%**	(4.2)%	**2.4%**	8.1%	**(1.5)%**	**3.3%**
Pro forma change at constant currency	11.5%	23.9%	**12.3%**	0.2%	**6.0%**	11.5%	1.9%	**6.9%**
Pro forma change at organic constant currency	11.5%	23.9%	**12.3%**	0.4%	**6.2%**	12.2%	2.5%	**7.1%**

Non-GAAP measures continued

b. Constant currency and organic constant currency continued

Revenue by geographic region

	Americas £m	Asia Pacific £m	EMEA £m	Total £m
Year ended 31 March 2022				
Statutory revenue at actual rates	**467.0**	**260.1**	**458.2**	**1,185.3**
Revenue haircut	**29.5**	**5.1**	**15.7**	**50.3**
Pro forma revenue at actual rates	**496.5**	**265.2**	**473.9**	**1,235.6**
Impact of foreign exchange	**17.1**	**10.1**	**15.3**	**42.5**
Pro forma revenue at constant currency rates	**513.6**	**275.3**	**489.2**	**1,278.1**
Disposal of business	**–**	**(0.1)**	**(0.6)**	**(0.7)**
Pro forma organic revenue at constant currency rates	**513.6**	**275.2**	**488.6**	**1,277.4**
Year ended 31 March 2021				
Statutory revenue at actual rates	265.4	221.3	333.7	**820.4**
Revenue haircut	1.9	0.4	1.0	**3.3**
Pre-acquisition OSIsoft revenue at actual rates	206.4	53.1	112.9	**372.4**
Pro forma revenue at actual rates	473.7	274.8	447.6	**1,196.1**
Disposal of business	(0.1)	(1.4)	(2.4)	**(3.9)**
Pro forma organic revenue at actual rates	473.6	273.4	445.2	**1,192.2**
Change				
Statutory change	76.0%	17.5%	37.3%	**44.5%**
Pro forma change at actual rates	4.8%	(3.5)%	5.9%	**3.3%**
Pro forma change at constant currency	8.4%	0.2%	9.3%	**6.9%**
Pro forma change at organic constant currency	8.4%	0.7%	9.7%	**7.1%**

Cost by cost category

		Operating expenses					
	Cost of sales £m	Research & Development £m	Selling and distribution expenses £m	Administrative expenses £m	Net impairment loss from financial assets £m	Other expense/ (income) £m	Total £m
Year ended 31 March 2022							
Statutory cost at actual rates	**232.5**	**343.3**	**345.4**	**246.3**	**6.7**	**17.6**	**1,191.8**
Amortisation of intangible assets	**–**	**(164.6)**	**(61.3)**	**(0.2)**	**–**	**–**	**(226.1)**
Share-based payments	**–**	**–**	**–**	**(27.4)**	**–**	**–**	**(27.4)**
Exceptional items	**(0.2)**	**(0.5)**	**(3.4)**	**(38.8)**	**(7.3)**	**(17.6)**	**(67.8)**
Adjusted and pro forma costs at actual rates	**232.3**	**178.2**	**280.7**	**179.9**	**(0.6)**	**–**	**870.5**
Impact of foreign exchange	**8.0**	**5.7**	**9.1**	**6.0**	**0.1**	**–**	**28.9**
Adjusted costs at constant currency rates	**240.3**	**183.9**	**289.8**	**185.9**	**(0.5)**		**899.4**
Disposal of business	**(0.9)**	**(0.5)**	**–**	**–**	**–**	**–**	**(1.4)**
Organic costs at constant currency rates	**239.4**	**183.4**	**289.8**	**185.9**	**(0.5)**	**–**	**898.0**
Year ended 31 March 2021							
Statutory cost at actual rates	181.3	184.5	226.8	193.0	3.7	(5.5)	**783.8**
Amortisation of intangible assets	–	(67.8)	(27.9)	–	–	–	**(95.7)**
Share-based payments	–	–	–	(16.3)	–	–	**(16.3)**
Exceptional items	(0.8)	(0.3)	(3.9)	(78.3)	–	5.5	**(77.8)**
Adjusted costs at actual rates	180.5	116.4	195.0	98.4	3.7	–	**594.0**
Pre-acquisition OSIsoft costs at actual rates	48.6	52.1	83.1	63.7	(0.1)	–	**247.4**
Pro forma costs at actual rates	229.1	168.5	278.1	162.1	3.6	–	**841.4**
Disposal of business	(0.9)	(0.5)	–	–	–	–	**(1.4)**
Pro forma organic costs at actual rates	228.2	168.0	278.1	162.1	3.6	–	**840.0**
Change							
Statutory change	28.2%	86.1%	52.3%	27.6%	81.1%	(420.0)%	**52.3%**
Adjusted change at actual rates	28.7%	53.1%	43.9%	82.8%	(116.2)%	–	**46.5%**
Pro forma change at actual rates	1.4%	5.8%	0.9%	11.0%	(116.7)%	–	**3.5%**
Pro forma change at constant currency	4.9%	9.1%	4.2%	14.7%	(113.9)%	–	**6.9%**
Pro forma change at organic constant currency	4.9%	9.2%	4.2%	14.7%	(113.9)%	–	**6.9%**

c. Net debt

	2022 £m	2021 £m
Cash and cash equivalents	**279.3**	286.6
Loans and borrowings	**(684.5)**	(654.0)
Net debt	**(405.2)**	(367.4)

Non-GAAP measures continued

d. Cash conversion

	2022 £m	2021 £m
Net cash generated from operating activities before tax	**197.2**	91.2
Operating activities cash flow impact from exceptional items (M&A related)		
• Acquisition of OSIsoft	**19.2**	26.0
• Disposal of Acquis Software, Termis Software and Water Loss Management Software business	–	–
• OSIsoft transaction bonus[1]	**48.2**	–
	264.6	117.2
Purchase of property, plant and equipment	**(8.6)**	(10.9)
Purchase of intangible assets	–	(0.5)
Interest received	**1.9**	0.3
Interest paid	**(12.7)**	(2.8)
Purchase of own shares	**(1.3)**	(1.1)
Payment of principal element of lease liability	**(23.3)**	(18.5)
Free cash flow before tax	**220.6**	83.7
Adjusted EBIT	**314.8**	226.4
Deferred revenue haircut	**50.3**	3.3
Finance revenue	**1.9**	0.6
Finance expense	**(14.0)**	(3.0)
Adjusted profit before tax	**353.0**	227.3
Cash conversion	**62.5%**	36.8%

1. A one-off transaction bonus paid to OSIsoft employees. This was recognised in the acquired OSIsoft balance sheet.

e. Effective tax rate

	2022 £m	2021 £m
Profit		
(Loss)/profit before tax	**(18.6)**	34.2
Exceptional items	**67.8**	77.8
Normalised items		
• Amortisation of intangible assets	**226.1**	95.7
• Share-based payments	**27.4**	16.3
Profit before tax, exceptional items, and normalised items	**302.7**	224.0
Pro forma adjustments[1]	**50.3**	114.7
Pro forma profit before tax	**353.0**	338.7

1. Pro forma adjustments are outlined in the reconciliation to pro forma results in section a above.

	2022 £m	2021 £m
Income tax		
Income tax expense	**44.0**	9.4
Tax effect on exceptional items	**9.5**	15.1
Tax effect on normalised items	**(16.0)**	23.0
Income tax expense before exceptional items and normalised items	**37.5**	47.5
Tax effect on pro forma adjustments	**13.1**	(27.4)
Pro forma income tax expense	**50.6**	20.1
Effective tax rate		
Income tax expense	**44.0**	9.4
(Loss)/profit before tax	**(18.6)**	34.2
Effective tax rate	**(236.6)%**	27.5%
Effective tax rate before exceptional and normalised items		
Income tax expense before exceptional items and normalised items	**37.5**	47.5
Profit before tax, exceptional items, and normalised items	**302.7**	224.0
Effective tax rate before exceptional and normalised items	**12.4%**	21.2%
Pro forma effective tax rate		
Pro forma income tax expense	**50.6**	20.1
Pro forma profit before tax	**353.0**	338.7
Pro forma effective tax rate	**14.3%**	5.9%

Non-GAAP measures continued

f. Pro forma adjusted diluted earnings per share

Pro forma EPS is calculated based upon the following number of ordinary shares adjusted for the effect of dilution:

	2022 Number Millions	2021 Number Millions
Weighted average number of ordinary shares adjusted for the effect of dilution	303.7	220.0
Adjustment for timing of rights issue[1]	–	82.4
Pro forma weighted average number of ordinary shares adjusted for the effect of dilution	303.7	302.4

1. Adjustment to timing of incremental paid for shares issued as a result of the November 2020 rights issue, as if the rights issue occurred on 1 April 2020.

Pro forma EPS is calculated using the following profits:

	2022 £m	2021 £m
Pro forma profit before tax	353.0	338.7
Pro forma income tax	(50.6)	(20.1)
Pro forma profit after tax	302.4	318.6

	2022 Pence	2021 Pence
Pro forma adjusted diluted earnings per share	99.58	105.34

ESG Tables

Sustainability accounting standards board (SASB)

Topic	Reference code	Category	Metric	Response
Environmental footprint of hardware infrastructure	SASB TC SI 130a.1	Quantitative	(1) Total energy consumed, (2) percentage grid electricity, (3) percentage renewable	Annual Report; Operational Footprint (page 30)
	SASB TC SI 130a.3	Discussion and analysis	Discussion of the integration of environmental considerations into strategic planning for data centre needs	Sustainability Progress Report; Operational Footprint
Data privacy and freedom of expression	SASB TC SI 220a.1	Discussion and analysis	Policies and practices relating to behavioural advertising and user privacy	Annual Report; Technology Handprint (page 33)
	SASB TC SI 220a.3	Quantitative	Total amount of monetary losses as a result of legal proceedings associated with user privacy	Annual Report; Technology Handprint (page 33)
	SASB TC SI 220a.4	Quantitative	(1) Number of law enforcement requests for user information, (2) number of users whose information was requested, (3) percentage resulting in disclosure	Annual Report; Technology Handprint (page 33)
Data security	SASB TC SI 230a.1	Quantitative	(1) Number of data breaches, (2) percentage involving personally identifiable information (PII), (3) number of users affected	Annual Report; Technology Handprint (page 33)
	SASB TC SI 230a.2	Discussion and analysis	Approach to identifying and addressing data security risks, including use of third-party cybersecurity standards	Annual Report; Technology Handprint (page 33)
Recruiting & managing a global, diverse & skilled workforce	SASB TC SI 330a.2	Quantitative	Employee engagement as a percentage	Annual Report; Inclusive Culture (page 39)
	SASB TC SI 330a.	Quantitative	Percentage of gender and racial/ethnic group representation for (1) leadership, (2) tech workforce, and (3) sales workforce	Annual Report; Inclusive Culture (page 41); DEI Website
IP protection & competitive behaviour; managing systemic risks	SASB TC SI 520a.1	Quantitative	Total amount of monetary losses as a result of legal proceedings associated with anticompetitive behaviour regulations	Annual Report; Operational Footprint (page 36)
	SASB TC SI 550a.1	Quantitative	Number of (1) performance issues and (2) service disruptions; (3) total customer downtime	Annual Report; Technology Handprint (page 33)
	SASB TC SI 550a.2	Discussion and analysis	Business continuity risks related to disruptions of operations	Annual Report; Technology Handprint (page 33)

ESG Tables continued

World Economic Forum core metrics

We are publishing the below index to align with the WEF's Measuring Stakeholder Capitalism reporting framework, providing our investors and other stakeholders with a mapping of relevant ESG disclosures. We have focused below on the issues deemed most material to our business, based on our materiality assessment. We will continue to enhance our public disclosures in alignment with the below metrics as we advance our sustainability programme.

Topic	Theme	Core metrics and disclosures	Response and/or reference
Governance	Governing purpose	Setting purpose	Annual Report, Board Leadership, Purpose and Culture (page 82)
	Quality of governing body	Board composition	Annual Report, Board of Directors (page 78-81)
	Stakeholder engagement	Material issues impacting stakeholders	Annual Report, Our ESG Framework (page 30)
	Ethical behaviour	Anti-corruption	Annual Report, Our Operational Footprint (page 36)
		Protected ethics advice and reporting mechanisms	Annual Report, Our Operational Footprint (page 36)
	Risk and opportunity oversight	Integrating risk and opportunity into business process	Annual Report, Principal Risks (page 54)
Planet	Climate change	Greenhouse gas (GHG) emissions	Annual Report, Our Operational Footprint (page 35)
		TCFD implementation	Annual Report, Principal Risks (page 65)
People	Dignity and equality	Diversity and inclusion	Annual Report, Inclusive Culture (page 40); DEI Website; AVEVA DEI Policy
		Pay equality	Gender and Ethnicity Pay Gap Report
		Wage level	AVEVA considers this data confidential company information and treats it as such
		Risk for incidents of child, forced or compulsory labour	Anti-Slavery & Human Trafficking Statement
	Skills for the future	Training provided	Annual Report, Inclusive Culture (page 39)
Prosperity	Wealth creation and employment	Absolute number and rate of employment	• Note 9 of the Consolidated Financial Statements • Annual Report, Key Performance Indicators (pages 26 to 27) • Annual Report, Inclusive Culture (page 39)
		Economic contribution	• Revenue: note 3 of the Consolidated Financial Statements • Operating costs: Consolidated Income Statement • Employee wages and benefits: note 9 of the Consolidated Financial Statements • Payments to providers of capital: Consolidated Cash Flow Statement • Payments to government: Consolidated Cash Flow Statement • Community investment: Stakeholder Engagement (page 45)
		Final investment contribution	• Capital expenditure less depreciation: note 16 of the Consolidated Financial Statements • Dividend payments: note 11 of the Consolidated Financial Statements
	Innovation in better products and services	Total R&D expenses	Annual Report, R&D Spend (page 52)
	Community and social vitality	Total tax paid	Annual Report, Our Operational Footprint (page 37)

Company information and advisors

Directors

Philip Aiken	Chairman
Peter Herweck	Chief Executive Officer (appointed 1 May 2021)
	Non-Executive Director & Vice Chairman (resigned 1 May 2021)
Craig Hayman	Chief Executive Officer (resigned 1 May 2021)
	Director (resigned 7 July 2021)
James Kidd	Chief Strategy and Transformation Officer
Christopher Humphrey	Senior Independent Non-Executive Director
Jennifer Allerton	Independent Non-Executive Director
Paula Dowdy	Independent Non-Executive Director
Dr Ayesha Khanna	Independent Non-Executive Director (appointed 28 October 2021)
Ron Mobed	Independent Non-Executive Director
Anne Stevens	Independent Non-Executive Director (appointed 1 May 2022)
Olivier Blum	Non-Executive Director
Hilary Maxson	Non-Executive Director (appointed 1 August 2021)

Company Secretary

Helen Lamprell

Registered office

High Cross, Madingley Road
Cambridge, CB3 0HB

Registered number

2937296

Auditor

Ernst & Young LLP
One Cambridge Business Park
Cambridge, CB4 0WZ

Bankers

Barclays Bank plc
9–11 St Andrews Street
Cambridge, CB2 3AA

Solicitors

Ashurst LLP
London Fruit & Wool Exchange
1 Duval Square
London, E1 6PW

Mills & Reeve LLP
Botanic House
100 Hills Road
Cambridge, CB2 1PH

Stockbrokers

Numis Securities Limited
45 Gresham Street
London, EC2V 7BF

J.P. Morgan Cazenove
25 Bank Street
Canary Wharf
London, E14 5JP

Registrars

Link Asset Services
6th Floor
65 Gresham Street
London, EC2V 7NQ

Financial PR

FTI Consulting
200 Aldersgate Street
London, EC1A 4H

Glossary

ACV: Annual Contract Value. The average annual revenue generated from a sales contract.

AGM: Annual General Meeting. The next annual meeting of AVEVA's shareholders will be held on 15 July 2022.

AI: Artificial Intelligence.

APAC: Asia Pacific.

AQR: Audit Quality Review. Monitoring the quality of the audit work of statutory auditors and audit firms within the UK by the FRC.

ARR: Annualised Recurring Revenue. The value of the contracted recurring revenue from subscriptions and maintenance in a one-year period. A non-GAAP measure, see page 206 for additional information.

BEIS: Department for Business, Energy and Industrial Strategy. A department of the UK government.

Bonus factor: Calculation 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, Brian DiBenedetto.

CSTO: Chief Strategy & Transformation Officer, James Kidd.

CPO: Chief People Officer, Caoimhe Keogan.

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_2e: Carbon dioxide equivalent. The quantity of CO_2 that would provide an equivalent warming effect.

DEI: Diversity, Equity 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. A non-GAAP measure, see page 206 for additional information.

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.

EPS: Earnings Per Share. The portion of profits attributable to each ordinary share in issue.

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 transposed to UK law following Brexit.

GESPP: Global Employee Share Purchase Plan. An employee share plan aiming to increase employee share ownership. 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 the IASB.

IIoT: Industrial Internet of Things. The networking of computers, sensors, instruments and other devices for industrial applications.

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.

NED: Non-Executive Director. A member of AVEVA's Board who is not part of AVEVA's executive management team.

NRR: Net Revenue Retention. The proportion of recurring revenue retained from existing customers.

OEM: Original Equipment Manufacturer.

Partners: The ecosystem of AVEVA partners, including distributors and strategic partners.

Pro Forma Results: Results prepared on the basis that the acquisition of AVEVA Group plc and OSIsoft, LLC occurred on 1 April 2020, and excluding the impact of the revenue haircut. A non-GAAP measure, see pages 203 to 204 for additional information.

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 in the 12 months ended 31 March 2022 of £50.3 million (2021: £3.3 million), reflecting an acquisition accounting adjustment to acquired OSIsoft contract liabilities on completion of the OSIsoft acquisition. A non-GAAP measure, see page 205 for additional information.

SaaS: Software as a Service. A distribution model whereby AVEVA products are available to customers via the internet and consumed on a pay-for-use basis or as a subscription based on use metrics.

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 that oversees AVEVA's corporate strategic and business unit risks. Reports to the ERC.

SOX: Sarbanes-Oxley Act. US federal law mandating certain financial record-keeping practices, particularly relating to internal controls. The implementation of a UK SOX regime is under review by BEIS.

TCFD: Task Force on 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. AVEVA is reporting under TCFD for the first time in the year ended 31 March 2022.

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. A non-GAAP measure.

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.

XaaS: A collective term that refers to the delivery of Anything as a Service.


AVEVA
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