Compliance statement

This Directors' Remuneration report has been prepared on behalf of the board by the committee and complies with the provisions of the Companies Act 2006 and Schedule 8 of The Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008, as amended (the UK Regulations). The report has been prepared in line with the applicable UK Corporate Governance Code and the UK Listing Rules.

The Corporate Governance Code issued in June 2018 (the 2018 Code) and the provisions of the Companies (Miscellaneous Reporting) Regulations 2018 (the 2018 Reporting Regulations) which relate to annual remuneration reports (as opposed to remuneration policy reports) do not apply to this Directors' Remuneration report, as, in both cases, they apply to reporting years commencing on or after 1 January 2019. The provisions of the Companies (Directors' Remuneration Policy and Directors' Remuneration Report) Regulations 2019 (the 2019 Reporting Regulations) which relate to annual remuneration reports (as opposed to remuneration policy reports) also do not apply to this Directors' Remuneration report as they apply to reporting years commencing on or after 10 June 2019. The provisions of the 2018 Reporting Regulations and the 2019 Reporting Regulations which apply to remuneration policy reports have been fully incorporated into this Remuneration Policy report as required. We have also incorporated many of the requirements of the 2018 Code and the provisions of the 2018 Reporting Regulations (which apply to annual remuneration reports) ahead of time in this Annual Report on Remuneration. Any remaining requirements of the 2018 Code, the 2018 Reporting Regulations and the 2019 Reporting Regulations will be fully reflected in next year's Directors' Remuneration report.

DIRECTORS' REMUNERATION POLICY

This section of the report sets out the proposed new Remuneration Policy for directors. A binding shareholder resolution to approve the Remuneration Policy will be proposed at the 2020 Annual General Meeting ("AGM") on 25 March 2020 and, subject to shareholder approval, will be effective from the conclusion of the AGM for a period of three years. Subject to approval of the proposed new policy, the 2020 annual bonus plan and the 2020 LTIP grants will be operated under the new policy. The key changes from the previous Remuneration Policy (which was first published on pages 72 to 82 of the 2017 Annual Report and Accounts and which was approved by shareholders at the September 2017 AGM) and the rationale for the changes are explained in the letter from the remuneration committee chair on pages 88 to 90 and in the table on page 97. The policy will be available to view at www.microfocus.com.

The committee determines the Remuneration Policy and the individual remuneration packages for executive directors and the executive management team. No individual participates in discussions relating to the setting of their own remuneration.

The committee considers that the remuneration arrangements proposed under the new policy are appropriate based on internal and external measures. From an internal perspective, it has reviewed Chief Executive Officer to UK employee pay ratios (see page 111) and the percentage change from 2018 to 2019 in Chief Executive Officer salary, benefits and bonus relative to the wider global employee population (see page 111) and is comfortable that the overall remuneration opportunity for executive directors is appropriate, especially given the higher proportion of performance related pay which they have relative to employees generally, which reflects their increased ability to impact the business performance.

In terms of external benchmarking for the executive directors, the committee reviews relevant market data, for example for the FTSE 100, the FTSE 250, as well as for some US based technology companies of comparable size to Micro Focus. Benchmarking is only one factor which the committee takes into account when making decisions about pay. This benchmarking approach is broadly consistent with the approach applied more broadly to employees throughout the Group.

The remuneration policy for the wider employee group is based on broadly consistent principles to those for executive directors. All employees who are not eligible for commission-based reward participate in an annual bonus plan, which is based on similar financial measures and targets as the executive directors. Performance measures are consistent for all participants in the LTIP. All employees globally have the ability to buy Company shares under one of the Company's all-employee share purchase plans. At its January 2020 meeting, the committee considered various aspects of workforce remuneration and took these into account when determining the proposed new Directors' Remuneration Policy.

The table below shows how the committee addressed simplicity, clarity, risk, predictability, proportionality and alignment to culture when determining the Directors' Remuneration Policy.

Factor	How has this been addressed
Clarity Remuneration arrangements should be transparent and promote effective engagement with shareholders and the workforce.	We have aimed to be completely transparent about the detail of our proposed new Remuneration Policy (for example when and how certain newly introduced features, such as holding periods and post-cessation shareholding requirements, take effect). We have complied with certain disclosure requirements ahead of when we are required to do so, for example CEO pay ratios, in the spirit of openness and transparency. We have engaged with shareholders to understand more about the reasons for the negative vote against the 2018 Annual Report on Remuneration and to inform them of the key aspects of the proposed new Remuneration Policy. We will be undertaking a full consultation in advance of granting the 2020 LTIP awards. The Company currently engages with the broader employee population in connection with their remuneration through a variety of methods including explanatory guides and face-to-face briefings and seeks their views on reward via employee opinion surveys.
Simplicity Remuneration structures should avoid complexity and their rationale and operation should be easy to understand.	By removing ASGs from our new Remuneration Policy, we have simplified our incentive structure so that we only have one long-term incentive plan and an annual bonus plan (which incorporates share deferral).
Risk Remuneration arrangements should ensure that reputational and other risks from excessive rewards, and behavioural risks that can arise from target-based incentive plans, are identified and mitigated.	A number of design features exist under our new policy in order to take into account and minimise risk as follows: – The committee can apply discretion to override formulaic incentive outcomes if it believes this would result in a fairer outcome; – We operate bonus deferral and have added post-vesting holding periods to the LTIP and extended our shareholding requirement so that it applies for two years post-cessation; and – Malus and clawback provisions are in place in the bonus and LTIP. Under the proposed new policy, we are adding corporate failure as an additional malus and clawback trigger event and the clawback period is being extended to two years for all future bonuses and deferred bonus shares awarded under the new policy.
Predictability The range of possible values of rewards to individual directors and any other limits or discretions should be identified and explained at the time of approving the policy.	The proposed new Remuneration Policy sets out: – The maximum award levels and the range of vesting outcomes applicable to annual and long-term incentive arrangements; and – The discretions which are available to the committee (for example to override formulaic incentive outcomes and to apply malus and clawback). In the past, the ASGs have delivered significant value to executives in line with the value which has been created for shareholders. As no future ASGs will be granted, the executive directors' packages are less leveraged and more predictable under the proposed new policy.
Proportionality The link between individual awards, the delivery of strategy and the long-term performance of the Company should be clear. Outcomes should not reward poor performance.	Performance measures are designed to align to strategy and incentive plans provide for a range of payout levels which are dependent on and linked to Company performance. Deferral periods and holding periods help to further align incentive outcomes for executives to the shareholder experience. No payment is made for poor performance and any individual leaving the Company due to performance issues would not be entitled to any incentive payments.
Alignment to culture Incentive schemes should drive behaviours consistent with Company purpose, values and strategy.	As discussed in the committee Chair's letter on pages 88 to 90, under the new policy we will use at least two financial performance measures for the bonus plan and the LTIP. The performance measures will be chosen to reflect the annual business plan and the Company's strategy.

The table below sets out the Remuneration Policy that shareholders will be asked to approve at the AGM on 25 March 2020.

Remuneration Policy table – executive directors

All footnotes to the policy table can be found on page 95.

BASE SALARY

Alignment with strategy
Supports the recruitment and retention of executive directors of the calibre required to deliver the Group's strategy.

Operation
Salaries are normally reviewed annually and increases generally apply from the first quarter of the financial year.

When determining base salary levels, the committee considers the following:

- Pay increases for other employees of the Group;
- The individual's skills, experience and responsibilities;
- Pay at companies of a similar size, complexity and international scope, in particular those within the technology sector, the appropriate FTSE index, US listed technology companies and privately owned software companies; and
- Corporate and individual performance.

Maximum opportunity
Ordinarily, salary increases will be in line with increases awarded to other employees of the Group. However, increases may be made above this level at the committee's discretion to take account of individual circumstances such as:

- Increase in scope and responsibility;
- Increase to reflect the individual's development and performance in role (e.g. for a new appointment where base salary may be increased over time rather than set directly at the level of the previous incumbent or market level); and
- Alignment with market level.

Performance measures
None, although overall performance of the Company and the individual is considered by the committee when setting and reviewing salaries annually.

BENEFITS

Alignment with strategy
Provides a competitive and cost-effective benefits package to assist executive directors in carrying out their duties effectively.

Operation
The Group provides a range of benefits to executive directors which, subject to periodic review, may include car benefits (or cash equivalent), private medical and dental insurance, permanent health insurance, directors' and officers' liability insurance, life assurance, tax return preparation costs for non-home country filings arising as a result of employment with the Company and other benefits available to employees generally, including, where appropriate, the tax on such benefits.

Additional benefits may also be provided in certain circumstances which may include (but are not limited to) relocation expenses, expatriate allowances, housing allowances, school fees and payment of incremental overseas tax liabilities.

Maximum opportunity
The maximum value for on-going benefits for executive directors will not normally exceed 15% of base salary (excluding any one-off items such as relocation benefits and any tax-related charges met by the Company). However, the committee may provide reasonable benefits beyond this amount in exceptional situations, such as a change in the individual's circumstances caused by the Company, or if there is a significant increase in the cost of providing an agreed benefit.

Performance measures
None.

PENSION

Alignment with strategy
Provides a competitive post-retirement benefit, in a way that manages the overall cost to the Company.

Operation
The Company operates a defined contribution plan with contributions set as a percentage of base salary, such contribution rate being subject to review and change from time to time. An individual may elect to receive some or all of their pension contribution as a cash allowance.

Maximum opportunity
Maximum for new hires: For executive directors hired or promoted to the board after the effective date of this policy, the maximum value of the Company contribution is equivalent to the level of pension benefit provided to employees generally in the same location under the Company's regular defined contribution plans in effect, or as amended, from time to time.

Maximum for existing executive directors: The existing executive directors will transition from their current pension contribution rates to the new hire pension maximum applicable to employees generally by the end of 2022. Currently, the existing CEO and CFO receive 15% of base salary as a cash allowance in lieu of pension contribution and the Executive Chairman receives 20%. Subject to approval of the new policy, the Company contributions for all current executive directors will reduce to the general employee level for the UK by the end of 2022 in one step. Therefore, by the end of 2022, the current executive directors will be subject to the same maximum as described above for new hire executive directors.

Performance measures
None.

ANNUAL BONUS

Alignment with strategy
Rewards and incentivises the achievement of annual financial targets which are chosen to align with the Company's strategy. The compulsory deferral of one-third of any bonus earned into Company shares for three years promotes longer-term alignment of executive director interests with shareholders' interests.

Operation
Financial measures and targets are set by the committee for each financial period and pay out levels are determined by the committee after the year end based on an assessment of performance against those targets and the application of any applicable committee discretion, if relevant. The targets, outcomes and the exercise of any committee discretion are fully disclosed in the Annual Report on Remuneration published following the year end.

All executive directors are required to defer one-third of their bonus into an award over Company shares. The deferral period is three years.

Dividend equivalents are payable over the deferral period in respect of the deferred bonus shares which vest.

Maximum opportunity
The maximum potential bonus opportunity is 150% of annual base salary in any financial year for each executive director. This includes the deferred bonus shares, but excludes the dividend equivalents which are payable in respect of the deferred bonus shares.

Performance measures
Performance measures are set each year and normally include at least two financial measures chosen by the committee to support the current strategy and incentivise the executive directors to achieve the desired outcomes. The financial measures will have an overall weighting of at least 80% and the performance measures may also include non-financial or strategic individual key performance objectives (KPOs) with a weighting of up to 20%. The performance measures will be assessed independently and there will be no payout under the non-financial/individual measures if there is no payout under any of the financial measures.

The financial targets are set each year and are designed to be stretching. They are set by the committee by reference to various factors including the previous year's performance outcomes, the strategic plan and internal and external forecasts for the upcoming year. The proposed financial measures for each operation of the annual bonus will be included in the Annual Report on Remuneration which is published in the early part of the bonus year.

Payout levels for different levels of performance against the performance measures and targets are as follows:

- The minimum and threshold payout is zero; and
- Payout for target performance is 50% of the maximum opportunity.

Committee discretion applies. See footnotes 1, 2 and 3.

Recovery of sums paid
Malus provisions apply to the cash bonus and during the three-year deferral period. Clawback provisions may be applied to the cash bonus for up to two years following payment. Deferred bonus shares will also be subject to clawback for up to two years after vesting. See footnote 4.

LONG-TERM INCENTIVE PLAN

Alignment with strategy
Motivates and rewards the achievement of long-term business goals which support the strategy, the creation of shareholder value and aligns executive directors' interests with those of long-term shareholders.

Operation
Conditional share awards or nil cost options are typically made annually with vesting subject to the achievement of financial performance conditions measured over three years and continued employment (subject to the provisions set out under policy on payments for loss of office).

If nil cost options are granted, the maximum length of the exercise period is typically 10 years from the date of grant.

Executive directors are required to retain any net (after tax) vested shares for a holding period of two years after vesting (including following cessation of employment).

The plan rules allow for dividend equivalents to be payable in respect of shares subject to awards which vest.

Maximum opportunity
The maximum face value of awards to be granted in respect of any financial year for each executive director is 200% of annual base salary.

Performance measures
There are normally at least two financial performance measures for each operation of the LTIP. The measures and/or the weightings can be changed for each annual grant during the policy period to reflect strategic priorities, although any significant changes from the previous year's measures would only be made following engagement with shareholders.

The targets are designed to be challenging by providing high levels of reward for exceptional performance, but also a reasonable expectation of some reward at the lower end of the scale, subject to robust performance. The targets are set by the committee by reference to various factors including the previous year's performance outcomes, the strategic plan and internal and external forecasts for the performance period.

Details of the measures and targets used for specific LTIP grants are typically included in the Annual Report on Remuneration for the year prior to grant.

Payout levels for different levels of performance against the annual measures and targets are as follows:

- The minimum payout is zero;
- The threshold payout is normally zero, but could be up to 25%, depending on the measures chosen; and
- Payout in line with company expectations will normally be 50% of the maximum award.

Committee discretion applies. See footnotes 1, 2 and 3.

Recovery of sums paid
Malus provisions will apply prior to vesting and clawback may be applied up to two years after vesting. See footnote 4.

ALL-EMPLOYEE SHARE PLANS

Alignment with strategy
Provides an opportunity for executive directors to voluntarily invest in the Company on the same terms as other employees.

Operation
Executive directors are entitled to participate in any local all-employee share-based plans to the extent that these are offered by the Company and under the same terms as other employees.

Maximum opportunity
Participation limits are those set by the Company, which may be subject to local tax authority limits from time to time in force.

Performance measures
Not applicable.

Footnotes to the policy table

1. Committee discretion in respect of bonus and LTIP payout levels

In determining the level of payout under the bonus and the LTIP, the committee takes into account the overall business performance during the performance period and any other relevant factors. Should the formulaic outcome of the agreed performance measures not, in the view of the committee, reflect overall business performance, the committee has discretion to adjust the payout or vesting levels (subject always to the stated policy maximums) if it believes this would result in a fairer and more appropriate outcome. This discretion will only be used in exceptional circumstances and any such adjustments would be disclosed in the next year's Annual Report on Remuneration.

2. Committee discretion to vary bonus and LTIP performance measures

If an exceptional event occurs which causes the committee to consider that the measures set for a current bonus or LTIP award are no longer a fair measure of performance, the committee has discretion to adjust them, provided that the new measures are no easier or tougher to meet than the original measures. Any such adjustments would be disclosed in the next year's Annual Report on Remuneration.

3. Other discretions under the bonus plan, Deferred Share Bonus Plan (DSBP) and LTIP

In relation to the bonus plan, the committee retains discretion over other matters such as the timing of the bonus payout, treatment on a change of control (see page 100 for further details), treatment on termination of employment (see "Policy on payments for loss of office" section on pages 99 to 100) and the operation of malus and clawback (see below under footnote 4).

In relation to the DSBP and the LTIP, the committee retains discretion over other matters such as treatment on a change of control (see page 100 for further details), treatment on termination of employment (see "Policy on payments for loss of office" section on pages 99 to 100), adjustments required in certain circumstances (e.g. rights issues, corporate restructuring events and special dividends) and the operation of malus and clawback (see below under footnote 4).

4. Malus and clawback under the annual bonus plan, DSBP and LTIP

The Committee has discretion under the annual bonus plan, the DSBP and the LTIP to apply malus and clawback in the case of (i) material misstatement of results, (ii) an error in calculation, (iii) fraud and gross misconduct, (iv) conduct causing serious harm to the Group's reputation and/or significant financial loss, (v) a material failure of risk management causing serious harm to the reputation of the Group and (vi) corporate failure. If any of these events apply, the committee has discretion to take a number of actions in accordance with the applicable plan rules, including: reducing a payout (to nil if appropriate), lapsing unvested awards, requiring repayment of gains made or the transfer of shares acquired, delaying vesting. Clawback can apply for up to two years after (i) an annual bonus cash payout, (ii) a release of deferred bonus shares and (iii) a vesting of LTIP awards.

5. Explanation of the differences between the Company's policy on executive directors' remuneration and the policy for other employees

The remuneration policy for the wider employee group is based on broadly consistent principles to those for executive directors, although a larger proportion of executive directors' remuneration is performance related than that of other employees. All employees who are not eligible for commission-based reward participate in an annual bonus plan, which is based on similar measures and financial targets as the executive directors. Bonus opportunity levels vary according to role and seniority. Typically, around 450 of our senior managers and other key employees also receive LTIP awards annually. LTIP performance conditions are consistent for all participants, while award sizes vary according to role and seniority. In addition, selected employees below the board may receive non-performance related share awards. All UK employees are eligible to participate in a tax-favoured share saveplan and employees in other countries worldwide are able to participate in the Employee Share Purchase Plan (ESPP). The range and level of retirement and other benefits provided to employees varies according to local market practice, role and seniority. As noted in the pensions section of the policy table, the pension policy for executive directors results in full alignment of executive directors' pension benefits with the wider workforce.

Executive directors' shareholding requirement

Executive directors are subject to a shareholding requirement of 200% of annual base salary. On joining or promotion to the board, executive directors are given a period of time to build up to their requirement, typically five years.

On cessation of employment, executive directors are to maintain their full shareholding requirement (or, if lower, their actual level of shareholding at the time of leaving) for two years after leaving employment. This applies to shares delivered from awards granted after the approval of the new policy at the 2020 AGM. Post-cessation, executive directors will be required to hold shares subject to their shareholding requirement in accordance with the Company's designated mechanism from time to time in place.

Remuneration Policy table – non-executive directors

The table below details the Company's policy on how the non-executive directors, including a non-executive Chairman, will be remunerated.

FEES

Alignment with strategy

To enable the Company to attract and retain high-calibre non-executive directors who can make a major contribution to the board and committees of a global technology business.

Operation

Fees for non-executive directors (except a non-executive Chair) are determined by the Chair of the board and the executive directors.

Individuals undertaking the roles of non-executive Chair of the board and senior independent director (SID) are typically paid an aggregate annual fee, which includes chairing committees. Other non-executive directors are paid a basic annual fee, with additional fees payable as appropriate for specific roles and duties. Currently, additional fees are paid for the chairmanship of board committees and for additional responsibilities related to the SEC and SOX compliance. In the future, additional fees could be payable for other specific roles and duties, for example, for membership of board committees, a workforce engagement fee and attendance fees.

Fees are currently paid in cash but the Company may choose to provide some of the fees in shares.

Fees are reviewed periodically. When reviewing fees, consideration is given to the commitment and contribution that is expected, the complexity of the role, the experience of the individual and market positioning against comparable roles in companies of a similar size and complexity to the Company, in particular those within the technology sector, the relevant FTSE index, US listed technology companies and privately owned software companies.

Maximum opportunity

The total base fees paid to non-executive directors will remain within the limit stated in the Company's articles of association, currently £1m. Actual fee levels are disclosed in the Annual Report on Remuneration for the relevant financial year.

Additional fees for chairing, or membership of, board committees and all fees paid to a non-executive Chair of the board are not subject to this maximum limit.

OTHER BENEFITS

Alignment with strategy

To provide benefits at appropriate cost where necessary.

Operation

Other benefits for non-executive directors are kept to a minimum. They are reviewed periodically and may include additional tax return filing costs which arise as a result of the appointment with the Company, secretarial benefits, travel and related subsistence costs, including, where appropriate, the tax on such benefits. In addition, private medical cover may be considered for a non-executive Chairman.

Non-executive directors may also be reimbursed for all necessary and reasonable expenses incurred in performance of their duties and tax (if any)thereon.

Maximum opportunity

There is no prescribed maximum.

Changes from previous policy

The following table summarises the changes between the proposed new Remuneration Policy set out in the preceding pages and the current Remuneration Policy which was approved at the 2017 AGM, together with the rationale for the changes. Additional context in respect of the key changes can be found in the committee Chair's letter on pages 88 to 90.

	Policy change	Rationale for change
Incentive structure	No Additional Share Grants (ASGs). Incentives comprise bonus, bonus deferral and LTIP.	Simplification of incentive structure, reduce reputational risk and increase predictability of reward outcomes.
Pension maximum	New executive directors: maximum Company contribution reduced from 15% of base salary to the same level as employees in general in same location. Existing executive directors: reduce to employee level by end of 2022.	To align with the workforce and to meet corporate governance best practice.
Bonus measures	Under the current policy, the bonus measure is Adjusted EBITDA, with the ability to change this if needed to support a change in strategy. Under the new policy, we will select performance measures each year and will normally have at least two financial measures with a minimum weighting of 80% and the ability to include individual KPOs up to a 20% weighting.	To ensure a balanced set of measures and the flexibility to change these each year to align with business priorities.
Bonus targets	Under the current policy, this is set at 0 to 10% year-on-year Adjusted EBITDA growth, with the ability to change this if needed to support a change in strategy. Under the new policy, targets will be set annually in the context of the Company's annual business plan and other factors.	To introduce a more standard way of setting targets which are based on an assessment of various factors each year, in order to better align to and support the business plan.
Bonus deferral into shares	There will be no time-pro-rating for good leavers or on a change of control for new deferred bonus share awards granted after approval of the new policy.	To reflect that bonus has effectively already been earned by the executive directors.
LTIP measures	Under the current policy, measures and weightings may vary year-on-year to reflect strategic priorities, subject to retaining at least 50% on Diluted Adjusted EPS growth in excess of UK inflation (EPS). Under the new policy, there will normally be at least two financial measures and measures and/or weightings can be changed for each new grant to reflect strategic priorities (although any significant changes from the previous year would usually only be made following shareholder engagement).	To ensure a balanced set of suitably stretching measures appropriate to a global business, with the flexibility to change these for each grant to reflect the current strategy and business environment.
LTIP post-vesting holding period	Introduction of a two-year post-vesting holding period for LTIP awards granted after approval of the new policy (continues to apply post-cessation of employment).	Results in total five-year vest and hold period in line with corporate governance best practice.
Post-cessation shareholding requirement	Introduction of a post-cessation shareholding requirement at the lower of the full in-service requirement and the actual shareholding at cessation for two years post-cessation (applies to shares that vest from awards granted under the new policy).	Increase alignment with shareholders, improve risk management and meet corporate governance best practice.
Malus and clawback	Corporate failure is added to the list of existing trigger events (which are (i) material misstatement, (ii) error in calculation, (iii) fraud and gross misconduct, (iv) conduct causing serious harm to the Group's reputation and/or significant financial loss and (v) material failure of risk management causing serious harm to the reputation of the Group). The clawback period for bonus and deferred bonus shares is extended from one to two years in line with the clawback period applicable to LTIP awards.	Improve risk management and meet corporate governance best practice.
Benefits for executive directors	The list of benefits which may be provided has been changed (e.g. to include dental insurance in addition to medical insurance and to remove fees for a temporary increase in responsibilities). A maximum value on the provision of on-going benefits has been introduced.	To ensure that the Company has flexibility to offer a range of appropriate benefits to executive directors during the policy period. There are no current plans to add to the benefits currently received by executive directors.
LTIP – dividend equivalents	The possibility of including dividend equivalents has been included.	To provide flexibility during the policy period for further alignment of executive directors' interests with those of shareholders.
Fees and benefits for non-executive directors	Under the current policy, additional fees are payable (above the non-executive director base fee) for chairing a committee and for the role of Senior Independent Director. Under the new policy, flexibility to introduce other additional fees where appropriate has been included, as has the possibility of paying certain specific benefits to non-executive directors.	To provide flexibility during the policy period to enable the Company to attract and retain high-calibre non-executive directors.

Previous Remuneration Policy and prior commitments

The committee reserves the right to make any remuneration payments and payments for loss of office (including exercising any discretions available to it in connection with such payments), notwithstanding that they are not in line with the policy set out in this report, where the terms of the payment were agreed:

(i) before 25 September 2014 (the date the Company's first shareholder approved policy came into effect);
(ii) before the policy set out in this report came into effect, provided that the terms of the payment were consistent with the shareholder-approved Directors' Remuneration Policy in force at the time they were agreed; or
(iii) at a time when the relevant individual was not a director of the Company and, in the opinion of the committee, the payment was not in consideration for the individual becoming a director of the Company.

Consideration of employment conditions elsewhere in the Group

When the committee reviews salaries for the executive directors, one factor which it typically takes into account is the most recent annual salary increase budgets for employees generally in the Company's major locations. These salary increase budgets for employees take into account Group performance, local pay and market conditions and salary levels for similar roles in comparable companies. When determining executive director salaries, the committee also considers pay at companies of a similar size, complexity and international scope, in particular those within the technology sector, the appropriate FTSE index, US listed technology companies and privately owned software companies. The benchmarking approach for the executive directors is broadly the same as the benchmarking approach applied throughout the organisation. The committee also reviews and approves the overall annual LTIP grants for the wider executive population (around 450 employees globally) and the twice yearly launches of the Company's all-employee share plans (the UK sharesave plan and the Employee Share Purchase Plan) and hence has visibility of wider employee share plan participation.

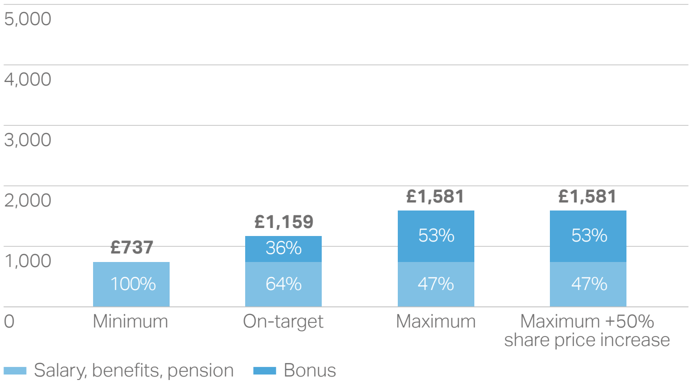
More recently, we have introduced an annual agenda item for the committee to review various aspects of workforce remuneration and related policies in order to deepen its understanding of pay across the Company. At its January 2020 meeting, the committee considered various aspects of workforce remuneration and took this into account when determining the proposed new Directors' Remuneration Policy.

Although the committee did not consult directly with employees on the proposed Directors' Remuneration Policy set out in this Report, going forward, in accordance with the 2018 Corporate Governance Code obligations around workforce engagement (which apply to the Company with effect from the financial year ending 31 October 2020) we will introduce a process for dialogue with employees about how the new executive Directors' Remuneration Policy aligns with wider pay policy.

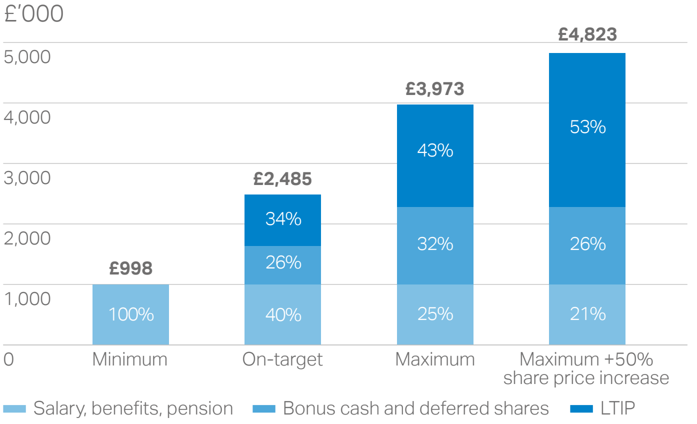
Illustrations of the application of Remuneration Policy

The following charts provide an estimate of the potential future reward opportunities for the current executive directors and the potential split between the different elements of pay under different performance scenarios. The chart for the Executive Chairman reflects the announcement that he will be stepping down from the board on 14 February 2020 and ceasing employment on 13 August 2020. It is therefore based on pro-rata reward opportunities for the time employed during the 2020 financial year and no LTIP grant in 2020.

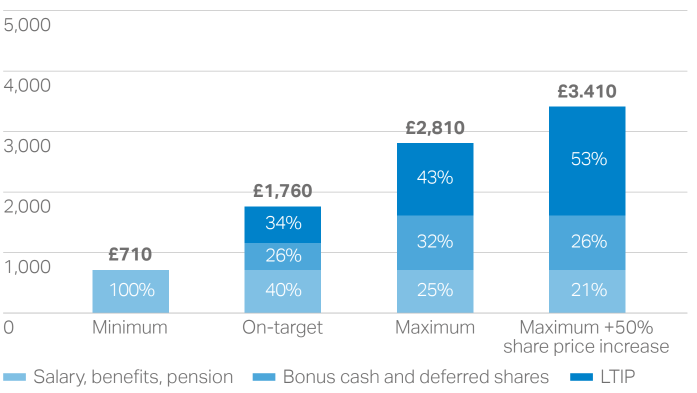
EXECUTIVE CHAIRMAN
£'000



CHIEF EXECUTIVE OFFICER
£'000



CHIEF FINANCIAL OFFICER
£'000



The salary, pension and benefits levels are the same in all of the scenarios in each chart. Salary is based on salary for the 2020 financial year, benefits is based on the Single Total Figure table for the 2019 financial year and pension is based on the Company contribution percentage applicable at the start of the policy period applied to the 2020 salary. Bonus and LTIP are based on the policy table's maximum award levels applied to the 2020 salary, except in the case of the Executive Chairman, where the chart reflects that he will not be receiving an LTIP grant in the 2020 financial year as noted above. Bonus amounts include the portion which is subject to compulsory deferral into shares for three years.

The performance assumptions are as follows:

- The "minimum" scenario shows salary, pension and benefits only, i.e. no bonus payout and no LTIP vesting;
- The "on target" scenario shows salary, pension and benefits as above, plus a pay-out of 50% of the maximum annual bonus (of which one-third is deferred into shares) and 50% LTIP vesting; and
- The "maximum" scenario reflects salary, pension and benefits, plus full pay-out of the annual bonus (of which one-third is deferred into shares) and 100% LTIP vesting.

The first three bars of each chart assume no share price movement. As required by the Companies (Miscellaneous Reporting) Regulations 2018, a further bar assumes maximum performance achievement (as described above) and 50% share price growth over the LTIP performance period. Any dividend equivalents payable in respect of deferred bonus shares are excluded.

Approach to recruitment remuneration – executive directors

The remuneration package for a new executive director would be set in accordance with the terms of the approved Remuneration Policy in force at the time of appointment and taking account of the experience and skills of the individual and prevailing market conditions. In determining the appropriate remuneration structure and level, the committee would take into consideration all relevant factors to ensure that the arrangements are in the best interests of the Company and its shareholders. The committee would seek to not pay more than is necessary to secure the right candidate.

The various components and the Company's approach are as follows:

Standard package on recruitment

The maximum aggregate value of incentives (excluding buy-outs) on appointment will be 500% of salary for the first year after appointment. It is intended that any additional incentives offered in the first year after appointment which are above the regular on-going incentives policy limit would be delivered as LTIP awards rather than as additional bonus opportunity. All other elements of pay on recruitment will be in accordance with the policy table.

Compensation for forfeited entitlements

The committee may make an award in respect of a new appointment to "buy-out" incentive arrangements forfeited on leaving a previous employer and may rely on the one-person exemption from shareholder approval available under the UK Listing Rules to facilitate the grant of awards. Any such buy-out arrangements would:

- be based solely on the remuneration lost when leaving the former employer;
- be no higher than the commercial value forfeited; and
- reflect as closely as possible the delivery mechanism (i.e. cash, shares and options), time horizons and performance requirements attaching to that remuneration.

Relocation allowances and expenses

The committee may agree that the Company will provide certain relocation allowances and expenses, as appropriate as determined by the specific circumstances of the new recruit.

In the case of an internal appointment to executive director, any variable pay element awarded in respect of the prior role may be allowed to pay out according to its terms on grant. In addition, any other on-going remuneration obligations existing prior to appointment may continue, provided that they are disclosed in the following year's Annual Report on Remuneration.

Executive directors' service agreements

The executive directors' service agreements do not have a fixed expiry date and are terminable by either party on six months' notice.

Executive directors' policy on payments for loss of office

Salary, benefits and pension: The Company's policy is that executive directors' service agreements normally continue until the director's agreed retirement date or such other date as the parties agree are terminable on no more than six months' notice from the Company or the director and provide no entitlement to the payment of a predetermined amount on termination of employment in any circumstances.

Compensation is based on what would be earned by way of salary, pension entitlement and other contractual benefits over the notice period. In the event that a contract is to be terminated and a payment in lieu of notice made, payments to the executive director would be a maximum of six months' base pay, pension entitlement and cash supplement in lieu of other benefits. Payments may be staged over the notice period, at the same interval as salary would have been paid.

Executive directors must take all reasonable steps to obtain alternative employment during the notice period and payments made by the Company will be reduced to reflect any payments received in respect of alternative employment.

Annual bonus: There is no automatic entitlement to an annual bonus and this is at the discretion of the committee. Where an executive director ceases to be employed by reason of death, ill-heath, injury or disability, redundancy or retirement or any other "good leaver" reason at the committee's discretion, he or she may receive a pro-rata bonus for the year of cessation, paid on the normal payment date (with committee discretion to accelerate), subject to performance against predetermined targets and pro-rated to reflect time served during the year.

Deferred Share Bonus Plan (DSBP) and LTIP: The treatment of leavers under our DSBP and LTIP is determined by the rules of the relevant plan. The committee has discretion to determine when and if awards vest and the period during which awards which are granted as nil-cost options may be exercised.

Awards granted under the DSBP after the approval of the new policy lapse if the participant leaves employment as a result of termination for cause or resignation on the date of dismissal/notice of resignation, as applicable. In other cases, normally including death, ill health, injury or disability, redundancy and retirement, or any other "good leaver" reason at the committee's discretion, deferred bonus shares would typically be released in full at the end of the three-year deferral period. The committee has discretion to release them earlier if it considers this appropriate in the circumstances.

For awards granted under the LTIP after the approval of the new policy, in cases of death, ill health, injury or disability, redundancy and retirement, or any other "good leaver" reason at the committee's discretion, awards would typically be pro-rated to reflect time employed and vest subject to performance measured at the end of the relevant performance period. The committee has discretion to determine that awards vest earlier and to adjust the application of time pro-rating and performance measures, subject to the plan rules. The requirement to retain net (after tax) vested LTIP shares for a holding period of two years after vesting continues to apply post-cessation. On death, awards typically vest immediately. In all other leaver situations, including termination for cause or resignation, awards lapse on the date of dismissal/notice of resignation, as applicable.

Prior awards: The treatment of awards granted before the approval of the current policy will be treated in accordance with the "Policy on payments for loss of office" and the plan rules applicable to those awards.

Change of control

Any unvested deferred bonus shares will be released in full to the executive director on a change of control. Alternatively, the committee may determine that deferred bonus shares will instead be exchanged for equivalent share awards in the acquiring company.

On a change of control, the default position under the LTIP is that outstanding awards vest on a time pro-rated basis and subject to an assessment of performance against targets at that time. However, the committee has discretion under the plan rules to vary the level of vesting if it believes that exceptional circumstances warrant this and taking into account any other factors it believes to be relevant in deciding to what extent an award will vest. Alternatively, the committee may determine that awards will not vest and will instead be exchanged for equivalent awards in the acquiring company.

Prior awards: The treatment of awards granted before the approval of the current policy will be treated in accordance with the change of control policy and the plan rules applicable to those awards.

Policy in respect of external board appointments

We recognise that external non-executive directorships are beneficial for both the executive director concerned and the Company. With prior approval from the board, each serving executive director can undertake external non-executive directorships. At the discretion of the board, executive directors are permitted to retain fees received in respect of any such non-executive directorship.

Non-executive directors' terms of appointment, approach to recruitment remuneration and notice periods

The non-executive directors' terms of appointment are recorded in letters of appointment. The non-executive directors are typically appointed for periods of three years, but they stand for election or re-election as appropriate at each AGM.

On recruitment, a new non-executive director will be entitled to fees and any other benefits if applicable from time to time in accordance with the Company's remuneration policy. No additional remuneration is paid on recruitment.

The required notice from the Company and the non-executive director is 90 days in all cases, except in the case of a non-executive Chairman, in which case the notice period is six months. The non-executive directors are not entitled to any compensation for loss of office.

Service contracts and letters of appointment – directors

There are no further obligations in the directors' service contracts and letters of appointment which are not otherwise disclosed in this report which could give rise to a remuneration payment or loss of office payment. All directors' service contracts and letters of appointment are available for inspection at the Company's registered office.

Consideration of shareholder views

The committee considers developments in institutional investors' best practice guidelines and the views expressed by shareholders when setting directors' remuneration. We remain committed to on-going shareholder dialogue and we consult with shareholders and consider their views when formulating, or changing, our Remuneration Policy.

We engaged widely with shareholders following the announcement of the SUSE disposal in July 2018 and in the months following publication of the 2018 Annual Report. We have communicated with shareholders about the proposed new policy and will be undertaking a full consultation in advance of the 2020 LTIP grants.

ANNUAL REPORT ON REMUNERATION

The following section provides the details of how the existing Remuneration Policy was implemented during the financial year ended 31 October 2019.

Single figure for total remuneration of executive directors (audited)
The table below shows the single figure for total remuneration for executive directors for the financial year ended 31 October 2019, together with their respective figures for the 18 months ended 31 October 2018 as shown in last year's report. The 18-month period arises due to the change in financial year end from 30 April to 31 October following the acquisition of the HPE Software business which completed on 1 September 2017.

					LTIPs and ASGs				
Executive Directors		Base salary[1] £'000	Benefits in kind[2] £'000	Annual bonus[3] £'000	LTIPs[4] £'000	ASGs[5] £'000	Total £'000	Pension[6] £'000	Total £'000
Kevin Loosemore	**2019 (12 months)**	**750**	**35**	**–**	**1,205**	**–**	**1,205**	**150**	**2,140**
	2018 (18 months)	1,125	47	855	1,407	25,232	26,639	225	28,891
Stephen Murdoch[7]	**2019 (12 months)**	**850**	**20**	**–**	**565**	**–**	**565**	**128**	**1,563**
	2018 (18 months)	668	17	569	607[(8)]	5,809	6,416	100	7,770
Brian McArthur-Muscroft[9]	**2019 (12 months)**	**600**	**20**	**–**	**–**	**–**	**–**	**90**	**710**
	2018 (18 months)	–	–	–	–	–	–	–	–
Chris Kennedy[10]	**2019 (12 months)**	**233**	**7**	**–**	**–**	**–**	**–**	**47**	**287**
	2018 (18 months)	487	12	–	–	–	–	97	596

1 Base salary: the amount earned during the period in respect of service as a director.
2 Benefits in kind: including car, private medical insurance, permanent health insurance and life assurance.
3 Annual bonus: payment for performance during the year in respect of service as a director. One-third of the annual bonus is deferred into shares for three years with the exception of the Executive Chairman.
4 LTIPs: the value of LTIP awards (excluding those awarded under the ASG program) which vest based on performance conditions ending during the relevant period, pro-rated to reflect the period as a director during the relevant three-year performance period. The 2018 figures are based on the share price at vesting of £12.64 (17 July 2018) and £19.39 (23 March 2019). The 2019 figures are based on the share price at vesting of £17.418 (26 July 2019), which resulted in none of the vesting value being attributable to share price appreciation.
5 ASG: the value of the ASG award made in November 2014 following the Attachmate Group transaction which vested on 1 November 2017 at a share price of £26.64 (pro-rated to reflect the period as a director during the three-year performance period to 31 October 2017).
6 Pension: the Company's pension contribution or cash allowance paid during the period in respect of service as a director. All pension amounts paid in the 2019 financial year are cash in lieu of pension allowances.
7 Stephen Murdoch left the board on 1 September 2017 to take on the role of Chief Operating Officer and rejoined the board on 19 March 2018 following his appointment as Chief Executive Officer. His salary, benefits, bonus and pension for the 18 month period ended 31 October 2018 reflect his service whilst a director and his LTIPs and ASG reflect the proportion of the performance period whilst a director.
8 The LTIP figure for 2018 has been restated to reflect the share price at vesting of £19.39 (23 March 2019).
9 Brian McArthur-Muscroft joined the Company on 5 November 2018 as Chief Financial Officer (elect) and joined the board on 21 February 2019. All figures represent pay for the period since joining the Company.
10 Chris Kennedy joined the board on 8 January 2018 on his appointment as Chief Financial Officer and resigned from the board on 21 February 2019.

Annual bonus for the financial year ended 31 October 2019 (audited)

The maximum bonus opportunity for executive directors for the 12 months ended 31 October 2019 was 150% of salary, with the exception of Brian McArthur-Muscroft whose maximum bonus opportunity for FY19 was 100% of salary.

The executive directors are on the same bonus plan as all non-commissioned employees. There is no bonus pay-out if Adjusted EBITDA on a constant currency basis, excluding the impact of in-year acquisitions, is the same as the previous year and maximum bonuses are earned if the increase in this measure is 10% or more with pay-outs calculated on a straight-line basis between these two points.

The Adjusted EBITDA for continuing businesses for the financial year ended 31 October 2019 was $1,362.5m, representing a 2.6% decline over the Adjusted EBITDA (on a constant currency basis) for the 12 months ended 31 October 2018 of $1,399.5m. Accordingly no bonus was paid to executive directors for FY19.

Vesting of long-term incentives with performance periods ending in the financial year ended 31 October 2019 (audited)

The LTIP awards granted on 13 September 2016 as nil cost options to Kevin Loosemore and Stephen Murdoch vested on 26 July 2019. Vesting of these awards was based on average aggregate EPS growth in excess of RPI over the three years ended 30 April 2019, as set out in the table below:

Average aggregate EPS growth of the Company in excess of RPI over the performance period	Vesting percentage of the shares subject to an award
Less than 3% p.a.	0%
Equal to 3% p.a.	25%
Between 3% and 9% p.a.	Between 25% and 100% on a straight-line basis
Equal to or above 9% p.a.	100%

The aggregate Diluted Adjusted EPS over the performance period of 572.98 cents exceeded the stretch target aggregate EPS of 558.34 cents for maximum vesting (allowing for EPS growth of 9% p.a. above RPI from the base year EPS figure of 261.40 cents for the year ending 30 April 2016), resulting in 100% vesting of these awards. The committee reviewed the level of vesting and concluded that it was a fair reflection of solid operational performance over the three-year performance period as a whole (see the committee Chair's letter for further context). Furthermore, the committee reviewed the impact of the share buy-back programme and Return of Value exercise following completion of the sale of SUSE and concluded that neither had a material impact on the EPS performance. LTIP awards do not benefit from dividends until exercised or released.

Executive director	Interest held	% vesting	Interest vesting	Vesting date
Kevin Loosemore	69,156	100%	69,156	26 July 2019
Stephen Murdoch	39,640	100%	39,640	26 July 2019

Single figure for total remuneration of non-executive directors (audited)

No changes were made to the fee structure for non-executive directors last year. The following table sets out the single figure for total remuneration of non-executive directors for the financial year ended 31 October 2019, together with their respective figures for the 18-month period ended 31 October 2018 as shown in last year's report. The 18-month period arises due to the change in financial year end from 30 April to 31 October following the acquisition of the HPE Software business which completed on 1 September 2017.

	Fees	
Non-executive directors	**2019 (12 months) £'000**	2018 (18 months) £'000
Karen Slatford	**120**	180
Richard Atkins	**90**	135
Amanda Brown[1]	**90**	135
Silke Scheiber[2]	**70**	103
Darren Roos[3]	**59**	103
Lawton Fitt[4]	**80**	83

1 Prior to 1 January 2019, Amanda Brown's fees were paid direct to her employer.
2 Silke Scheiber joined the board on 15 May 2017.
3 Darren Roos joined the board on 15 May 2017 and left on 2 September 2019.
4 Lawton Fitt joined the board on 17 October 2017 and receives an additional fee of £10,000 per annum due to her SEC and SOX experience.

Non-executive directors' terms of appointment

The non-executive directors' terms of appointment are recorded in letters of appointment. The required notice from the Company and the non-executive director is 90 days in all cases. The non-executive directors are not entitled to any compensation for loss of office and stand for election or re-election as appropriate at each AGM. Details of the letters of appointment of each non-executive director who has served as a director of the Company at any time during the financial year ended 31 October 2019 are set out below:

Non-executive director	Appointment date	Expiration date
Karen Slatford	5 July 2010	5 July 2022
Richard Atkins	16 April 2014	16 April 2020
Amanda Brown	1 July 2016	1 July 2022
Silke Scheiber	15 May 2017	15 May 2020
Darren Roos[1]	15 May 2017	15 May 2020
Lawton Fitt	17 October 2017	17 October 2020

1 Darren Roos left the board on 2 September 2019.

All appointments of non-executive directors are subject to election by shareholders at the first AGM of the Company after appointment and to re-election on an annual basis thereafter.

Implementation of non-executive director remuneration for the year ending 31 October 2020

The non-executive directors' fees for FY20 are unchanged from FY19 and are set out in the table below:

Independent non-executive director base fee	£70,000 p.a.
Additional fee for chairing a committee	£20,000 p.a.
Additional fee for significant SEC/SOX experience	£10,000 p.a.
Fee for the SID (including chairing committees)	£120,000 p.a.

Remuneration committee membership during the financial year ended 31 October 2019

During the financial year ended 31 October 2019, the committee comprised only of independent non-executive directors. The committee met seven times during the period under review. The number of committee meetings attended by each director in the period was as follows:

Committee member	Held	Number of meetings attended
Amanda Brown (Chair)	7	7
Karen Slatford[1]	7	7
Silke Scheiber	7	7
Darren Roos[2]	5	4
Richard Atkins[3]	–	–
Lawton Fitt[4]	–	–

1 Karen Slatford stepped down from the committee with effect from 16 October 2019.
2 Darren Roos left the board on 2 September 2019.
3 Richard Atkins joined the committee on 17 October 2019.
4 Lawton Fitt joined the committee on 17 October 2019.

The committee invited the Executive Chairman, Chief Executive Officer, Chief Financial Officer, Chief Human Resources Officer and Reward Director during the period to provide views and advice on specific questions raised by the committee and on matters relating to the performance and remuneration of senior managers. They did not participate in discussions relating to their own remuneration. The Company Secretary attended each meeting as secretary to the committee.

Terms of reference

The committee is responsible for the remuneration arrangements for executive directors and members of the executive management team, and for providing general guidance on aspects of remuneration policy throughout the Group. The terms of reference were reviewed and updated to reflect the 2018 Corporate Governance Code. The key aspects of the updated terms of reference are as follows:

- Determine the remuneration policy for the Company's Executive Chairman and the executive directors and review its on-going appropriateness and relevance;
- Determine the total individual remuneration packages of the executive directors and the executive management team, including salary, bonuses, incentive payments, share awards, pensions and other benefits;
- Review the terms of executive service contracts for executive directors and the executive management team;
- Review any material changes to pension and benefit arrangements for executive directors and the executive management team;
- Agree the expenses policy for the Company's Executive Chairman and executive directors;
- Develop the formal shareholding requirement policy, including post-cessation, encompassing both vested and unvested shares;
- Oversee the operation of the Company's annual bonus plans, deferred bonus plans and long-term incentives as applied to executive directors and the executive management team, including award levels, performance conditions, payouts, and application of malus and clawback where appropriate.
- Review the design of all share incentive plans for approval by the board and shareholders;
- Review the remuneration policies and practices across the Group and the alignment of workforce remuneration with culture; and
- Produce the annual Directors' Remuneration report.

The full terms of reference of the committee are available from the Company Secretary and are on the Company's website http://investors.microfocus.com/corporate-governance.

Agenda during the financial year ended 31 October 2019

The key activities of the committee were as follows:

- Approved the Directors' Remuneration report for the 18-month period ended 31 October 2018;
- Approved the remuneration packages of executive directors joining and leaving the board;
- Reviewed the salaries and remuneration packages of the executive directors and the executive management team;
- Reviewed bonus payments and performance against targets under the LTIP;
- Considered current guidelines on executive compensation from advisory bodies and institutional investors;
- Engaged with major shareholders and advisory bodies to seek their views following publication of the 2018 Directors' Remuneration report;
- Undertook a review of the Remuneration Policy for executive directors, and developed a new Directors' Remuneration Policy to be put to shareholders for approval at the 2020 AGM;
- Undertook a review of the measures and targets for the annual bonus plan and LTIP for the financial year ending 31 October 2020;
- Updated shareholders on key aspects of the proposed new Directors' Remuneration Policy; and
- Reviewed the performance and terms of reference of the committee.

External advisors

The committee and management seek advice on remuneration and legal matters from a number of firms as appropriate, including PwC, Deloitte and Travers Smith. The committee has direct access to these advisors who attend committee meetings as required. All provide other services to management including legal, tax, accounting and consulting services. The committee has satisfied itself that the advice it receives is objective and independent and is not conflicted by the advisors also working with management on remuneration and other matters.

In August 2019, the committee appointed PwC as their formal on-going remuneration committee advisors reporting directly to the Chair of the committee, with arrangements in place to provide the committee with oversight of the remuneration services provided by PwC to management. The committee reviewed the potential for conflicts of interest in connection with this appointment and is comfortable that there are no conflicts which might impair the independence of the PwC team that provide remuneration advice to the committee. In addition, as a founder member of the Remuneration Consultants Group, PwC operates under the Voluntary Code of Conduct in relation to executive remuneration consulting in the UK.

PwC's fees for the financial year ended 31 October 2019 relating to remuneration advice to the committee were determined on a time and materials basis and were £45,451 (excluding VAT).

Share interest awards made during the financial year ended 31 October 2019 (audited)

Deferred Share Bonus Plan

On 28 February 2019, conditional awards were made under the Deferred Share Bonus Plan to Stephen Murdoch in respect of the one-third of his FY18 annual bonus earned whilst a director that was deferred into shares. The number of shares awarded was based on the closing mid-market share price of £18.945 on the day before the grant date.

Executive director	Date of grant	Awards made during the period	Share price at grant[1]	Face value at grant
Stephen Murdoch	28 February 2019	10,013	£18.945	£189,696

1 Share price at grant is the closing mid-market price on the day before grant.

Long-term Incentive Plan

During the financial year ended 31 October 2019, executive directors (with the exception of Chris Kennedy) were granted nil cost options under the LTIP as set out in the table below.

Executive director	Date of grant	Performance period	Awards made during the period	Share price at grant[1]	Face value at grant	Grant basis
Kevin Loosemore	18 February 2019	3 years from 1 November 2018	89,285	£16.80	£1,499,988	200% of salary
Stephen Murdoch	18 February 2019	3 years from 1 November 2018	101,190	£16.80	£1,699,992	200% of salary
Brian McArthur-Muscroft[2]	22 November 2018	3 years from 1 November 2018	80,482	£14.91	£1,199,987	200% of salary
Brian McArthur-Muscroft[3]	22 November 2018	4 years from 1 November 2018	80,482	£14.91	£1,199,987	200% of salary

1 Share price at grant is the closing mid-market price on the day before grant.
2 Brian McArthur-Muscroft's normal FY19 annual award was made shortly after joining.
3 Brian McArthur-Muscroft's additional one-off new hire award was made shortly after joining but has a four-year performance period rather than the normal three years.

The awards will be eligible to vest on the third (or fourth in the case of Brian McArthur-Muscroft's new hire award) anniversary of the date of grant subject to achievement of a performance condition based on average growth, in excess of RPI, of the aggregate EPS over the relevant performance period.

Annualised EPS growth of the Company in excess of RPI over the performance period	Vesting percentage of the shares subject to an award
Less than 3% p.a.	0%
Equal to 3% p.a.	25%
Between 3% and 9% p.a.	Between 25% and 100% on a straight-line basis
Equal to or above 9% p.a.	100%

Additional Share Grants

During the financial year ended 31 October 2019, the remuneration committee exercised its discretion to make an award to Brian McArthur-Muscroft under the Additional Share Grant programme implemented following the acquisition of the HPE Software business ("HPE Software ASG" award). This was set at half the level awarded to his predecessor to reflect the shorter period of employment during the three-year performance period and ensures his interests are aligned to those of the other executive directors in delivering value from the HPE Software business.

Executive director	Date of grant	Performance period	Awards made during the period	Share price at grant[1]	Face value at grant	Grant basis
Brian McArthur-Muscroft	22 November 2018	3 years from 1 September 2017	338,000	£14.91	£5,039,580	Half the award granted to his predecessor

1 Share price at grant is the closing mid-market price on the day before grant.

In line with the other current executive directors, Brian McArthur-Muscroft surrendered his HPE Software ASG and it lapsed on 3 February 2020.

Changes to the board in the financial year ended 31 October 2019

As set out in last year's report, on 5 November 2018, the Company announced that Chris Kennedy would be leaving the Company in early 2019 after closing out the accounts for the 18 months ended 31 October 2018 and that Brian McArthur-Muscroft had joined and would take up the role of Chief Financial Officer and be appointed to the board in early 2019. Chris Kennedy resigned from the board and left the Company on 21 February 2019, whereupon Brian McArthur-Muscroft was appointed to the board as Chief Financial Officer. Chris Kennedy continued to receive his salary and contractual benefits until his date of leaving but no FY18 annual bonus was payable and all his LTIP awards and HPE Software ASG award lapsed on leaving. No further payments were made for loss of office.

Executive directors' service agreements at 31 October 2019

Executive director	Date of service contract	Notice period
Kevin Loosemore[1]	14 April 2011	The agreement is terminable by either party on six months' notice
Stephen Murdoch[2]	16 April 2014	The agreement is terminable by either party on six months' notice
Brian McArthur-Muscroft[3]	4 November 2018	The agreement is terminable by either party on six months' notice

1 Kevin Loosemore's service contract was amended 9 December 2015 and 12 April 2017.
2 Stephen Murdoch stepped down from the board on completion of the HPE Software business acquisition on 1 September 2017 to become Chief Operating Officer. He was reappointed to the board as Chief Executive Officer on 19 March 2018.
3 Brian McArthur-Muscroft joined the Company on 5 November 2018 and was appointed to the board as Chief Financial Officer on 21 February 2019.

Payments for loss of office (audited)

There were no payments for loss of office during the financial year ended 31 October 2019.

Payments to past directors (audited)

Nils Brauckmann

As disclosed last year, Nils Brauckmann stepped down from the board on 11 July 2018 following the announcement of the sale of SUSE and that, on completion of the sale, he would be treated as for other SUSE employees with regard to his various share plan awards in accordance with the rules of the plans, with pro-rating for time and performance testing applied as required.

Awards which had already vested but had yet to be exercised continued unaffected, details of which were set out in last year's Directors' Remuneration report. The table below sets out the treatment for awards that had not yet vested at the date of completion of the sale of SUSE on 15 March 2019.

Award	Date of grant	Shares granted	Shares lost through time pro-ration[1]	Performance condition outcome	Shares vesting	Exercise/release date
LTIPs						
Nil cost option	23 March 2016	26,024	–	Already vested 100%[2]	26,024	15 March 2019 to 14 September 2019
Nil cost option	13 September 2016	33,476	1,860	100%[3]	31,616	15 March 2019 to 14 September 2019
Conditional award	6 September 2017	33,633	13,079	100%[4]	20,554	15 March 2019
Deferred Share Bonus Plan						
Conditional award	25 July 2017	4,519	2,134	n/a	2,385[5]	15 March 2019
Conditional award	28 February 2019	6,565	6,565	n/a	–	n/a

1 Pro-ration for LTIP awards is assessed by reference to the proportion, in complete months, of the performance period completed. Pro-ration for Deferred Share Bonus Plan awards is by reference to the proportion, in complete months, of the three-year deferral period completed.
2 The EPS performance condition on this award had already been tested and fully achieved but the award would not have vested until 23 March 2019, which resulted in a shortening of the exercise period to six months from completion of the sale.
3 The remuneration committee exercised its discretion to early test the EPS performance condition based on the 2½ years to end October 2018, being the last financial year-end prior to completion of the sale of SUSE, which resulted in the performance condition being met in full.
4 The remuneration committee exercised its discretion to early test the EPS performance condition based on the 1½ years to end October 2018, being the last financial year-end prior to completion of the sale of SUSE, which resulted in the performance condition being met in full.
5 Accumulated dividends amounting to £2,735.83 were also payable on the pro-rated shares vesting. The total vesting value of the deferred bonus plan shares and dividends, which amounted to £48,290.34 was settled in cash, as these would otherwise have been settled by market purchase shares. The price used for valuing the shares was the average sale price used for all share sale transactions of SUSE employees with conditional awards on the date of completion of £19.100425.

In addition, Nils voluntarily surrendered his HPE Software ASG award over 500,000 shares, which would otherwise have continued with a TSR performance condition over a performance period ending 1 September 2020, to ensure there were no outstanding unvested share-based awards with a direct linkage to Micro Focus' future performance.

Mike Phillips

As announced last year, Mike Phillips stepped down from the board on 31 January 2018 to take on a new role of Director of M&A after seven years as Chief Financial Officer, and retired from Micro Focus on 31 May 2019. On his retirement, he was treated as a "good leaver" under the rules of the various share plans. Awards which had already vested continue unaffected, details of which were set out in last years' Directors' Remuneration report; unvested awards were time pro-rated with vesting at their normal vesting dates subject to testing of any outstanding performance conditions. The table below sets out the treatment of unvested awards together with the LTIP award granted in 2016 which had a performance period that ended in the FY19 financial year.

Award	Date of grant	Date of vesting	Shares granted	Shares lost through time pro-ration[1]	Shares outstanding	Performance condition outcome	Exercise/release date
LTIPs							
Nil cost option	13 September 2016	26 July 2019	37,262	–	37,262	Already vested 100%[2]	26 July 2019 to 25 July 2026
Nil cost option	6 September 2017	17 July 2020	34,464	8,616	25,848	To be tested at vesting[3]	17 July 2020 to 16 January 2021
Deferred Share Bonus Plan							
Conditional award	25 July 2017	25 July 2020	4,748	1,583	3,165	n/a	25 July 2020
Conditional award	28 February 2019	28 February 2022	2,415	2,080	335	n/a	28 February 2022
HPE Software Additional Share Grant							
Nil cost option	20 September 2018	1 September 2020	676,000	245,482	430,518	To be tested at vesting[4]	1 September 2020 to 28 February 2021

1 Pro-ration for LTIP awards is assessed by reference to the proportion, in complete months, of the performance period completed. Pro-ration for Deferred Share Bonus Plan awards is by reference to the proportion, in complete months, of the three-year deferral period completed. Pro-ration for ASG Award is by reference to days completed during the three-year performance period.
2 The EPS performance condition on this award had already been tested based on the performance period ending 30 April 2019 and fully achieved as set out in the section for the vesting of directors' LTIP awards with performance periods ending in the financial year ended 31 October 2019.
3 The EPS performance condition on this LTIP award will be tested at the normal vesting date.
4 The TSR performance condition on this HPE Software ASG award will be tested at the normal vesting date.

Chris Hsu

Chris Hsu received a payment of $14,378 under the Company's tax equalisation policy on completion and filing of his 2018 US tax return. This related to medical and other benefits that were subject to UK tax but would not have been subject to US tax.

There were no other payments made to past directors during the financial year ended 31 October 2019 relating to their previous service as a director.

Other directorships

Kevin Loosemore was appointed non-executive Chairman of De La Rue plc on 2 September 2019 and relinquished his role of Chairman of IRIS Software Group Ltd on the same date. The fees paid by De La Rue will be set out in next year's report once they are disclosed by De La Rue. Brian McArthur-Muscroft is a non-executive director of Robert Walters plc and is paid a fee of £76,000 per annum (increased from £74,000 per annum with effect from 1 January 2019). Chris Kennedy was a non-executive director of Whitbread plc and was paid a fee of £80,000 per annum.

Implementation of Remuneration Policy for the financial year ended 31 October 2020

The following sections detail the proposed implementation of the new Remuneration Policy for the financial year ending 31 October 2020 (FY20).

Base salary

The committee decided not to award a salary increase to the executive directors for FY20. Therefore, the FY20 salaries are as follows: Kevin Loosemore: £750,000, Stephen Murdoch: £850,000 and Brian McArthur-Muscroft: £600,000.

Benefits

The benefits provided to the executive directors are unchanged for FY20.

Pension

The Company pension contributions will remain at the same rates as currently for FY20 (20% of salary for the Executive Chairman and 15% of salary for the other executive directors). However, subject to approval of the new Remuneration Policy, it has been agreed between the executive directors and the committee that the pension contribution levels for all executive directors will reduce to the level for UK employees in general by the end of 2022 in one step. The current level of employer contribution for UK employees is 5%.

Annual bonus

In light of the current business context and the outcome of the Strategic & Operational Review, the committee has decided to add additional measures to the bonus plan for the 2020 financial year to ensure a more balanced set of measures are in place to support the delivery of key aspects of the business plan. Whilst Adjusted EBITDA continues to be the predominant performance measure, with a weighting of 60%, we are adding a revenue measure (weighted 20%) and individual key performance objectives (KPOs) (weighted 20%). The KPOs are set to focus the Chief Executive Officer and Chief Financial Officer on specific key deliverables aligned to the business plan and there will only be a payout under the KPO element if there is a payout under at least one of the financial measures. Given the announcement that the Executive Chairman will be stepping down from the board on 14 February 2020, the committee has determined that the Executive Chairman will not have specific key deliverables under the KPO element for the 2020 bonus but rather, the outcome under this element will be determined by reference to the performance under the financial measures.

The Adjusted EBITDA and revenue targets for the FY20 bonus have been set to reflect the 2020 business plan, which takes into account all current factors impacting the business. The targets and the outcomes achieved will be fully disclosed in the FY20 Annual Report on Remuneration, as will comprehensive details of the KPOs set and performance against those.

The maximum annual bonus opportunity for executive directors for the 2020 annual bonus remains the same as last year at 150% of salary. The requirement to defer one-third of the bonus earned into shares for three years will continue to apply to the Chief Executive Officer and Chief Financial Officer in respect of the 2020 bonus.

LTIP

It is intended that the performance measures for the 2020 LTIP grants will comprise free cash flow and TSR. In light of the recently concluded Strategic & Operational Review, and the announcement that the current Executive Chairman will be stepping down from the board on 14 February 2020 and will be replaced by a newly appointed non-executive chairman, the committee has decided that a thorough shareholder consultation is required before confirming the financial measures and targets for the 2020 LTIP grants. The 2020 LTIP grants will therefore be delayed until after the AGM and, over the coming weeks, we will be consulting with shareholders and listening to their views on the proposed measures. Following the consultation, the measures, weightings, targets and grant levels for the 2020 LTIP will be finalised and published on the Company website in advance of granting the awards.

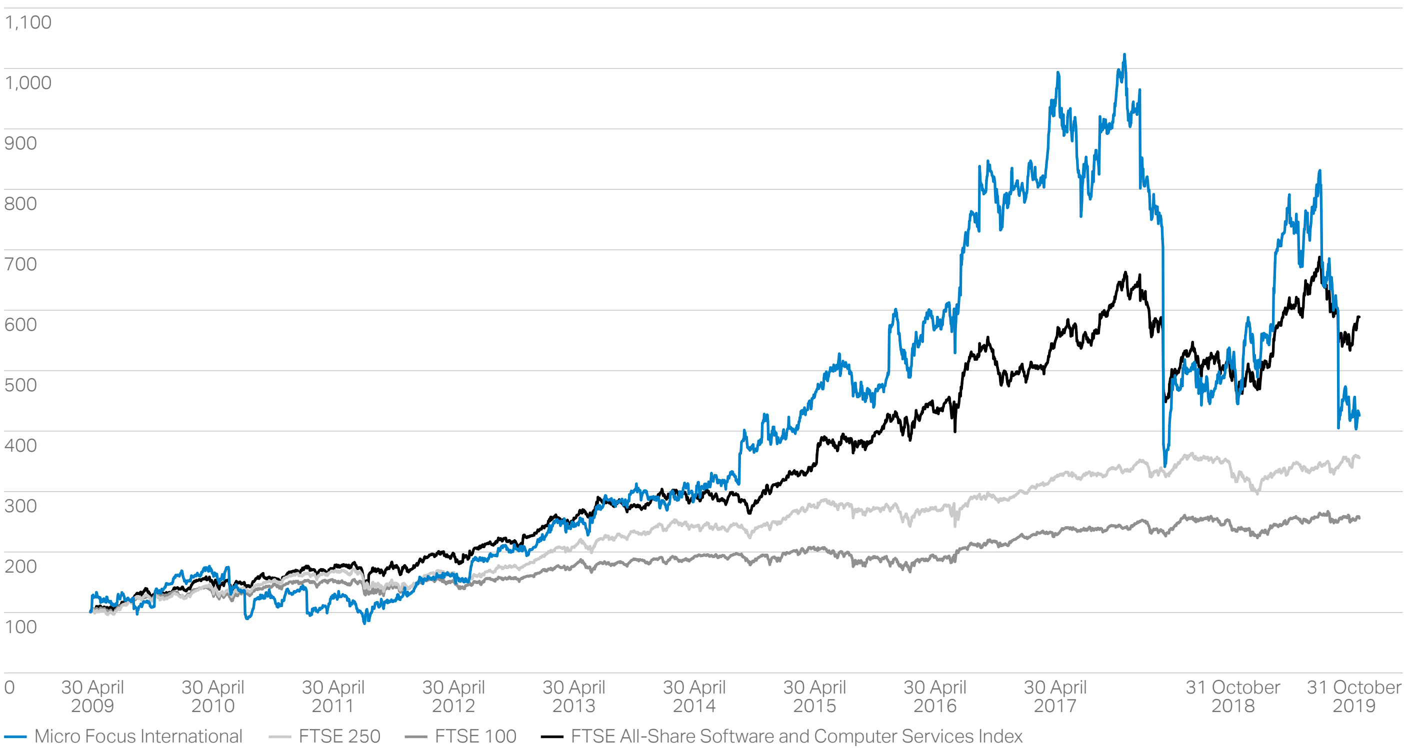
Subject to the policy maximum of 200% of salary, when setting the 2020 grant levels for the CEO and CFO, the committee will take account of shareholder experience following the August 2019 trading update and subsequent share price decline. The Executive Chairman will not be receiving an LTIP grant in FY20.

The awards are subject to a three-year performance period and, subject to approval of the new policy, the net (after tax) vested shares are to be held for a further two-year holding period.

Review of past performance until end of reporting period
The remuneration package is structured to help ensure alignment with shareholders. The graph and table below show how the Chief Executive Officer's or Executive Chairman's pay compares to total shareholder returns (TSR) over the last 10½ years.

The graph below shows the value, by 31 October 2019, of £100 invested in Micro Focus International plc on 30 April 2009 compared with the value of £100 invested in the FTSE 250, FTSE 100 and the FTSE All-Share Software and Computer Services indices. The dates shown are the Company's financial year ends. The FTSE 250, FTSE 100 and the FTSE All-Share Software and Computer Services indices have been chosen as they are considered the most relevant indices for comparison with the Company.

HISTORICAL TSR PERFORMANCE
Growth in the value of a hypothetical £100 holding over the period from 30 April 2009



The table below details the Chief Executive Officer and Executive Chairman's (for the period from 14 April 2011 until 30 April 2017) single figure of total remuneration over the same period:

	Year ended 30 April								18 months ended 31 October	**Year ended 31 October**
	2010 £'000	2011 £'000	2012 £'000	2013 £'000	2014 £'000	2015 £'000	2016 £'000	2017 £'000	2018 £'000	**2019 £'000**
Stephen Murdoch[1]										
Single total figure of remuneration									2,739	**1,333**
Annual bonus outcome (% of maximum)									57%	**Nil**
LTIP vesting (% of maximum)									100%	**100%**
Chris Hsu[2]										
Single total figure of remuneration									4,963	
Annual bonus outcome (% of maximum)									12%	
LTIP vesting (% of maximum)									n/a	
Kevin Loosemore										
Single total figure of remuneration		23	1,291	1,304	12,468	4,315	4,231	4,226		
Annual bonus outcome (% of maximum)		Nil	90%	92%	100%	100%	100%	45%		
LTIP vesting (% of maximum)		Nil	Nil	Nil	199%	100%	100%	100%		
Nigel Clifford										
Single total figure of remuneration		628								
Annual bonus outcome (% of maximum)		Nil								
LTIP vesting (% of maximum)		Nil								
Stephen Kelly										
Single total figure of remuneration	3,696									
Annual bonus outcome (% of maximum)	Nil									
LTIP vesting (% of maximum)	100%									

1 Stephen Murdoch assumed the Chief Executive Officer responsibilities from 1 May 2017 in the build up to the acquisition of the HPE Software business and stepped down on completion of the transaction on 1 September 2017 to take on the role of Chief Operating Officer. He was reappointed as Chief Executive Officer from 16 March 2018. The 2018 and 2019 figures are slightly different from those shown in the single figure for remuneration table as the value placed on the LTIPs and ASG reflect the period of the relevant performance period that he was undertaking the Chief Executive Officer role. The 2018 figure has also been adjusted to take account of the restatement in the LTIP value to reflect the share price at vesting on 23 March 2019 of £19.39.

2 Chris Hsu's period as Chief Executive Officer was from 1 September 2017 to 19 March 2018. The 2018 single figure of remuneration includes the benefits in kind payment of $5,918,705 to cover the grossed-up cost of the excise tax incurred as a result of US "inversion" tax treatment of the HPE Software business transaction, and has been adjusted to include a $14,378 contractual tax equalisation payment relating to medical and other benefits deemed taxable in the UK which would not have been taxable in the US, which was finalised on filing his 2018/19 tax returns. The figure for his annual bonus outcome as a percentage of maximum has been calculated by reference to a maximum bonus of 150% of his salary earned over the period as a director.

Percentage change in Chief Executive Officer's remuneration

The table below shows the percentage change in the Chief Executive Officer's annualised remuneration from the 18 months ended 31 October 2018 to the 12 months ended 31 October 2019, as compared to the average annualised percentage change in remuneration over the same period for all staff that were on the corporate bonus scheme in both years and were employed throughout the period. For the 12 months ended 31 October 2019, this covers Stephen Murdoch but for the 18 months ended 31 October 2018 it covers a combination of Stephen Murdoch (covering the two periods before and after the HPE Software business acquisition) and Chris Hsu which has then been annualised to enable a year-on-year increase to be calculated. We have selected our staff on the corporate bonus scheme (unchanged from the 2018 report) for this comparison as it is considered the most relevant comparator group given the structure of that group's remuneration.

	Chief Executive Officer				Other employees
Base package	**2019 12-month period £000**	2018 18-month period £000	2018 Annualised £000	Annualised % change	Annualised % change
Salary	**850**	1,081	721	18%	5%
Taxable benefits	**20**	4,493	2,995	(99%)	4%
Annual performance bonus	**–**	642	428	(100%)	(58%)
Total	**870**	6,216	4,144	(79%)	No change

Chief Executive Officer pay ratios

The 2018 Reporting Regulations require disclosure of the ratio of total Chief Executive Officer remuneration to the median, 25th and 75th percentile UK employee total remuneration (calculated on a full-time equivalent basis). We are voluntarily disclosing pay ratios in this year's report, earlier than we are required to do so. We have around 1,000 employees in the UK.

For the purposes of the pay ratios below, the Chief Executive Officer's total remuneration is his 2019 single total figure of remuneration of £1,563,000. All pay figures are rounded to the nearest £1,000.

Year	Method	25th percentile pay ratio	Median pay ratio	75th percentile pay ratio
2019	Option B	35:1	24:1	14:1
Total remuneration		£45,000	£66,000	£111,000
Salary		£40,000	£59,000	**£83,000**

The ratios have been calculated using Option B, meaning that the best equivalents of the median, 25th and 75th percentile UK employees were identified based on the latest published hourly rate gender pay gap information. This was deemed the most appropriate methodology for the Company at this time, recognising the different human resources and payroll systems in place.

To ensure that the total remuneration for the financial year ended 31 October 2019 for the selected best equivalents of the median, 25th and 75th percentile UK employee were sufficiently representative of those positions, we calculated the total remuneration for a number of employees above and below each of the selected median, 25th and 75th percentile UK employees. We excluded or adjusted for anomalies (such as employees who left part way through the year) and took the median of the remaining figures in order to provide a robust representation of each quartile.

The total remuneration calculations for the relevant representative employees, and those in the range above and below, were performed as at 31 October 2019 based on their total remuneration paid or receivable for the 2019 financial year, calculated (for all components other than benefits and pension) on the same basis as required for the Chief Executive Officer's total remuneration for single total figure purposes. Benefits and pension were calculated based on the annual value of those benefits as at 31 October 2019, rather than the actual annual value of those benefits during the 2019 financial year, which is subject to changes in individual's benefit choices during the year. No other estimates or adjustments have been used in the calculation of total remuneration and no components of pay have been omitted. For any employees who worked less than full-time during the year, their pay was adjusted to reflect a full-time equivalent basis.

The committee is satisfied that the overall picture presented by the 2019 pay ratios is consistent with the pay, reward and progression policies for the Company's UK employees. Pay ratios for total remuneration are likely to vary, potentially significantly, over time since the Chief Executive Officer's total remuneration comprises a significant proportion of variable pay and so remuneration each year is impacted by the performance-related pay outcomes and share price movements. There was no bonus payout for the Chief Executive Officer for the 2019 financial year. The Chief Executive Officer's 2016 LTIP award vested during the year and is therefore included in his total remuneration. While the representative employees in the calculation would not typically participate in the LTIP, they do have the opportunity to receive Company shares by participating in the UK sharesave plan and they receive a higher proportion of their remuneration in the form of fixed pay.

Relative importance of spend on pay

The table below shows the percentage change in total employee pay expenditure and shareholder distributions (i.e. dividends and share buy-backs) from the 12 and 18-month periods ending 31 October 2018 to the 12 months ended 31 October 2019.

	2019	2018		% change from 2018	
	12 months ended 31 October $m	18 months ended 31 October $m	12 months ended 31 October $m	18 months %	12 months %
Distribution to shareholders					
– Dividends paid	**439.2**	542.2	408.3	(19.0%)	7.6%
– Share buy-backs	**538.8**	171.2	171.2	214.7%	214.7%
– Return of Value	**1,800.0**	500.0	–	260.0%	n/a
Total	**2,778.0**	1,213.4	579.5	128.9%	379.4%
Employee remuneration	**1,340.2**	2,030.7	n/a	(34.0%)	n/a

The directors have proposed a final dividend for the financial year ended 31 October 2019 of 58.33 cents 44.53 pence per share (2018: final dividend of 58.33 cents 45.22 pence).

Directors' shareholdings and share interests (audited) as at 31 October 2019

		Nil-cost options and conditional awards held					
Director	Shares held (owned outright)	Vested but not exercised	Unvested and not subject to performance	Unvested and subject to performance	Shareholding requirement (% of salary)	Current shareholding (% of salary)[1]	Requirement met?
Kevin Loosemore	631,983	69,156	–	1,257,250	200%	945%	Yes
Stephen Murdoch[2]	276,151	39,640	15,064	1,152,391	200%	371%	Yes
Brian McArthur-Muscroft[3]	–	–	–	498,964	200%	–	Not yet due
Karen Slatford	14,687	–	–	–	–	–	n/a
Richard Atkins	13,862	–	–	–	–	–	n/a
Amanda Brown	3,841	–	–	–	–	–	n/a
Silke Scheiber	–	–	–	–	–	–	n/a
Lawton Fitt	–	–	–	–	–	–	n/a

1 Current shareholding includes the value of any shares held (owned outright) together with the net-after-tax value of any vested but unexercised nil cost options using the closing mid-market quotation price on 31 October 2019 of £10.60.
2 Stephen Murdoch is required to have a 200% shareholding within three years of rejoining the board on 19 March 2018.
3 Brian McArthur-Muscroft is still within the time period (which is typically five years) to build up to his 200% shareholding requirement.

Between 1 November 2019 and 3 February 2020, the "Unvested and subject to performance" figures in the table above have reduced by 1,100,000 for Kevin Loosemore, 947,000 for Stephen Murdoch and 338,000 for Brian McArthur-Muscroft in accordance with the surrender and lapse of the outstanding ASG awards on 3 February 2020. There were no other changes to the above interests between 1 November 2019 and 3 February 2020.

Micro Focus International plc Incentive Plan 2005 ("LTIP")

The table below sets out the executive directors' LTIP awards (which were granted as nil cost options) as at 31 October 2019 together with the movements in these awards during the 12-month period.

	Number at 1 November 2018	Number granted in the period	Number exercised in the period	Number lapsed in the period	**Number at 31 October 2019**	Date for exercise
Kevin Loosemore[1]	192,157	–	192,157	–	**–**	27 June 2015 to 26 June 2022
Kevin Loosemore[1]	142,132	–	142,132	–	**–**	26 June 2016 to 25 June 2023
Kevin Loosemore[1]	115,192	–	115,192	–	**–**	27 June 2017 to 26 June 2024
Kevin Loosemore[1]	111,275	–	111,275	–	**–**	17 July 2018 to 16 July 2025
Kevin Loosemore[1]	69,156	–	–	–	**69,156**	26 July 2019 to 25 July 2026
Kevin Loosemore[2]	67,965	–	–	–	**67,965**	17 July 2020 to 16 July 2027
Kevin Loosemore[3]	–	89,285	–	–	**89,285**	18 February 2022 to 17 February 2029
Stephen Murdoch[1]	46,237	–	46,237	–	**–**	27 December 2015 to 26 December 2022
Stephen Murdoch[1]	39,884	–	39,884	–	**–**	26 June 2016 to 25 June 2023
Stephen Murdoch[1]	56,421	–	56,421	–	**–**	27 June 2017 to 26 June 2024
Stephen Murdoch[1]	44,510	–	44,510	–	**–**	17 July 2018 to 16 July 2025
Stephen Murdoch[1]	26,024	–	26,024	–	**–**	23 March 2019 to 22 March 2026
Stephen Murdoch[1]	39,640	–	–	–	**39,640**	26 July 2019 to 25 July 2026
Stephen Murdoch[2]	36,664	–	–	–	**36,664**	17 July 2020 to 16 July 2027
Stephen Murdoch[2]	67,537	–	–	–	**67,537**	20 September 2021 to 19 September 2028
Stephen Murdoch[3]	–	101,190	–	–	**101,190**	18 February 2022 to 17 February 2029
Brian McArthur-Muscroft[3]	–	80,482	–	–	**80,482**	22 November 2021 to 21 November 2028
Brian McArthur-Muscroft[4]	–	80,482	–	–	**80,482**	22 November 2022 to 21 November 2028

1 This award vested in full as the performance condition was fully met.
2 Performance condition requires that cumulative EPS growth over a three-year performance period starting on the 1 May preceding the date of grant is at least equal to RPI plus 3% per annum (at which point 25% of awards will vest) and for full vesting the aggregate EPS growth will be required to be RPI plus 9% per annum. Straight-line vesting will apply between these points.
3 Performance condition requires that cumulative EPS growth over a three-year performance period starting on the 1 November preceding the date of grant is at least equal to RPI plus 3% per annum (at which point 25% of awards will vest) and for full vesting the aggregate EPS growth will be required to be RPI plus 9% per annum. Straight-line vesting will apply between these points.
4 Performance condition requires that cumulative EPS growth over a four-year performance period starting on the 1 November preceding the date of grant is at least equal to RPI plus 3% per annum (at which point 25% of awards will vest) and for full vesting the aggregate EPS growth will be required to be RPI plus 9% per annum. Straight-line vesting will apply between these points.

In considering the likely vesting level under the outstanding unvested LTIPs noted in the table above (i.e. awards to which footnotes 2, 3 and 4 apply), due regard should be given to the performance conditions specified in footnotes 2, 3 and 4 as well as performance to date and broker forecasts.

LTIP awards exercised during the year ended 31 October 2019 (audited)

The table below sets out the LTIP awards (which were granted as nil cost options) which executive directors exercised during the financial year ended 31 October 2019.

Executive director	Date of exercise	Number of options exercised	Share price at exercise[1]	Gain on exercise
Kevin Loosemore	5 April 2019	560,756	£19.545	£10,959,976
Stephen Murdoch	1 April 2019	213,076	£20.010	£4,263,651

1 The share price at exercise is the closing mid-market quotation price on the day of exercise.

Deferred Share Bonus Plan ("DSBP")

The table below sets out the executive directors' awards of conditional shares under the DSBP as at 31 October 2019 together with the movements in these awards during the year.

	Number at 1 November 2018	Number granted in the period	Number exercised in the period	Number lapsed in the period	**Number at 31 October 2019**	Date of release
Stephen Murdoch	5,051	–	–	–	**5,051**	25 July 2020
Stephen Murdoch	–	10,013	–	–	**10,013**	28 February 2022

Additional Share Grants ("ASG")

The table below sets out the executive directors' ASG awards (which were granted as nil cost options) as at 31 October 2019 together with the movements in these awards during year.

	Number at 1 November 2018	Number granted in the period	Number exercised in the period	Number lapsed in the period	**Number at 31 October 2019**	Date for exercise
Kevin Loosemore[1]	947,140	–	947,140	–	**–**	1 November 2017 to 31 October 2024
Kevin Loosemore[2]	1,100,000	–	–	–	**1,100,000**	1 September 2020 to 31 August 2027
Stephen Murdoch[1]	405,917	–	405,917	–	**–**	1 November 2017 to 31 October 2024
Stephen Murdoch[2]	947,000	–	–	–	**947,000**	1 September 2020 to 31 August 2027
Brian McArthur-Muscroft[2]	–	338,000	–	–	**338,000**	1 September 2020 to 31 August 2027

1 This award vested in full as the performance condition was fully met.
2 The performance condition is that the percentage of ordinary shares subject to the ASG which may be acquired on exercise on or after the vesting date is as follows:
(i) 0% if the Shareholder Return Percentage (as defined below) is 50% or less;
(ii) 100% if the Shareholder Return Percentage is 100% or more; and
(iii) a percentage determined on a straight-line basis between (i) and (ii) above.

The "'Shareholder Return Percentage" will be calculated by deducting £18.1775 per share (the "Reference Price"), being the average of the 20 days to 2 August 2016 (being the date of the heads of agreement relating to the acquisition of the HPE Software business), from the sum of the "Vesting Price" (calculated as the average closing share price over the period of 20 days ending on the day prior to the vesting date) plus the total of all dividends per share between completion and the vesting date. This will be divided by the Reference Price, multiplying the resulting figure by 100 to obtain the Shareholder Return Percentage.

The executive directors listed in the table above have surrendered the outstanding ASG awards noted in the table and they lapsed on 3 February 2020.

Additional Share Grant awards exercised during the year ended 31 October 2019 (audited)

The table below sets out the Attachmate ASG awards (which were granted as nil cost options) which executive directors exercised during the financial year ended 31 October 2019.

Executive director	Date of exercise	Number of options exercised	Share price at exercise[1]	Gain on exercise
Kevin Loosemore	1 April 2019	947,140	£20.010	£18,952,271
Stephen Murdoch	1 April 2019	405,917	£20.010	£8,122,399

1 The share price at exercise is the closing mid-market quotation price on the day of exercise.

Sharesave

Chris Kennedy's sharesave options from the summer 2018 offer lapsed on leaving the Company at the end of February 2019. No other executive director is currently participating in Sharesave.

Share option schemes

Details of the Company's share option schemes are given in note 33 of the financial statements.

The mid-market closing price of the shares at 31 October 2019 was 1,060 pence per share and during the 12 months ended 31 October 2019 the mid-market closing price varied between 1,004 pence and 2,160 pence per share.

Statement of shareholder voting

The following table shows the results of the advisory vote on the 2018 Directors' Remuneration report at the AGM held on 29 March 2019, together with the latest approval vote on the Directors' Remuneration Policy at the AGM on 4 September 2017:

	Votes for		Votes against			
	Number	Percentage	Number	Percentage	Votes cast	Votes withheld
2018 Directors' Remuneration report	154,276,600	49.67%	156,329,073	50.33%	322,087,153	11,481,480
2017 Directors' Remuneration Policy	162,259,404	86.46%	25,408,333	13.54%	188,129,640	461,903

A statement was issued on 29 March 2019 acknowledging the advisory vote against the 2018 Directors' Remuneration report and committing to a thorough review of the reward strategy and continuing engagement with shareholders to fully understand their concerns. An update statement was issued on 26 September 2019 noting the shareholder feedback received and the concerns raised which led to this vote outcome.

Since the AGM in March 2019, the Board has undertaken a detailed review of all of the feedback received from our shareholders and proxy agencies on the 2018 Remuneration report and engaged with our largest shareholders on the changes being proposed to the Remuneration Policy. This feedback has been incorporated into the design of the proposed new Remuneration Policy, which is set out on pages 91 to 100. We will be undertaking a full shareholder consultation in advance of the 2020 LTIP grants (see page 90 of the Chair's statement for further details).

On behalf of the board,

Amanda Brown
Chair, Remuneration committee
3 February 2020