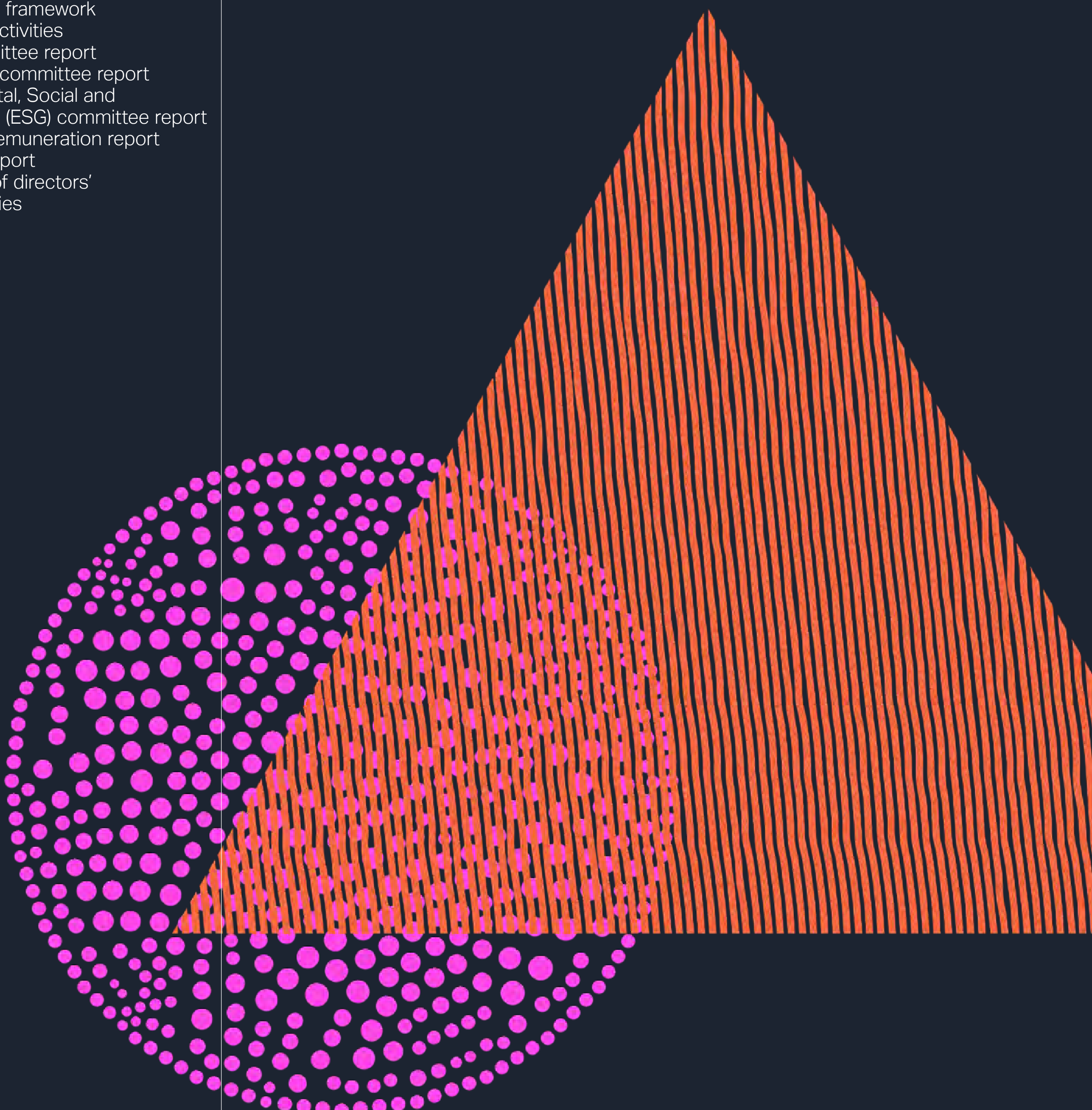
Corporate governance



Non-executive Chairman's introduction

Greg Lock
Non-executive Chairman

Strong corporate governance is the key to driving effective decision making and oversight across our business.

Dear fellow shareholders,
Our Corporate governance report for 2021 describes the Company's governance arrangements, the operation of the board and its committees, and how the board discharged its responsibilities, including our compliance with the relevant provisions of the UK Corporate Governance Code 2018 ("the Code") (details of which can be found on page 77). The Code is available on the website of the Financial Reporting Council at www.frc.org.uk.

To cultivate a company culture of integrity, leading to positive performance and a sustainable business overall, our board relies on high standards of corporate governance. This involves a comprehensive set of procedures and processes to enable us to fulfil our purpose and to contribute to the communities in which we operate and to society as a whole. We believe that the Group's corporate governance framework operates effectively as we continue to navigate the effects of the pandemic and future of working for all of our stakeholders.

The governance arrangements we have in place have helped the board during the pandemic to support the Company's response to COVID-19, provide a framework for effective decision making, concentrate on our changing responsibilities to all stakeholders, and put plans in place for the business to be in a strong position in the long-term.

During 2021, the board reviewed appropriate governance around Environmental, Social and Governance (ESG) matters, taking a proportionate and pragmatic approach, and appointed a new formal committee of the board to provide focus and oversight on ESG matters. One of the principal aims of the ESG committee is to embed ESG into our core strategy and business purpose (see page 98 for ESG committee report). The ESG committee is comprised of a combination of both board members and senior management.

This is only the second year that the Annual Report has reported against the requirements of the Code, and I am pleased to report that, with the exception of one element of Provision 38 in relation to the alignment of pension contribution rates (as explained below), we have complied with the relevant provisions of the Code.

During 2021, the board continued to focus on board composition. As previously announced, Brian McArthur-Muscroft left the board in June 2021 to assume the CFO position at a technology-based financial services company. On behalf of the board, I would like to thank Brian for the significant contribution he made to the Group during his tenure and wish him well in his new role. The board appointed Matt Ashley as the new Chief Financial Officer, bringing a highly relevant mix of operational experience together with a history of delivering significant value creation.

As part of the continuing focus on composition, the board, with the support of the nomination committee successfully appointed Pauline Campbell as a non-executive director in October 2021. As a former PwC audit partner, she brings extensive financial, regulatory and governance experience which complements and further enhances the depth and strength of our board.

As announced in October 2021, Sander van 't Noordende notified the board of his intention to retire as a director of the Company following the conclusion of the 2022 Annual General Meeting ("AGM") to take up the post of chief executive officer of Randstad N.V. On behalf of the board, we wish to congratulate Sander on his new appointment and thank him for his counsel whilst on the board.

Karen Slatford continued to play a key role as Senior Independent Director and as the nominated Workforce Engagement Director and chair of the newly established ESG committee. After 11 years on the board, Karen has decided not to offer herself for re-election at the forthcoming AGM. Karen has provided outstanding support and insight and the board wishes to thank her for her exemplary contribution.

The nomination committee is taking Sander and Karen's departures into consideration whilst reviewing the on-going composition of the board.

The board places great importance on engaging with all our stakeholders and we have processes in place to make sure that their voices are heard and inform the decisions made by the board.

The board is committed to effective communication with our shareholders and hearing your views through our AGM and investor meetings where we engage on key topics. Our AGM on 25 March 2021 was held behind closed doors, due to the pandemic, with no shareholder attendance permitted. Arrangements were made for shareholders to raise questions of directors and management via the Company's investors' website in advance of the meeting and responses were provided. We hope to be able to return to our usual AGM format in 2022 and I look forward to welcoming you to the meeting.

In March 2021 the Government (BEIS) published its consultation on reforms aimed at "restoring trust in audit and corporate governance". We are monitoring progress and any potential impact of these reforms on our business so that appropriate additional reporting and procedures can be established. We are also making preparations for the implementation of the Task Force on Climate-related Financial Disclosures ("TCFD") reporting and the outcomes applicable to listed companies from COP26 held in November 2021. Our TCFD Disclosures can be found on page 44.

I would like to conclude by thanking all members of the board and the Company for their continued support and commitment over the past year.

Greg Lock
Non-executive Chairman
7 February 2022

Attendance at board and committee meetings

The number of board and committee meetings attended by each director in the year ended 31 October 2021, relative to the number of meetings held during their time in office, was as follows:

Director	Board	Audit committee	Nomination committee	Remuneration committee	ESG committee[4]
Greg Lock	11/11	–	5/5	6/6	–
Stephen Murdoch	11/11	–	–	–	–
Brian McArthur-Muscroft[1]	9/10	–	–	–	–
Matt Ashley[2]	1/1	–	–	–	–
Karen Slatford	11/11	6/6	5/5	–	2/2
Richard Atkins	10/11	6/6	4/5	5/6	–
Amanda Brown	11/11	6/6	5/5	6/6	2/2
Pauline Campbell[3]	1/1	1/1	1/1	1/1	–
Lawton Fitt	11/11	6/6	5/5	6/6	2/2
Sander van 't Noordende	11/11	–	5/5	6/6	2/2
Robert Youngjohns	11/11	6/6	5/5	6/6	–

1 Brian McArthur-Muscroft ceased to serve as a director from 30 June 2021.
2 Matt Ashley joined the Company as CFO on 28 June 2021 and as executive director from 1 July 2021.
3 Pauline Campbell served as a director from 1 October 2021.
4 Suzanne Chase (Group Company Secretary and Head of Assurance) and Susan Ferguson (Chief Human Resources Officer & SVP Business Operations) are management members of the ESG committee.

If any director is unable to attend a meeting, they provide feedback to the non-executive Chairman, the chair of the committee or the Company Secretary, who will ensure that their comments are then communicated to the meeting. Each board committee provides a standing invitation for any non-executive director to attend the committee meetings. Committee agendas and papers are provided to all directors as appropriate to ensure they are aware of matters to be discussed.

Compliance statement

As a UK-incorporated company with a premium listing on the Official List of the UK Financial Conduct Authority, we are required to comply with the UK Corporate Governance Code. For the year ended 31 October 2021, the Company was subject to the edition of this document published by the Financial Reporting Council in July 2018 (the "Code") (which is available at www.frc.org.uk). This report represents our second year of reporting under the current Code.

The directors are committed to ensuring that the Company operates in compliance with the principles of the Code, as this provides a robust governance framework in support of the delivery of value to shareholders, whilst considering the views of other stakeholders. While recognising that departure from the Code may be necessary in appropriate circumstances the board considers that throughout the year ended 31 October 2021 and to the date of this report, other than one element of Provision 38 in relation to alignment of pension contribution rates (as explained below), the Company has been in compliance with the principles of the Code, and with each of its provisions.

Provision 38 – the Company is partially compliant with this provision and will be fully compliant in the alignment of pension contribution rates for the executive directors with the wider workforce at the end of 2022. The pension contribution rate for Stephen Murdoch will be aligned at the end of 2022 as set out in the Directors' Remuneration Policy which was approved by shareholders at the 2020 AGM (see page 93 of the 2019 Annual Report) and more detail is provided on page 102 of this year's Annual Remuneration Report. The rate for Matt Ashley is already aligned, and the rates for any new director on joining would be aligned with the wider workforce.

How our governance operated in the year

The Code sets out a number of principles grouped under five broad headings, as shown in the table below. With the exception of remuneration (which is dealt with separately in the Remuneration report from page 100 to 119), the areas of this Annual Report highlighted in the below table, together with the following sections of this report set out how the board applied these principles in the year ended 31 October 2021.

Principles and provisions	Annual Report content	Page(s)
Board leadership and company purpose	Strategic report Non-executive Chairman's introduction Board of directors' profile pages Section 172 statement	07-73 75 78-79 46-47
Division of responsibilities	The board Board of directors' profile pages Division of responsibilities	80 78-79 81-82
Composition, Succession and Evaluation	Roles of board members Composition, Succession and Evaluation Nomination committee report	81 96-97 & 83 96-97
Audit, risk and internal control	Principal risks and uncertainties Audit, risk and internal control Audit committee report Fair, balanced and understandable statement Viability statement	61-73 84 89-95 92 60
Remuneration	Annual statement from the chair of the remuneration committee Executive directors' remuneration at a glance and How our incentive measures link to strategy Annual Report on Remuneration	100-101 102-103 104-119

The information required to be disclosed under UK FCA Disclosure Guidance and Transparency Rules, DTR 7.2.6R and DTR 7.2.8AR can be found in the Directors' report on pages 120 to 130 and the nomination committee report on pages 96 and 97, which are each hereby incorporated into this Corporate governance report by reference.

The Corporate governance statement was approved by the board and signed on its behalf

Greg Lock
Non-executive Chairman
7 February 2022

Board of directors

Greg Lock
Non-executive Chairman
N R

Before embarking on his adventures as a PLC Chairman Greg enjoyed 30 years at the IBM Corporation. There he served, inter alia, as assistant to the Chairman, a member of the IBM Worldwide Management Council, Governor of the IBM Academy of Technology and Global General Manager for Industrial Sector. In that role he had P&L responsibility for a $12 billion unit representing about 15% of the Corporation's revenues.

In his second career he has been Chairman of FTSE-listed companies Orchestream, SurfControl, Kofax, UBM, Computacenter, and Deputy Chairman of Informa.

Greg holds an MA in Natural Sciences from Churchill College, Cambridge, where he is a Fellow and member of the Development Board. Greg, together with his wife, Rosie, have established a charitable foundation aimed, inter alia, at supporting education for the less privileged. Through the foundation they have endowed Lock Bursaries at Churchill, aimed at supporting less financially advantaged state school pupils to pursue STEM subjects.

Stephen Murdoch
Chief Executive Officer

Stephen is our Chief Executive Officer and a member of the Micro Focus board, positions he has held since 19 March 2018. Stephen joined Micro Focus in 2012, first serving as General Manager of the Product Group and Chief Marketing Officer, responsible for all software product and services offerings development, customer services, corporate marketing and strategy. In 2014, he was appointed as Chief Operating Officer and Executive Director, having responsibility for sales and marketing, product strategy, development and management, services and business operations.

Prior to Micro Focus, Stephen spent seven years at Dell, first building Dell's Global Infrastructure Consulting Services organisation, and then leading its business in Europe, Middle East and Africa. Before Dell, Stephen had 17 years' experience at IBM, latterly serving as Vice President, Communications Sector with responsibility for the entire telco, media, and utilities industry portfolio. During his IBM career, Stephen held a number of Global, EMEA and UK senior management roles with experience spanning software and services, storage, and enterprise systems.

Matt Ashley
Chief Financial Officer

Matt is our Chief Financial Officer and a member of the Micro Focus board since 1 July 2021. Matt joined from William Hill plc, a sports betting and gaming business, where he was chief financial officer and member of the board. In December 2021, Matt was appointed as a non-executive director of Robert Walters plc. Matt has previously held several positions at National Express Group plc including group CFO and president and CEO of its North America business based in Chicago.

He was a director of transport, infrastructure and public company reporting at Deloitte LLP and began his career as an auditor in London. Matt brings considerable public company experience to Micro Focus including business transformation, acquisitions and divestitures, debt and rights issues and public reporting.

He is a graduate of Leeds University and a member of the Institute of Chartered Accountants in England and Wales.

Karen Slatford*
Senior Independent Director
A N E

Karen is a non-executive director of Softcat plc, Chair of FTSE 250-listed Molten Ventures plc (formerly AIM-Listed Draper Esprit plc) and a non-executive director at Accesso Technology Group plc. Prior to her current responsibilities, she held various roles at board level since 2001 at a range of technology companies. Karen began her career at ICL before spending 20 years in Hewlett-Packard, where she headed up worldwide sales and marketing. Karen holds a BA Joint Honours degree in European Studies, French and Spanish from Bath University.

* Karen has informed the board of her intention to retire as a director following the conclusion of the next AGM and consequently will not be seeking re-election.

Richard Atkins
Independent non-executive director
A N R

Richard is Chairman of Acora, an IT Services outsourcing company and YSC, an international Leadership Development company. He has spent the majority of his career within the IT industry. Previously, he was a director at Data Sciences where he led its MBO from Thorn EMI in 1991 and then managed its successful sale to IBM in 1996. His final role at IBM was as General Manager for IBM Global Services Northern Europe where he was also a member of the IBM worldwide senior leadership team. Since leaving IBM in 2005 he has acted as a non-executive director for several companies including Aon, Compel, Message Labs, Global Crossing, Morse and Easynet. Richard qualified as a Chartered Accountant with EY.

Amanda Brown
Independent non-executive director
A N R E

Amanda is the Chief Human Resources Officer at Hiscox Ltd, a FTSE 250 business and specialist insurer with offices in 14 countries.

Amanda has more than 20 years of international HR experience in a variety of industries, including consumer goods, leisure, hospitality, and financial services. Prior to Hiscox, Amanda held a number of leadership roles with Mars, PepsiCo, and Whitbread plc. She has expertise in human resources, remuneration strategy, and managing organisations through periods of significant change.

Pauline Campbell
Independent non-executive director
A N R

Pauline joined the Micro Focus board on 1 October 2021. She is a recently retired PricewaterhouseCoopers Audit Partner who worked with company boards across a number of industries, both private and publicly owned. Pauline has experience of companies going through business cycles of trading, acquisition, disposal and raising finance. She has worked internationally across a broad range of sectors including IT services and support services amongst many others. As an Audit Partner, Pauline has wide experience of risk and quality assessment.

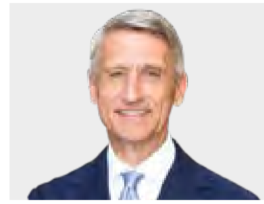
Pauline also served on the Governance Board of the UK firm including the Public Interest Body and the equivalent body at PwC's Global Network, so brings a wealth of governance experience and has recently been appointed to the board of Computacenter plc as a non-executive director.

Pauline was a Trustee for a social business that supports young adults in achieving their potential and is currently a Trustee for Catch 22 Multi Academy Trust and the Latymer Foundation.

Lawton Fitt
Independent non-executive director
A N R E

Lawton is an investment banker and a highly experienced corporate director. She currently serves on the boards of Ciena Corporation, The Progressive Corporation and The Carlyle Group, and was previously a non-executive director at ARM plc and Thomson Reuters. Lawton worked at Goldman Sachs for over 23 years in investment banking, equities and asset management, and for more than a decade she led the equity capital markets team focused on technology companies. She was elected a Partner in 1994 and worked in the London and New York offices.

From 2002 to 2005 Lawton was the Secretary (Chief Executive Officer) of the Royal Academy of Arts in London, and has served as a trustee for a number of not-for-profit organisations and foundations, including the Goldman Sachs Foundation and the Thomson Reuters Foundation. She received her undergraduate degree in European History from Brown University and her MBA from the Darden School of the University of Virginia.



Alexander van 't Noordende*
Independent non-executive director
N R E

Sander is a non-executive director of AECOM and a member of the Executive board of Randstad N.V.

Sander has had a 32 year career in Technology and Professional Services at Accenture, where he was a member of the Global Management Committee from 2006 to 2019. His last role in Accenture was Group Chief Executive of the Products Operating Group which serves clients in the consumer goods, retail, travel, life sciences and industrial & automotive industries. Before that he looked after Management Consulting, the Resources Operating Group and The Netherlands. He also served on the board of Avanade (an Accenture JV with Microsoft).

Sander is passionate about equality and belonging in the workplace, especially the LGBTI agenda. He has been recognised several times by the FT as one of the top 100 global LGBT+ Executives. He currently serves on the board of Out & Equal (the world's premier LGBT workplace equality organisation).

He holds a Master's degree in Industrial Engineering and Management Science from the Eindhoven University of Technology.

* As announced on 21 October 2021, Sander has informed the board of his intention to retire as a director following the conclusion of the next AGM and consequently will not be seeking re-election.

Robert Youngjohns
Independent non-executive director
A N R

Robert is a board member at a small number of growth companies in the technology sector and an operating executive at Marlin Equity Partners. Robert previously served as Executive Vice President and General Manager of HP Software at Hewlett Packard Enterprises (HPE). During his tenure at Hewlett Packard, Robert was a member of HP's Executive Council, as well as a Senior Vice President.

Prior to his work at HPE, Robert was a Senior Vice-President of Microsoft and President of Microsoft North America. He has held senior leadership positions at Sun Microsystems and IBM. Robert holds a Master's degree with honours in Physics and Philosophy from Oxford University.

Board committee memberships as at 7 February 2022:

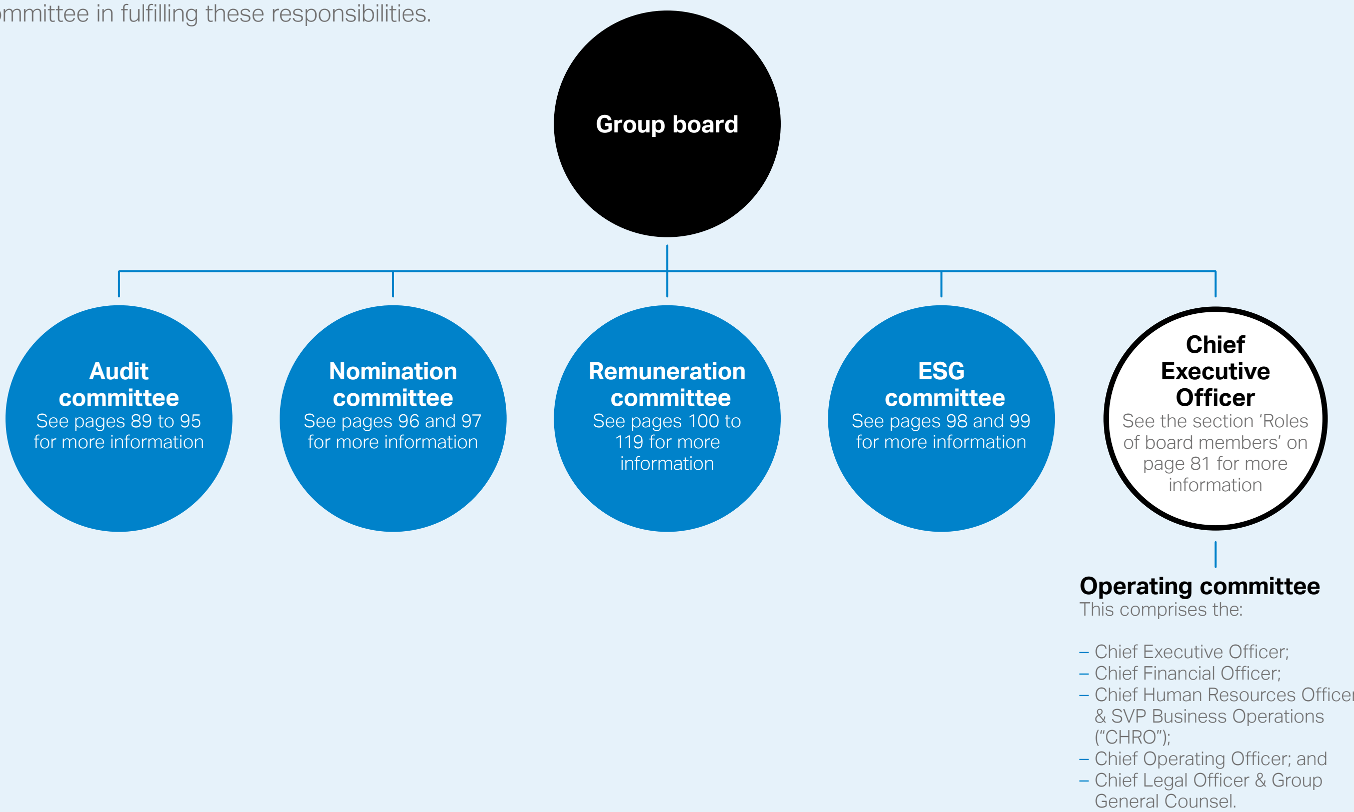
Audit committee	A
Remuneration committee	R
Nomination committee	N
ESG committee*	E
Chair of the committee	●

* The ESG committee also has two members of the management team, Suzanne Chase (Group Company Secretary and Head of Assurance) and Susan Ferguson (Chief Human Resources Officer & SVP Business Operations).

Governance framework

Board committees

The board has created and empowered four committees to support the effective delivery of its governance obligations: an audit committee, a nomination committee, a remuneration committee and an environmental, social and governance ("ESG") committee. The Chief Executive Officer is accountable for the delivery of the board approved strategic objectives, including operating within the values and standards set by the board and for implementing and maintaining appropriate internal controls and risk management activities. In turn, the CEO delegates responsibility to key operational executives and is supported by the operating committee in fulfilling these responsibilities.



Role of the board

The board leads and controls the Company and has collective responsibility for promoting the long-term success of the Group. While the board delegates some responsibilities to its committees or, through the Chief Executive Officer, to management, it has agreed a formal schedule of matters that are specifically reserved for its consideration and are publicly available on the investor relations section of the Company's website. These include key areas such as:

- Strategy and Management – including the Group's purpose, values and strategy, annual operating and capex budget approval, oversight of operations ensuring maintenance of sound management and internal control systems, reviewing performance in light of the Group's strategy and objectives, extension of activities into new business or geographical areas and any decisions to cease any material part of the Group's business
- Structure and Capital – including changes to the Group's capital structure such as share issues and buybacks or reduction in capital, major changes to the Group's corporate structure including material acquisitions and disposals and changes to the Group's management and control structure
- Financial reporting and Controls – including results announcements, dividend policy and declarations, significant changes in accounting policies or practices, treasury policies and the Annual Report
- Internal Controls – including monitoring the effectiveness of the Group's risk management and internal controls processes
- Material Contracts Approvals; Communications with Shareholders; Board membership (following recommendations from the nomination committee); Approval of Remuneration Policy and Delegations of Authority.

At each meeting, the board reviews progress of the Group towards its objectives and receives papers on key subjects in advance of each board meeting. These typically cover:

- Strategy and budgets;
- Business and financial performance;
- Product plans and development;
- Corporate activities;
- Human resources;
- ESG activities;
- Investor relations; and
- Corporate governance.

While the board retains overall accountability for, and control of, the Company, the executive directors are responsible for conducting the day-to-day management of the business. The review of the Group's principal business activities is the responsibility of the operating committee (the composition of which is detailed above) which is chaired by the Chief Executive Officer, Stephen Murdoch.

Division of responsibilities

Roles of board members

The non-executive Chairman has responsibility for leading the board, including setting the agenda (in conjunction with the Senior Independent Director and the Company Secretary), style and tone of board discussions to promote effective decision making and constructive debate and for shaping the culture of the boardroom. He is also responsible for shareholder and stakeholder engagement, including listening to the views of the workforce, customers and other stakeholders and ensuring that their views are conveyed to the board as a whole. He chairs board meetings, facilitating the effective contribution of non-executive directors by drawing on their skills, experience and knowledge and ensuring that the board is effective in all aspects of its role, and for upholding the highest standards of integrity and probity. He also chairs shareholder meetings and is responsible for ensuring effective communication with shareholders.

The Senior Independent Director meets or speaks with the Chairman regularly and will work with the Chairman and other directors to resolve any significant issues which may arise, acting as an intermediary for other non-executive directors if necessary; and is also available to shareholders if they have concerns in circumstances where contact through the normal channels of Chairman, CEO or CFO has either failed to resolve the concern or are inappropriate. Each of the non-executive directors has been appointed for a specific term, subject to annual re-election by shareholders. The independent non-executive directors comprise a majority of the board.

The executive directors are responsible for developing the Group's strategy and proposing the annual budget for board approval and are accountable to the board through the Chief Executive Officer. They are also responsible for the financial and operational performance of the Group and, in conjunction with the operating committee, they are collectively responsible for the day-to-day running of the business. There is a clear and documented division of responsibilities between the non-executive Chairman, who is responsible for running the board and shareholder and stakeholder engagement, and the Chief Executive Officer, who is responsible for strategy, investment and financing, risk management and the day-to-day operation of the business. The role of the Senior Independent Director is also documented.

Responsibilities of Non-executive Chairman, Chief Executive Officer and Senior Independent Director

Non-executive Chairman	Chief Executive Officer	Senior Independent Director
Leadership – leading the board, ensuring the board's effectiveness in all aspects of its role, upholding the highest standards of integrity and probity, and maintaining focus on the long-term sustainability of the business.	Leadership – day-to-day running of the Group's business and profitability and representing the Group to its stakeholders.	Support to the Chairman and other directors – e.g., deputising for the Chairman, if necessary; acting as a sounding board; and working to resolve any significant issues which may arise.
Meetings – including setting the board agenda; ensuring a timely flow of accurate information within the board and committees and between senior management and non-executive directors; ensuring appropriate delegation of authority from the board to executive management and overseeing effective implementation of board decisions; maintaining a culture of openness, trust, respect and debate; chairing board, nomination committee and general meetings; and arranging for committee chairs to be available to answer questions at the AGM.	Business Strategy and Management – including development and achievement of objectives, having regard to stakeholders and long-term stability; budgets; optimisation of resources; networking with current and prospective major customers; overseeing delegation from the board to the Executive Management Team ("EMT"); regular review of operational performance, strategic direction and organisational structure; identifying strategic opportunities for the Group; ensuring board decisions are implemented and the EMT complies with terms on which matters are delegated to it.	Lead the orderly succession process for the appointment of a chairman, including chairing the relevant nomination committee meetings.
	Investment and Financing – including examining all trade investments and major capital expenditure; identifying and executing acquisitions and disposals; leading geographic diversification initiatives; and identifying and executing new business and strategic opportunities outside of current core activities.	

Non-executive Chairman	Chief Executive Officer	Senior Independent Director
Directors – including facilitating the effective contribution of non-executive directors; ensuring constructive relations between executive and non-executive directors; holding meetings with the non-executive directors without the executive directors present; planning board succession and reviewing composition of board committees.	Directors and management team – ensuring performance of the directors and the EMT is monitored by the board and providing counsel, advice, and support to those persons; formalising the roles of the executive directors and the EMT; and ensuring management provide the board with the necessary information and knowledge of the Company.	Governance – including assisting in maintaining the stability of the board and Company, particularly during periods of stress – e.g., in the event of dispute between the Chairman and the CEO; monitoring the Chairman's performance and leading his performance evaluation; and acting as an intermediary for other non-executive directors.
Risk management and controls – ensuring the board determines the type of risks the Company may take to implement its strategy, that the directors are aware of, and able to discharge their statutory duties and that high standards of corporate governance are promoted.	Risk management and controls – including managing the Group's risk profile, including health and safety performance; ensuring appropriate internal controls and policies are in place, are followed and conform to the highest standards; and setting Group HR policies.	
Induction, development and performance evaluation – including guiding and mentoring new directors, ensuring directors' development needs are monitored; identifying development needs of the board as a whole to enhance its overall effectiveness; and overseeing board, committee and directors' performance evaluation (at least annually) including external evaluations.	Board committees – including making recommendations to the remuneration committee on remuneration policy, executive remuneration and terms of employment of other executive directors and the EMT; and making recommendations to the nomination committee on succession planning and replacement of key personnel.	
Relations with stakeholders and regulators – including ensuring effective communication with stakeholders; maintaining sufficient contact with major shareholders; ensuring that the views of shareholders are communicated to the board as a whole; balancing the interests of shareholders with other stakeholders; and acting as a conduit for regulators.	Communication – including timely and accurate disclosure of information; communicating expected culture and behaviours to the workforce; ensuring effective communication with shareholders; and ensuring the board is fully briefed on the views of management and the workforce and fully informed about all issues on which it will have to make a decision.	Relations with stakeholders and regulators (where the normal channels of Chairman, CEO or CFO have failed to resolve the concern or are inappropriate). Attend sufficient meetings with major shareholders and financial analysts to obtain a balanced understanding of the issues and concerns of such shareholders.
Relationships with CEO and CFO – developing productive working relationships.	Relationship with Chairman – maintain dialogue with the Chairman on important and strategic issues.	

The role of the non-executive directors is to ensure that independent judgement is brought to board deliberations and decisions and to provide constructive challenge as appropriate. They promote the highest standards of integrity, probity and corporate governance throughout the Company. The non-executive directors possess a wide range of skills and experience, relevant to the development of the Company, which complement those of the executive directors.

The non-executive directors, led by the Senior Independent Director, met regularly throughout the year in private session without executive directors in attendance.

The Company Secretary is accountable to the board through the Chief Financial Officer, to whom she reports. It is the responsibility of the Company Secretary to ensure that agreed board procedures are followed and all rules and regulations are complied with. The Company Secretary's responsibilities include facilitating the induction and professional development of directors and ensuring the smooth flow of information between board members, between the board and its committees and between non-executive directors and senior management. In addition, all directors have direct access to the advice and services of the Company Secretary. Appointment of the Company Secretary is a matter for the whole board.

The responsibilities of the Chairman, Chief Executive Officer, Senior Independent Director, board and committees have been clearly defined and set out in writing and are available to download from the investor relations section of our website.

Board and committee evaluation

A comprehensive evaluation of the performance of the board, its committees and each of its directors is carried out annually.

Having undertaken an externally facilitated review of the performance of the board and its committees in 2019, this year's evaluation was again performed internally.

The most recent board evaluation was structured as follows:

Stage 1 – Comprehensive questionnaires covering a wide range of areas including Strategic Oversight, Leadership, Culture and Values were completed by board members and senior managers who regularly attend board meetings. The questionnaires were completed on an open, confidential and non-attributable basis.

Stage 2 – Compilation and evaluation of results from all participants' responses was carried out by the Company Secretary. A full report including a suggested improvement plan was issued to the board.

Stage 3 – Reporting and discussion – the report and suggested improvement plan was discussed with the non-executive Chairman and the board reviewed the report in detail.

The board agreed a performance improvement plan, which will be monitored throughout the year, of which the main areas of focus are:

- Monitoring succession planning, skillsets and diversity for board, senior management and other key roles;
- More interaction and informal discussions between board and senior management, COVID-19 restrictions permitting;
- Cross-functional training of the board, increasing the depth of board knowledge in product and marketing through training, informal meetings and reviews; and
- Continuing to ensure that ESG matters are embedded into board and committee considerations.

The board also noted progress from the FY20 evaluation actions, including board composition from the board appointments made during the year.

Director evaluation

In accordance with the recommendations of the Code, the Company's articles of association ("Articles") require that all directors are subject to election by the shareholders at the first AGM of the Company after their appointment and to re-election by the shareholders on an annual basis thereafter. Prior to proposing any director for re-election, the board operates a formal process, led by the non-executive Chairman, to assess the effectiveness of each director and, in the case of the non-executive directors, their continued independence and to assess whether the individual is willing to continue in office.

Informed by individual feedback from the board review, the non-executive Chairman has assessed the contribution of each board member, discussed this when needed with the Senior Independent Director and made suggestions for improvement where appropriate. Following such review, he has no hesitation in recommending the re-election of all those directors who are standing for re-election at the AGM.

In addition, the Senior Independent Director meets with the non-executive and executive directors at least once a year to review the performance of the Chairman and to consider whether to recommend his re-election, providing feedback directly to the Chairman.

All the individuals proposed for re-appointment at the 2022 AGM have been subject to an evaluation procedure in the last 12 months. The board also believes that the skills and experience of each of the non-executive directors enables them to continue to provide valuable contributions to the board, and is satisfied that each of them continues to exercise rigorous and objective judgement.

Non-executive directors' independence

Each of the non-executive directors who served during the period was considered by the board to be independent. The non-executive Chairman was independent on appointment when assessed against the Code. Karen Slatford was appointed to the board in July 2010 and has, therefore, now served for more than nine years. The board has specifically considered whether this was likely to affect, or could appear to affect, her independence and concluded that she continued to demonstrate independence in thought and judgement, noting that there were no other relationships or circumstances that could affect her independence. The independent non-executive directors comprise a majority of the board.

Board members' external commitments

Each of the non-executive directors confirms on appointment that they will devote sufficient time to meet what is expected of them in their role. They have each disclosed their other significant commitments and the time involved in these and advise the board of any changes. The prior approval of the board is sought before any director undertakes an additional appointment.

Board meetings

The board schedules meetings approximately every two months, with a scheduled update call in the months with no formal meeting. Additional meetings are arranged as necessary, especially when circumstances or the nature of the matter means that the business could not be dealt with on a regular update call. All directors receive an agenda and board papers in a timely manner in advance of meetings, to help them make an effective contribution at the meetings. The board makes full use of appropriate technology as a means of updating and informing all its members, including the use of board portal software.

In the year ended 31 October 2021, the board met formally on 11 occasions. As a result of the COVID-19 pandemic, which led to restrictions on travel and meetings, all meetings were held via video conference such that all members could see and hear each other, with no disruption to the schedule of meetings. The board has extensive interaction with senior management, who frequently attend board meetings and engage in discussions with directors. The board, led by the chair, also holds discussions in the absence of management at each board meeting.

Board information

The directors are provided with the agenda and supporting papers in a timely manner in advance of the relevant board or committee meeting. The board is satisfied that the information provided is in an appropriate form and of a quality that should enable the directors to discharge their duties satisfactorily.

Independent advice

The board has agreed procedures for directors, including the non-executive directors, to follow if they believe they require independent professional advice in the furtherance of their duties. These procedures allow the directors to take such advice at the Company's expense.

Conflicts of interest

In accordance with the Companies Act 2006, the Company has put in place procedures to deal with conflicts of interest, which have operated effectively. The board is aware of the other commitments of its directors and is satisfied that these do not conflict with their duties as directors of the Company. Any changes to these commitments are reported to the board.

Operational management structure

The Group's organisational structure allocates individual responsibilities, the performance of which are monitored on an on-going basis. The management of the Group as a whole is delegated to the Chief Executive Officer and, through him, to the operating committee. This body is chaired by the Chief Executive Officer, Stephen Murdoch, and also comprises the Chief Financial Officer, Chief Operating Officer, Chief Human Resources Officer & SVP Business Operations, and the Chief Legal Officer & Group General Counsel. It meets regularly to develop strategic plans, monitor operational performance and consider key business issues. As part of these reviews, it considers the risks associated with the delivery of strategy and any material governance issues within the Group's operating companies.

A number of Group administrative functions such as Finance, Tax, Treasury, Human Resources, IT, Corporate Communications and Legal report to the board through the operating committee.

The conduct of Micro Focus' business is delegated to local and regional executive management teams subject to a chart of approvals policy, which is approved by the board and communicated to all employees in the Group. These teams are accountable for the conduct and performance of their businesses within the agreed business strategy and a number of Group-wide policies, intended to drive compliance with key governance standards. These policies cover areas including finance, contract approvals, data protection, share dealing, business conduct, ethics, anti-bribery and corruption and anti-slavery and human trafficking.

Audit, risk and internal control

The board is responsible for the preparation of the Annual Report and Accounts. In doing so, it has established formal and transparent arrangements for considering how best to apply corporate reporting, risk management and internal control principles and for maintaining an appropriate relationship with the Company's external auditors, KPMG. Details of the internal control and risk management systems as they relate to the financial reporting process can be found on page 73.

The board considers the Annual Report and Accounts, taken as a whole, to be fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's position and prospects, including its performance, business model and strategy. While this is the board's responsibility, it is overseen by the audit committee and details of how this is done are described in the Audit committee report on page 92.

Internal control and risk management

The board is responsible for determining the nature and extent of the principal risks it is willing to take in achieving its strategic objectives, and for implementing and maintaining sound risk management systems. Through this approach, a robust assessment of the emerging and principal risks facing the Group, including those that would threaten its business model, future performance, solvency or liquidity and or reputation has been carried out as part of our on-going risk management process. In the period this included any new, emerging or continuing direct or indirect risk posed by COVID-19 and an overview of management's actions and strategies in addressing such matters. The way in which this is done is described in the Principal risks and uncertainties section on pages 61 to 73.

The board also has responsibilities in relation to internal control which are described in the Audit committee report on pages 89 to 95.

Managing our wider accountability obligations

The Group is required to comply with anti-bribery and corruption ("ABC") legislation in many countries around the world, including the UK's Bribery Act 2010 and the US's Foreign Corrupt Practices Act 1977. To help manage these ABC risks, the Group operates a global compliance programme to implement a Code of Conduct, which was last reviewed by the board in March 2021, and which is supported by an anti-bribery and corruption policy and a gifts and hospitality policy.

The Code of Conduct also includes policies on whistleblowing, charitable donations and sets out the appropriate level of behaviour expected from all staff. Training on the Code of Conduct and processes has been rolled out to all employees.

The Group's anti-slavery and human trafficking policy has been incorporated into the Code of Conduct and a statement has been published on our website to comply with the UK's Modern Slavery Act 2015.

Key board activities

Key matters considered by the board during the financial year

The key matters that the board discussed at each meeting and the key activities that have taken place throughout this period are set out below.

Key matters considered at all scheduled board meetings	Key activities for the board in the year to 31 October 2021
– Project(s) status and progress – Strategy – Financial reports and statements – Operational reports, issues and highlights – Investor relations and capital markets update – Legal updates – Transactions – Assurance and risk management – Compliance and governance reports – Committee reports	– Strategic & operational review updates – Formation of the ESG committee – COVID-19 response and monitoring – Dividend policy and dividend recommendation – Reviewed 2021 budget and approved 2022 preliminary budget – Considered content of trading update – CFO succession – Conducted board performance evaluation – Reviewed and approved changes to the membership of the board and its committees – Transition to a single enterprise-wide platform – Reviewed compliance with debt covenants and liquidity – Settlement of patent infringement litigation without admission of liability – Investor perception survey reports

Culture

Micro Focus is committed to being a company known for its high standards and ethical behaviour and encourages a culture of openness and transparency across the organisation. This culture is reinforced through our employee engagement activities in a wide range of areas including inclusion and diversity, ethics and risk management.

Each and every employee plays a vital role in protecting and enhancing our reputation for integrity and is encouraged to speak up if they feel our people and/or customers are at risk, or they suspect wrongdoing. Our Whistleblowing Policy sets out the methods available to employees to raise any concerns they may have. These include internal contact points within the Group's Corporate Compliance and Ethics team and an independent whistleblowing hotline (which is also accessible to our commercial business partners), run by an external provider, Ethicspoint.

Every whistleblowing report is referred to the Litigation and Investigations team who then investigate each one, engaging with other teams, such as Employee Relations or Internal Audit to ensure that appropriate action is taken. The audit committee receives regular updates on all whistleblowing reports received, enabling it to monitor practices and behaviours across the Group and to report any significant matters to the board.

Recognising that culture cannot be assessed by a single metric, the board and committees consider a range of issues which help to guide the discussion and provide key signposts on the Company's culture including COVID-19 updates, employee surveys, all employee engagement session feedback, inclusion and diversity updates as well as risk reviews and annual code of conduct training.

Our approach to investing in and rewarding our workforce is set out under 'Our impact' in the Strategic report on pages 32 to 43.

Stakeholder engagement

With any significant decision made, the board is mindful of the impact of those decisions on the business' various stakeholders and on its long-term, sustainable success, in line with Section 172(1) of the Companies Act 2006. Details of how key stakeholders' interests were considered in board discussions and decision making during the year are set out in the Section 172 statement on pages 46 and 47.

The Group's stakeholders – our investors, employees, partners, suppliers, communities and the environment – and the ways we engage with each of them are set out in detail under 'Our impact' in the Strategic report on pages 32 to 45.

The board received regular updates on the Group's ESG activities via Karen Slatford in her capacity as chair of the CSR executive committee, and as chair of the ESG committee which superseded the CSR executive committee following its establishment in June 2021.

This year the board commissioned a perception survey to further engage with shareholders to understand their views, which provided valuable insight to the board and will be used to guide positive change.

It has been important to help our teams, partners and customers adjust to a new way of life during the pandemic. In 2020 we launched our first Virtual Universe programme – converting a large-scale live marketing and engagement event into a well-attended content-rich and real-time digital experience for our customers. We repeated the approach for this year's event in March 2021 and experienced even higher registration and attendee participation figures compared to last year's event.

The board's focus during the year has been its strategic priorities and FY22/23 transformation plan. As a complementing initiative and to demonstrate the importance of building connection to the Company and its goals and developing the culture and behaviours we need for success we have sought the support of a third party organisation to drive employee engagement around our transformation plans and strategic narrative.

Workforce engagement

Karen Slatford (our Senior Independent Director) is appointed to the role of non-executive director responsible for workforce engagement, in light of her in-depth and longstanding knowledge of the Group and its businesses. This included the results of the My Voice all-employee annual and "pulse" surveys which provided an effective (albeit less formalised) mechanism to enable the board to understand the views of the workforce.

In her capacity as Workforce Engagement Director, Karen Slatford, supported by our Chief Human Resources Officer, conducted two panel sessions designed to create a direct connection and dialogue between our board of directors and employees, enabling the board to understand the top-of-mind views of our employees. These 60-minute open conversations included a nominated global group of cross-level, cross business, and tenured employees. The Chairman also attended these sessions, with other board members. The sessions comprised 10 to 12 employees. The board receives regular reports on workforce engagement activities (including feedback on all areas resulting from these panel sessions) for its review, consideration and action.

Shareholder relations

Shareholder communications

The board recognises its responsibilities as the steward of shareholders' funds. It values the views of shareholders and recognises their interests in the Group's strategy and performance. The board aims to promote a dialogue with shareholders based on the mutual understanding of objectives and has a collective responsibility for ensuring that a satisfactory dialogue takes place. The whole board is kept up to date at its regular meetings with the views of shareholders and analysts, and reports published by sell-side analysts are also circulated to directors.

The board reports formally to shareholders on the Group's performance twice a year, in February (preliminary announcement of annual results) and July (interim results) and trading updates are issued whenever appropriate. The Annual Report and Accounts is published shortly after the preliminary announcement and, where relevant, hard copies are mailed to shareholders at least 20 business days before the AGM. Unfortunately, once again the AGM held on 25 March 2021 took place behind closed doors as a result of the UK national lockdown (caused by the COVID-19 pandemic). Regular communications are maintained with institutional shareholders and presentations are given to shareholders when the half-year and full-year financial results are announced and at other times. In addition to the Chairman, Chief Executive Officer and Chief Financial Officer, who have regular contact with investors, Karen Slatford (the Senior Independent Director) and the other non-executive directors are available to meet with the Company's shareholders as and when required in order to develop a balanced understanding of the issues and concerns, particularly of major shareholders.

Separate regulatory announcements are published to the markets without delay whenever there is a material event and are available through the Company's website (www.microfocus.com), which also provides an overview of the Group's business including its strategy, products and objectives. The terms of reference of each of the board's four committees and other important corporate governance documents are also available on the Company's website and on request from the Company Secretary.

The non-executive Chairman, the Chief Executive Officer, the Chief Financial Officer and the Company's Investor Relations function all provide focal points for shareholders' enquiries. Further details of these are available through the Company's website.

Annual General Meeting

The board recognises the importance of the Company's retail investors and encourages their participation. Under normal circumstances, the main opportunity for the directors to communicate with, and hear from, our retail shareholders is at the AGM which provides an opportunity for the directors to meet shareholders and deal with any questions that may be raised either formally at the AGM or informally after the meeting closes, in addition to the statutory business. The next AGM will be held on 30 March 2022 at 3pm (UK time) at the Company's registered office, The Lawn, 22-30 Old Bath Road, Newbury, Berkshire RG14 1QN. Shareholders are invited to submit questions in advance and these questions, along with the Company's responses, will be published on our website. Further details are set out in the Notice of Meeting.

In line with the Code recommendations, separate resolutions are being proposed on each substantive issue.

For further information on stakeholder engagement, see our Section 172 statement on pages 46 and 47.

US Sarbanes-Oxley Act 2002

Disclosure controls and procedures

Disclosure controls and procedures (as defined in Rule 13a-15(e) promulgated under the Securities Exchange Act of 1934 (the "Exchange Act")) are designed to provide reasonable assurance that the information required to be (i) recorded, processed, summarised and reported within the time periods specified in the SEC's rules and forms and (ii) accumulated and communicated to management, including our Chief Executive Officer and Chief Financial Officer, to allow timely decisions regarding required disclosure. Management recognises that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving their objectives, and management necessarily applies its judgement in evaluating the cost benefit relationship of possible controls and procedures.

Based on their most recent evaluation, our Chief Executive Officer and Chief Financial Officer concluded that, as of 31 October 2021, the Company's disclosure controls and procedures were not effective as a result of the material weakness in our internal control over financial reporting described below. Notwithstanding the material weakness described below, our management, including our Chief Executive Officer and Chief Financial Officer, believe that the audited consolidated financial statements contained in this Annual Report fairly present, in all material respects, our financial condition, results of operations and cash flows for the fiscal years presented in conformity with IFRS. In addition, the material weaknesses described below did not result in a material misstatement to the financial statements.

Management's report on internal control over financial reporting

As a foreign issuer with American Depositary Shares ("ADSs") listed on the New York Stock Exchange ("NYSE") the Group, as part of its disclosure and reporting obligations in the United States, is required to furnish this Annual Report by its management on its internal control over financial reporting, including an attestation report issued by its independent registered public accounting firm pursuant to Section 404 of the Sarbanes-Oxley Act of 2002 ("SOX") as at 31 October 2021.

Management is responsible for establishing and maintaining adequate internal control over financial reporting for the Group. Internal control over financial reporting is defined in Rules 13a-15(f) and 15d-15(f) promulgated under the Exchange Act. The Group's internal control over financial reporting include policies and procedures which:

- are designed to give reasonable assurance that the transactions are recorded as necessary to permit the preparation of financial statements in accordance with IFRS as adopted by the EU and IFRS as issued by the IASB, and that receipts and expenditures are being made only in accordance with authorisation of management and the directors;
- relate to the maintenance of records that in reasonable detail accurately and fairly reflect the transactions and disposal of assets; and
- give reasonable assurance regarding the prevention or timely detection of unauthorised use, acquisition or disposal of the Group's assets that could have a material impact on the financial statements.

Any internal control network will have inherent limitations, such that the possibility of human error and circumvention or overriding of controls and procedures may not prevent or detect misstatements. In addition, the projection of any controls to future periods are subject to the risk that controls may become inadequate due to changes in conditions or because the degree of compliance with policies and procedures may deteriorate.

Management assessed the effectiveness of internal control over financial reporting as at 31 October 2021 based on the Internal Control – Integrated Framework issued by the Committee of Sponsoring Organisations of the Treadway Commission 2013. Based on the assessment, management concluded that its internal control over financial reporting was not effective due to the following material weakness: In July, the Company completed the migration to its new enterprise-wide application platform ("Enterprise Platform") which included new business controls and IT general controls ("ITGC's). There was not sufficient time to allow ITGC's and related business controls to operate effectively by 31 October 2021. In aggregate, these control deficiencies impact all financial reporting processes and constitute a material weakness. This material weakness did not result in a material misstatement to the financial statements.

Our consolidated financial statements have been audited by KPMG LLP, an independent registered public accounting firm, which will issue an attestation report expressing an adverse opinion on the effectiveness of internal control over financial reporting, with respect to this material weakness within the Form 20-F.

Changes in internal control over financial reporting

In the period, the Group completed the migration from legacy IT applications and infrastructure to the Enterprise Platform. The Enterprise Platform enables further improvement to process and controls. Improvements for the business include refining functional processes and organisational simplification as referred to in the Chief Executive's Strategic review and Our strategy on pages 08 to 15. The migration was successfully completed in two planned phases, the first completed in January 2021 and the second completed in July 2021. The majority of the work was carried out within the requirements of remote working under COVID-19 restrictions. The timing of the phases meant that there was insufficient time prior to the financial year end to allow ITGC's and related business controls to operate effectively.

During the period the Group continued to enhance and maintain the framework of internal controls under its central SOX Compliance Programme ("SCP") on the legacy systems as well as preparing and implementing controls for the Enterprise Platform. The SCP was supported by a specialist team from its outsourced internal audit partner, PwC. Governance for the SCP included a cross-functional SOX steering group ("SSG"). In addition the cross functional disclosure committee continued to meet to assist the Chief Executive Officer and Chief Financial Officer in fulfilling their responsibilities in connection with the accuracy of financial reporting. The Group strengthened internal compliance by the appointment of an additional team from PwC to work alongside the business and the Enterprise Platform implementation project team to carry out end-to-end process mapping and support Risk and Control Matrix ("RACM") development for the new Enterprise Platform controls. A key work stream of the SCP also relates to the adequacy of ITGCs. The work undertaken as part of the SCP identified a number of areas for improvement in the Group's ITGCs. A remediation plan was agreed, which forms part of the SCP. Work in this area was carried out under an IT SOX Compliance Group chaired by the Chief Information Security Officer (CISO) reporting to the main SSG.

In the year the Group has also reviewed its entity-level controls including continued supplementary SOX training across relevant parts of the Group. As part of the overall governance, the SSG continues to monitor potential adverse impacts of organisational change to the SCP.

In the Annual Report and Accounts 2020 and the 2020 Form 20-F the Group reported certain weaknesses in its internal control over financial reporting, which under Public Company Accounting Oversight Board auditing standards were considered, when aggregated, to be a material weakness. The material weakness related to the fact that Company did not have adequate controls at that time surrounding existing IT applications, in particular regarding change management and access control. These controls and control deficiencies were then superseded in the year by the controls on the Enterprise Platform.

Remediation

The Group continues its work under the SCP to remediate the material weakness and other control deficiencies, and any other matters, which arise during its progress towards SOX compliance. As the business commenced the new financial year operating on the Enterprise Platform it has also been able to implement an enhanced testing programme for FY22.

To maintain the required control environment the Group relies upon automated, semi-automated and manual controls together with a combination of preventative and detective controls. The material weakness, control deficiencies and other matters may not be able to be remediated by 31 October 2022, and there is a risk that other deficiencies for the purposes of SOX may be identified. Failure to correct the material weakness, or our failure to discover and address any other material weakness or control deficiencies, could result in inaccuracies in our financial statements, and impair our ability to comply with applicable financial reporting requirements and related regulatory filings on a timely basis. It could also result in an adverse reaction in the financial markets due to a loss of confidence in the reliability of the Group's financial statements and could have a material adverse effect on the Group's business, financial condition, results of operation and prospects.

Audit committee report

Richard Atkins
Chairman, audit committee

I am pleased to present our Audit committee report for the year ended 31 October 2021.

Audit committee members and meeting attendance

	Meeting attendance[1]
Richard Atkins	**6/6**
Amanda Brown	**6/6**
Pauline Campbell[2]	**1/1**
Lawton Fitt	**6/6**
Karen Slatford	**6/6**
Robert Youngjohns	**6/6**

1 Attendance is expressed as the number of meetings attended out of the number eligible to be attended.
2 Pauline Campbell served as a director and member of the audit committee from 1 October 2021.

Dear fellow shareholders,

I am pleased to present our Audit committee report for the year ended 31 October 2021. In the report below we explain how the committee discharged its responsibilities during the year, including the significant issues that we considered in relation to the financial statements and how we safeguarded the independence and objectivity of the external auditors. The work of the committee has focused on reviewing the enterprise risk management framework, including the Group's on-going response to COVID-19 and the business impact following the transformation to the Enterprise Platform. SOX compliance also continues to be a key matter under review as we embed it into the business. Throughout the year, I am pleased to report that our working relationships with PwC, providing internal audit services, and KPMG, as external auditors, have continued to develop well.

Composition of the committee

The audit committee comprises myself (who serves as its chair), Amanda Brown, Pauline Campbell, Lawton Fitt, Karen Slatford and Robert Youngjohns. All members of the committee are independent non-executive directors. The board considers that:

- for UK purposes, myself, as a chartered accountant, has recent and relevant financial experience by virtue of my previous executive and current non-executive responsibilities (details of which can be found in my biography on page 78). The audit committee as a whole has competence relative to the sector in which the Company operates; and
- for US purposes, each of the audit committee members is independent under the SEC and NYSE definitions of that term; that I am an audit committee financial expert, am independent of management, and have accounting or related financial management expertise; and that all of the audit committee members are financially literate.

Executive directors and senior executives (most often the Director of Finance, Director Group Finance, the Head of Tax, Head of Treasury, Head of Investor Relations and the Group Company Secretary and Head of Assurance) attend meetings by invitation as required, but do not do so as of right. Representatives of KPMG LLP (external auditor), PricewaterhouseCoopers LLP (internal auditor) and external tax advisors (when considered appropriate) also attend the committee meetings and meet privately with committee members, in the absence of executive management, prior to each committee meeting.

The committee normally meets at least four times during each financial year and more frequently as required.

Role and responsibilities of the committee

The committee's principal responsibilities are to:

- monitor the integrity of the financial statements of the Company and any formal announcements relating to the Company's financial performance, reviewing significant financial reporting judgements contained in them. The committee also reviews the Group's Annual Report and Accounts and Interim Report prior to submission to the full board for approval;
- monitor the Group's accounting policies and review the Company's internal financial controls and financial reporting procedures and, on behalf of the board, the Company's internal control and risk management systems;
- monitor the adequacy and effectiveness of the Company's internal controls and internal financial controls, risk management systems and insurance arrangements;
- ensure that a robust assessment of the principal and emerging risks facing the Company, including those that would threaten the business model, future performance, solvency or liquidity and reputation is undertaken at least once a year;

- monitor and review the effectiveness of the Company's internal audit function, including agreeing and approving the annual internal audit plan;
- make recommendations to the board, for it to put to the shareholders for their approval in general meeting, in relation to the appointment, reappointment and removal of the external auditor and to approve the remuneration and terms of engagement of the external auditor;
- oversee the relationship with the external auditors and review and monitor their independence and objectivity and the effectiveness of the audit process, taking into consideration relevant UK and US professional and regulatory requirements;
- develop and implement policy on the engagement of the external auditor to supply non-audit services, taking into account relevant ethical guidance regarding the provision of non-audit services by the external audit firm; and to report to the board, identifying any matters in respect of which it considers that action or improvement is needed and making recommendations as to the steps to be taken;
- provide a forum through which the Group's external and internal auditors and external tax advisors report to the board; and
- report to the board on how it has discharged its responsibilities.

The committee's terms of reference are published on the Company's website, www.microfocus.com.

Key activities in the year ended 31 October 2021

The committee met six times during the year, details of meeting attendance can be found on page 89 of this report.

Save for matters directly arising from its terms of reference, the main items of business the committee reviewed and discussed at those meetings were:

- Reports from the SOX steering group and monitoring the progress of SOX compliance (please refer to pages 87 and 88 for further information on the SOX compliance);
- Updates from the Controllership function, including the status of the finance transformation programme and other key projects;
- Reports from the disclosure committee, including an assessment of the Company's status as a Foreign Private Issuer for SEC purposes;
- Updates from the Treasury & Tax functions, including refinancing;
- Assurance updates, including reports on the status of the Group's enterprise risk, fraud risk and internal audit programmes;
- Updates on COVID-19, including risk management and an overview of management's actions and strategies in addressing COVID-19 matters;
- Classification of exceptional items and alternative performance measures;
- Updates on the migration to a single enterprise platform;
- Updates from the operational risk and compliance committee on the activities of risk management and compliance;
- Updates on the Group's insurance programme;
- Reports on contentious legal matters, including the WAPP patent infringement case, as well as internal investigations and other whistleblowing matters; and
- Considering the effectiveness and independence of the external tax advisors.

The committee met in private session both with and without management attendance at the majority of its meetings. As noted above, the committee also meets with the external auditors, internal auditors and tax advisors in private session. The committee chairman maintains regular contacts outside the formally scheduled meetings with the partners of professional firms responsible for external and internal audit and tax advice.

Significant estimates and judgements considered in relation to the Annual Report and Accounts

The committee reviewed the draft Annual Report and Accounts, together with the appropriateness and application of accounting policies and considered areas in which there were significant estimates or exercises of judgement. The significant matters considered by the committee are set out below. For each area, the committee was satisfied with the accounting and disclosure in the financial statements.

Revenue recognition

The Group's multi-element arrangements give rise to risks in the identification of performance obligations and the allocation of revenue between performance obligations, which is an inherently complex aspect of IFRS 15.

Note I "Significant Accounting policies" section D "Revenue recognition" sets out the Group's policies on accounting for revenue under IFRS 15.

To address this risk the committee:

- reviewed a paper from management on key revenue recognition judgements made on contracts during the period;
- assessed the level of coverage from the Group's material contract reviews;
- reviewed the disclosed accounting policy and related disclosure included in the Annual Report and Accounts; and
- challenged KPMG on the scope of their revenue audit as part of agreeing the audit plan.

Impairment of goodwill and purchased intangibles

Impairment testing is an area of focus as significant judgements are made in performing the test. The principal judgements relate to the assumptions around the achievability of the average annual revenue growth rate for each product group and other related modelling assumption (pre-tax discount rate and long-term growth rate) used in calculating value in use.

Note 10 "Goodwill" provides details of the impairment test performed including the assumptions used.

In considering this area of focus the committee reviewed and discussed reports with management and challenged the appropriateness of the assumptions made, including:

- the achievability of the business plans (including the average annual revenue growth rate for each product group);
- modifications made to the business plans to comply with IAS 36;
- the consistent application of management's impairment testing methodology understanding any changes made from the prior year methodology;
- the discount rate; and
- the long-term growth rate.

In addition, the committee reviewed the sensitivity analyses on key assumptions and the related sensitivity disclosure.

During the period no impairments in respect of goodwill and purchased intangibles were recorded.

Exceptional items and Alternative Performance Measures ("APMs")

The classification of items as exceptional is an area of focus for the committee as exceptional items are adjusted for in the Group's non-GAAP measures which are presented as APMs and used alongside the statutory measures to report the Group's financial performance and prospects.

Note I "Significant Accounting policies" section H "Exceptional items" sets out the Group's policies for classifying an item as exceptional and section Alternative Performance Measures includes the definitions and use of the Group's APMs.

The committee took the following actions to assess the classification of exceptionals:

- reviewed a report by management describing the treatment and disclosed amount of each exceptional;
- assessed the classification of the settled patent litigation costs as exceptional as this was a new material exceptional item in the period. The committee were satisfied that the cost was exceptional as whilst the group routinely faces litigation costs and settlements no cases of this type and magnitude have arisen before;
- reviewed the consistency of classification both period-on-period and of gains and losses; and
- assessed the classification of on-going multi-year integration and restructuring programmes as exceptional.

Provision for income taxes

The tax treatment of the Group's operations is subject to the risk of challenge by tax authorities across the jurisdictions in which the Group operates. Tax authorities may challenge allocations of profit under transfer pricing rules; or there may be differences of interpretation of tax rules. Taxation is therefore an area of risk as it is necessary to apply judgements in order to calculate tax liabilities.

Note 7 "Taxation" provides details of the Group's tax accounting, including the reserve for uncertain tax positions and management's assessment of the EU State Aid and UK tax authority challenge. The committee met with the Group's Head of Tax during the year and at the January 2022 meeting. The committee examined the judgements underpinning both the provision and disclosures adopted for the most significant components of the Group's tax risks including the treatment of the EU State Aid and UK tax authority challenge.

These judgements considered:

- The advice received from the Group's tax advisors and the assessment by the Group's Head of Tax in respect of (i) the probability of success of either the appeal by the UK Government or the Group itself in respect of the EU State Aid, (ii) the probability of success of UK tax authority challenge, and (iii) the interaction of the two matters in the context of the overall exposure associated with both the UK State Aid and UK tax authority challenge; and
- The assessment by the Group's Head of Tax also supported by the Group's tax advisors of the calculation of the Group's on-going risks in respect of Transfer Pricing and other significant matters.

Retirement benefit obligations

The committee assesses retirement benefit obligations as the obligation is material to the Group and the assumptions used in valuing the obligation, in particular the discount rate, have resulted in material changes in the obligation over recent years.

Note 22 "Pension and other long-term benefit commitments" provides details of the Group's pension arrangements and the principal assumptions applied in valuing the Group's defined benefit obligations and the related sensitivity of the obligation to these assumptions.

The committee:

- reviewed a report from management summarising the primary assumptions including the rates at which scheme liabilities had been discounted, mortality and inflation;
- assessed the sources used and understood whether any deviations from third party advised primary assumptions arose; and
- reviewed the sensitivity of the defined benefit obligation to these assumptions.

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Useful economic life of purchased intangible assets

The useful economic lives of purchased intangibles are reassessed annually. This is an area of focus for the committee as the net book value of such assets is high at $4,226.1m and so a small change in useful economic life could have a significant impact on the future amortisation charge. The Group uses future value in use to determine whether the useful economic lives are appropriate. Following the significant impairment of goodwill recorded in the prior year, the useful economic lives of certain of the HPE software business purchased intangible assets were revised down with effect from 1 November 2020.

Note 11 "Other Intangible assets" provides details of the change in useful economic lives in the period and the sensitivity of the annual amortisation charge to changes in the estimated lives.

The committee:

- reviewed a report from management summarising the methodology applied to determine the revised useful economic lives;
- assessed the revised economic lives and the impact of the amended lives on the financial statements; and
- reviewed the disclosure and sensitivity analysis included in the Annual Report.

Fair, balanced and understandable

The committee is satisfied, and has recommended to the board, that the 2021 Annual Report and Accounts, taken as a whole, provide a fair, balanced and understandable assessment of the Company's position and prospects at 31 October 2021 and the information necessary for shareholders to assess the Company's performance, business model and strategy.

The committee assessed the processes and controls followed in preparing the 2021 Annual Report and Accounts, which included the following:

- papers provided by the executive directors and senior management summarising all areas where significant judgements have been applied;
- papers outlining the process by which the financial statements were prepared and reviewed by the finance management team and other senior managers and the executive directors;
- ensuring that all contributors, the financial reporting team and senior management are aware of the requirements and their responsibilities;
- the committees discussions with the external auditors, senior management and executive directors; and
- the committee reviewed a draft of the Annual Report to enable input and comment.

These activities provided the committee with the detail necessary to reach the recommendation to the board, which was supported by the collective judgement of the committee that:

- the description of the business agrees with its own understanding;
- the stated risks reflect the issues that concern the individual members of the committee;
- suitable weight has been given to both "good" and "bad" news and there was an appropriate balance between these;
- the discussion of performance properly reflects the performance of the period;
- the narrative reporting is consistent with the financial statements and the notes to the accounts; and
- there is a clear and well-articulated link between all areas of disclosure.

Viability statement

The committee also assisted the board in relation to producing the Group's viability statement. This work encompassed a detailed consideration of the viability statement, including:

- consideration of the review period and alignment of this period to long-term plans;
- the assessment of the Group's capacity to remain viable after consideration of future cash flows, expected debt requirements and access to capital markets;
- modelling of the financial impact of certain of the Group's principal risks and uncertainties using severe, but plausible scenarios; and
- ensuring clear disclosure in the Annual Report as to why the assessment period selected was appropriate, what qualifications and assumptions were made and how the assessment was performed.

Following its review the committee agreed to recommend to the board that it was appropriate to make a viability statement for a three-year period and that the board could have a reasonable expectation that the Group would remain viable and have access to sufficient liquid resources to meet its liabilities as they fell due throughout that period. The viability statement is on page 60.

External audit

External auditor appointment

The committee has the primary responsibility for monitoring the independence and objectivity of the external auditors and assessing their performance and effectiveness. Informed by this knowledge, the committee makes recommendations to the board on the appointment and reappointment of the external auditors, taking into account partner rotation and other relevant factors.

The current external auditors, KPMG LLP, undertook their first audit of the Group for the period ended 31 October 2018, having been appointed following a competitive audit tender process in the 2017 financial year. That tender process sought to identify an audit firm who would provide the highest quality, most effective and efficient audits. Critical success factors included sector experience and knowledge, cultural fit, geographical coverage, the audit record of the lead partner and firm as well as the use of technology. Under UK rules, the appointment of the senior statutory auditor (the lead audit partner) rotates every five years, regardless of whether there has been an audit tender. The lead audit partner from KPMG is John Edwards, who took up the post for FY21 and he will be required to rotate at the end of FY25.

The committee agrees the scope and focus areas of the external audit, including key risks and the alignment of this with the Group's known risks and the work of other assurance functions. The committee has primary responsibility for agreeing the fees payable for the statutory audit and all other fees payable to the external audit firm.

Non-audit services and fees

It can occasionally be more efficient or necessary to engage the external auditors to provide non-audit services because of their knowledge and experience and/or for reasons of confidentiality. However, safeguarding the objectivity and independence of the external auditors is an overriding priority. For this reason, the committee has approved a written policy governing the services that can be provided by the external auditors. The policy also sets out a process for prior approval of both the nature of the service to be provided and the associated fees. The external auditors would only be appointed to perform a service when doing so would be consistent with both the requirements and principles of the relevant external regulations, and when their skills and experience make the firm the most suitable supplier.

We classify work that the external auditors might be permitted to perform into one of three categories and manage these as follows:

- Audit services – the scope and fees for the statutory audit are agreed by the committee;
- Audit-related services (including the review of interim financial information and work such as Sarbanes-Oxley attestation which the auditors are required to perform) – the scope of any such services and the fees must be pre-approved by the committee; and
- Other non-audit services (such as taxation compliance support and other assurance-type work) – the scope of any such services and the fees must be pre-approved by the committee, with an additional requirement that where the expected fee exceeds a predetermined level, the appointment must be subject to the Group's normal tender procedures.

There is a further requirement that the external auditors may not undertake any work that would generate a fee which is material relative to the audit fee or to the compensation of the individuals performing the audit.

Our policy includes a list of services which the external auditors are prohibited from performing. To mitigate any risks threatening, or appearing to threaten, the external auditors' independence and objectivity, they may not perform any functions of management, undertake any work which they may later need to audit or rely upon in the audit or serve in an advocacy role for the Company or any other role which may otherwise create a conflict of interest.

During the year ended 31 October 2021, the fees paid to the external auditors were:

	Year ended 31 October 2021 $m	Year ended 31 October 2020 $m
Audit services – Parent	**8.0**	7.2
Audit services – Subsidiaries	**2.8**	2.9
Audit-related services	**5.2**	3.3
Sub-total: audit and audit-related fees	**16.0**	13.4
Other assurance services	**–**	–
Services related to taxation	**–**	–
Other non-audit services	**–**	–
Sub-total: fees other than audit and audit-related fees	**–**	–
Total	**16.0**	13.4

Non-audit fees paid in the year ended 31 October 2021 amounted to nil of the audit and audit-related fees (year ended 31 October 2020, nil), which the committee concluded was an acceptably low level.

Of the audit-related services undertaken in the year ended 31 October 2021, only one was considered to be significant. This related to the controls attestation of the Group's Sarbanes-Oxley Section 404, for which a fee of $4.7m was paid.

Independence and objectivity of the external auditors

The committee is responsible for safeguarding the independence and objectivity of the external auditors and has developed a robust policy designed to ensure that this is not compromised. As explained above, the committee manages the risks that the external auditors undertake inappropriate non-audit work or earn material levels of fees for non-audit services. It also considers the standing and experience of the external audit partner and takes comfort from the fact that KPMG provided confirmation that they have complied with relevant UK and US independence standards.

The committee is satisfied that the independence and objectivity of the external auditors has been maintained throughout the year ended 31 October 2021 and to the date of this report.

Effectiveness of the external auditors

The committee has reviewed the effectiveness of the external auditors, taking into account the fulfilment of the agreed audit plan, the views of management, the external auditors' findings reported to the committee and the audit team's responses to questions from committee members. The committee also reviewed publicly available information published by the Financial Reporting Council ("FRC") in relation to KPMG LLP at the level of the UK audit firm. Based on this combined information, the committee concluded that the external audit process was operating effectively, and KPMG were effective in their role as external auditor.

Interactions with the Financial Reporting Council

There were no interactions with the FRC's Audit Quality review ("AQR") team in relation to KPMG's audits of the 2020 Annual Report and Accounts.

In September 2021, the Group received a letter from the FRC in respect of their thematic review of companies' disclosures of alternative performance measures in relation to the Group's Annual Report and Accounts for the year ended 31 October 2020. The FRC requested explanation on tax related to APMs and multi-year integration and restructuring programmes. Explanation has since been provided enabling the FRC to close their enquiry. We have provided additional disclosure on the cumulative costs, expected duration and expected future cash costs in relation to multi-year integration and restructuring programmes in the CFO report on page 50. The responses to the FRC were agreed by the committee.

The FRC's review is based on our published Annual Report and Accounts and does not benefit from detailed knowledge of our business or an understanding of the underlying transactions. It provides no assurance that our Annual Report and Accounts is correct in all material respects. The FRC's role is not to verify the information provided, but to consider compliance with reporting requirements. The FRC accepts no liability for reliance on the FRC's review by the Company or any third party, including but not limited to investors and shareholders.

The Statutory Audit Services for Large Companies Market Investigation (Mandatory Use of Competitive Tender Processes and Audit Committee Responsibilities) Order 2014

The Company confirms that it complied with the provisions of this legislation throughout the year ended 31 October 2021.

Internal control and risk management

Effective internal control and risk management

Following the annual cycle of work of the committee, it concluded that sound risk management and internal control systems had been maintained during the period. With respect to risk management, under the Risk Management Framework the committee receives and reviews a report at each meeting on the principal risks across the Group, which is discussed with senior management. This included COVID-19 risks and ESG risks as outlined in the Enterprise Risk Management reporting cycle diagram on pages 62 to 63. The committee was satisfied with the process and risks identified. It was also satisfied that there was a high level of assurance provided by the internal auditors, the external reviews conducted by KPMG for the interim period and their full period-end audit, together with the input of the Group's tax advisors, Deloitte.

The board is ultimately responsible for establishing and monitoring internal control systems throughout the Group and reviewing their effectiveness. It carries out a review, at least annually, covering all material controls including financial, operational and compliance controls and risk management systems.

It recognises that rigorous systems of internal control are critical to the Group's achievement of its business objectives, that those systems are designed to manage rather than eliminate risk and that they can only provide reasonable and not absolute assurance against material misstatement or loss.

A significant step forward in the period in this respect was the completion of the migration to the Enterprise Platform, a change which provides a strong foundation to simplify and enhance the internal control environment. The work represented a significant milestone for the Group and delivery of the programme was supported by appropriate programme governance and change management practices. The Micro Focus delivery team were aided by specialist third parties embedded within the programme, supporting across planning, cut-over and hypercare. The committee received regular updates throughout the delivery of the programme on the risks arising and the associated mitigations.

As the Company's American Depositary Shares ("ADSs") are listed in the US, the Group's internal controls over financial reporting are subject to the requirements of the Sarbanes-Oxley Act 2002 ("SOX"). Please refer to pages 87 and 88 for the update on the Group's SOX implementation plan. The requirements under SOX require a greater degree of evidence and formal documentation of controls. However, the audit committee has reviewed and discussed this position with its auditors and advisors and satisfied itself that the current control environment is effective under the UK Corporate Governance Code.

There is an on-going internal process under the Risk Management Framework for identifying, evaluating and managing the significant risks faced by the Group in association with the work performed by the outsourced internal audit function. This process has been in place throughout the period and up to the date of approval of the Annual Report and Accounts and it is regularly reviewed by the board and accords with the FRC Guidance on Audit Committees published in April 2016.

As part of the process that the Group has in place to review the effectiveness of the internal control system, there are procedures designed to capture and evaluate failings and weaknesses and, in the case of those categorised by the board as "significant", procedures exist to ensure that necessary action is taken to remedy any such failings. The review covers all material controls, including financial, operational and compliance controls.

The committee reports on a regular basis to the board on the Group's internal financial control procedures and makes recommendations to the board in this area.

The external auditors provide a supplementary, independent and autonomous perspective on those areas of the internal control system which they assess in the course of their work. Their findings are regularly reported to both the committee and the board.

The key elements of the internal control system are:

- the Group operates a structured, objectives-driven approach to fulfil its core purpose and goals in respect of sustained profitability and growth;
- systems and procedures are in place for all major transaction types with appropriate authorisation controls;
- all contracts are reviewed. The level of review depends on the size and complexity of the contracts and associated risks. There are formal limits above which the review level is escalated;
- reconciliations are performed on a timely basis for all major accounts; and
- research and development and capital expenditure programmes are subject to formal review and monitoring procedures.

The board recognises the need to understand and control the variety of risks to which the Group is exposed. During the period, in order to address this on behalf of the board, the committee oversaw the executive management's risk management activities under the Risk Management Framework. The executive management took responsibility for regular evaluation of generic and specific risks within the business and the implementation of mitigation plans to address them.

Risks are assessed with reference to the achievement of the Group's business objectives and according to current market and economic issues. The continuous monitoring of strategic and operational risks is the responsibility of the board and executive management respectively. The risk process has been in place for the period under review and is up to date at the time of this report. Please refer to pages 61 to 73 for the report on principal risks and uncertainties.

The committee considers any significant control matters raised in reports from management and by the internal and external auditors. It then reports its findings to the board. Where weaknesses are identified, the committee requires appropriate action to be taken by management and may request internal audit to perform a specific review into these areas if required.

Financial reporting

In addition to the general internal controls and risk management processes described above, the Group also has specific internal controls and risk management systems to govern the financial reporting process:

- there are Group policies covering what is reported monthly to the board and the executive committee. The Group's financial reporting system has been guided by the requirement to ensure consistency and visibility of management information to enable the board and the executive team to review the Group's worldwide operations effectively;
- cash flow forecasts are produced monthly. These are reviewed by the Group treasury function to ensure effective cash management by the Group;
- the consolidation process entails the combining and adjusting of financial information contained in the individual financial statements of the Company and its subsidiary undertakings in order to prepare consolidated Annual Report and Accounts that present financial information for the Group as a single economic entity. The Group accounting policies set out the basis of preparation and consolidation, including the elimination of inter-company transactions and balances between Group companies;
- financial information from subsidiaries is reviewed for accuracy by internal review and externally audited where required; and
- the consolidated financial statements are completed in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board ("IASB") and international accounting standards in conformity with the requirements of the Companies Act 2006 (Adopted IFRSs).

The board, with advice from the committee, is satisfied that an effective system of internal control and risk management processes are in place which enable the Company to identify, evaluate and manage key risks and which accord with the FRC Guidance on Audit Committees published in April 2016. These processes have been in place since the start of the financial period up to the date of approval of the Annual Report and Accounts. Further details of the risks faced by the Group are set out on pages 61 to 73.

Internal audit

PwC continued to provide internal audit services to the Group throughout the year ended 31 October 2021, having been the Group's internal audit provider since their appointment on 1 September 2017. The Group Company Secretary and Head of Assurance provides oversight and coordination of internal audit. In order to ensure independence, internal audit has a direct reporting line to the committee and to me, its chairman.

The committee monitored and reviewed the scope and results of the internal auditor's activities as well as its effectiveness during the period. The annual internal audit plan was approved by the committee at the beginning of the financial period. However, as the internal audit plan is risk-based, changes in the risk profile of the Group in the period (e.g. COVID-19) necessitated changes to the internal audit plan from time-to-time. These changes were approved by the committee and fast track reviews were added to ensure that timely assurance was provided in a rapidly changing environment.

The nature and scope of the internal auditor's work is reviewed and approved, and the results of the audits are assessed alongside management's responses. Issues with the audit reports which are graded as needing improvement are considered in detail by the committee along with the appropriateness of mitigation plans to resolve the issues identified.

At each meeting, the committee received papers prepared by Suzanne Chase (Group Company Secretary and Head of Assurance) in order to ascertain progress in completing the internal audit plan and to review results of the audits.

Committee evaluation

As noted on page 83, an internal committee review was undertaken during the year. The committee was considered to be operating effectively, with its reviews continuing to be conducted at the level of detail required. The risk processes remain highly regarded and the committee will focus on challenging the mitigation strategies.

Richard Atkins
Chairman, Audit committee
7 February 2022

Nomination committee report

Greg Lock
Chair, nomination committee

The appointments made during the year have led to an improved balance and blend of complementary experiences and attributes among board members.

Nomination committee members and meeting attendance

	Meeting attendance[1]
Greg Lock	5/5
Richard Atkins	4/5
Amanda Brown	5/5
Pauline Campbell[2]	1/1
Lawton Fitt	5/5
Karen Slatford	5/5
Sander van 't Noordende	5/5
Robert Youngjohns	5/5

1 Attendance is expressed as the number of meetings attended out of the number eligible to be attended.
2 Pauline Campbell served as a director and member of the nomination committee from 1 October 2021.

Dear fellow shareholders,

I am pleased to present the nomination committee report on behalf of the board for the year ended 31 October 2021, which explains the committee's activities during the year. This year the committee continued to focus on succession planning and ensuring the board has the correct balance of skills, knowledge, experience and independence. This year we welcomed one new non-executive director and a new executive director to complement and further enhance the depth and strength of the board and gave due consideration to diversity and inclusion and corporate governance.

Composition of the committee

The nomination committee comprises myself (who serves as its chair), Karen Slatford, Richard Atkins, Amanda Brown, Pauline Campbell, Lawton Fitt, Sander van 't Noordende and Robert Youngjohns. All members of the committee are independent non-executive directors. Executive directors and senior executives attend the meetings by invitation, as required, but do not do so as of right.

The committee normally meets at least twice during each financial year, and more frequently as required.

Role and responsibilities

The committee's principal responsibility is proposing candidates for appointment to the board, having regard to the balance and structure of the board and taking into consideration the benefits of diversity in all its forms, including gender, ethnicity, religion, disability, age and sexual orientation. The terms of reference of the committee include, among other matters, the following responsibilities:

- to review the structure, size and composition (including the skills, knowledge, experience and diversity) required of the board and make recommendations to the board with regard to any changes;
- to identify and nominate, for the approval of the board, candidates to fill board vacancies as and when they arise;
- to give full consideration to succession planning for directors and other senior executives;
- to keep under review the leadership needs of the Group, both executive and non-executive, with a view to ensuring the continued ability of the Group to compete effectively in the marketplace; and
- to review annually the time required from non-executives, evaluating whether they are spending enough time to fulfil their duties.

The committee's terms of reference are available on the Company's website: www.microfocus.com.

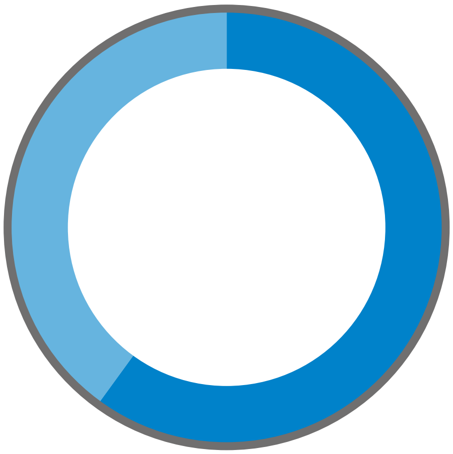
Diversity

The board has considered diversity in broader terms than just gender and ethnicity, and believes it is also important to reach the correct balance of skills, knowledge, experience and independence on the board. The Group has formal policies in place to promote equality of opportunity across the whole organisation, regardless of gender, ethnicity, religion, disability, age or sexual orientation. In working towards greater diversity, the committee requires that all lists of candidates for new board positions include where possible a diverse set of candidates and aims to keep the Company policy statement relating to diversity and inclusion under review, to attract and retain the most talented people who can deliver sustained outstanding performance.

At 31 October 2021 the board comprised six male members (60%) and four female members (40%), from three different nationalities, bringing experience across a diverse range of disciplines and experience. The board is also supported by a female Company Secretary. The board is pleased that it has achieved the recommendations set out in the Hampton-Alexander Review of having a minimum 33% female representation on its board. The committee will continue to consider candidates from a wide range of backgrounds, assessing them on merit against objective criteria to maximise the benefits of diversity on the board.

Our most senior management forum is the operating committee, which has three male members and one female member, so 25% of its members are female. The operating committee is the senior sub-set of the executive committee, which has nine male members and three female members, so 25% of its members are female. Of the 95 employees who report directly to the executive committee members, 18 are female, being 18.9%. The board is committed to increasing the representation of women in executive management and improving diversity more generally, whilst it recognises that it is in an industry which is traditionally male dominated.

Board gender



Male **6**
Female **4**

Board changes

Progressively refreshing the board remains a priority given the challenges we face are constantly evolving. During the year ended 31 October 2021 there were three changes to the board:

- Matt Ashley joined the Company as Chief Financial Officer on 28 June 2021 and joined the board as an executive director from 1 July 2021;
- Brian McArthur-Muscroft left the Company as Chief Financial Officer and executive director on 30 June 2021; and
- Pauline Campbell joined the board as an independent non-executive director on 1 October 2021.

The process to find our new Chief Financial Officer was led by the nomination committee, appointing a search committee, which was a mix of board members, committee members and management, and instructing Russell Reynolds, an external search consultancy. A full role profile was prepared, discussed and agreed with Russell Reynolds. The CEO and CHRO reviewed the initial list of candidates with Russell Reynolds for the purposes of initial screening. The CEO and the search committee then reviewed an updated long list of candidates. A shortlist of candidates was interviewed initially by the CEO and then by members of the search committee, board and other management (taking different formats of meeting subject to COVID-19 restrictions).

The committee took the opportunity to strengthen existing board expertise and experience in recruiting a further independent non-executive director, Pauline Campbell on 1 October 2021. The main recruitment focus areas were strengthening the board's financial, regulatory and governance experience, which informed the candidates brief for the internally managed recruitment process.

In accordance with our policy of all board appointments being made with the aim of achieving a correct balance and blend of skills, experience, knowledge, backgrounds and diversity, in all its forms, the recruitment process aims to ensure that new additions to the board have the ability to connect with a geographically diversified employee and customer base and has sufficient time to dedicate to the role. The recruitment process for a new non-executive director involves an interview process by a selection panel made up of the Chairman, CEO and the Senior Independent Director, from which a shortlist of candidates meet with each member of the board. The views of the directors are provided to the committee and a recommendation is made to the board by the committee.

Russell Reynolds has no other connection with the Company.

The appointments made during the year have led to an improved balance and blend of complementary experiences, and attributes among board members.

On joining, each new director receives a comprehensive, formal and tailored induction into the Company's operations. This includes briefings on the Company's business, strategy, constitution and decision making process, the roles and responsibilities of a director and the legislative and regulatory framework. New directors also meet (whether virtually or physically) with the Group's CEO, CFO, senior product and other managers and, under normal circumstances, have the opportunity to meet shareholders face-to-face at the AGM. All directors regularly update and refresh their skills and knowledge and can request that appropriate training is provided, at the Company's expense, as required. The executive directors ensure regular informal contact is maintained with non-executive directors throughout the year, and this would conventionally include providing opportunities to visit Group offices around the world. The non-executive directors have unrestricted access to anyone in the Company. The non-executive Chairman also meets separately with the non-executive directors.

Key activities in the year ended 31 October 2021

The committee met five times during the year, all of which were held virtually due to COVID-19 restrictions, and attendance at those meetings is shown in the table on page 76 of the Corporate governance report. The main items of business discussed at those meetings were:

- continued succession planning for board and senior executive roles, through a review of the management structure and a talent review update, to maintain a diverse pipeline of talent;
- recruitment and onboarding of a new non-executive director and new CFO and executive director;
- reviewing and updating the composition of board committees;
- reviewing governance trends and updating the terms of reference; and
- reviewing the status of the Company's diversity and inclusion initiatives.

Committee evaluation

As noted on page 83, an internally facilitated review was undertaken during the year. The main finding was that, while the committee had focused on board and senior management succession, it recognises that this continues to be an area of work for the committee, along with managing diversity for board, senior management and other key roles.

Greg Lock
Chair, nomination committee
7 February 2022

Environmental, Social and Governance ("ESG") committee report

Karen Slatford
Chair, ESG committee

We are working to ensure that our ESG strategy is closely aligned to our Company goals and values and embedded into the business.

ESG committee members and meeting attendance

	Meeting attendance[1]
Karen Slatford	2/2
Amanda Brown	2/2
Lawton Fitt	2/2
Sander van 't Noordende	2/2
Susan Ferguson (Chief Human Resources Officer & SVP Business Operations)	2/2
Suzanne Chase (Group Company Secretary and Head of Assurance)	2/2

1 Attendance is expressed as the number of meetings attended out of the number eligible to be attended.

Dear fellow shareholders,

I am pleased to present the Environmental, Social and Governance ("ESG") committee report on behalf of the board for the year ended 31 October 2021. The committee was set up on 10 June 2021 to help the Company recognise the significance of ESG within our business by aggregating its work on environmental, social and governance matters under a formal framework. We have taken a proportionate and pragmatic approach, bringing together representatives from existing forums for Corporate Social Responsibility ("CSR"), Operational Risk and Compliance, Business Resilience, Governance and other relevant work streams relating to ESG matters under a new formal ESG board committee for board level focus and oversight.

The ESG committee is supported by an ESG working group which is made up of senior leaders across the business to ensure accountability and an environmental sub group with specific responsibilities for our environmental strategy.

The board continues to define the ESG scope for the Company, taking into account our business purpose and stakeholders. In FY21 we continued to make progress, focusing on the development of a fit for purpose ESG strategy including the setting of appropriate targets, and monitoring progress against those key targets and initiatives. A materiality assessment and current state analysis were conducted by an independent consultant alongside a TCFD readiness assessment and carbon emissions audit to help further inform our developing strategy.

Composition of the committee

The ESG committee comprises four non-executive members – myself (who serves as its chair), Amanda Brown, Lawton Fitt and Sander van 't Noordende – plus two members of the management team – Susan Ferguson (Chief Human Resources Officer & SVP Business Operations) and Suzanne Chase (Group Company Secretary and Head of Assurance). Directors and senior executives attend the meetings by invitation, as required, but do not do so as of right.

The committee will meet at least twice during each financial year, and more frequently as required. There were two committee meetings held during the year and following each one, I reported to the board on the key issues that we covered.

Role and responsibilities

The role of the ESG committee is to provide guidance on behalf of and to the board in relation to the Group's ESG strategy, activities, and disclosures, in the context of the Group's overall strategy and purpose. Day-to-day responsibility for and management of ESG risk and compliance matters remain with the boards and management of each Group Company, subsidiary entity and undertaking.

The committee as it matures will seek to define the scope, strategy, policy, oversight, monitoring, risk review and disclosures in relation to ESG for the Company.

The committee's terms of reference are available on the Company's website, www.microfocus.com.

Environment
Collectively our leadership team and employees are committed to reducing our environmental footprint and supporting the transition to a low carbon business.

Micro Focus has been focused on reducing its Greenhouse Gas ("GHG") emissions and moving to renewable energy sources, further details of our GHG emissions is set out in the Directors' report on page 124. Additionally, engaging employees is key and the Company has launched a sustainability education programme for all employees.

Social
Our goal is to embed a diverse, inclusive, and equitable culture for employees and communities. Diversity and inclusion remains a key priority. I am pleased a new Diversity and Inclusion policy statement has been published and a series of targets will follow in FY22, however there is more work to do.

The Group's Modern Slavery Statement is submitted to the board for approval each year, and the statement is published on the Company's website.

Governance
Our aspiration is to be a company with the highest level of ethics in how it treats its employees, and does business with its partners, customers, and suppliers. In pursuit of this aim, we enforce rigorous standards in our relationships with our customers and partners and apply stringent due diligence requirements when entering into any new association to prevent inappropriate, illegal, or corrupt behaviours or activities. As part of our global guidelines supporting our ethics and values, Micro Focus has in place robust policies on Anti-Bribery and Corruption, Gifts and Hospitality, and our Partner Code of Conduct. Micro Focus complies with anti-trust and competition laws, enabling us to do business in a commercially and legally-sound manner.

Key activities in the year ended 31 October 2021
The committee was set up in June 2021, meeting twice before the year end on 31 October 2021, and attendance at those meetings is shown in the table on page 76 of the Corporate governance report. The committee discussed:

- the implementation of the Company's ESG Governance Framework;
- setting the key areas of focus for the committee;
- an ESG Risk Review;
- an update from the ESG working group;
- Diversity and Inclusion policy statement and targets update;
- environmental policy statement;
- commencement of a materiality assessment, current state analysis, TCFD readiness assessment and carbon emissions audit;
- enterprise-wide environmental targets, adoption of an Environment Management System and TCFD reporting preparations; and
- the updates on social and broader ESG activities and engagement.

The committee prepared its terms of reference and recommended them for approval to the board in June 2021, a copy of which is available on our website www.microfocus.com.

Karen Slatford
Chair, ESG committee
7 February 2022

Directors' Remuneration report

Amanda Brown
Chair, remuneration committee

Remuneration committee members and meeting attendance

	Meeting attendance
Amanda Brown	6/6
Richard Atkins	5/6
Lawton Fitt	6/6
Greg Lock	6/6
Robert Youngjohns	6/6
Sander van 't Noordende	6/6
Pauline Campbell[1]	1/1

1 Pauline Campbell joined the board and the committee on 1 October 2021.

Annual statement from the chair of the remuneration committee

Dear fellow shareholders,

On behalf of the board, I am pleased to present our Directors' Remuneration report for the year ended 31 October 2021.

The Annual Report on Remuneration on pages 104 to 119 provides details of the remuneration earned by the directors in respect of the year ended 31 October 2021 and describes how the Remuneration Policy will be implemented for the year ending 31 October 2022.

The current Remuneration Policy, which was approved by shareholders at the Annual General Meeting (AGM) on 25 March 2020, can be found at investors.microfocus.com and on pages 91 to 100 of the 2019 Annual Report and Accounts. A summary of the current Remuneration Policy can be found on pages 102 to 103 under the section entitled "Executive directors' remuneration at a glance".

Context for FY21

During the year, the Company continued to adapt and respond to the on-going impact of COVID-19 under the direction of the COVID-19 Steering Committee. The Company has not furloughed any employees or requested any other form of state support since the start of the pandemic, there have been no redundancies due to COVID-19 and employees have not had their pay reduced or their terms and conditions adversely impacted.

The Company implemented several initiatives to support employees, for example, as part of a package of measures to assist the workforce in India, in light of the particularly adverse circumstances which they faced due to the pandemic in the summer of 2021, an advance payment of the full personal component of the FY21 bonus was made to around 2,800 employees in India.

Dividend payments were resumed with effect from the final dividend for FY20, which was paid in April 2021.

Business performance and FY21 incentive outcomes

As outlined elsewhere in the annual report, the Company executed well on its transformation objectives of completing the transition to the enterprise-wide platform, creating one Go-to-Market organisation and improving product positions across the portfolio.

In terms of financial results, full year revenue performance for FY21 was $2.9bn, which represents a decline of 5.3% on a constant currency basis and means the rate of revenue decline relative to FY20 has halved. The constant currency Adjusted EBITDA margin for the year was 35.9% (a decrease of 2.8ppt from FY20), resulting in Adjusted EBITDA of $1.0bn on a constant currency basis.

The resulting financial outcomes under the bonus plan were 84.1% achievement for revenue (20% weighting) and 37.8% achievement for Adjusted EBITDA (60% weighting), resulting in a combined financial achievement of 49.3% of maximum. The KPO outcomes for executive directors (90% achievement for both) reflect the achievement of stretching critical business objectives and key Environmental, Social and Governance (ESG) milestones, as detailed on pages 105 to 107. The committee considered that the significant achievements made in the year should be reflected in the payout levels for both executive directors under the KPO component. FY21 was the first year ESG measures were included in the bonus (with a 10% overall weighting for the CEO). We aim to build on our ESG strategy and the way the bonus KPOs underpin this.

Overall payouts (including the 20% weighted personal KPO element) were £732,794 for the CEO and £150,869 for the CFO (reflecting four months' as CFO), with one-third deferred into a share award with a three-year vesting period. This outcome reflects 57.5% of the maximum bonus opportunity for the CEO and CFO. The committee considered the bonus outcomes to be a fair reflection of business performance and saw no need to exercise discretion.

Over the three years to 30 April 2021 and to 31 October 2021, the aggregate Diluted Adjusted EPS performance fell short of the threshold target of RPI plus 3% per annum for the 2018 and 2019 LTIP awards respectively. As a result, the CEO's 2018 and 2019 awards lapse in full.

Decisions about executive pay outcomes for FY21 have been considered by the committee in light of all relevant circumstances, including the Company's approach to managing COVID-19, the progress made towards the business transformation and wider workforce pay.

The committee believes that the FY21 bonus and LTIP outcomes for executive directors appropriately reflect the Company's performance and the experience of all stakeholders over the respective performance periods and the committee is satisfied that the Remuneration Policy has operated as intended.

Implementation of policy in FY22

The committee considered the implementation of the Remuneration Policy for FY22 for executive directors and the wider workforce in the context of the updated strategic priorities and financial goals, as announced on 30 November 2021 and outlined elsewhere in the annual report.

Salaries and benefits for executive directors will remain unchanged and we will reduce the CEO's pension allowance from 15% to 5% at the end of 2022.

The same financial performance measures and weightings are retained for the FY22 bonus (60% AEBITDA and 20% revenue) as these continue to support the business strategy and ESG measures are included for both executive directors, reflecting half of the 20% KPO weighting.

The committee changed the prior weightings of the LTIP performance measures from 80% Cumulative Adjusted Free Cash Flow (aFCF) and 20% Relative Total Shareholder Return (TSR) to equal weighting for the FY22 awards, thereby maintaining the continuity and focus on cash flow whilst providing further direct alignment with the shareholder experience. We wrote to our largest shareholders in advance to update them on this approach, as well as the proposed earlier than usual grant timing and details around the CFO's FY21 Recruitment LTIP award (see below) and were pleased that no concerns were raised and the responses we received were supportive. The FY22 LTIP awards were granted in December 2021 at 200% of salary for both the CEO and the CFO. The committee believes that executive incentives should have a strong weighting on the longer-term LTIP element and will review at vesting whether it considers that there have been any windfall gains.

In accordance with the 1 June 2021 announcement, Matt Ashley was due to receive an FY21 Recruitment LTIP award on joining, however it was not possible to grant this due to dealing restrictions, so we granted this award at the same time as the FY22 LTIP awards in December 2021. As Matt Ashley became CFO towards the end of the first year of the three-year performance period for the FY21 awards and, given the rebalancing of the performance measures for the FY22 LTIP awards to 50% aFCF and 50% TSR, the committee decided it was appropriate for Matt Ashley's FY21 Recruitment award to be based on the new 50:50 weighting of aFCF and TSR and the same targets and performance period as the FY22 awards. This ensures that his FY21 award reflects the transformation strategy which he has been part of creating and will be measured against by shareholders.

In summary

We remain committed to building on the high level of support we have received from shareholders on remuneration resolutions at the last two AGMs and continue to engage with shareholders, most recently regarding the change in weighting of the LTIP performance measures. We believe the reward outcomes for FY21 and the approach for FY22 are appropriate given the Company's performance, the current environment and the transformation agenda which is critical over the next few years.

Amanda Brown
Chair, Remuneration committee
7 February 2022

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 FY21 Annual Report on Remuneration complies with the Corporate Governance Code issued in June 2018 (the 2018 Code).

Executive directors' remuneration at a glance

Element	Summary of current policy[1]	Approach for FY21	Proposed approach for FY22
Base salary	Salaries are normally reviewed annually and, ordinarily, any increases will be in line with increases awarded to other employees of the Group.	CEO: £850,000 (no change from FY20) Outgoing CFO (until 30 June 2021): £600,000 Incoming CFO (from 1 July 2021): £525,000	No salary increases for executive directors for FY22. CEO: £850,000 CFO: £525,000
Benefits	A range of benefits may be provided to executive directors, subject to periodic review and typically in line with those available to employees generally. Maximum value for on-going benefits for executive directors may not normally exceed 15% of base salary.	Main benefits comprise car allowance, private medical and dental insurance, Group income protection and life assurance.	No change from FY21.
Pension	New hires: Maximum aligned to pension provided to employees generally in the same location. Current CEO: Maximum is currently 15% cash in lieu of pension allowance, reducing to the general employee level for the UK at the end of 2022.	CEO and outgoing CFO: 15% cash in lieu of pension allowance. Incoming CFO: 5% cash in lieu of pension allowance.	Maximum contributions aligned to workforce for CFO and new hires and will be for current CEO at the end of 2022.
Annual bonus	Maximum opportunity of 150% of salary. Executive directors are required to defer one-third of their bonus into an award over Company shares which vests three years later. Performance measures are set each year, normally including at least two financial measures, and financial measures must have an overall weighting of at least 80%. Malus and clawback provisions apply[2].	Maximum 150% of salary. Performance measures: AEBITDA (60%) Revenue (20%) Personal Key Performance Objectives (KPOs) (20%)	No change from FY21. Performance measures: AEBITDA (60%) Revenue (20%) KPOs (20%)
LTIP	Maximum award level of 200% of salary. Three-year performance period and a two-year post-vesting holding period. Normally at least two financial performance measures for each operation of the LTIP. Malus and clawback provisions apply[2].	CEO: 200% of salary. Performance measures: Adjusted Free Cash Flow (80%) Relative TSR (20%) Incoming CFO: 200% of salary. FY21 Recruitment LTIP award could not be granted to CFO in FY21 due to dealing restrictions so was granted at the same time and with the same performance period, measures and targets as the FY22 LTIP awards.	FY22 Award levels: CEO and CFO: 200% of salary Performance measures (CEO and CFO): Adjusted Free Cash Flow (50%) and Relative TSR (50%)

<table>
<tr><th>Element</th><th>Summary of current policy[1]</th><th>Approach for FY21</th><th>Proposed approach for FY22</th></tr>
<tr><td>Shareholding requirement</td><td colspan="3">In service requirement: 200% of base salary, with executive directors given a period of time to build up to their requirement, typically five years.

Post-cessation requirement: Executive directors to maintain full shareholding requirement (or, if lower, their actual level of shareholding at time of leaving) for two years after leaving employment (applies to shares delivered from awards granted after the approval of the current Remuneration Policy on 25 March 2020).</td></tr>
</table>

1 The current Remuneration Policy, which was approved by shareholders at the Annual General Meeting on 25 March 2020, can be found at www.investors.microfocus.com and on pages 91 to 100 of the 2019 Annual Report and Accounts.
2 Details of the malus and clawback trigger events and how the Remuneration Committee could enforce malus and clawback are set out on page 95 of the 2019 Annual Report and Accounts.

How our incentive measures link to strategy

The strategic priorities for the Company, as announced on 30 November 2021, are to transition to a product group operating model, to deliver the innovation our customers need in the way they want to consume it and to utilise the enterprise-wide platform to create an agile and lean organisation. The financial performance measures in the annual bonus plan and in the LTIP are designed to support and underpin these strategic priorities as summarised below.

<table>
<tr><th>Financial objectives for the business exiting FY23</th><th>Link to incentive measures</th><th></th></tr>
<tr><td>Revenue stabilisation and growth</td><td>Directly impacts the revenue measure (20% weighting in the bonus plan) and indirectly impacts adjusted EBITDA measure (60% weighting in the bonus plan) and ultimately free cash flow generation (50% weighting in the FY22 LTIP).</td><td rowspan="3">If successful, all three financial objectives should lead to superior shareholder returns, represented by the relative TSR measure (50% weighting in the FY22 LTIP) and impact the value of share awards, which comprise a significant proportion of executive directors' pay.

Individual KPOs in the bonus link to the delivery of the strategic business priorities and key ESG milestones.</td></tr>
<tr><td>Annual net cost reduction (allowing for inflation) of approximately $300</td><td>Flows through to the adjusted EBITDA measure in the bonus and the adjusted free cash flow measure in the LTIP.</td></tr>
<tr><td>Adjusted free cash flow run rate of approximately $500m</td><td>Directly reflected in the adjusted free cash flow measure in the LTIP.</td></tr>
</table>

Annual Report on Remuneration

Single total figure of remuneration – executive directors (audited)

Executive directors		(a) Base salary[1] £'000	(b) Benefits[2] £'000	(c) Annual bonus[3] £'000	(d) LTIP[4] £'000	(e) Pension[5] £'000	(f) Other[6] £'000	Total £'000	Total Fixed Remuneration (Total of (a), (b) and (e)) £'000	Total Variable Remuneration (Total of (c), (d) and (f)) £'000
Stephen Murdoch	**2021**	**850**	**22**	**733**	**0**	**127**	–	**1,732**	**1,000**	**733**
	2020	850	24	283	0	127	–	1,284	1,002	283
Matt Ashley[7]	**2021**	**175**	**15**	**151**	–	**9**	**450**	**800**	**200**	**601**
Brian McArthur-Muscroft[8]	**2021**	**433**	**15**	–	–	**60**	–	**509**	**509**	–
	2020	600	25	199	–	90	–	914	715	199

1 Base salary is the amount earned during the period in respect of service as a director. For Brian McArthur-Muscroft, an amount for unused but accrued holiday is also included for FY21.
2 Benefits include car allowance, private medical/dental insurance, Group income protection and life assurance. There has been no change in the benefits offered to directors in FY21 versus FY20. The reduction in the benefits figure for Stephen Murdoch from FY20 to FY21 reflects reductions in employer costs in providing private medical/dental insurance and group income protection. For Matt Ashley, an amount is included which reflects the grossed up value of travel and accommodation related to time spent in the Newbury office.
3 Annual bonus reflects payment for performance during the year in respect of service as a director. One-third of the annual bonus amounts included in the table above is deferred into an award over shares which vests after three years. Dividend equivalents accrue on the deferred share awards.
4 The zero amount for LTIP for FY21 for Stephen Murdoch reflects that the performance conditions for the 2018 and 2019 LTIP awards were not met. The 2018 LTIP award (with performance period ending 30 April 2021) was granted to Stephen Murdoch in September 2018 as a top-up to his September 2017 award to reflect his appointment as CEO. The performance period ending 30 April reflected the Company's previous year-end before this was changed to 31 October. The 2018 award lapsed on 1 July 2021. The 2019 award was a regular annual LTIP award granted in February 2019 (with performance period ending 31 October 2021). The 2019 award will lapse on 8 February 2022. The zero amount for LTIP in respect of 2020 reflects the lapse of the 2017 LTIP award on 7 July 2020 due to the performance conditions not being met. No discretion was applied by the remuneration committee in determining the LTIP vesting outcomes in FY21 or in FY20.
5 All pension amounts paid by the Company in the 2021 financial year are cash in lieu of pension allowances. In accordance with the current Remuneration Policy, the incoming CFO's pension contribution rate of 5% of base salary is in line with the rate applicable to employees generally in the UK. The CEO will transition from his current contribution rate (15% of base salary) to the rate applicable to employees generally in the UK (currently 5%) at the end of 2022.
6 As part of his recruitment arrangements, Matt Ashley received a cash buy-out payment of £450,000 which reflected a cash bonus which he was due to receive from his prior employer in October 2021 but which was forfeited on leaving to join Micro Focus. This payment was disclosed on 1 June 2021 in the announcement about Matt Ashley's appointment as Micro Focus CFO and is in accordance with the Company's approved policy on recruitment remuneration (see page 99 of the 2019 Annual Report and Accounts).
7 Matt Ashley started employment on 28 June 2021 and was appointed to the board as CFO with effect from 1 July 2021. All amounts in the table above reflect the period of service as a director.
8 Brian McArthur-Muscroft stepped down from the board on 30 June 2021. His compensation arrangements on leaving are summarised on page 114.
9 Some figures and sub-totals add up to slightly different amounts than the totals due to rounding.

The total remuneration for directors is set out in note 28 to the consolidated financial statements on page 211.

Annual bonus for FY21 (audited)

The target bonus opportunity for executive directors is 75% of base salary (maximum 150% of base salary). Set out below is a summary of performance against each financial measure and the personal achievement component and the resulting payout for the 2021 financial year.

		Financial targets ($m)[1]						Weighted payout %	
Performance measure	Weighting	Threshold[2] (0%)	Target (50%)	Maximum (100%)	Achievement ($m)	Achievement vs Target	Payout %	Stephen Murdoch	Matt Ashley[3]
Adjusted EBITDA	60%	$994	$1,046	$1,098	$1,033	98.8%	37.8%	22.7%	22.7%
Revenue	20%	$2,801	$2,858	$2,887	$2,878	100.7%	84.1%	16.8%	16.8%
Key Personal Objectives (KPOs)	20%	A description of the KPO achievement is set out below						18.0%	18.0%
Total	100%						Payout % (of maximum bonus)	57.5%	57.5%
							Payout % (of FY21 salary)	86.2%	86.2%
							Total bonus payout	£732,794	£150,869

1 Financial targets for bonus are based on FX rates which are set at the start of the financial year and the achievement is measured against the targets on a like-for-like basis. Therefore, the AEBITDA and revenue achievements shown above do not match the disclosed AEBITDA and revenue figures for FY21 in the Financial Reports as these are based on actual FX rates. $1,033.3m AEBITDA achievement disclosed in the table above for bonus purposes equates to $1,040.2m AEBITDA at actual FX rates and $2,877.5m revenue achievement equates to $2,899.9m revenue at actual FX rates.
2 Payouts under the financial measures are 0% for threshold performance, 50% for target performance and 100% for achieving the maximum level of performance. Payouts are on a straight-line basis between threshold and target and between target and maximum.
3 Amounts disclosed for Matt Ashley reflect time served as a director in FY21, i.e. from 1 July 2021 to 31 October 2021.

This results in overall bonus payouts of £732,794 for the CEO and, in respect of his time served as a director, £150,869 for the CFO. Two-thirds of the overall amount (£488,529 for the CEO and £100,580 for the CFO) will be paid in cash in March 2022 and the remaining one-third is subject to deferral into an award over shares. Deferred share awards (with a current face value of £244,265 for the CEO and £50,290 for the CFO) will vest after three years, i.e. in Q2 FY25. The deferred share awards are not subject to any further performance conditions, however they are subject to malus and clawback and they include a right to dividend equivalents over the three-year vesting period.

Set out below are details of achievement against the FY21 KPOs for the CEO and CFO.

KPO	Relative weighting	Achievement vs KPO	Weighted payout %
CEO			
Key business objectives Complete the transition to a single enterprise-wide platform as effectively as possible with minimum disruption to day-to-day operations and agree specific actions for further business simplification.	10.0%	**Business systems and infrastructure** – Successfully completed the transfer to a single Enterprise Platform by transferring Stack B to Stack C in H1 FY21 and Stack A to Stack C in H2 FY21, enabling the Company to unlock further efficiencies. Closed two financial quarters (including peak Q4 trading period) on new systems with no business impacting issues. – Through an Activity Insight Survey, identified and initiated key change initiatives (functional and cross-functional) to improve opportunities, simplify processes and make decisions faster. Examples include moving from six quoting systems to one, reducing SaaS applications from 70 to 20, moving 2,000 business applications to 500 and a 75% reduction in the number of different types of sales compensation plans in operation.	9.5%
Improve our product positions across the portfolio making us more competitive and delivering the innovation our customers want.		**Product portfolios** – Rearchitected key solutions within each portfolio (Vertica, Digital Safe, ArcSight, OpsBridge) to better position the portfolio to focus on growth opportunities, improved product innovation and related market recognition. – Dependencies on third party products embedded in the core of some of our key solutions have been removed, comprehensive artificial intelligence, machine learning and analytics capabilities delivered in every portfolio and rearchitected many products to support new cloud and hybrid deployment options. – In every portfolio, we have introduced new SaaS offerings, improved the existing SaaS offerings and invested significantly in SaaS delivery infrastructure.	
Create one single go-to-market organisation that can deliver consistent, sustained improvement to our revenue performance through improved sales productivity and the more effective alignment of our resources to opportunity.		**Go-to-market organisation** – Successfully created one single go-to-market organisation with a consistent global approach. – Aligned resources with greater specialist skillsets and consistency of execution, built deeper levels of specialism and alignment by portfolio. – Implemented a management system aimed at ensuring execution to a common set of standards and levels of accountability, supported by a single set of sales tools and improved data accuracy. – Established a dedicated customer success team supported by increased levels of specialist resources within Maintenance Renewals and Professional Services.	
Continue to improve governance and structures to monitor and respond quickly to on-going impact of COVID-19.		**COVID-19** – Further enhanced the governance and structures in place to be able to monitor and respond quickly to ensure wellbeing of employees and minimise business disruption through COVID-19, including implementing a package of measures in the summer of 2021 to address the extreme challenges faced by colleagues in India. – Maintained operational effectiveness, product development cadence, customer support and delivery and transitioned core systems during constraints of global pandemic and local lockdowns.	
Continue to strengthen the leadership team through rigorous succession planning and talent management.		**Succession planning and talent management** – Completed a global calibration of talent and succession for key talent to include executives and emerging talent across the business and implemented individual development plans for executive potential successors and emerging talent. – Recruited new executive leadership in critical product and support functions.	

<table>
<tr><th>KPO</th><th>Relative weighting</th><th>Achievement vs KPO</th><th>Weighted payout %</th></tr>
<tr><td>ESG milestones
Ensure that we have an appropriate ESG programme reflecting focus on our employees, customers, shareholders and partners. This must be part of our corporate governance responsibilities, including continuous improvements in our control/SOX processes.</td><td>10.0%</td><td>General
– Adopted, aligned and communicated support for five of the United Nations Sustainable Development Goals (no poverty, quality education, gender equality, decent work and economic growth and climate action).

Environment
– Target of achieving a normalised Greenhouse Gas (GHG) reduction of 2-5% by the end of FY21, based on our 2018 baseline data, was achieved. Comparing like-for-like FY20 to FY21 global footprint, we achieved a GHG emissions reduction of -7.8%. Due to the increase in the amount of properties in scope from 64% in FY20 to 67.7% in FY21, there has been an overall increase of +1.5% in GHG emissions.
– Met target of increasing the percentage of our energy which comes from renewable sources globally from 40% to over 50% by the end of FY21 (52% achieved).
– Established a cross-functional Environmental Working Group, which includes a focus on the Task Force on Climate-Related Financial Disclosures (TCFD).

Employees and community
– Published and implemented a global diversity and inclusion (D&I) policy statement, created new D&I strategy through FY25 with oversight by recently formed ESG Committee and agreed a set of internal I&D goals for FY22.
– Improved employee engagement scores from the FY19 baseline, maintained "My Voice" employee survey participation levels at over 85% and grew membership of Employee Resource Groups by 34% in FY21 from FY20.
– Target of having 25% of our employees taking part in community volunteering by the end of FY21 was not fully achieved. This goal for FY21 was largely based on in person volunteering, which was significantly impacted by COVID-19. Nonetheless, we achieved 11% of employees volunteering in FY21, which is an increase from FY20 and we introduced an option (supported by technology) to enable virtual volunteering with 976 employees taking part in virtual volunteering in FY21.

Customers and suppliers
– Increased our Customer double-blind Net Promoter Score to 47 for FY21 (from 45% for FY20) and our double-blind Relative Net Promoter Score to +5 compared to the competition for FY21 (from 0 for FY20).
– Established and implemented a global diverse supplier programme which ensures that we proactively identify and encourage diverse suppliers to compete for our business and build long-term relationships with them.

Governance
– Implemented an ESG framework and programme reflecting focus on our employees, customers, shareholders and partners, including appointment of an ESG Board Committee to provide Board ESG focus and oversight and establishment of an ESG cross functional Working Group to ensure that ESG considerations are part of "business as usual" decision making processes at all levels and to develop the strategy going forward.
– The Enterprise Risk Management framework was enhanced to include existing and new ESG risks and was approved by the audit committee.</td><td>8.5%</td></tr>
<tr><td>Total</td><td>20.0%</td><td>Looking at the complete scorecard of achievement against all objectives for the year, the committee considered that the CEO had performed extremely well, highlighting in particular the completion of the transfer to a single enterprise platform and the significant progress which has been made on the turnaround plan, resulting in a KPO achievement of 90% (i.e. 18% out of a possible 20%).</td><td>18.0%</td></tr>
</table>

KPO	Relative weighting	Achievement vs KPO	Weighted payout %
CFO (4 months)			
3-year plan Build a revised 3-year plan with specific goals for the exit of FY23 that will be the foundations for our execution plan going forward and for communication externally to shareholders and the market more broadly.	10.0%	– The 3-year plan has been revised and the core financial objectives for the next two financial years and our longer-term ambitions were laid out in our 30 November 2021 Strategy Update. – The new plan, developed by the CFO in conjunction with the CEO, reflects a reset of expectations with realistic and achievable goals which lays the foundations for the business transformation. A granular operational plan to execute the strategy has been put in place, which includes the appointment of a Chief Transformation Officer to co-ordinate multiple workstreams and the successful sale of the Digital Safe business. – The external financial KPIs were refined to provide greater clarity on the Group's financial performance and more closely align the metrics to those used by the Group's debt holder. The CFO has concluded that there will be no more integration costs associated with the HPE Software acquisition classified as exceptional spend going forward. – The CFO has laid foundations for future financial effectiveness, having assessed and made recommendations on how we leverage advisors and formal relationships and our overall use of consultancies to improve effectiveness and value for money in the mid-term.	9.5%
Business systems and infrastructure Support the effective transition to a single enterprise platform overall and specifically from a core financial perspective.	10.0%	– Successfully completed the transfer to a single enterprise platform by transferring Stack A to Stack C in H2 FY21, enabling the Company to unlock further efficiencies. – FY21 Q3 and Q4 were successfully delivered on the new platform. Business as usual has not been impacted by the transition with minimal disruption to revenue and the payment of employees and suppliers.	8.5%
Total	**20.0%**	The Committee recognised that in four months, the CFO has had a significant impact, in particular in revising the 3-year plan, resulting in a KPO achievement of 90% (i.e. 18% out of a possible 20%).	**18.0%**

Lapse of 2018 and 2019 LTIP awards (audited)

The 2018 LTIP award (with performance period ending 30 April 2021) was granted to Stephen Murdoch in September 2018 as a top-up to his September 2017 award to reflect his appointment as CEO in March 2018. This award lapsed on 1 July 2021 due to the performance condition not being met. The performance condition for the 2019 annual LTIP award (with performance period ending 31 October 2021) granted to Stephen Murdoch in February 2019 has not been met and this award will lapse on 8 February 2022. Both the 2018 and 2019 LTIP awards were granted under the Directors' Remuneration Policy in effect before the approval of the current Remuneration Policy at the Annual General Meeting in March 2020.

The performance condition for the 2018 and 2019 awards was based on average aggregate EPS growth in excess of RPI over the three years ended 30 April 2021 (2018 award) and 31 October 2021 (2019 award) 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	2018 and 2019 awards: Achievement against the performance range	Resulting vesting percentage	Number of awards lapsing
Less than 3% p.a.	0%	Less than 3% p.a.	0%	2018 award[1]: 67,537 (lapsed 1 July 2021) 2019 award[2]: 101,190 (will lapse 8 February 2022)
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%			

1 The aggregate Diluted Adjusted EPS over the performance period of 542.21 cents was below the minimum threshold aggregate EPS required of 627.55 cents.
2 The aggregate Diluted Adjusted EPS over the performance period of 505.52 cents was below the minimum threshold aggregate EPS required of 687.30 cents.

Scheme interests awarded during the financial year ended 31 October 2021 (audited)

LTIP – nil-cost options

	Date of grant	Awards granted	Basis on which award is made	Face value of award at grant[1]	Percentage of maximum which would be received if threshold performance achieved	End of performance period
Stephen Murdoch	26 March 2021	Grant of award over 350,515 shares	200% of salary	£1,699,998	0%	31 October 2023

1 The grant face value of the LTIP award granted on 26 March 2021 to the CEO was calculated based on the closing mid-market share price on the business day before grant of £4.850.

The FY21 Recruitment award to the new CFO Matt Ashley could not be granted in FY21 due to dealing restrictions and was therefore granted at the same time and with the same performance measures, targets and period as the FY22 LTIP awards on 17 December 2021. This award was part of Mr Ashley's recruitment terms and was mentioned in the announcement about his appointment on 1 June 2021. Mr Ashley's FY21 Recruitment LTIP award was granted over 312,593 shares with a total face value at grant of £1,050,000 (200% of salary) based on the closing mid-market share price on the business day before grant of £3.359. The performance period for Mr Ashley's FY21 LTIP award ends on 31 October 2024 and vesting starts at 0% if threshold performance is achieved. See page 115 for further details.

The LTIP award granted to the CEO in the 2021 financial year has the following performance conditions based on Cumulative Adjusted Free Cash Flow (80% weighting) and Relative Total Shareholder Return (20% weighting) measured over a three-year period (FY21, FY22 and FY23). The performance measures, targets and payout percentages are set out below.

	Cumulative Adjusted Free Cash Flow (80% weighting)	Company TSR relative to FTSE 250 (excluding Investment Trusts) Index (20% weighting)	Payout % for this element
Threshold	$100m below Target	In line with Index	0%
Target	Commercially sensitive	Exceed Index by 20%	50%
Maximum	$200m above Target	Exceed Index by 40%	100%

Vesting is on a straight-line basis between threshold and target, and between target and maximum.

Adjusted Free Cash Flow means cash generated from operations adjusted for interest payments, bank loan costs, tax payments, capital expenditure and lease payments and excludes the cash impact of exceptional items. This is in line with the definition of Adjusted Free Cash Flow on page 139.

The Adjusted Free Cash Flow Target is considered commercially sensitive and will be disclosed at the end of the performance period. Due rigour was applied by the Remuneration Committee in setting the targets and the approved targets were deemed to be appropriate in the context of the long-term financial plan.

Relative TSR is measured over the same three financial years.

The awards will vest three years from grant, subject to achievement of the performance measures. A two-year holding period will apply post-vesting, during which time executive directors are required to retain any net (after tax) vested shares. Executive Directors are entitled to dividend equivalents in accordance with the rules of the LTIP and the approved Directors' Remuneration Policy.

Deferred Share Bonus Plan (DSBP)

The DSBP awards noted below relate to the one-third deferral of the FY20 bonus.

	Date of grant	Awards granted	Basis on which award is made	Face value of award at grant[1]	Vesting Date
Stephen Murdoch	26 March 2021	19,416	One-third of FY20 annual bonus earned as an executive director is deferred into an award over shares	£94,168	26 March 2024
Brian McArthur-Muscroft	26 March 2021	13,705	One-third of FY20 annual bonus earned as an executive director is deferred into an award over shares	£66,469	26 March 2024

1 The grant face value of the DSBP awards granted on 26 March 2021 to the CEO and former CFO were calculated based on the closing mid-market share price on the business day before grant of £4.850.

Executive directors' shareholding and share interests as at 31 October 2021 (audited)

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.

As part of the remuneration policy approved by shareholders at the 2020 AGM, 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. A mechanism for monitoring post-cessation shareholdings for executive directors will be put in place in advance of this requirement taking effect.

Stephen Murdoch's shareholding requirement of 200% of salary applies with effect from 19 March 2021 (which is three years from when he re-joined the board on 19 March 2018) and we report on his level of shareholding as at 31 October each year. In the FY19 Annual Report, we disclosed that Mr Murdoch had significantly exceeded his 200% shareholding requirement as at 31 October 2019, with a holding at that time of 945% of salary. Despite not selling any shares since then, his shareholding has dropped below the 200% level as at 31 October 2021. This is due to the decrease in the Company's share price and the lack of LTIP vesting for over two and a half years. Other than a release of 4,518 net deferred bonus plan shares in July 2020, Mr Murdoch has not received any shares from Micro Focus share plans due to the lapse of LTIP awards granted in September 2017, September 2018 and February 2019 over a total of 205,391 shares.

Stephen Murdoch's shareholding percentage as at 31 October 2021, based on the average share price for January 2022 (£4.37), is 155% of salary.

The table below shows the shareholdings and share interests for all executive directors (and their connected persons) who served during the 2021 financial year as at 31 October 2021 (or at the date of stepping down, if earlier). For disclosure purposes, any American Depositary Shares (ADSs) are included as shares.

		Nil-cost options and conditional awards held					
Director	Shares held (owned outright)[1]	Vested but not exercised	Unvested and not subject to performance	Unvested and subject to performance	Shareholding requirement (% of salary)	Current shareholding (% of salary)[2]	Requirement met?
Stephen Murdoch	280,669	39,640	29,429	701,705	200%	127%	No
Matt Ashley[3] (from 1 July 2021)	0	0	0	0	200%	0%	Due 2026
Brian McArthur-Muscroft[4] (until 30 June 2021)	0	0	13,705	0	n/a	0%	n/a

1 Shares held (owned outright) includes any Micro Focus securities of which the director, their spouse, civil partner or dependent child has beneficial ownership.
2 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 valued based on the closing mid-market price on 29 October 2021 of £3.57.
3 As at 31 October 2021, Matt Ashley had only recently joined the Company and he has five years from joining to build up to the 200% of salary shareholding requirement. He did not receive any grants or vestings of share awards in FY21 and was unable to acquire shares during his time employed in FY21 due to dealing restrictions.
4 Brian McArthur-Muscroft stepped down from the board on 30 June 2021. In accordance with our policy, he is not required to hold any Company shares post-cessation of employment. However, he does have a deferred share bonus plan award, as detailed in the table above, which relates to the one-third portion of his FY20 annual bonus which was deferred into share awards.

Please note the following changes to the above interests between 31 October 2021 and 7 February 2022:

- The number of shares held (owned outright) by Matt Ashley increased from 0 to 43,280 as a result of purchases of Micro Focus shares by Matt Ashley and his spouse on 17 December 2021.
- The number of unvested awards subject to performance held by Matt Ashley increased from 0 to 625,186 following the grant of 312,593 FY21 Recruitment LTIP awards and 312,593 FY22 LTIP awards on 17 December 2021.
- The number of unvested awards subject to performance held by Stephen Murdoch increased from 701,705 to 1,207,808 following the grant of 506,103 FY22 LTIP awards on 17 December 2021.

The remuneration committee believes that the interests of the executive directors are strongly aligned with shareholders.

Outstanding share-based awards (audited)

The tables below set out vested but unexercised nil-cost options, unvested nil-cost options and unvested deferred bonus share awards held by executive directors who served on the board during the 2021 financial year as at 31 October 2021, including details of awards granted, nil-cost options exercised and awards vested and lapsed during the year of reporting.

All outstanding unvested nil-cost options are subject to performance conditions. Deferred bonus shares are not subject to performance conditions.

Between 31 October 2021 and the date of this report, there have been the following changes to the LTIP awards held by the executive directors which are not shown in the table below:

- On 17 December 2021, an FY22 LTIP award was granted to Stephen Murdoch over 506,103 shares.
- On 17 December 2021, an FY21 Recruitment LTIP and an FY22 LTIP award were granted to Matt Ashley over 312,593 shares each (625,186 in total).

The FY21 Recruitment LTIP award was part of Mr Ashley's recruitment terms and could not be granted sooner due to dealing restrictions.

All the LTIP awards granted on 17 December 2021 have an exercise period of the date of vesting (which is the later of the date the remuneration committee determines the outcome of the performance measures and the day after the full year FY24 results announcement) to 16 December 2031.

Micro Focus International plc Incentive Plan 2005 (LTIP) – nil-cost options

	Grant Date	Number at 1 November 2020	Number granted in the financial year	Number exercised in the financial year	Number lapsed in the financial year	**Number at 31 October 2021**	Dates for exercise
Stephen Murdoch	13 September 2016	39,640	–	–	–	**39,640**	26 July 2019 to 25 July 2026
Stephen Murdoch	20 September 2018	67,537	–	–	67,537[1]	**–**	n/a
Stephen Murdoch	18 February 2019	101,190	–	–	–	**101,190[2]**	**n/a – will lapse**
Stephen Murdoch	23 April 2020	250,000	–	–	–	**250,000[3]**	23 April 2023 to 22 April 2030
Stephen Murdoch	26 March 2021	–	350,515	–	–	**350,515[4]**	26 March 2024 to 25 March 2031
Brian McArthur-Muscroft[5]	22 November 2018	80,482	–	–	80,482	**–**	n/a
Brian McArthur-Muscroft[5]	22 November 2018	80,482	–	–	80,482	**–**	n/a
Brian McArthur-Muscroft[5]	23 April 2020	300,000	–	–	300,000	**–**	n/a
Kevin Loosemore	18 February 2019	52,083	–	–	–	**52,083[2]**	**n/a – will lapse**

1 The performance condition for the 2018 LTIP awards required that cumulative EPS growth over a three-year performance period starting on 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 applied between these points. This award lapsed in full on 1 July 2021 as the minimum performance condition was not met (see page 107 for further details).
2 The performance condition for the 2019 LTIP awards requires that cumulative EPS growth over a three-year performance period starting on 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. Kevin Loosemore's award of 89,285 nil-cost options was pro-rated to 52,083 on leaving the Company to reflect time served to 13 August 2020. The performance measure has been tested and these awards will lapse in full on 8 February 2022 as the minimum performance condition was not met.
3 The performance condition for the FY20 LTIP awards is disclosed on page 111 of the 2020 Annual Report and Accounts.
4 The performance condition for the FY21 LTIP awards is disclosed on page 108.
5 All of Brian McArthur-Muscroft's outstanding LTIP awards lapsed on 8 January 2021 following the announcement that he was leaving the Company.

The aggregate amount of gains made by directors on the exercise of options during the financial year was zero.

Micro Focus Deferred Share Bonus Plan (DSBP) – conditional awards

	Grant Date	Number at 1 November 2020	Number granted in the financial year	Number vested in the financial year	Number lapsed in the financial year	**Number at 31 October 2021**	Date of release
Stephen Murdoch	28 February 2019	10,013	–	–	–	**10,013**	28 February 2022
Stephen Murdoch	26 March 2021	–	19,416	–	–	**19,416**	26 March 2024
Brian McArthur-Muscroft	26 March 2021	–	13,705	–	–	**13,705**	26 March 2024

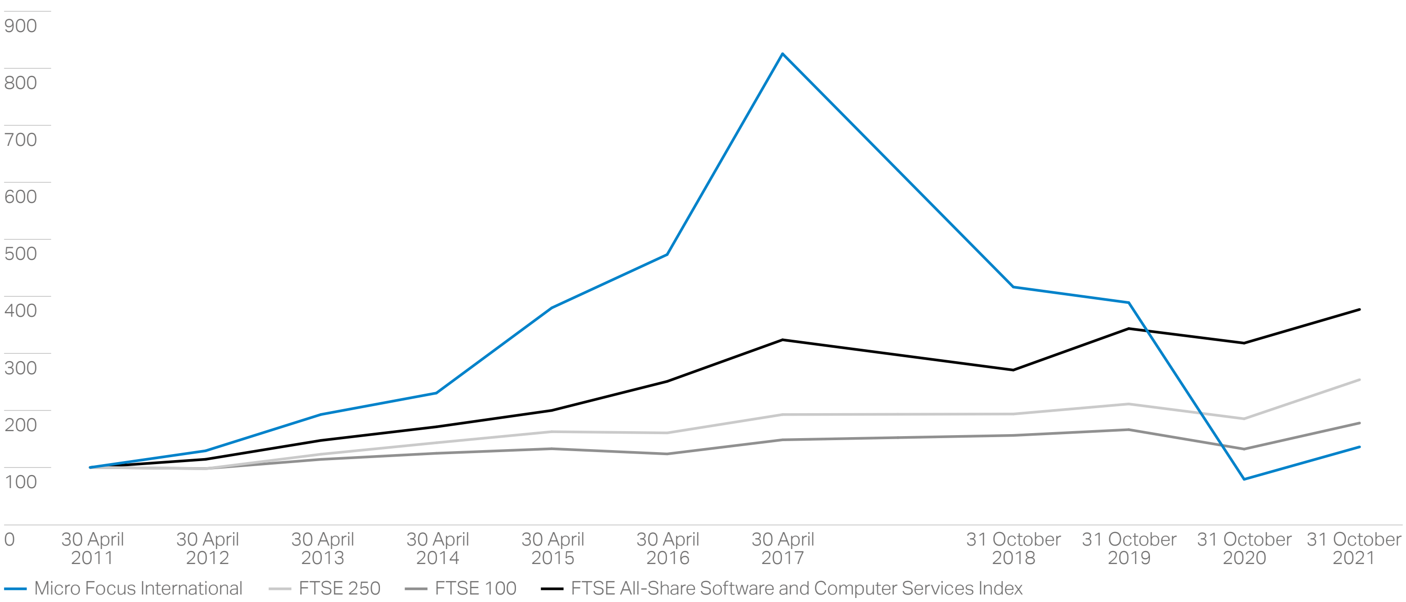
TSR performance graph and CEO historical pay table

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 2021, of £100 invested in Micro Focus International plc on 30 April 2011 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.

TSR performance graph

The graph below shows the growth in the value of a hypothetical £100 holding over the period from 30 April 2011 to 31 October 2021.



CEO historical pay table

The table below details the Executive Chairman's (2012 to 2017) and Chief Executive Officer's (2018 to 2021) single figure of total remuneration over the same period as the TSR performance graph above.

	12 months ended 30 April						18 months ended 31 October	12 months ended 31 October		
	2012 £'000	2013 £'000	2014 £'000	2015 £'000	2016 £'000	2017 £'000	2018 £'000	2019 £'000	2020 £'000	**2021 £'000**
	Kevin Loosemore						Stephen Murdoch/ Chris Hsu	Stephen Murdoch		
Single total figure of remuneration	1,291	1,304	12,468	4,315	4,231	4,226	2,739/ 4,963	1,333	1,284	**1,732**
Annual bonus outcome (% of maximum)	90%	92%	100%	100%	100%	45%	57%/ 12%	Nil	22%	**57%**
LTIP vesting (% of maximum)	Nil	Nil	199%	100%	100%	100%	100%/ n/a	100%	Nil	**Nil**

Annual percentage change in remuneration of directors and employees

The table below shows the percentage change in remuneration (salary, benefits and annual bonus) from FY20 to FY21 and FY19 to FY20 for each of the directors who were on the board at 31 October 2021 compared with the average employee.

	% change from FY20 to FY21			% change from FY19 to FY20		
Director	Salary/fees	Benefits	Annual bonus	Salary/fees	Benefits	Annual Bonus
Stephen Murdoch	0%	(10%)	159%	0%	7%	n/a
Matt Ashley[1]	n/a	n/a	n/a	n/a	n/a	n/a
Greg Lock[2]	n/a	n/a	n/a	n/a	n/a	n/a
Karen Slatford	0%	0%	n/a	0%	0%	n/a
Richard Atkins	0%	0%	n/a	0%	0%	n/a
Amanda Brown	0%	0%	n/a	0%	0%	n/a
Lawton Fitt	0%	0%	n/a	0%	0%	n/a
Robert Youngjohns[2]	n/a	n/a	n/a	n/a	n/a	n/a
Sander van 't Noordende[2]	n/a	n/a	n/a	n/a	n/a	n/a
Pauline Campbell[3]	n/a	n/a	n/a			n/a
Average employee[4]	**3%**	**(2%)[5]**	**169%**	**4.4%**	**4.5%**	**1.9%**

1 Matt Ashley joined the board on 1 July 2021.
2 N/a has been included for percentage change in fees for Greg Lock, Robert Youngjohns and Sander van 't Noordende to reflect that part service in FY20 would otherwise be compared to full service in FY21.
3 Pauline Campbell joined the board on 1 October 2021.
4 Under the UK Regulations, we are required to show the comparison change in salary, benefits and annual bonus for employees of the parent Company (Micro Focus International plc) other than directors. However, as there are no other employees of this Company other than the directors, we have instead voluntarily disclosed the required information for the average employee across Micro Focus. The average employee is based on all employees globally who were in the Company Bonus Plan in both FY20 and FY21 (i.e. excluding employees on sales commission) and were employed throughout the two-year period. We have selected employees in the Company Bonus Plan for this comparison as it reflects approximately 80% of the total employee population and is considered the most relevant comparator group given the structure of these employees' remuneration relative to the executive directors (in contrast to those on sales commission plans).
5 The reduction in benefits for the average employee from FY20 to FY21 reflects an overall reduction in the modelled cost of providing the benefits.

UK 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 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 2021 single total figure of remuneration of £1,732,000. All pay figures are rounded to the nearest £1,000.

Year		Method	25th percentile UK employee	Median UK employee	75th percentile UK employee
2021	**Pay ratio**	**Option B**	**35:1**	**23:1**	**15:1**
	Total remuneration		**£49,000**	**£74,000**	**£118,000**
	Salary		**£43,000**	**£64,000**	**£91,000**
2020	Pay ratio	Option B	26:1	17:1	13:1
	Total remuneration		£49,000	£74,000	£101,000
	Salary		£43,000	£63,000	£85,000
2019	Pay ratio	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 for 2021 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 UK gender pay gap information. This was deemed the most appropriate methodology for the Company at this time, given the different human resources and payroll systems in place and is consistent with last year's approach.

To ensure that the total remuneration for the financial year ended 31 October 2021 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 2021. They were based on total remuneration paid or receivable for the 2021 financial year, calculated on the same basis as required for the Chief Executive Officer's total remuneration for single total figure purposes. No 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 2021 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 performance-related pay outcomes and, in respect of any LTIP vestings in the year, the applicable share price. The main reason for the increase in the pay ratios from 2020 to 2021 is due to the higher bonus payout for FY21 which increases total remuneration for higher paid employees more than lower paid employees. Some relevant context for each year's disclosed pay ratios is set out below.

- 2021: The CEO's 2021 single total figure of remuneration reflects a bonus payout of 57% of his maximum opportunity and a 0% payout of the 2018 LTIP award during the year. The financial outcomes are in line with other participants in those plans.
- 2020: The CEO's 2020 single total figure of remuneration reflects a bonus payout of 22% of his maximum opportunity and a 0% payout of the 2017 LTIP award during the year. These financial outcomes are in line with other participants in those plans.
- 2019: There was no bonus payout for the CEO in FY19, whereas there was a modest level of bonus payout for staff. The CEO's 2016 LTIP award vested at 100% during FY19 (in line with other participants).

Remuneration for the wider workforce and workforce engagement

When considering the remuneration arrangements for the executive directors and the executive leadership team, the committee continues to take into account remuneration throughout the Company. The committee reviews wider workforce reward information throughout the year, as well as allocating time once a year to undertake a deeper review of reward matters impacting the broader employee population. The committee also considered how executive pay reflects wider Company pay policy, noting in particular that:

- Remuneration 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.
- Annually, we review the market pricing of our roles and the appropriateness of related salary ranges and salary structures to ensure that our jobs are fairly priced and our structures are competitive in the technology market. Typically we target the market median for determining our salary structures.
- All employees globally participate in the Company Bonus Plan, with the exception of those on sales commission plans. For all participants in the Micro Focus Company Bonus Plan, the same performance measures and targets apply. Bonus opportunity levels vary according to role and seniority. Financial outcomes for the FY21 bonus were the same for executive directors and all other participants in the Micro Focus Company Bonus Plan. For FY22, the revenue measure for employees in CyberRes and Vertica reflects Product Group revenue, rather than Micro Focus revenue, and the weighting of the revenue measure is higher than in the Micro Focus Bonus Plan, reflective of the more autonomous business structure of these Product Groups.
- Around 350 executives participate annually in the Long Term Incentive Plan (LTIP). Awards below the board comprise a combination of performance-based awards and non-performance based Restricted Stock Units (RSUs), as well as awards which are 100% RSUs. The most senior executives below the board continue to have a portion of their award which is aligned with one or more of the performance measures applicable to the executive directors' LTIP awards. Award sizes vary according to role and seniority.
- The Company operates all-employee share plans in 45 countries, making offers twice a year and thereby giving employees the chance to become shareholders in the Company at a discount to the market share price.
- The range and level of retirement and other benefits provided to employees varies according to local market practice, role and seniority. The Company pension contributions for the CFO are in line with employees generally in the UK (5%) and the CEO's pension contributions will be reduced to that level at the end of 2022.

In respect of the 2021 financial year, as was done last year, a statement about how pay for the executive directors aligns with wider pay policy across the Company was included in the reward section of the Company's intranet site, with employees encouraged to direct any questions to the Chief HR Officer. We also asked employees in the annual all-employee survey "My Voice" two reward-related questions. In addition, reward updates (for example, annual bonus outcomes) are regularly included in our quarterly All Employee Meetings and employees are invited to submit questions on the call to the CEO on any topic including reward and executive pay. In the 2022 financial year, we intend to further expand the level of active engagement with employees on the subject of how executive pay aligns with pay of the workforce. This will be done by including it in a broader discussion on remuneration with the Employee Engagement Panel. The Chair of the remuneration committee will attend the panel session and be invited to address remuneration questions raised.

A summary of the broader workforce engagement activity during FY21 is set out on page 86.

Relative importance of spend on pay

The table below shows the percentage change in total employee costs and shareholder distributions (i.e. dividends and share buy-backs) from the 2020 to 2021 financial years.

	2021 £m	2020 £m	% change
Employee costs[1]	**1,399.3**	1,344.4	4%
Dividends	**81.1**	0	n/a
Share re-purchases	**0**	0	n/a
Return of Value	**0**	0	n/a

1 Employee costs include wages and salaries, redundancy and termination costs (non-exceptional), social security costs, other pension costs and share-based payments.

Payments for loss of office (audited)

Brian McArthur-Muscroft

As a reminder, set out below is a summary of Brian McArthur-Muscroft's termination arrangements. This reflects what was disclosed on page 118 of the FY20 Annual Remuneration report and in the Section 430 (2B) Statement which was published on the Company's website on 3 February 2021.

Brian McArthur-Muscroft's salary, pension and contractual benefits continued to be paid until his employment ended on 30 June 2021. In accordance with the Remuneration Policy, the remuneration committee exercised its discretion to allow continued eligibility for the FY20 bonus on the basis that Mr McArthur-Muscroft had been employed for the full financial year and would be continuing as Chief Financial Officer for approximately six months, and therefore a significant period of FY21 (without being eligible for a pro-rata bonus in FY21). One-third of his bonus earned for FY20 was deferred into an award over shares which will vest after three years. All of Brian McArthur-Muscroft's outstanding LTIP awards lapsed and he was not granted an FY21 LTIP award. In line with our Remuneration Policy, as he was still within the five-year period to build up to his shareholding requirement and held no shares as at his leave date, he was not required to hold any shares post-cessation of employment.

Payments to past directors (audited)

There were no payments to past directors during the financial year ended 31 October 2021. Mr Loosemore's final outstanding LTIP award (2019 LTIP award over 52,083 shares) lapses on 8 February 2022 due to performance conditions not being met.

Executive directors' notice periods

Executive director	Date of appointment as director	Notice period
Stephen Murdoch[1]	19 March 2018	The agreement is terminable by either party on six months' notice
Matt Ashley[2]	1 July 2021	The agreement is terminable by either party on six months' notice

1 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.
2 Matt Ashley joined the Company on 28 June 2021 and was appointed to the board as Chief Financial Officer on 1 July 2021.
3 The executive directors do not have a fixed term.

Implementation of Remuneration Policy for the financial year ending 31 October 2022 – executive directors

The following section details the implementation of the Remuneration Policy for executive directors for the financial year ending 31 October 2022.

Base salary

There will be no salary increases for executive directors for FY22. The FY22 salaries remain as follows: Stephen Murdoch (£850,000) and Matt Ashley (£525,000).

Benefits

The benefits available to the executive directors are unchanged for FY22. Note however that employer costs for providing the same level of benefits can increase or decrease.

Pension

The Company pension contributions will remain at 5% of salary for Matt Ashley for FY22. The pension contribution level for Stephen Murdoch will reduce from 15% of salary to 5% (the level for UK employees in general) at the end of calendar year 2022.

Annual bonus

The measures and weightings for the annual bonus in FY22 will remain as per the operation of the bonus in FY21, i.e. Adjusted EBITDA (60% weighting), revenue (20% weighting) and individual key performance objectives (KPOs) (20% weighting). The KPOs are set to focus the executive directors on specific key deliverables aligned to the business plan and the Environmental, Social and Governance (ESG) strategy. It is expected that half of the KPO element will be linked to key ESG milestones for FY22 (i.e. 10% of the overall bonus). There will only be a payout under the KPO element if there is a payout under at least one of the financial measures.

The Adjusted EBITDA and revenue targets for the FY22 bonus have been set to reflect the FY22 business plan, which takes into account all current factors impacting the business. The targets and the outcomes achieved will be fully disclosed in the FY22 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 2022 annual bonus remains the same as last year at 150% of salary with a requirement to defer one-third of any bonus earned into an award over shares which vests after three years.

FY22 LTIP

The performance measures for the FY22 LTIP awards are unchanged from the FY21 LTIP grants, however the weighting of the measures has been changed to align more closely with the Transformation Strategy announced on 30 November 2021. Accordingly, Cumulative Adjusted Free Cash Flow and Relative TSR are weighted equally (50:50) for the FY22 LTIP awards. The increased weighting on Relative TSR from prior years (50% versus 20%) provides further direct alignment with the shareholder experience, whilst the retention of Cumulative Adjusted Free Cash Flow provides continuity and focus on what remains a key performance indicator for the business. We wrote to our largest shareholders about the plan to amend the weightings and the responses we received were positive. Further detail on the targets is set out below.

	Cumulative Adjusted Free Cash Flow (50% weighting)	Company TSR relative to FTSE 250 excluding Investment Trusts) Index (50% weighting)	Payout % for this element
Threshold	$100m below Target	In line with Index	0%
Target	Commercially sensitive	Exceed Index by 20%	50%
Maximum	$200m above Target	Exceed Index by 40%	100%

Vesting is on a straight-line basis between threshold and target, and between target and maximum.

Adjusted Free Cash Flow means cash generated from operations adjusted for interest payments, bank loan costs, tax payments, capital expenditure and lease payments and excludes the cash impact of exceptional items. This is in line with the definition of Adjusted Free Cash Flow on page 139. Adjusted Free Cash Flow will be measured on a cumulative basis over the three financial years ending 31 October 2022, 31 October 2023 and 31 October 2024. TSR will also be measured over the same three financial years.

The Adjusted Free Cash Flow Target is considered commercially sensitive and will be disclosed after the end of the performance period.

A two-year holding period applies post-vesting, during which time executive directors are required to retain any net (after tax) vested shares. Executive directors will be entitled to dividend equivalents in accordance with the rules of the LTIP and the Directors' Remuneration Policy.

The FY22 LTIP awards for the entire LTIP eligible population, including executive directors, were granted on 17 December 2021. This is earlier than usual as typically LTIP awards are granted after the announcement of annual results in February/March). This year, the remuneration committee determined that exceptional circumstances existed due to the business transformation and the criticality of retaining employees who are key to achieving the transformation. Importantly, for LTIP recipients with awards which are subject to performance measures, including the executive directors, the earlier grant timing does not change the performance period (FY22 to FY24) or the vesting date (expected to be February 2025) for the FY22 awards.

The FY22 LTIP awards were granted at 200% of salary for both the CEO and the CFO. The committee will review at the time of vesting whether it considers that there have been any windfall gains resulting from the share price at grant which was lower than when the previous LTIP award was granted.

FY21 Recruitment LTIP for CFO

In accordance with the announcement made on 1 June 2021 about Matt Ashley's appointment as CFO, Mr Ashley was due to receive an FY21 Recruitment LTIP award on joining in respect of FY21 of 200% of salary. However, due to dealing restrictions, it was not possible to grant his FY21 Recruitment LTIP award as planned in the grant window following the announcement of FY21 interim (H1) results. Therefore, Matt Ashley's FY21 Recruitment award of 200% of salary was granted at the same time as the FY22 LTIP awards on 17 December 2021. Matt Ashley's FY21 Recruitment LTIP award is subject to the same performance measures and targets as the FY22 LTIP awards (as detailed above under "FY22 LTIP") and will be measured over the same three-year period (FY22 to FY24).

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

Non-executive directors	Fees (£'000) 2021	Fees (£'000) 2020	Benefits (£'000) 2021	Benefits (£'000) 2020	Total (£'000) 2021	Total (£'000) 2020
Greg Lock[1]	**400**	284	**1**	1	**401**	285
Karen Slatford	**120**	120	**0**	0	**120**	120
Richard Atkins	**90**	90	**0**	0	**90**	90
Amanda Brown	**90**	90	**0**	0	**90**	90
Lawton Fitt[2]	**80**	80	**0**	0	**80**	80
Robert Youngjohns	**70**	38	**0**	0	**70**	38
Sander van 't Noordende[3]	**70**	29	**0**	0	**70**	29
Pauline Campbell[4]	**6**	N/A	**0**	N/A	**6**	N/A

1 Greg Lock's benefits value reflects private medical and dental cover (single person coverage).
2 Lawton Fitt receives an additional fee of £10,000 per annum due to her SEC and SOX experience.
3 Sander van 't Noordende's GBP fee is paid to him in US dollar (converted based on the average monthly FX rate in the month prior to payment).
4 Pauline Campbell joined the board on 1 October 2021.

The total remuneration for directors is set out in note 28 to the consolidated financial statements on page 211.

Non-executive directors' fees for FY22

The table below shows the fees for the Chairman and the non-executive directors for FY22. There are no changes from the prior year.

Executive director	Annual fee FY22
Chairman[1]	£400,000 p.a.
Senior Independent Director (SID)[1]	£120,000 p.a.
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.

1 The Chairman and the SID are not eligible for committee chairmanship fees or other additional fees.

Non-executive directors' shareholdings as at 31 October 2021 (audited)

The table below shows the shareholdings and share interests for all non-executive directors (and their connected persons) who served during the 2021 financial year as at 31 October 2021 (or at the date of stepping down, if earlier). For disclosure purposes, any American Depositary Shares (ADSs) are included as shares.

Director	Shares held (owned outright)[1]
Greg Lock	535,000
Karen Slatford	14,687
Richard Atkins	13,862
Amanda Brown	3,841
Lawton Fitt	0
Robert Youngjohns	0
Sander van 't Noordende	45,000
Pauline Campbell (from 1 October 2021)	0

1 Shares held (owned outright), includes any Micro Focus securities of which the director, their spouse, civil partner or dependent child has beneficial ownership.

Please note the following changes to the above interests between 31 October 2021 and 7 February 2022:

- The number of shares held (owned outright) by Greg Lock increased from 535,000 to 835,000 as a result of a purchase of 300,000 Micro Focus shares by Mr Lock on 17 December 2021.

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, except in the case of the Chairman where the required notice is six months. 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 2021 are set out below:

Non-executive director	Appointment date	Expiration date
Greg Lock	14 February 2020	14 February 2023
Karen Slatford	5 July 2010	5 July 2022
Richard Atkins	16 April 2014	16 April 2023
Amanda Brown	1 July 2016	1 July 2022
Lawton Fitt	17 October 2017	17 October 2023
Robert Youngjohns	16 April 2020	16 April 2023
Sander van 't Noordende	2 June 2020	2 June 2023
Pauline Campbell	1 October 2021	1 October 2024

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.

Remuneration committee information

The committee is responsible for the remuneration arrangements for executive directors and members of the executive leadership team and the Group Company Secretary, and for providing general guidance on aspects of remuneration policy throughout the Group. The committee's Terms of Reference are available from the Group Company Secretary and are published on the Company's website under the Governance section.

During FY21, the committee comprised entirely of non-executive directors. The committee met six times during the year and the number of meetings attended by each member of the committee is set out on page 100.

The committee invited members of management to provide views and give advice on specific topics. Management did not participate in discussions relating to their own remuneration. The Group Company Secretary attended each meeting as secretary to the committee.

The table below summarises how the committee has addressed simplicity, clarity, risk, predictability, proportionality and alignment to culture when determining remuneration policy and practices.

Factor	How has this been addressed
Clarity Remuneration arrangements should be transparent and promote effective engagement with shareholders and the workforce.	We wrote to key shareholders in advance of granting the FY22 LTIP awards regarding the change in weighting of performance measures from the FY21 awards (see page 115 for more details). The Company engages with employees 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. We also share more information with employees about executive pay (see page 113).
Simplicity Remuneration structures should avoid complexity and their rationale and operation should be easy to understand.	Our incentive structure for executive directors comprises an annual bonus plan (with one-third deferral into share awards for three years) and one long-term incentive plan (with a two-year post-vesting holding period). The performance measures for the annual bonus plan and the LTIP underpin our strategic objectives (see page 103).
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.	Our Remuneration Policy incorporates a number of design features 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 and would disclose this in the next Annual report on Remuneration (this includes reviewing at the time of vesting any windfall gains arising from a reduced share price at the time of grant). – We operate bonus deferral, post-vesting holding periods for vested LTIP awards and post-cessation shareholding requirements. – Extensive malus and clawback provisions are in place for the annual bonus and LTIP.
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.	At the time of approving the current Remuneration Policy, charts were included (page 98 of the FY19 Directors' Remuneration report) which provided an estimate of the potential reward opportunities for the executive directors. The discretions available to the committee, for example to override formulaic incentive outcomes and to apply malus and clawback, were described on page 98 of the FY19 Directors' Remuneration report. The maximum award levels are also included on page 102 of this Annual report on Remuneration.
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. We made changes to the weighting of performance measures for the FY22 LTIP awards to enhance alignment with the Transformation Strategy announced on 30 November 2021. Deferral periods and holding periods help to further align incentive outcomes for executives to the shareholder experience. The committee is satisfied that incentive outcomes for FY21 (zero vesting for the CEO's 2018 and 2019 LTIP and an FY21 bonus payout of 57% of the maximum opportunity) are reflective of the Company's performance over the respective performance periods.
Alignment to culture Incentive schemes should drive behaviours consistent with Company purpose, values and strategy.	The performance measures for the LTIP and the annual bonus plan underpin our strategic objectives (see page 103). In addition, individual KPOs for the personal element of the annual bonus are designed to focus on key non-financial goals which are linked to the Company's business strategy and key annual ESG milestones.

Remuneration committee advice

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.

PwC is the formally appointed remuneration committee advisor, reporting directly to the chair of the committee. Arrangements are in place to provide the committee with oversight of the remuneration services provided by PwC to management. On appointment in August 2019, the committee reviewed the potential for conflicts of interest in connection with this appointment and was 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 2021 relating to remuneration advice to the committee were determined on a time and materials basis and were £26,295 (excluding VAT).

Shareholder voting at Annual General Meetings

The following table shows the results of the advisory vote on the 2020 Directors' Remuneration report at the AGM held on 25 March 2021, together with the latest approval vote on the Directors' Remuneration Policy at the AGM on 25 March 2020:

	Votes for		Votes against			
	Number	Percentage	Number	Percentage	Votes cast	Votes withheld
2020 Directors' Remuneration report (advisory) 2021 AGM	204,671,466	96.66%	7,067,012	3.34%	211,738,478	2,097,591
Directors' Remuneration Policy (approval) 2020 AGM	242,371,213	97.05%	7,362,083	2.95%	249,733,296	227,378

We remain committed to building on the high level of support we have received from shareholders on remuneration resolutions at the 2020 and 2021 Annual General Meetings and continue to engage with shareholders on remuneration matters, most recently regarding the change in weighting of the performance measures for the FY22 LTIP awards to ensure alignment with the Transformation Strategy announced on 30 November 2021. We also engaged with Glass Lewis and reviewed the updated investor and proxy agency guidelines for the 2022 AGM season.

We will continue to engage with shareholders and proxy agencies on an on-going basis, particularly regarding any proposed changes to how we implement the approved remuneration policy.

On behalf of the board,

Amanda Brown
Chair, Remuneration committee
7 February 2022

Directors' report

The directors of Micro Focus International plc ("Company") present their report and the audited consolidated financial statements of the Company for the year ended 31 October 2021.

Scope of this report

The Group is required by the Companies Act 2006 to present a fair review of the business during the year ended 31 October 2021, of the position of the Group at the end of the financial period along with a description of the principal risks and uncertainties faced by the Group and insight into the likely future developments. The information that fulfils these requirements can be found in the Strategic report from pages 06 to 73. Certain items that would otherwise need to be included in this Directors' report (including an indication of likely future developments in the business of the Company and the Group and how the directors consider business relationships with stakeholders when making key decisions) have, as permitted, instead been discussed in the Strategic report which incorporates our Section 172 statement on pages 46 and 47, while details of the Group's policy on addressing financial risks and details about financial instruments are shown in note 24 to the Group financial statements.

For the purposes of compliance with the requirements of the Financial Conduct Authority's Disclosure Guidance and Transparency Rules ("DTR"), and specifically DTR 4.1.5R(2) and DTR 4.1.8R, the required content of the "management report" can be found in the Strategic report or this Directors' report, including the material incorporated by reference.

Taken together, the Strategic report and this Directors' report are intended to provide a fair, balanced and understandable assessment of the development and performance of the Group's business during the year and its position at the end of the year, its strategy, likely developments, and any principal risks and uncertainties associated with the Group's business.

Under DTR 7.2.1R the Company is required to produce a corporate governance statement, the required content of which can be found in this Directors' report or in the Corporate governance section on pages 75 to 88 which is hereby incorporated into this Directors' report by reference.

Dividends

The board follows a policy of declaring a level of full year dividend that is covered approximately five times by the adjusted profit after tax. For the year ended 31 October 2021, the directors have recommended a final dividend of 20.3 cents per share. When taken together with the interim dividend of 8.80 cents per share paid on 6 August 2021, this gives a total dividend in respect of the year ended 31 October 2021 of 29.1 cents per share. Subject to its approval by shareholders at the forthcoming Annual General Meeting ("AGM"), the final dividend will be paid on 21 April 2022 to shareholders on the register at the close of business on 11 March 2022.

In prior periods we have declared our dividend in USD, then converted this to a GBP equivalent amount at the date of announcement, which was then paid to shareholders. For the payment of the FY21 interim dividend, and the FY21 final dividend:

- holders of the Company's ordinary shares receive GBP calculated using a conversion rate fixed two weeks prior to the payment date based on the average spot exchange rate over the five business days preceding the announcement date; and
- holders of ADS receive directly in USD.

The trustee of the Micro Focus Employee Benefit Trust ("EBT") has waived its right to dividends paid on any shares it holds on the terms of the EBT in respect of the period covered by the financial statements and future periods.

Directors and directors' interests

The names, roles and short biographical details of the directors of the Company in office at 31 October 2021, all of whom continued to serve to the date of this report, are given on pages 78 and 79. In addition Brian McArthur-Muscroft served as Chief Financial Officer until 30 June 2021.

Sander van 't Noordende and Karen Slatford have notified the board of their intention to step down as directors at the conclusion of the 2022 Annual General Meeting.

Details of the interests of the directors and their families in the ordinary shares of the Company are given in the Directors' Remuneration report on pages 100 to 119.

None of the directors had a material interest in any contract of significance to which the Company or a subsidiary was a party during the financial period, as disclosed in note 29 to the financial statements.

Directors' insurance and indemnity provisions

The Company maintains insurance cover for all directors and officers of Group companies against liabilities which may be incurred by them while acting in that capacity at the Group's request.

During the year and to the date of this report, qualifying third party indemnities were in force under which the Company has agreed to indemnify the directors, to the extent permitted by law and by the Articles of the Company, against liabilities they may incur in the execution of their duties as directors of the Company.

Share capital

As at 31 October 2021 the Company has a single class of shares in existence, being ordinary shares of 10 pence each.

During the year ended 31 October 2021, 304,361 ordinary shares were issued, and a further 441,549 ordinary shares were transferred from treasury, to satisfy obligations under employee share plans.

As at 31 October 2021, the total share capital of the Company was 364,849,738 ordinary shares, of which 29,203,078 were held in treasury. Therefore, the total number of ordinary shares with voting rights in the Company as at 31 October 2021 was 335,646,660.

American Depositary Shares

The Company has a Sponsored Level III American Depositary Receipt ("ADR") facility that is listed on the NYSE under the symbol MFGP. Each American Depositary Share ("ADS") is equivalent to one ordinary share and each ADS holder is entitled to the financial rights attaching to such shares, although the ADR depositary, Deutsche Bank, is the registered holder. As at 31 October 2021, the equivalent of 92,985,425 shares were held in ADS form.

Rights and obligations attaching to shares

Voting

At a General Meeting of the Company:

- On a show of hands, every member present in person and every proxy duly appointed by a member shall have one vote; and
- On a poll, every member who is present in person or by proxy shall have one vote for every share of which he or she is the holder.

No member shall be entitled to vote at any general meeting or class meeting in respect of shares held by him or her if any call or other sum then payable by him or her in respect of that share remains unpaid. Currently, all issued shares are fully paid.

Deadlines for voting rights

Full details of the deadlines for exercising voting rights in respect of the resolutions to be considered at the AGM to be held on 30 March 2022 are set out in the Notice of Meeting, which accompanies this report.

Dividends and distributions

Subject to the provisions of the Companies Act 2006, the Company may, by ordinary resolution, declare a dividend to be paid to members but no dividend shall exceed the amount recommended by the board. The board may pay interim dividends and any fixed rate dividend whenever the profits of the Company, in the opinion of the board, justifies its payment. All dividends shall be apportioned and paid pro-rata according to the amounts paid up on the shares.

Transfer of shares

Subject to the Articles, any member may transfer all or any of his or her certificated shares in writing by an instrument of transfer in any usual form or in any other form which the board may approve. The board may, in its absolute discretion and without giving any reasons, decline to register any instrument of transfer of a certificated share which is not a fully paid share provided that, where any such shares are admitted to the Official List maintained by the Financial Conduct Authority, such discretion may not be exercised in such a way as to prevent dealings in the shares of that class from taking place on an open and proper basis. The board may decline to recognise any instrument of transfer relating to shares in certificated form unless it is in respect of only one class of share and is lodged (duly stamped if required) at the Transfer Office (as defined in the Articles) accompanied by the relevant share certificate(s) and such other evidence as the board may reasonably require to show the right of the transferor to make the transfer (and, if the instrument of transfer is executed by some other person on his behalf, the authority of that person to do so). In the case of a transfer of shares in certificated form by a recognised clearing house or a nominee of a recognised clearing house or of a recognised investment exchange the lodgement of share certificates will only be necessary if and to the extent that certificates have been issued in respect of the shares in question. The directors may also refuse to register an allotment or transfer of shares (whether fully paid or not) in favour of more than four persons jointly. Subject to the Articles and the CREST Rules (as defined in the Uncertificated Securities Regulations 2001 (SI 2007 No.3755), as amended), and apart from any class of wholly dematerialised security, the board may permit any class of shares in the Company to be held in uncertificated form and, subject to the Articles, title to uncertificated shares to be transferred by means of a relevant system.

Powers of the directors to issue or buy back shares

In managing the business of the Company, the board may exercise all the powers of the Company, including the power to authorise the issue and/or market purchase of the Company's shares, subject to the provisions of the Articles, the Companies Act 2006 and any resolution of the Company.

At the AGM held on 25 March 2021 the directors were granted the powers to allot equity securities with a nominal value of up to £22,347,738 (provided that any amount in excess of £11,173,869 was applied to fully pre-emptive rights issues only) and to make market purchases of the Company's shares on the terms set out above. No such shares have been issued.

At the last AGM, shareholders further renewed authority to buy back up to 14.99% of its issued share capital. At that time, this amounted to 50,248,890 ordinary shares. This authority remains outstanding until the conclusion of the next AGM on 30 March 2022. No purchases were made under this authority during the year.

Shares held in the Employee Benefit Trust

Where the trustee of the EBT holds shares in the Company and the beneficial interest in those shares has not been transferred to a beneficiary of the EBT, the trustee may not vote in relation to those shares at any meeting of shareholders of the Company.

Substantial shareholdings

At 31 October 2021, the Company had been notified, pursuant to DTR5, of the following information in relation to investors' interests in voting rights, attached to ordinary shares and financial instruments relating to the share capital of the Company:

	Number of voting rights	Percentage of voting rights
Dodge & Cox	57,130,923	17.01%
BlackRock, Inc.	26,546,176	7.93%
M&G plc	16,912,423	5.05%
Causeway Capital Management LLC	16,322,007	4.88%

There have been three changes in the interests disclosed to the Company notified between 31 October 2021 and 4 February 2022. On 15 December 2021, 20 December 2021 and 21 December 2021 BlackRock, Inc. advised changes took place. The percentage interest of BlackRock, Inc. in the voting rights of the Company in the final disclosure was 5.82% (19,572,136 voting rights).

Employment policies

The Group endeavours to appoint employees with appropriate skills, knowledge and experience for the roles they undertake. The Group has a range of policies aimed at retaining and providing incentives for key employees. Objectives are set for departments and employees derived from the Group's business objectives. Performance is monitored throughout the year and formally measured against these objectives twice each year. The Group has a clear and well-understood organisational structure and each employee knows his or her line of accountability and their responsibilities.

Equality and diversity

Micro Focus is proud to be an Equal Opportunity Employer and a place of belonging. All employees and prospective employees receive consideration without discrimination because of race, colour, religion, creed, gender, national origin, age, disability, marital or veteran status, sexual orientation, genetic information, citizenship or any other legally protected status. This is in accordance with the Group's Equal Opportunities policy, Code of Conduct and Diversity and Inclusion policy statement.

Disabled employees

Applicants with disabilities are given equal consideration in our application process. With regard to existing employees and those who may become disabled, the Group's policy is to examine ways and means to provide continuing employment under its existing terms and conditions and to provide training and career development, including promotion, wherever appropriate. Disabled employees have equipment and working practices modified for them as far as possible and practicable.

Employee involvement

The Group believes it is important that employees are aware of the Group's business strategy and the objectives, to enable them in working towards these goals. The Group's communication and consultation programme is designed to provide employees with information on matters of concern to them as employees, and as a means of consulting employees (or their representatives) on a regular basis so that employees' views can be taken into account in making decisions, which are likely to affect their interests. Key features of the programme include My Voice, our all-employee internal survey for employees to provide confidential and anonymous feedback, regular CEO-led All Employee Meetings, our company-wide intranet InFocus and employee-wide communications at the time of key announcements, including conference calls and webinars for senior managers and presentations by directors to all employees throughout the period. In addition, regular meetings are held with staff and managers, to raise issues and achieve common employee awareness of the financial and economic factors affecting the Group's performance.

These meetings also provide an opportunity for a two-way flow of information, supported by an online process which enables employees to express views and suggest improvements.

During FY21 we held two employee panel sessions with Karen Slatford, our Senior Independent Director and Workforce Engagement Director. This creates direct communication between our board of directors and employees and allows the board to hear employee feedback about overall employee sentiment and engagement, which in turn informs and supports their decision making in accordance with s172 of the Companies Act 2006, see pages 46 and 47.

Further education and training

Continuing education, training and development are important to ensure the future success of the Group. The Group supports individuals who wish to obtain relevant and appropriate further education qualifications and reimburses tuition fees up to a specified level. Training needs of all employees are also analysed during the annual and half-yearly appraisal process, at which time a training plan is agreed as part of each individual's on-going development.

Share plans

The directors remain committed to the principle of employee share ownership throughout the Company. Employees globally are able to participate in one of the Group's all-employee share plans (a Sharesave plan and an Employee Stock Purchase Plan), which are intended to encourage employee share ownership and involvement in the Company's performance. For more senior employees who are better placed to contribute to the development and performance of the Group, the Group operates a discretionary long-term incentive plan ("LTIP"). Details of all the Group's share-based plans, whether operating on an all-employee or discretionary basis, are given in note 28.

Amendment to the articles of association

Any amendments to the Articles may be made in accordance with the provisions of the Companies Act 2006 by way of special resolution.

Appointment and replacement of directors

Directors shall be no less than three and no more than 11 in number. Directors may be appointed by the Company by ordinary resolution or by the board. A director appointed by the board holds office only until the next AGM and is then eligible for election or re-election by the shareholders annually thereafter.

The board may from time to time appoint one or more directors to hold employment or executive office for such period (subject to the Companies Act 2006) and on such terms as they may determine and may revoke or terminate any such employment.

The Company by ordinary resolution, of which special notice has been given, and the board, by unanimous decision, may remove any director before the expiration of his or her term of office and the Company may elect or the board may appoint another person in place of a director so removed from office.

The office of director shall be vacated if:

(i) he or she in writing resigns or offers to resign and the directors accept such offer;
(ii) an order is made by any court claiming that he or she is or may be suffering from a mental disorder;
(iii) he or she is absent without permission of the board from meetings for six months and the board resolves that his or her office is vacated;
(iv) he or she becomes bankrupt or compounds with his or her creditors generally;
(v) he or she is prohibited by law from being a director; or
(vi) he or she is removed from office pursuant to the Articles.

Significant agreements

There are a number of agreements to which the Company is party that take effect, alter or terminate upon a change of control of the Company following a takeover bid. Details of significant agreements of this kind are as follows:

Bank borrowings

On 17 January 2022, the Group announced the refinancing of $1.6bn of existing term loans. This refinancing comprised a €750m and a $750m Senior Secured Term Loan B. The new 5-year facilities have been used by the Group to fully refinance its existing Senior Secured Term Loan B Euro facility issued by MA FinanceCo., LLC due June 2024 as well as partially refinance the existing Senior Secured Term Loan B USD facilities issued by Seattle SpinCo, Inc., ($750m refinanced, $1,678m remaining) and MA FinanceCo., LLC, ($359.5m B-3 fully replaced by additional Euro borrowing) due June 2024.

The new 5-year facilities incur interest at 4.00% above EURIBOR (subject to 0% floor) at an original issue discount of 0.5% on the Euro denominated tranche, and 4.00% above SOFR and CSA (subject to 0.5% floor) at an original issue discount of 1.0% on the US dollar denominated tranche. This represents an increase in annualised interest costs of approximately $23.0m.

The following facilities were drawn as at 31 October 2021:

- The €585.0m (equivalent to $676.0m) senior secured five-year term loan B-1 issued by MA FinanceCo., LLC maturing in June 2025, is priced at EURIBOR plus 4.5% (subject to a EURIBOR floor of 0.00%) with an original issue discount of 3.0%;
- The $359.5m senior secured seven-year term loan B-3 issued by MA FinanceCo., LLC, maturing in June 2024, is priced at LIBOR plus 2.75% (subject to a LIBOR floor of 0.00%) with an original issue discount of 0.25%;
- The $633.7m senior secured five-year term loan B-4 issued by MA FinanceCo., LLC, maturing in June 2025, is priced at LIBOR plus 4.25% subject to a LIBOR floor of 1.00%) with an original issue discount of 2.5%;
- The $2,427.9m senior secured seven-year term loan B issued by Seattle SpinCo, Inc., maturing in June 2024, is priced at LIBOR plus 2.75% (subject to a LIBOR floor of 0.00%) with an original issue discount of 0.25%; and
- The €442.2m (equivalent to $510.9m) senior secured seven-year term loan B issued by MA FinanceCo., LLC, maturing in June 2024, is priced at EURIBOR plus 3.00% (subject to a EURIBOR floor of 0.00%) with an original issue discount of 0.25%.

The following facilities were undrawn as at 31 October 2021:

- A senior secured revolving credit facility of $350.0m ("Revolving Facility"), with an interest rate of 3.25% above LIBOR on amounts drawn (and 0.5% on amounts undrawn) thereunder (subject to a LIBOR floor of 0.00%).

At 31 October 2021, none of the Revolving Facility was drawn (31 October 2020: $nil), together with $4,608.0m of term loans giving gross debt of $4,608.0m drawn.

Details of repayment requirements and the financial covenants related to these term-loan borrowings are disclosed in note 18.

Share plans and compensation for loss of office

Information on payments for loss of office of employment is set out on page 114. The Executive Directors' policy on payments for loss of office and change of control is set out in the Company's Remuneration Policy (see pages 99 to 100 of the FY19 Annual Report), which includes a summary of the share plan provisions on a change of control. Under the Company's share plans, awards may vest and become exercisable on a change of control of the Company in accordance with the rules of the plan. Subject to that, there are no other significant agreements between the Company and its employees providing for compensation for loss of office or employment which occurs because of a takeover bid.

No other agreements that take effect, alter or terminate upon a change of control of the Company following a takeover bid are considered to be significant in terms of their potential impact on the business as a whole.

Greenhouse gas emissions

This section includes Micro Focus' mandatory reporting of GGE pursuant to the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008/2014.

Reporting year

The Greenhouse Gas ("GHG") reporting period is the same as Micro Focus' fiscal period being 1 November 2020 to 31 October 2021.

Organisational boundary and responsibility

In accordance with the definitional requirements of the "regulations", in respect of emissions for which Micro Focus is responsible, emissions data is reported using an Operational Control approach to define the organisational boundary.

All material emission sources over which Micro Focus deems to have operational control are in scope. These sources are defined as the purchase of electricity, heat, steam or cooling for the operation of facilities and the combustion of fuel for that operation of facilities. Processes are being established to track other sources of emissions such as commercial flights for business travel, which is not presently covered in this data.

Methodology

The methodology used to calculate emissions is based on the most current set of regulations published by the Department for Environment, Food and Rural Affairs ("DEFRA") relating to relevant reporting periods.

Year-on-year comparisons for energy consumed and carbon emissions

	FY21	FY20	Change %
Total energy consumption (metered) MWh	**51,146**	49,296	3.8%
Scope 1 Total energy consumption kWh	**6,030,482**	6,050,349	-0.3%
Scope 2 Total energy consumption kWh	**45,115,726**	43,245,367	4.3%
Energy consumed (metered) kWh per employee	**8,313**	8,299	0.2%
Scope 1 UK only consumption kWh	**1,296,857**	1,412,935	-8.2%
Scope 2 UK only consumption kWh	**2,156,324**	2,614,354	-17.5%
Scope 1 & 2 combined UK only consumption (6.8% of total global consumption)	**3,453,181**	4,027,289	-14.3%
GHG emissions (tCO_2e)	**25,242**	24,858	1.5%
Scope 1 global GHG emissions (tCO_2e)	**1,109**	1,113	-0.4%
Scope 2 global GHG emissions (tCO_2e)	**24,133**	23,745	1.6%
GHG emissions per employee (tCO_2e)	**4.10**	4.18	-1.9%
Scope 1 UK only emissions (tCO_2e2)	**238**	260	-8.5%
Scope 2 UK only emissions (tCO_2e)	**493**	600	-17.8%
Scope 1 & 2 UK only combined emissions (tCO_2e) (2.9% of total global emissions)	**731**	860	-15.0%
Total estimated GHG emissions ($KtCO_2e$)	**47.0**	50.0	-6.0%

Adjusted like-for-like basis	**FY21**	FY20	Change %
Total energy consumption (metered) MWh	**46,164**	49,296	-6.4%
Scope 1 Total energy consumption kWh	**6,030,482**	6,050,349	-0.3%
Scope 2 Total energy consumption kWh	**40,134,308**	43,245,367	-7.2%
Energy consumed (metered) kWh per employee	**8,110**	8,299	-2.3%
GHG emissions (tCO_2e)	**23,298**	24,858	-7.8%

Scope of reporting emissions

Micro Focus' operational footprint reduced over the reporting period. On a like-for-like basis Micro Focus' energy consumption was lower than the previous reporting period -6.4%, with continued best practice across the entire real estate, further capital investment in "green" projects and targeted employee communication, staff focused on reducing emissions. GHG emissions decreased by 7.8% on a like-for-like basis.

During the year ended 31 October 2021, Micro Focus collaborated with Schneider Electric to further develop our Energy Management System and monitor and review the energy across the global estate.

Micro Focus reports emissions data on all locations where available, irrespective of the size of the Micro Focus facility. For smaller locations where no such data is available from managed serviced offices, or where Micro Focus is part of a multi-tenant occupancy building, or where staffing levels are less than 10, the mean average per head is extrapolated out from all other locations.

Please see page 43 for details of principal measures taken for the purpose of increasing the businesses energy efficiency in FY21.

The Streamlined Energy and Carbon Reporting ("SECR")

Whilst Micro Focus in the UK has achieved a reduction in Scope 1 & 2 GHG emissions and energy consumption, we believe these numbers are under potential. This is due to a number of the planned principal measures to increase energy efficiency having been delayed due to reasons beyond our control, such as accessing materials and supplies. The energy saving projects, such as upgrading to LED lights and improving building insulation, will continue into FY22. For more information on our energy efficiency plans please see page 43.

Streamlined Energy and Carbon Reporting (SECR) Disclosure for Micro Focus Limited

The SECR disclosure presents the Company's carbon footprint within the United Kingdom across Scope 1, 2 and to some extent Scope 3 emissions, an appropriate intensity metric, the total energy use of electricity, gas and transport fuel and an energy efficiency actions summary taken during the relevant financial year.

	Year to 31 October 2021	Year to 31 October 2020
Energy consumption used to calculate emissions (kWh)	**2,200,351**	2,230,353
Emissions from combustion of gas (Scope 1) tCO_2e	**127**	122
Emissions from business travel in rental cars or employee-owned vehicles where the Company is responsible for purchasing the fuel (Scope 3) tCO_2e	**8**	3
Emissions from purchased electricity (Scope 2, location-based) tCO_2e	**315**	361
Total gross tCO_2e based on above	**450**	486
Intensity ratio (tCO_2e/ft2)	**0.00710**	0.00752
Intensity ratio (tCO_2e/FTE)	**0.95175**	0.97629

Energy efficiency action summary

Due to the COVID-19 pandemic Micro Focus Limited postponed the energy efficiency improvement projects to the coming financial years.

Methodology notes

Reporting period	1 November 2020 – 31 October 2021
Boundary (consolidation approach)	Operational approach
Alignment with financial reporting	SECR disclosure has been prepared in line with Micro Focus Limited's annual accounts made up to 31 October 2021.
Reporting method	GHG Emissions reporting are in line with the Greenhouse Gas (GHG) Protocol Corporate Accounting and Reporting Standard.
Emissions and Conversion factor source	DEFRA, 2021 for all emissions and conversion factors https://www.gov.uk/government/publications/greenhouse-gas-reporting-conversion-factors-2021
Calculation method	Activity Data x Emission Factor = GHG emissions Activity Data x Conversion Factor = kWh consumption
Conversion factor source	Federal Register EPA for natural gas and gasoline (petrol) https://www.ecfr.gov/cgi-bin/text-idx?SID=ae265d7d6f98ec86fcd8640b9793a3f6&mc=true&node=pt40.23.98&rgn=div5#ap40.23.98_138.1 U. S. Energy Information Administration for diesel https://www.eia.gov/totalenergy/data/monthly/pdf/sec12_2.pdf
Other relevant information on calculation	Scope 3 transport emissions data was calculated from expense claims after personal car mileage, and short-term car rentals. The expense claims were divided between petrol and diesel using VEH0203. The mileage expense was converted from pounds into mileage using the tax rates per business mile (https://www.gov.uk/expenses-and-benefits-business-travel-mileage/rules-for-tax) and then converted into kWh and litres using DEFRA 2021 factors. The car rental expenses were converted into litres using the average weekly fuel prices of the reporting period (https://www.gov.uk/government/statistics/weekly-road-fuel-prices). This is a likely overestimation of the fuel usage.
Information on the intensity ratios	Micro Focus Limited uses the total area of our sites in square feet and the number of full-time employees at the reporting sites in the disclosure's financial year, as these metrics are the best aligned to the nature of our business.
Rounding	Due to rounding there might be a minor difference compared to the actual GHG emissions.

Streamlined Energy and Carbon Reporting (SECR) Disclosure for Micro Focus Software UK Limited

The SECR disclosure presents the Company's carbon footprint within the United Kingdom across Scope 1, 2 and to some extent Scope 3 emissions, an appropriate intensity metric, the total energy use of electricity, gas and transport fuel and an energy efficiency actions summary taken during the relevant financial year.

	Year to 31 October 2021	Year to 31 October 2020
Energy consumption used to calculate emissions (kWh)	**282,773**	762,298
Emissions from combustion of gas (Scope 1) tCO_2e	**0**	28
Emissions from combustion of fuel for transport purposes (Scope 1) tCO_2e	**29**	2
Emissions from business travel in rental cars or employee-owned vehicles where the Company is responsible for purchasing the fuel (Scope 3) tCO_2e	**23**	59
Emissions from purchased electricity (Scope 2, location-based) tCO_2e	**12**	81
Total gross tCO_2e based on above	**64**	170
Intensity ratio (tCO_2e/ft2)	**0.01377**	0.00706
Intensity ratio (tCO_2e/FTE)	**1.17765**	0.87600

Energy efficiency action summary

Due to the COVID-19 pandemic Micro Focus Software UK Limited postponed the energy efficiency improvement projects to the coming financial years.

Methodology notes

Reporting period	1 November 2020 – 31 October 2021
Boundary (consolidation approach)	Operational approach
Alignment with financial reporting	SECR disclosure has been prepared in line with Micro Focus Software UK Limited's annual accounts made up to 31 October 2021.
Reporting method	GHG Emissions reporting are in line with the Greenhouse Gas (GHG) Protocol Corporate Accounting and Reporting Standard.
Emissions and Conversion factor source	DEFRA, 2021 for all emissions and conversion factors https://www.gov.uk/government/publications/greenhouse-gas-reporting-conversion-factors-2021
Calculation method	Activity Data x Emission Factor = GHG emissions Activity Data x Conversion Factor = kWh consumption
Conversion factor source	Federal Register EPA for natural gas and gasoline (petrol) https://www.ecfr.gov/cgi-bin/text-idx?SID=ae265d7d6f98ec86fcd8640b9793a3f6&mc=true&node=pt40.23.98&rgn=div5#ap40.23.98_138.1 U. S. Energy Information Administration for diesel https://www.eia.gov/totalenergy/data/monthly/pdf/sec12_2.pdf
Other relevant information on calculation	7% of the electric power consumption was based on estimated data. Scope 1 transport emissions were calculated from mileage data into kWh and litres using DEFRA 2021 factors. The electric power consumption of an electric vehicle for 3,146 miles in not included in the emissions table to avoid double counting, as we had no information on the location of the charging station. Scope 3 transport emissions data was calculated from expense claims after personal car mileage, and short-term car rentals. The expense claims were divided between petrol and diesel using VEH0203. The mileage expense was converted from pounds into mileage using the tax rates per business mile (https://www.gov.uk/expenses-and-benefits-business-travel-mileage/rules-for-tax) and then converted into kWh and litres using DEFRA 2021 factors. The car rental expenses were converted into litres using the average weekly fuel prices of the reporting period (https://www.gov.uk/government/statistics/weekly-road-fuel-prices). This is a likely overestimation of the fuel usage.
Information on the intensity ratios	Micro Focus Software UK Limited uses the total area of our sites in square feet and the number of full-time employees at the participating sites in the report's financial year, as these metrics are the best aligned to the nature of our business.
Rounding	Due to rounding there might be a minor difference compared to the actual GHG emissions.

Streamlined Energy and Carbon Reporting (SECR) Disclosure for Autonomy Systems Limited

The SECR disclosure presents the Company's carbon footprint within the United Kingdom across Scope 1, 2 and to some extent Scope 3 emissions, an appropriate intensity metric, the total energy use of electricity, gas and transport fuel and an energy efficiency actions summary taken during the relevant financial year.

	Year to 31 October 2021	Year to 31 October 2020
Energy consumption used to calculate emissions (kWh)	**1,228,772**	1,022,232
Emissions from combustion of gas (Scope 1) tCO_2e	**111**	68
Emissions from combustion of fuel for transport purposes (Scope 1) tCO_2e	**0**	0
Emissions from business travel in rental cars or employee-owned vehicles where the Company is responsible for purchasing the fuel (Scope 3) tCO_2e	**0**	0
Emissions from purchased electricity (Scope 2, location-based) tCO_2e	**131**	151
Total gross tCO_2e based on above	**242**	219
Intensity ratio (tCO_2e/ft2)	**0.00507**	0.00459
Intensity ratio (tCO_2e/FTE)	**2.57447**	2.19000

Energy efficiency action summary

Due to the COVID-19 pandemic Autonomy Systems Limited postponed the energy efficiency improvement projects to the coming financial years.

Methodology notes

Reporting period	1 November 2020 – 31 October 2021
Boundary (consolidation approach)	Operational approach
Alignment with financial reporting	SECR disclosure has been prepared in line with Autonomy Systems Limited's annual accounts made up to 31 October 2021.
Reporting method	GHG Emissions reporting are in line with the Greenhouse Gas (GHG) Protocol Corporate Accounting and Reporting Standard.
Emissions and Conversion factor source	DEFRA, 2021 for all emissions and conversion factors https://www.gov.uk/government/publications/greenhouse-gas-reporting-conversion-factors-2021
Calculation method	Activity Data x Emission Factor = GHG emissions Activity Data x Conversion Factor = kWh consumption
Conversion factor source	Federal Register EPA for natural gas and gasoline (petrol) https://www.ecfr.gov/cgi-bin/text-idx?SID=ae265d7d6f98ec86fcd8640b9793a3f6&mc=true&node=pt40.23.98&rgn=div5#ap40.23.98_138.1
Information on the intensity ratios	Autonomy Systems Limited uses the total area of our sites in square feet and the number of full-time employees at the participating sites in the report's financial year, as these metrics are the best aligned to the nature of our business.
Rounding	Due to rounding there might be a minor difference compared to the actual GHG emissions.

Locations and approach taken

Actual emissions data used 40 properties/locations, has increased to 67.7% of our global operational footprint – Sydney (Australia), Canberra (Australia), Melbourne (Australia), Bangalore x 3, (India), Barcelona (Spain), Beijing (China), Belfast x 2, (Northern Ireland), Bellingham (US), Cambridge (UK), Dalian (China), Dublin (Ireland), Düsseldorf (Germany), Galway (Ireland), Haifa (Israel), Hanau (Germany), Hillsboro (US), Johannesburg (South Africa), Kiev (Ukraine), León (Spain), Linz (Austria), Milan (Italy), Mumbai (India), Newbury x 2, (UK), Prague (Czech Republic), Provo x 2, (US), Rome (Italy), São Paulo (Brazil), Shanghai (China), Singapore (Singapore), Sofia (Bulgaria), Stockholm (Sweden), Troy (US) and Yehud (Israel).

The following locations are out of scope due to size and/or lack of availability of information: Where the data is not available, the same intensity ratio is used for the location on a headcount basis. Average UK CO_2/employee multiplied by headcount – Abu Dhabi (United Arab Emirates), Aguadilla (Puerto Rico), Ahaus (Germany), Alpharetta (United States), Ankara (Turkey), Ballerup (Denmark), Boeblingen (Germany), Bucharest (Romania), Cambridge, (United States), Chennai (India), Chongqing (China), Cluj x 2, (Romania), Costa Mesa (US), Dornach (Germany), Dubai (United Arab Emirates), Dubai (UAE), Erskine (United Kingdom), Espoo (Finland), Fort Collins (United States), Geneva (Switzerland), Gurgoan (India), Heredia (Costa Rica), Hong Kong (China), Houston (US), Istanbul (Turkey), Jakarta (Indonesia), Lisbon (Portugal), Loveland (US), Madrid (Spain), Montreal (Canada), Moscow (Russian Federation), Nagoya (Japan), New York (US), Osaka (Japan), Oslo (Norway), Ottawa (Canada), Paris (France), Pittsburg (United States), Plano (United States), Pleasanton (United States), Ratingen (Germany), Rockville (US), Rotterdam (Netherlands), Santa Clara (US), Seattle (US), Seoul (South Korea), Shenzhen (China), South Euclid (US), Tacoma (US), Taguig (Philippines), Tlaquepaque (Mexico), Taipei (Taiwan), Tokyo (Japan), Toronto (Canada), Utrecht (Netherlands), Vienna (Austria), Vienna (US), Vilvoorde (Belgium), Wallisellen (Switzerland) and Wroclaw (Poland).

The following locations are sub-let in their entirety and are out of scope for this year's report: Bracknell (UK) and Richmond (UK).

Intensity ratio

To achieve a global picture of emissions, whilst recognising that not all locations can be in scope, an intensity ratio of CO_2 per tonne/per head has been used. As not all entities are revenue generating and not all can calculate emissions, this ratio should demonstrate a more comprehensive assessment.

Statutory and other required disclosures

Financial instruments

The exposure of the Group to financial risks, including the use of financial instruments and policies for hedging and the exposure to price, credit, cash flow and liquidity risk, can be found in note 24 to the financial statements.

Post balance sheet events

Post balance sheet events have been reported in note 33 of the financial statements.

Research and development

All expenditure on research is expensed as incurred. The Group capitalises development expenditure from the point that all the relevant criteria are met. The capitalised cost is then amortised over the useful life of the software. During the year ended 31 October 2021, $521.8m was charged to the consolidated statement of comprehensive income (2020: $513.6m) in the research and development expenses category. This charge is after capitalisation of internal development expenditure of $19.1m (2020: $16.2m). Within the cost of sales category $19.6m of amortisation of development costs (2020: $23.5m) and $257.2m of amortisation of purchased intangibles technology (2020: $190.2m) were charged to the consolidated statement of comprehensive income.

Political donations

In line with the Group's policy, no donations were made to, or expenditure incurred in respect of, EU or non-EU political parties during the year (2020: $nil).

Branches

The Company had no branches in existence during the year under review and to the date of this report. The Group, through its subsidiaries, has branches in a number of jurisdictions. Further details are included in note 34.

Listing Rules disclosures

In fulfilment of its obligations under Listing Rule 9.8.4.R, the Company provides the following disclosures:

	Areas for disclosure	Location of details in the Annual Report and Accounts
(1)	Interest capitalised	Not applicable
(2)	Publication of unaudited financial information	Strategic report, Chief Financial Officer's report, Alternative Performance Measures
(4)	Detail of any long-term incentive schemes	Directors' Remuneration report
(5)	Waiver of emoluments by a director	Not applicable
(6)	Waiver of future emoluments by a director	Not applicable
(7)	Non pre-emptive issues of equity for cash	Note 25 to the Group's consolidated financial statements
(8)	Non pre-emptive issues of equity for cash by any unlisted major subsidiary undertaking	Not applicable
(9)	Parent Company participation in a placing by a listed subsidiary	Not applicable
(10a)	Contracts of significance to which the Company is a party and in which a director is materially interested	Not applicable
(10b)	Contracts of significance between a Company and a controlling shareholder	Not applicable
(11)	Provision of services by a controlling shareholder	Not applicable
(12)	Shareholder waiver of dividends	Dividends, page 120
(13)	Shareholder waiver of future dividends	Dividends, page 120
(14)	Agreements with controlling shareholders	Not applicable

Annual General Meeting

The notice convening the AGM of the Company together with the explanatory notes on the resolutions proposed at the AGM accompanies this report. The meeting will be held at the Company's headquarters at The Lawn, 22-30 Old Bath Road, Newbury, Berkshire RG14 1QN at 3pm (UK time) on 30 March 2022. Due to on-going uncertainty relating to the COVID-19 pandemic, the Company may need to adapt the format of the AGM and any changes to the arrangements will be communicated via a RNS announcement and the AGM page of the Company's website (www.microfocus.com/en-us/investors).

Independent auditor

KPMG LLP has indicated its willingness to continue as the auditor of the Group and, as explained in the Audit committee report on pages 92 and 93, a resolution regarding KPMG LLP's appointment will be proposed at the AGM.

Disclosure of information to auditor

The directors who held office at the date of approval of this Directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the Company's auditor is unaware; and each director has taken all the steps that he/she ought to have taken as a director to make himself/herself aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

Going concern

In line with IAS 1 'Presentation of financial statements', and the FRC guidance on 'risk management, internal control and related financial and business reporting', management has taken into account available information about the future for a period of at least, but not limited to, 12 months from the date of approval of the consolidated financial statements when assessing the Group's ability to continue as a going concern.

The Strategic report on pages 08 to 31 includes information on the Group's market, structure, strategy and business model. The Chief Financial Officer's report on pages 48 to 59 includes information on our Group financial results, financial outlook, cash flow and net debt, and the balance sheet position. This report also covers the agreed disposal of the Digital Safe business for estimated net consideration of $335m. The transaction completed on 31 January 2022, therefore this going concern assessment is prepared for the Group excluding the Digital Safe business.

The Group manages solvency and liquidity as part of its budgeting and performance management. The Group's forecasting and planning cycle consists of a budget and a long-range plan which are used to generate income statement and cash flow projections. The cash flow projections also forecast the headroom on the Groups undrawn Revolving Credit Facility ("RCF") and expected net leverage. Actual and forecast liquidity are reviewed at least weekly by the Group's working capital management group which reports to the Chief Financial Officer.

In making this assessment, the directors considered the Group's liquidity and solvency position. Since the year end the Group has refinanced $1.6bn of the 2024 term loans extending the maturity until 2027 and extended its RCF by 18 months to December 2026, reducing the facility to $250m and increasing the Group's ability to utilise the facility. See note 18 for further details of the Groups borrowings, including the RCF, and the refinancing. Whilst the Group has quarterly instalment payments due and, dependent on leverage, may be subject to an excess cash sweep against its external borrowing in the period to February 2023 the Group has no term loans maturing until June 2024. Under the amended RCF agreement the net leverage covenant applies when the RCF is more than 40% drawn at a quarter end. Under the Group's forecast the RCF is not forecast to be drawn in the period to February 2023, nor in the viability period; see statement on long-term viability on page 60, and therefore no tests of this covenant are expected to apply.

Also, in assessing liquidity, the board considered the reported net current liability position of $255.7m at 31 October 2021. This is the result of $984.6m of advance billing for services which is required to be recognised as a contract liability. The cost of delivering these services is fully included in the Group's forecasting and sensitivities.

Sensitivity

In assessing going concern, the Group has estimated the financial impact of the severe but plausible scenarios considered in assessing viability on the going concern assessment period. The scenarios considered are described further in the Group's statement on long-term viability on page 60. This stress testing confirmed that existing projected cash flows and cash management activities provide us with significant headroom over the going concern assessment period. In addition, under the severe but plausible scenarios, there is no point at which the Group would likely need to draw upon the RCF in the period to February 2023 and therefore the covenant test on the RCF would not be expected to apply.

In reaching its conclusion on the going concern assessment, the directors also considered the findings of the work performed to support the statement on the long-term viability of the Group, see page 60.

Conclusion

Having performed the assessments discussed above, the directors considered it appropriate to adopt the going concern basis of accounting when preparing the consolidated and Company financial statements. This assessment covers the period to February 2023, which is consistent with the FRC guidance.

By order of the board,

Suzanne Chase
Company Secretary
7 February 2022

Micro Focus International plc
Registered office:
The Lawn,
22-30 Old Bath Road
Newbury
Berkshire RG14 1QN

Registered in England
Company number: 5134647

Statement of directors' responsibilities

The directors are responsible for preparing the Annual Report and the Group and parent Company financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare Group and parent Company financial statements for each financial year. Under that law they are required to prepare the Group financial statements in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006 and applicable law, including FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland. In addition, the Group financial statements are required under the UK Disclosure Guidance and Transparency Rules to be prepared in accordance with International Financial Reporting Standards adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union ("IFRSs as adopted by the EU").

Under company law, the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and parent Company and of the Group's profit or loss for that period. In preparing each of the Group and parent Company financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable, relevant, reliable and prudent;
- for the Group financial statements, state whether they have been prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006 and International Financial Reporting Standards adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union ("IFRSs as adopted by the EU");
- for the parent Company financial statements, state whether applicable UK accounting standards have been followed, subject to any material departures disclosed and explained in the parent Company financial statements;
- assess the Group and parent Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the Group or the parent Company or to cease operations, or have no realistic alternative but to do so.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the parent Company's transactions and disclose with reasonable accuracy at any time the financial position of the parent Company and enable them to ensure that its financial statements comply with the Companies Act 2006. They are responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

Under applicable law and regulations, the directors are also responsible for preparing a Strategic report, Directors' report, Directors' Remuneration report and Corporate governance statement that complies with that law and those regulations.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Responsibility statement of the directors in respect of the annual financial report

On behalf of the board of directors, we confirm that to the best of our knowledge:

- the financial statements, prepared in accordance with the applicable set of accounting standards, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company and the undertakings included in the consolidation taken as a whole; and
- the Strategic report and the Directors' report include a fair review of the development and performance of the business and the position of the Company and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face.

Stephen Murdoch
Chief Executive Officer

Matt Ashley
Chief Financial Officer