Using our skills to support the communities we touch

We want our people and partners to be proud to be associated with us

Chairman's overview


JM BARRY GIBSON

"I feel proud to be handing over to Tommy Breen a Board that understands the need to be accountable to our shareholders for ensuring that governance processes are in place and are effective, and which is fully committed to meeting the required standards of corporate governance."

Dear Shareholder

I am pleased to present this year's Corporate governance report which is my last as Chairman. As a Board, we continue to believe that good corporate governance and doing business responsibly underpin good business performance. I feel proud to be handing over to Tommy Breen a Board that understands the need to be accountable to our shareholders for ensuring that governance processes are in place and are effective, and which is fully committed to meeting the required standards of corporate governance.

Purpose and Board focus

Our purpose is to make home repairs and improvements easy, and I believe that clarity of purpose makes it easier for the Board to operate and make decisions.

During the year the Board continued to focus on promoting a disciplined approach to investing for growth, guided by our purpose and our ambition to be able to do every job, in every home but we have also increasingly focused on our responsibilities, particularly in respect of our environmental impact. I was pleased to be able to take on the role of Chairman of a newly formed Group Corporate Responsibility Committee, made up of representatives from our operating businesses, which has been instrumental in developing our plans. The Board has now approved our Environment Policy and targets along with a Responsible Business Policy. I believe that formalising our ESG approach in this way is a positive step in demonstrating our commitment to these important issues.

Operational resilience and future growth have been key themes at our meetings during FY21. We are encouraged by the progress being made at Checkatrade and continue to believe in our growth prospects in North America. Considerable time has been spent discussing international development and having carefully considered our options, the Board agreed that adopting a 'near neighbour' strategy focusing on adjacent territories such as Canada, Belgium and Portugal was the optimum way to proceed.

I feel it is always important to review past decisions as well as looking to the future. The Board's review of our investment in the eServe customer relationship management system in the UK led us to conclude that we should write down that investment and move forward in a different way, taking into account the learnings from our other Membership businesses.

Leadership and board effectiveness

As a Board, we need to ensure that we have the right people and leadership to deliver our strategy and plans. Talent is an ongoing challenge in a growing business and the Board and the People Committee have encouraged management to ensure that we have the right resource to support our stretching plans for growth. We are making good progress in identifying new talent and in developing our internal talent.

I am proud of how the business has reacted to the COVID pandemic. The way in which the leadership team and the workforce rose to the multiple uncertainties presented by the crisis epitomised our three key cultural behaviours of courage, persistence and integrity.

It has been a testing year for all Boards and like others, we have had to change the way we operate to accommodate local lockdowns. Board meetings by video have been a real learning opportunity but I feel we have faced the change positively and have been able to maintain an engaged and supportive environment in our virtual Boardroom. It is a credit to the Board that we have been able to recruit a new Chairman, Tommy Breen, a new Executive Director, Ross Clemmow and a new Non-Executive Director, Roisin Donnelly, while working remotely. We are all looking forward to a time when we can meet together in one physical location.

During the year, a questionnaire-based review of the Board and its committees was facilitated by Lintstock Limited. Further detail on the review is provided on page 75. Based on this review and my experience as Chairman, I am satisfied that the Board and its Committees are performing efficiently and that there is an appropriate balance of skills, experience, knowledge and independence to enable the Board to discharge its duties effectively.

Board changes

I will be stepping down as Chairman on 18 May 2021 and Tommy Breen will take over. He is an experienced non-executive director and until 2017 was Chief Executive of DCC plc, the FTSE 100 listed international sales, marketing and support services group, where he spent a highly successful 30 year career. A chartered accountant by training, Tommy brings to HomeServe an extensive track record of delivering sustainable growth in a diverse, international business, both organically and by acquisition. Tommy joined the Board on 27 January 2021 and he and I have been working closely together since then to achieve a smooth handover of responsibilities.

In March, we welcomed Ross Clemmow as CEO EMEA and Roisin Donnelly as a Non-Executive Director. Ross brings considerable digital and consumer expertise to HomeServe's Executive team. Since 2019, he has fulfilled the dual role of CEO of WiggleCRC, the international online sports retailer, and Managing Director within the Operational Support Group of Bridgepoint, where he has been responsible for improving digital capability across Bridgepoint's portfolio. Prior to this, Ross held senior retail management roles at Debenhams and Argos. Ross's appointment frees up Tom Rusin to focus on a US-based role as Chief Executive, North America, with responsibility there for Membership and HVAC. Tom retains global product responsibility for utility-based Membership.

Roisin spent 30 years with Procter & Gamble and has undertaken advisory roles with Facebook, John Lewis and Coca-Cola European Partners, along with non-executive positions with family owned, private equity backed and listed businesses and this has enabled her to add immediate value to our Board discussions.

Future outlook

The COVID pandemic has created great uncertainty for businesses across the world and there will no doubt be further difficult times ahead. Our appreciation of our homes has never been greater which means our purpose of making home repairs and improvements easy has never been more relevant. I feel sure that continued discipline and focus at Board level will help HomeServe thrive despite the challenging environment and I wish all of my colleagues every success in the future.

JM Barry Gibson
Chairman
18 May 2021

Compliance and other statements

Compliance with the UK Corporate Governance Code

The principles set out in the UK Corporate Governance Code ('the Code') emphasise the value of good corporate governance to the long-term sustainable success of listed companies. These principles, and the supporting provisions cover five broad themes and the Board is responsible for ensuring that the Company has appropriate frameworks in place to comply with the requirements of the Code.

The Board believes that throughout FY21, the Company has applied the principles and complied with the majority of the relevant provisions of the Code. We did not comply with provisions 9 and 19 as our Chairman, Barry Gibson has served on the Board since 2004 and has been Chairman since 2010. Barry steps down from the Board on 18 May 2021 and will be replaced as Chairman by Tommy Breen who joined the Board in January 2021 and is independent. In addition, we did not comply with provision 38 as the pension contributions paid in respect of two of our Executive Directors are not aligned to those available to the workforce. Pension contributions for the Directors concerned will be reduced to the level of the workforce at the end of December 2022.

The Code is available at **www.frc.org.uk**

Application of UK Corporate Governance Code Principles

The Code has placed increased emphasis on "apply and explain" with regard to the Principles of the Code. Our explanations about how we have applied the main principles of the Code can be found as follows:

Board leadership and company purpose

Principle A A successful company is led by an effective and entrepreneurial board, whose role is to promote the long-term sustainable success of the company, generating value for shareholders and contributing to wider society.	Strategic report pages 2 to 56. Governance pages 57 to 123. Directors' remuneration report pages 92 to 118.
Principle B The board should establish the company's purpose, values and strategy, and satisfy itself that these and its culture are aligned. All directors must act with integrity, lead by example and promote the desired culture.	Strategic report pages 2 to 56. Board leadership and company purpose pages 63 to 66. Division of responsibilities pages 67 to 70. Directors' remuneration report pages 92 to 118.
Principle C The board should ensure that the necessary resources are in place for the company to meet its objectives and measure performance against them. The board should also establish a framework of prudent and effective controls, which enable risk to be assessed and managed.	Responsible business pages 20 to 31. Principal risks and uncertainties pages 32 to 37. Section 172(1) statement pages 52 to 53. Audit, risk and internal control pages 81 to 83. Audit & Risk Committee report pages 84 to 91.
Principle D In order for the company to meet its responsibilities to shareholders and stakeholders, the board should ensure effective engagement with, and encourage participation from, these parties.	Responsible business pages 20 to 31. Section 172(1) statement pages 52 to 53. Shareholder relations page 66.
Principle E The board should ensure that workforce policies and practices are consistent with the company's values and support its long-term sustainable success. The workforce should be able to raise any matters of concern.	Responsible business pages 20 to 31. Section 172(1) statement pages 52 to 53. Board leadership and company purpose pages 63 to 66. Directors' remuneration report pages 92 to 118.

Division of responsibilities

Principle F	
The chair leads the board and is responsible for its overall effectiveness in directing the company. They should demonstrate objective judgement throughout their tenure and promote a culture of openness and debate. In addition, the chair facilitates constructive board relations and the effective contribution of all non-executive directors, and ensures that directors receive accurate, timely and clear information.	Board leadership and company purpose pages 63 to 66. Division of responsibilities pages 67 to 70.
Principle G	
The board should include an appropriate combination of executive and non-executive (and, in particular, independent non-executive) directors, such that no one individual or small group of individuals dominates the board's decision-making. There should be a clear division of responsibilities between the leadership of the board and the executive leadership of the company's business.	Division of responsibilities pages 67 to 70. Board biographies pages 71 to 72.
Principle H	
Non-executive directors should have sufficient time to meet their board responsibilities. They should provide constructive challenge, strategic guidance, offer specialist advice and hold management to account.	Board leadership and company purpose pages 63 to 66. Division of responsibilities pages 67 to 70. Audit & Risk Committee report pages 84 to 91.
Principle I	
The board, supported by the company secretary, should ensure that it has the policies, processes, information, time and resources it needs in order to function effectively and efficiently.	Responsible business pages 20 to 31. Board leadership and company purpose pages 63 to 66. Division of responsibilities pages 67 to 70. Audit, risk and internal control pages 81 to 83. Audit & Risk Committee report pages 84 to 91. Directors' remuneration report pages 92 to 118

Composition, succession and evaluation

Principle J	
Appointments to the board should be subject to a formal, rigorous and transparent procedure, and an effective succession plan should be maintained for board and senior management. Both appointments and succession plans should be based on merit and objective criteria and, within this context, should promote diversity of gender, social and ethnic backgrounds, cognitive and personal strengths.	Nomination Committee report pages 76 to 78. Composition, succession and evaluation page 71 to 80.
Principle K	
The board and its committees should have a combination of skills, experience and knowledge. Consideration should be given to the length of service of the board as a whole and membership regularly refreshed.	Board biographies pages 71 to 72.
Principle L	
Annual evaluation of the board should consider its composition, diversity and how effectively members work together to achieve objectives. Individual evaluation should demonstrate whether each director continues to contribute effectively.	Nomination Committee report pages 76 to 78. Composition, succession and evaluation page 71 to 80.

Audit, risk and internal control

Principle M	
The board should establish formal and transparent policies and procedures to ensure the independence and effectiveness of internal and external audit functions and satisfy itself on the integrity of financial and narrative statements.	Audit, risk and internal control pages 81 to 83. Audit & Risk Committee report pages 84 to 91.

Compliance and other statements

Audit, risk and internal control

Principle N The board should present a fair, balanced and understandable assessment of the company's position and prospects.	Strategic report pages 2 to 56. Audit, risk and internal control pages 81 to 83. Audit & Risk Committee report pages 84 to 91. Financial statements pages 136 to 207.
Principle O The board should establish procedures to manage risk, oversee the internal control framework, and determine the nature and extent of the principal risks the company is willing to take in order to achieve its long-term strategic objectives.	Principal risks and uncertainties pages 32 to 37. Viability statement pages 54 to 55. Audit, risk and internal control pages 81 to 83. Audit & Risk Committee report pages 84 to 91.

Remuneration

Principle P Remuneration policies and practices should be designed to support strategy and promote long-term sustainable success. Executive remuneration should be aligned to company purpose and values, and be clearly linked to the successful delivery of the company's long-term strategy.	Strategic report pages 2 to 56. Board leadership and company purpose pages 63 to 66. Directors' remuneration report pages 92 to 118.
Principle Q A formal and transparent procedure for developing policy on executive remuneration and determining director and senior management remuneration should be established. No director should be involved in deciding their own remuneration outcome.	Directors' remuneration report pages 92 to 118.
Principle R Directors should exercise independent judgement and discretion when authorising remuneration outcomes, taking account of company and individual performance, and wider circumstances.	Directors' remuneration report pages 92 to 118.

Viability and going concern

Statements in respect of viability and going concern are set out on pages 54 to 55.

Robust assessment of emerging and principal risks

The Board confirms that it has carried out a robust assessment of the emerging and principal risks facing the Group (including those which would threaten the business model, future performance, solvency, liquidity or reputation), its appetite with respect to those risks and the systems required to mitigate and manage them. Details on the review process are set out on pages 88. Further details on the emerging and principal risks and uncertainties can be found on page 32 to 37.

Annual review of systems of risk management and internal control

The Board monitored the Group's systems of risk management and internal control and carried out a review of their effectiveness. The Board concluded that overall, these systems were effective. Details on the review process are set out on pages 81 to 83.

Fair, balanced and understandable

The Directors consider that, taken as a whole, this Annual Report is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group's position, performance, business model and strategy. Details on the process for arriving at this conclusion are set out on page 88.

Section 172(1)

The Directors have performed their duty under Section 172(1) of the Companies Act 2006. The statement on how this duty has been fulfilled is contained in the Strategic report on pages 52 to 53.

Board leadership and company purpose

The Board

The Board is responsible for the effective leadership and long-term success of the Group and our purpose is at the heart of Board discussions. As a Board we regularly discuss and review:

- Our business model and its sources of value that give us advantage
- Our business performance and our progress towards our strategic goals
- Our customers and how we can ensure that they are at the heart of everything we do
- Our people and how we can develop and support them to provide the service our customers expect
- Our stakeholders and how we engage with them
- Our governance and controls.

HomeServe's business model is based on five key sources of value – partnerships, marketing expertise, customer service, local networks and financial resources and expertise. The Board discusses all of these, and their potential impacts, on a regular basis but the focus changes depending on business priorities and where the biggest potential lies. This year, the Board has spent time reviewing and challenging our growth plans, particularly in North America and Home Experts. There has also been continued focus on the plan to acquire HVAC businesses in each of our territories with the Board regularly reviewing the development of the strategy along with the performance of acquired businesses.

As well as looking for new opportunities, the Board also reviews existing activity and considers whether there is anything that the business should stop doing. During the year, having reviewed the international development opportunities and considered whether the capital allocation to this activity would create the most value for shareholders, it was agreed that international development should be limited in the near term to adjacent territories. As a result of this decision, the international business development team was disbanded.

There has been increased focus on our role as a responsible business over the last year and the Board has spent time discussing and agreeing a new Environment Policy and targets and a framework for a Responsible Business Policy. The Whistleblowing Policy has also been reviewed and a decision taken to move the reporting hotline to a new provider with the aim of making it easier for our people to access the service and share any concerns. In addition, a Group wide approach to Modern Slavery has been discussed and a new statement agreed.

Board leadership and company purpose
Continued

Board activity in FY21

Strategy, operations and finance

- Received regular updates from the Executives on trading performance
- Approved the annual budget and business plan
- Reviewed and approved the Group's FY20 and half year FY21 results (including dividends)
- Approved the FY20 Annual Report (including a fair, balanced and understandable assessment) and 2020 AGM Notice
- Reviewed the Group's debt, capital and funding arrangements including the US private placement funding
- Received updates on business plans and strategic initiatives (Checkatrade, Membership, Habitissimo)
- Considered a number of international development opportunities and agreed to focus on adjacent territories.
- Discussed opportunities for automation
- Reviewed our investment in the eServe customer relationship management system and agreed to write it down
- Received regular updates on M&A activity
- Received updates on technology related developments
- Discussed and evaluated the ongoing delivery of the HVAC strategy
- Discussed the competitor landscape
- Reviewed and discussed customer insight from a number of the Group's businesses.

Leadership and people

- Reviewed the succession plan for the Non-Executive Directors
- Considered organisational design and approved changes required to deliver the Group's strategy including the appointment of Ross Clemmow as CEO EMEA to allow Tom Rusin to focus on the growth opportunity in North America
- Discussed the talent pipeline and in particular, how diversity could be improved
- Received regular updates from the Chair of the People Committee
- Received updates on health & safety.

ESG

- Approved a Responsible Business Policy
- Discussed environmental strategy and approved a new policy and targets for our scope 1 & 2 carbon footprint
- Received updates on ESG activity in each of the businesses.

Internal control and risk management

- Reviewed the principal risks and uncertainties
- Reviewed and confirmed the Group's viability statement and going concern status
- Reviewed and validated the effectiveness of the Group's systems of internal controls and risk management
- Considered and approved the Group's tax strategy.

Governance and legal

- Received updates on corporate governance developments
- Reviewed the matters reserved for the Board and the terms of reference of its Committees
- Received reports on engagement with investors and other stakeholders
- Conducted an externally facilitated evaluation of the Board's effectiveness and discussed the outcome
- Received regular reports from the Chair of the Audit & Risk Committee.

Our purpose, values and culture

Our purpose is to make home repairs and improvements easy and this is underpinned by our values. The culture set by the Board is intended to deliver performance and growth whilst maintaining high standards of business conduct. Central to our focus on culture has been the development of the HomeServe Way (see page 25) which sets out the essential behaviours, skills and knowledge needed to be effective at HomeServe, based on the fundamentals of courage, persistence and integrity.

Stella David has been appointed as the designated workforce engagement Director and also chairs the People Committee. This activity is covered in the People Committee report on pages 79 to 80.

The People Committee reviews the results of the regular employee engagement surveys and uses these reviews as the principal means of assessing the culture across the Group. Questionnaires are completed by employees on an anonymous basis and the process is facilitated by an external provider. More informal feedback is provided through the International People Forum which is made up of representatives from each of our businesses and meets regularly with Stella David.

The Board gains valuable insight and feedback from the Executive Directors in respect of the culture and behaviour across the Group and the internal audit function also considers culture as part of its reviews.

Our stakeholders

Engagement with our main stakeholders is summarised on pages 20 and 21 of the Strategic report.

Our business environment presents us with opportunities and challenges and it is vital for the Board to respond to these while continuing to grow our business and maintain our reputation. The Board seeks to understand the views of our stakeholders and engage with many of them to ensure that stakeholder interests can be considered during our discussions and decision making.

The importance and influence of stakeholder groups differs depending on the matter being discussed. It is possible for stakeholder interests to conflict and when this happens, the Board uses its judgement to reach a final decision.

The Board is advised of stakeholder views in a number of different ways:

- The monthly business review
- Business updates
- Presentations on strategic developments
- People Committee updates
- Succession plans
- Employee engagement survey results
- Annual General Meeting
- Corporate governance and regulatory development updates
- Presentations from external advisers and internal experts.

Detailed below are some examples of matters discussed during the year and how the Board considered our stakeholder groups.

Matter discussed	Stakeholder groups considered	How the Board or Committee had regard to stakeholders	Decisions
COVID pandemic response	Shareholders, employees, customers, community, government	Consideration was given to: • how we could maintain our services to customers (particularly vulnerable customers) during the crisis • how we could keep our workforce safe • how our core skills could be leveraged to support key workers • supporting our members and trades during financially uncertain times • the impact of these decisions on our ability to deliver our strategic plans and returns for shareholders.	Decision taken not to furlough staff, to launch services to support health workers in the UK during the crisis, to provide support for Membership customers facing financial hardship and suspending payment of subscriptions for Home Experts trades who were unable to work during lockdown.

Board leadership and company purpose
Continued

Matter discussed	Stakeholder groups considered	How the Board or Committee had regard to stakeholders	Decisions
Reviewing the international development strategy	Shareholders, employees	Consideration was given to: • investment opportunities elsewhere in the Group • the use of people resources • the risks in respect of entry into new countries • use of our capital and the impact on returns for shareholders.	Decision taken to focus international development on adjacent territories which can be managed by existing businesses.
Agreeing the Environment Policy and targets	The environment, shareholders, employees, government	Consideration was given to: • the impact of our operations on the environment • government regulations and targets • our reputation from a shareholder and employee perspective.	A new policy was agreed along with a target in respect of our Scope 1 and 2 carbon footprint.

Relations with shareholders

The Board, on the Company's behalf, recognises the need to maintain an active dialogue with its shareholders. The Chief Executive and Chief Financial Officer meet regularly with institutional investors and analysts to discuss the Company's performance and all shareholders have access to the Chairman and the other Directors, who are available to discuss any questions which they may have in relation to the running of the Company. Given the interest in the growth in North America, Tom Rusin, the CEO for that region, has also attended a number of meetings during the year.

During the year, there was a comprehensive programme of virtual meetings with large and small institutional investors which included both current and potential shareholders. All major shareholders were given the opportunity to meet with the Chairman during the year and three chose to do so. In addition, the Senior Independent Director (who chairs the Remuneration Committee) met with one shareholder.

We ensure that all Directors are fully aware of the views of major shareholders. Copies of all analysts' research relating to the Company are circulated to Directors upon publication. The Board receives a monthly Investor Relations report which includes an analysis of the Company's shareholder register as well as any feedback received from shareholders and analysts. Feedback is actively sought following the Interim and Preliminary Results presentations for discussion by the Board. Such feedback is very helpful in developing the narrative and data for subsequent presentations.

All resolutions were passed at the 2020 AGM with no significant adverse feedback received.

The Board encourages shareholders to attend the Annual General Meeting and is always willing to answer questions, either in the meeting itself or, more informally, afterwards. In addition, shareholders may contact HomeServe direct, either through the website or by telephone.

Whistleblowing

A Whistleblowing Policy is in place and allows employees, franchisees and sub-contractors who wish to raise any issues of concern relating to the Group's activities to do so on a confidential basis by contacting an external hotline. The decision was taken during the year to change the provider of the external hotline with a view to making it easier to access and to raise concerns. The Policy was also reviewed during the year and is available on our website: **www.homeserveplc.com/who-we-are/governance/policies**

All reports are formally investigated by the Assurance & Risk Director with support from relevant functions within the business. Incidents and their outcomes are reported to the Audit & Risk Committee and the Board. A number of calls were made to the external hotline during the year and management action was taken where appropriate. No issues were raised that required any direct action from the Board.

Division of responsibilities

The Chairman of the Board, Barry Gibson, is responsible for the effectiveness of the Board. He was independent on his appointment as Chairman in 2010 and will be stepping down on 18 May 2021. He will be succeeded by Tommy Breen who joined the Board as an Independent Non-Executive Director in January 2021.

The roles of the Chairman, Chief Executive and Senior Independent Director are clearly defined and written specifications are available on our website: **www.homeserveplc.com/who-we-are/governance**

Chairman	Chief Executive Officer	Senior Independent Director
Key responsibilities		
• The effective running of the Board • Direction and focus • Guardian of the decision making process • Providing challenge • Ensuring the Board receives accurate, timely and clear information • Maintaining relationships with Executive and Non-Executive Directors.	• Management of the Group • Developing and proposing strategy • Implementing Board decisions • Maintaining an active dialogue with the Chairman • Leading shareholder communication.	• Supporting the Chairman on governance issues • Acting as a sounding board for the Chairman and a trusted intermediary for other Directors • Leading the annual review of the Chairman's performance • Leading the process to find a new Chairman.

At least half of the Board, excluding the Chairman, are independent Non-Executive Directors; at the year end there were seven Non-Executive Directors (excluding the Chairman) and four Executive Directors. Six of the Non-Executive Directors are considered to be independent. Stella David is no longer considered to be independent as she has served on the Board for more than nine years. Shareholders were consulted before her appointment was renewed for one final term.

When Barry Gibson steps down as Chairman on 18 May 2021, there will be six Non-Executive Directors (excluding the new Chairman, Tommy Breen) and four Executive Directors.

Katrina Cliffe served as Senior Independent Director throughout the year.

All of the Non-Executive Directors provided independent challenge and oversight in respect of matters discussed at the Board and played an active role in the development of the strategy. As an example, they were instrumental in the decision taken to focus international development only in adjacent territories.

The Board

The Board has a Schedule of Matters specifically reserved to it for decision and has approved the written terms of reference of the various Committees to which it has delegated its authority in certain matters.

Matters reserved to the Board include:

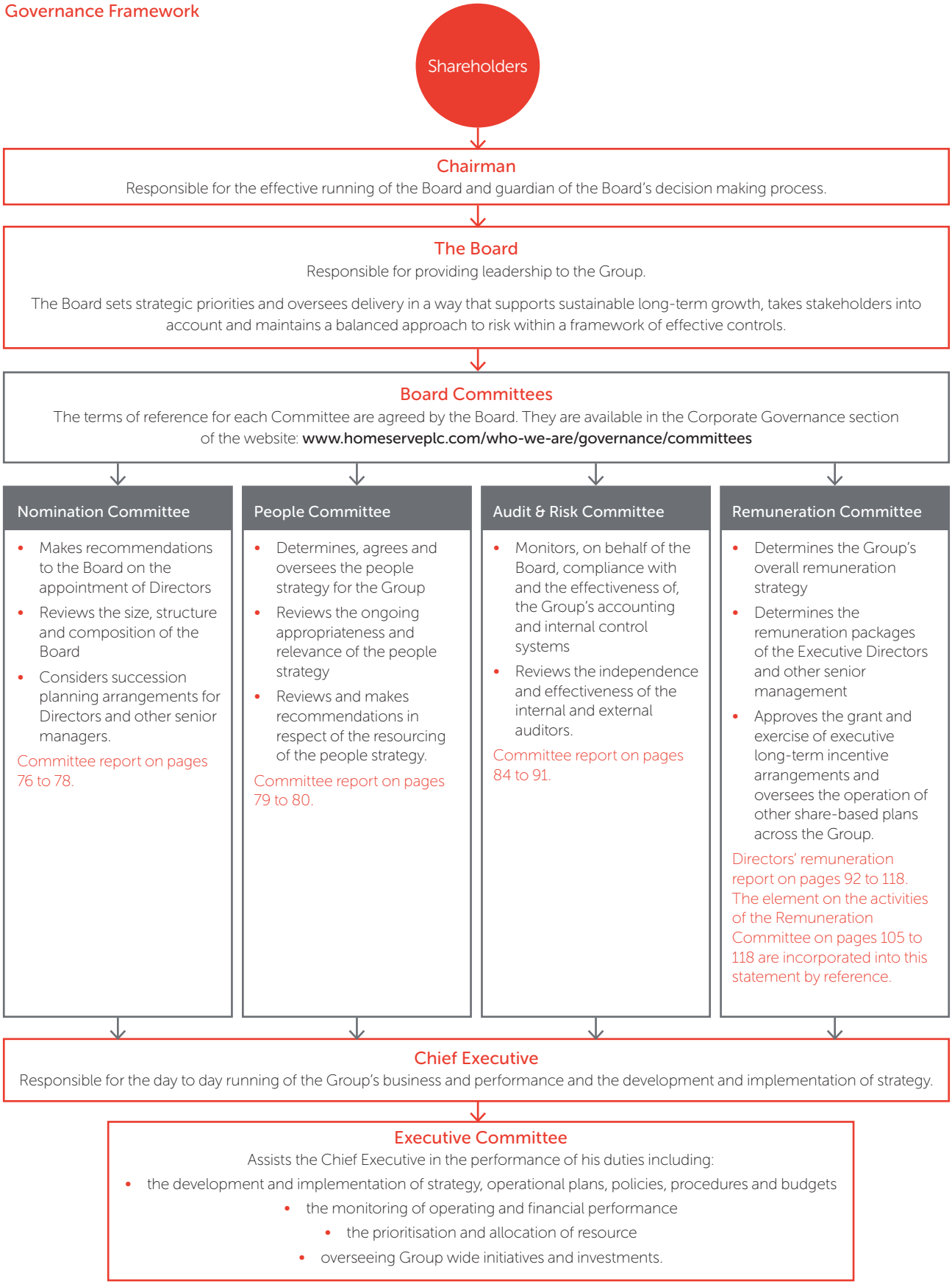
- the Company's future strategy
- the approval of major financial commitments
- the acquisition of significant companies or businesses
- the Company's internal controls
- the recommendation or approval of dividends
- the approval of preliminary and interim financial statements
- appointments to the Board and its Committees.

The full schedule is available on our website **www.homeserveplc.com/who-we-are/governance**

The Board has delegated certain of its responsibilities to the Committees of the Board. Further detail on the work of the Committees is provided later in the Annual Report. The terms of reference of each of the Board's Committees are available on our website **www.homeserveplc.com/who-we-are/governance/committees**

Division of responsibilities
Continued

Governance Framework



Time commitment

Time commitment is discussed with prospective Non-Executive Directors as part of the recruitment process. The Board is satisfied that all Non-Executive Directors have sufficient time to meet their commitment to the Company.

During the year, having stepped down as Chairman of C&J Clark Limited, in March 2021, Stella David was appointed as a Non-Executive Director of Domino's Pizza Group Plc and as Senior Independent Director of Entain plc. Having joined the Board of N Brown plc in 2013 and served as Senior Independent Director and Chairman of the Audit Committee, Ron McMillan became Chairman in March 2021.

Stella and Ron both discussed the proposed appointments with the Board during the recruitment process and it was agreed that, taking into account their other commitments, both had sufficient bandwidth to take on the roles.

Executive Directors may serve as a Non-Executive Director on one other board so long as this does not interfere with their time commitment to the Company. If they do serve, they may retain the fees. Richard Harpin is the founder and Director of Growth Partner LLP which invests in entrepreneurs and nurtures promising businesses. The business is run on a day-to-day basis by a Managing Partner. Ross Clemmow is a Non-Executive Director of London City Airport Limited, a position he held before he joined HomeServe.

Board and other meetings

Eight regular meetings are usually held each year to review and monitor current and forecast performance. Regular reports on monthly financial and operational performance and other matters of importance to the Group ensure that the Board is supplied in a timely manner with the information necessary to make informed judgements. In addition, the Board has an annual strategy meeting to devise and discuss the Company's medium and long-term strategic focus and management development strategy.

Regular formal and informal presentations are given in order to inform Directors of issues of importance affecting the Group. Under normal circumstances, meetings of the Board are occasionally held at the Company's operating sites other than Walsall, to afford the Board, particularly the Non-Executive Directors, the opportunity to meet with local management.

The Chairman and Non-Executive Directors meet at least annually without the Executives. In addition, the Senior Independent Director holds a private meeting of the Non-Executive Directors without the Chairman being present to assess his performance.

Attendance at meetings

All Directors are expected to attend all Board and relevant Committee meetings. Details of attendance by Directors at meetings during the year are set out in the table below. Directors who were unable to attend specific meetings reviewed the relevant papers and provided their comments to the Chairman of the Board or Committee. Any Director who misses a meeting will, as a matter of course, receive the minutes of that meeting for reference.

	Board	Audit & Risk Committee	Remuneration Committee	Nomination Committee	People Committee
D Bower	9/9				3/3
R Clemmow	2/2				
R Harpin	9/9				3/3
T Rusin	9/9				3/3
T Breen	3/3				
K Cliffe	9/9	3/3	6/6	3/3	3/3
S David	9/9		2/2	2/2	3/3
R Donnelly	1/1				
J M B Gibson	9/9		6/6	2/2	3/3
E Fitzmaurice	9/9	3/3	5/6	2/3	
O Grémillon	9/9		5/6		
R McMillan	9/9	3/3	6/6	3/3	2/3

Division of responsibilities
Continued

Executive Committee

Members

Richard Harpin (Chairman)
Bruce Aronow
David Bower
Ross Clemmow
Deb Dulsky
Mike Fairman
Guillaume Huser
Rob Judson
John Kitzie
Anna Maughan
Fernando Prieto
Tom Rusin

Responsibilities

The day to day running of the business rests with the Group Chief Executive, Richard Harpin. The Executive Committee assists the Chief Executive in the performance of his duties including:

- the development and implementation of strategy, operational plans, policies, procedures and budgets
- the monitoring of operating and financial performance
- the prioritisation and allocation of resources
- the oversight of group wide initiatives and investments.

The Committee has adopted formal terms of reference which are available on our website **www.homeserveplc.com/who-we-are/governance/committees**

Short biographies of the members of the Executive Committee who are not on the Board, are set out on page 73.

Composition, succession and evaluation

Board of Directors












1 JM Barry Gibson (69)
Chairman

Appointed to the Board: April 2004

Appointed as Chairman: April 2010 (stepping down in May 2021)

Committee memberships: Nomination (Chair), Remuneration, People

Barry was previously Group Retailing Director at BAA plc, Group Chief Executive of Littlewoods plc and Non-Executive Director of Somerfield plc, National Express plc, William Hill plc, SSP Group Ltd, bwin.party digital entertainment plc and Non-Executive Chairman of Harding Brothers Holdings Ltd.

Key areas of experience and contribution: Retailing, travel, leisure, general management with strong leadership skills

Principal current external appointments: Chairman of Entain plc

2 Richard Harpin (56)
Chief Executive

Appointed to the Board: May 2001

Committee memberships: Executive, People

Richard is the Founder and Chief Executive of HomeServe, which was set up in 1993 as a joint venture with South Staffordshire Group. Also the founder and Non-Executive Director of Growth Partner LLP, investing in and helping small consumer businesses to step change their growth and the Enterprise Trust, a charity that encourages young enterprise, apprenticeships and SME's. Previously a brand manager with Procter & Gamble, followed by management consultancy with Deloitte and his own company.

Key areas of experience and contribution: Consumer marketing, management consultancy, entrepreneurship and strong leadership skills

Principal current external appointments: Founder and Director of Growth Partner LLP

3 David Bower (49)
Chief Financial Officer

Appointed to the Board: February 2017

Committee memberships: Executive, People

David was appointed as Chief Financial Officer in February 2017. He joined HomeServe in 2005 and has undertaken a number of senior divisional and group finance roles including spending six years as Group Finance Director. Before HomeServe, he spent 12 years at Arthur Andersen, where he qualified as a Chartered Accountant, and then later Deloitte LLP.

Key areas of experience and contribution: Substantial experience in accountancy, audit, investor relations and mergers and acquisitions

Principal current external appointments: None

4 Ross Clemmow (46)
CEO, EMEA

Appointed to the Board: March 2021

Committee memberships: Executive

Prior to joining HomeServe, Ross fulfilled the dual role of CEO of WiggleCRC, the international online sports retailer, and Managing Director at Bridgepoint, where he was responsible for improving digital capability across Bridgepoint's portfolio. Prior to Bridgepoint, Ross held senior roles in digital retail with Argos & Debenhams and in consulting with Bain & Company. Ross started his career at Procter & Gamble in marketing.

Key areas of experience and contribution: Digital transformation, multi channel strategy, consumer marketing, private equity

Principal current external appointments: London City Airport Limited

Composition, succession and evaluation

Board of Directors

5 Tom Rusin (52)
CEO, North America

Appointed to the Board: May 2017

Committee memberships: Executive, People

Tom was appointed as CEO North America in 2021 following almost three years as Global CEO, HomeServe Membership and nearly seven years as Chief Executive Officer, HomeServe USA. Previously at Affinion Group where he undertook a number of roles culminating in three years as President and Chief Executive Officer of Affinion Group's North American Division. Before joining Affinion, he owned Just for Travel Inc. He was previously a Non-Executive Director of The Ambassador's Group.

Key areas of experience and contribution: Affinity marketing, extensive general management experience with people focused leadership skills

Principal current external appointments: None

6 Tommy Breen (62)
Non-Executive Director (Independent)

Appointed to the Board: January 2021 (takes over as Chairman in May 2021)

Committee memberships: Nomination, Remuneration, People

A chartered accountant by training and an experienced non-executive director, until 2017 Tommy was Chief Executive of DCC plc, the FTSE 100 listed international sales, marketing and support services group, where he spent a highly successful 30 year career.

Key areas of experience and contribution: Significant experience delivering sustainable growth in a diverse, international business, both organically and by acquisition

Principal current external appointments: Senior Independent Director of Essentra plc

7 Katrina Cliffe (54)
Senior Independent Director (Independent)

Appointed to the Board: May 2017

Committee memberships: Remuneration (Chair), Audit & Risk, Nomination, People

Katrina was previously General Manager at American Express Global Business Travel, EMEA, having been General Manager, Global Corporate Payments, UK. Prior to American Express she held senior roles at Lloyds TSB Group PLC, Goldfish Bank Ltd and MBNA International Bank.

Key areas of experience and contribution: Extensive sector relevant experience in financial and membership services in international consumer focused businesses, experience on other risk, audit and remuneration committees

Principal current external appointments: Non-Executive Director of London and Country Mortgages Limited and Naked Wines plc

8 Stella David (58)
Non-Executive Director (Not Independent)

Appointed to the Board: November 2010

Committee memberships: People (Chair)

Stella spent seven years as Chief Executive Officer of William Grant & Sons following more than 15 years with Bacardi Ltd where she undertook a number of roles including Regional President and culminating in five years as Global Chief Marketing Officer. She was a Non-Executive Director for seven years at Nationwide Building Society and for nine years at C&J Clarks Limited.

Key areas of experience and contribution: Marketing, drinks industry, experience in international consumer focused businesses and valuable leadership experience as a CEO

Principal current external appointments: Non-Executive Director of Bacardi Ltd, Norwegian Cruise Line Holdings and Domino's Pizza Group Plc and Senior Independent Director of Entain plc

9 Roisin Donnelly (59)
Non-Executive Director (Independent)

Appointed to the Board: March 2021

Committee memberships: People

Roisin spent over thirty years at Procter & Gamble. Having joined the business as an assistant brand manager, her last position was CMO of P&G, Northern Europe leading 72 brands across 6 markets. Prior to this she was UK CMO for P&G, leading the biggest media budget in the UK and leading digital and marketing innovation. She is a former non-executive director of two privately-owned businesses, Holland and Barrett Ltd and Bourne Leisure Holdings Ltd, and served as a non-executive director of Just Eat plc from 2016 to 2020.

Key areas of experience and contribution: Marketing, significant experience leading transformation and turnaround including major acquisitions and divestments, international

Principal current external appointments: Adviser to the Internet Advertising Bureau Ltd

10 Edward Fitzmaurice (58)
Non-Executive Director (Independent)

Appointed to the Board: May 2017

Committee memberships: Audit & Risk, Nomination, Remuneration

Edward was previously Chief Executive Officer of Hastings Insurance Group and part of the MBO team of that business in 2009. He served as the Non-Executive Chairman of Hastings Insurance Services Ltd until October 2015 and a Non-Executive Director of Hastings Group Holdings plc until March 2017. Prior to joining Hastings, he spent three years at HomeServe as Chief Executive of HomeServe Warranties. His earlier career was spent at Dixons plc and Anglo American.

Key areas of experience and contribution: Retailing, insurance, significant operational experience leading consumer focused businesses in regulated sectors

Principal current external appointments: None

11 Olivier Grémillon (41)
Non-Executive Director (Independent)

Appointed to the Board: March 2019

Committee memberships: Remuneration

Olivier is currently Vice President, Global Segments, at Booking.com. He was previously the Managing Director for Europe, the Middle East and Africa at Airbnb, having joined them as the Country Manager for France. He started his career in strategy consulting and worked for both Deloitte and McKinsey & Company.

Key areas of experience and contribution: Marketing, international development, product development, strategy and platform businesses

Principal current external appointments: Vice President, Global Segments, Booking.com

12 Ron McMillan (68)
Non-Executive Director (Independent)

Appointed to the Board: October 2017

Committee memberships: Audit & Risk (Chair), Remuneration, Nomination, People

A Chartered Accountant, Ron worked in PwC's assurance business for 38 years and has extensive knowledge and experience in auditing, financial reporting and governance. During his time at PwC, his roles included Global Finance Partner, Chairman of the North of England and Deputy Chairman and Head of Assurance for the Middle East.

Key areas of experience and contribution: Significant experience in accountancy and audit and as chair of other audit committees

Principal current external appointments: Senior Independent Director and Chairman of the Audit Committee of SCS PLC and B&M European Value Retail SA. Chairman of N Brown PLC

Executive Team








13 Bruce Aronow (55)
CEO, eLocal

Committee memberships: Executive

Bruce has served as Chief Executive Officer, eLocal, since 2008. Before eLocal, under the umbrella of Affiliated Managers Group, Bruce served as Managing Partner of Managers Investment Group and COO/CFO of Rorer Asset Management for ten years. Prior to that, Bruce spent over eleven years at PwC specialising in financial services where he left as a Partner.

Key areas of prior experience: Lead generation, digital marketing, finance and operations, investment management

Principal current external appointments: Member of the Board of Trustees for the Copeland Capital Funds and the PFM Multi-Manager Series Trust.

14 Deb Dulsky (50)
Global CEO, HVAC

Committee memberships: Executive

Deb was appointed as Global CEO, HVAC in November 2018 following nearly eight years in leadership positions at HomeServe USA, most recently as Chief Strategy Officer. Prior to joining HomeServe, Deb led the Marketing Solutions division in the Americas of Williams Lea and served in a number of roles in M&A and business development at Affinion Group. She was previously a Non-Executive Director of The Ambassadors Group.

Key areas of prior experience: Business development, M&A, marketing, international

Principal current external appointments: None

15 Mike Fairman (54)
CEO, Checkatrade

Committee memberships: Executive

Mike was appointed as Chief Executive Officer, Checkatrade in October 2018. Before joining HomeServe he was CEO of mobile phone network giffgaff noted for its pioneering online, community powered business model. Prior to giffgaff, Mike undertook a number of roles in O2 including starting and running O2's home broadband business. His early career was focused on marketing in the soft drinks and pet food sectors.

Key areas of prior experience: Marketing, digital transformation, entrepreneurial start-ups

Principal current external appointments: None

16 Guillaume Huser (54)
CEO, HomeServe France

Committee memberships: Executive

Guillaume was appointed as Chief Executive Officer, HomeServe France in April 2015. Previously at Affinion Group where he undertook a number of roles culminating in four years as President of Affinion Group's International Division. Before joining Affinion in December 2002, he spent 13 years at American Express firstly in finance, sales and business development roles and later in the Corporate Services Division where he was VP Commercial Card, Western Europe.

Key areas of prior experience: Financial services, business development, affinity marketing, international

Principal current external appointments: None

17 Rob Judson (37)
Global Chief Automation Officer, Membership

Committee memberships: Executive

Rob was appointed as Global Chief Automation Officer in January 2021 following two years as Global COO for HomeServe Membership. Rob began his HomeServe career in the UK in 2003, spending the first eight years in a variety of roles progressing from a front line contact centre employee to Head of Outsourcing in the UK. In 2011 Rob moved to HomeServe North America and assumed responsibility for the service delivery network, contact centre operations and customer experience across North America as EVP Customer Experience.

Key areas of prior experience: Customer experience, service delivery, contact centres, IT strategy, automation

Principal current external appointments: Trustee for Walsall FC Community Fund

18 John Kitzie (67)
CEO, HomeServe UK

Committee memberships: Executive

John joined HomeServe in 2012, initially as Chief Operating Officer and subsequently as CEO of HomeServe North America. He was appointed as CEO of HomeServe UK in September 2020. Prior to joining HomeServe, he served as Executive Vice President of Global Operations for Affinion Group where he was responsible for contact centres, fulfilment, merchandising, supply chain, procurement and telecommunications. Before joining Affinion Group, he served as President of Savemart and Senior Vice President of Vcommerce.

Key areas of prior experience: Retail, merchandise, service delivery, partner management

Principal current external appointments: None

19 Anna Maughan (51)
Company Secretary

Appointed as Company Secretary: July 2008

Committee memberships: Executive

Anna started her career at Severn Trent plc and joined South Staffordshire plc as Assistant Company Secretary in 1996. Following the demerger of HomeServe plc and South Staffordshire plc in 2004 she continued as Assistant Company Secretary of HomeServe plc, becoming Company Secretary in 2008.

Key areas of prior experience: Company secretarial, pensions

Principal current external appointments: Trustee of, and Secretary to, the industry wide Water Companies Pension Scheme

20 Fernando Prieto (55)
CEO, HomeServe Spain

Committee memberships: Executive

Fernando was appointed as Chief Executive Officer, HomeServe Spain in February 2018 having joined the Spanish claims business in 2008, undertaking a number of senior roles including Managing Director. Before joining HomeServe he undertook a number of roles in the insurance sector for CASER and MAPFRE including Chief Actuary, Business Development Director and Chief Marketing Officer.

Key areas of prior experience: Insurance, marketing, business development

Principal current external appointments: Trustee of Fundación Area XXI

Composition, succession and evaluation
Continued

Board composition
When Barry Gibson steps down on 18 May 2021, the Board will be comprised of seven Non-Executive Directors (including the Chairman) and four Executive Directors. The Non-Executive Directors have a diverse range of skills and experience which enables them to oversee business performance and provide constructive challenge. The Executive Directors have extensive commercial, financial and operational experience both within HomeServe and beyond.

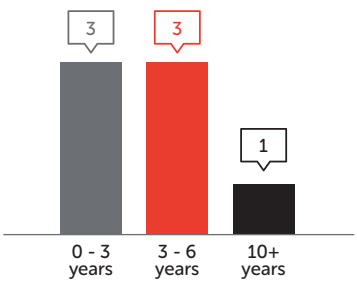
Short biographies of each of the Directors, including their membership of Committees, are set out on pages 71 to 72.

Board development
New members of the Board receive a tailored induction organised by the Company Secretary which usually includes visits to the different territories and operations. During the year, a comprehensive programme of video meetings was provided for new Directors and the intention is that once travel is once again permitted they will also complete some in person visits. Where required, training on legal and regulatory responsibilities is also provided.

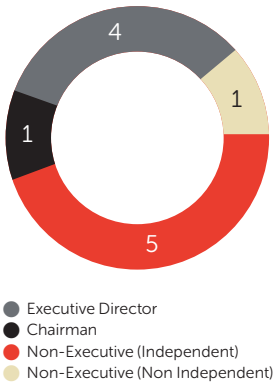
On an ongoing basis, Directors are encouraged to highlight specific areas where they feel their skills or knowledge would benefit from further development.

Succession
We recognise the importance of ensuring that there is an appropriate pool of talented and capable individuals to fill senior roles and a succession planning process has been established across the Group to facilitate this. The process identifies emergency, short-term and long-term successors for each role and therefore allows any training and development requirements or recruitment issues to be highlighted. Each business and corporate function prepares and maintains succession plans with the support of local and Group People functions and with input from the Group Chief Executive. The Executive Committee regularly discusses the plans and the Board as a whole reviews the high level plan at least annually.

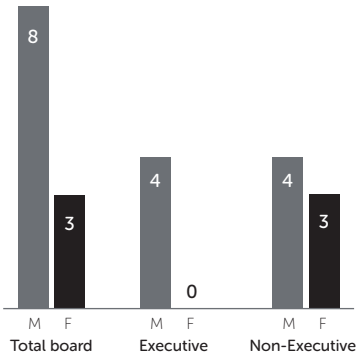
Length of tenure of Chairman and Non-Executive Directors



Board Independence



Board Gender Diversity



The data reflects the position as at May 2021 when JM Barry Gibson steps down.

Board evaluation

The Board has implemented a formal process for reviewing its own effectiveness, that of its Committees and its individual members. The Board evaluation is facilitated by Lintstock Limited. Lintstock Limited has no other connection with the Company or to individual Directors.

Online questionnaires are completed by all Directors on an annual basis and responses are collated into a report which is discussed at a Board meeting. Every third year, Lintstock interview all of the Directors so that any themes can be developed and feedback investigated in more depth. Interviews were last conducted in FY18. The questionnaires cover topics such as board composition and dynamics, strategic and operational oversight, risk management and internal control, succession planning and human resources as well as priorities for change.

As a result of the FY20 review, the main areas identified by the Board for continued focus and the actions taken were as follows:

Area of focus	Actions taken
The process to identify a successor to the Chairman and implement a more formal succession plan for the Non-Executives	• Recruitment of a new Chairman was completed • A succession plan was developed for the Non-Executives and discussed by the Board in July 2020 • A recruitment process was started in respect of new Non-Executives and one appointment was made.
The monitoring and challenge of technological and digital programmes	• An external review was completed in respect of the programme to replace the customer relationship management system in the UK and presented to the Board • Updates were provided to the Board in respect of the other technology programmes being delivered
Ongoing, in-depth monitoring of the competitive environment and the changing needs of customers.	• A detailed review of the competitive environment was discussed at the Board Strategy Meeting and actions agreed in respect of ongoing monitoring • An interactive session on customer needs was presented at the Board Strategy Meeting.

In FY21, Directors completed online evaluation questionnaires in December 2020 and Lintstock compiled a formal written report summarising the Directors' views. This report was discussed by the Board in February 2021. Key findings included:

- a high overall level of satisfaction with the functioning of the Board, the competence and capabilities of the Directors and the quality of relationships between members of the Board
- the level of support and challenge provided by the Board to management was viewed positively
- the performance of the Committees was rated positively including the nature of the work undertaken on behalf of the Board.

It was agreed that key priorities for FY22 should be:

- ensuring that the new Chairman was given the support needed to make his appointment a success
- continued focus on the Non-Executive pipeline including the need for increased diversity
- continued provision of insight in respect of the less prominent stakeholders.

It was acknowledged that the Board had not had the opportunity to engage as much as usual with the workforce and management below Board and it was agreed that once lockdowns across the world were eased and travel was permitted again, meetings in different locations would be arranged.

Composition, succession and evaluation

Nomination Committee report

"This has been a busy year in respect of board appointments and our efforts to improve the diversity of the Board will continue into FY22."

I am pleased to present the Nomination Committee report for the year ended 31 March 2021. This has been a busy year in respect of board appointments and our efforts to improve the diversity of the Board will continue into FY22.

Members

J M Barry Gibson (Chairman – stepping down on 18 May 2021)
Tommy Breen (appointed 26 March 2021, Chairman from 19 May 2021)
Katrina Cliffe
Edward Fitzmaurice
Ron McMillan

Responsibilities

The primary responsibilities of the Committee are to:

- make recommendations to the Board on the appointment of Directors
- review the size, structure and composition of the Board
- consider succession planning arrangements for Directors and other senior managers.

The Committee has adopted formal terms of reference which are available on our website
www.homeserveplc.com/who-we-are/governance/committees

Key issues considered during the year

Three searches were undertaken during the year and three appointments were made.

A specific sub-committee of the Board was appointed in FY20 to commence a search for a new Chairman. The process was led by Katrina Cliffe, our Senior Independent Director and the other members of the sub-committee were Ron McMillan, Stella David, Edward Fitzmaurice and Richard Harpin. The relationship between Chairman and Chief Executive Officer is of paramount importance and it was therefore agreed that it was vital to ensure that Richard's views could be considered early in the process.

Three leading consultants were interviewed and Spencer Stuart were selected to assist in the search. Spencer Stuart has undertaken both non-executive and executive searches for the Group. It has no other current connection to HomeServe or to individual Directors. Spencer Stuart is a signatory to the Voluntary Code of Conduct for Executive Search Firms.

Spencer Stuart spoke to all members of the Board in order to inform the candidate specification which included having served as a chief executive of a substantial business, international exposure and non-executive experience. They then presented a long list of candidates for consideration. The sub-committee met to consider the long list and agree which potential candidates should be approached. A series of interviews were then held and the short-listed candidates met with all other Board members. Following this, the Nomination Committee met and agreed that a recommendation be made to the Board that Tommy Breen be appointed.

Tommy is an experienced non-executive director and until 2017 was Chief Executive of DCC plc, the FTSE 100 listed international sales, marketing and support services group, where he spent a highly successful 30 year career. A chartered accountant by training, Tommy brings to HomeServe an extensive track record of delivering sustainable growth in a diverse, international business, both organically and by acquisition. Tommy joined the Board on 27 January 2021 and he and I have been working closely together since then to achieve a smooth handover of responsibilities.

Our second key search during the year was in respect of the position of CEO, EMEA. The Board recognises the potential for growth in North America and it was felt that Tom Rusin's role as CEO for Global Membership meant that there was not enough dedicated focus on this important market. It was decided that it would be beneficial to allow Tom to focus purely on North America and to recruit someone to take responsibility for the UK, French and Spanish Membership businesses and any new territory openings.

Spencer Stuart led the search and potential candidates were interviewed by a cross section of the Board with the short-listed candidates also being given the opportunity to meet other Senior Executives. A recommendation was made to the Board that Ross Clemmow be appointed and he joined the Board on 22 March 2021. Ross brings considerable digital and consumer expertise to HomeServe's Executive team. From 2019, he fulfilled the dual role of CEO of WiggleCRC, the international online sports retailer, and Managing Director within the Operational Support Group of Bridgepoint, where he was responsible for improving digital capability across Bridgepoint's portfolio. Prior to this, Ross held senior retail management roles at Debenhams and Argos.

Following discussions on the Non-Executive succession plan, it was agreed that we should take a longer-term approach to Non-Executive recruitment to ensure that there was a good balance of new and more established Non-Executives on the Board at any one time. The Committee interviewed three leading consultants and Russell Reynolds were selected to work with us on a search. Russell Reynolds has previously undertaken non-executive searches for the Group. It has no other current connection to HomeServe or to individual Directors. Russell Reynolds is a signatory to the Voluntary Code of Conduct for Executive Search Firms.

Having reviewed a long list, the Committee interviewed a number of candidates before selecting a small number for the short list. The short-listed candidates met with all Board members and the feedback was considered by the Committee. As a result of this process, a recommendation was made to appoint Roisin Donnelly and she joined the Board on 25 March 2021.

Roisin spent 30 years with Procter and Gamble and has undertaken advisory roles with Facebook, John Lewis and Coca-Cola European Partners, along with non-executive positions with family owned, private equity backed and listed businesses and this has enabled her to add immediate value to our Board discussions.

Succession planning

We recognise the importance of ensuring that there is an appropriate pool of talented and capable individuals to fill senior roles and a succession planning process has been established across the Group to facilitate this. The process identifies emergency, short-term and long-term successors for each role. The Executive succession plan was considered by the Committee in January 2021.

The Board effectiveness survey in FY20 identified the need to develop a succession plan for our Non-Executive Directors to ensure that we could maintain the independence of the Board through a good balance of those individuals with some years of experience of HomeServe and those with a fresh perspective. A plan was therefore drafted and reviewed by the Board. We agreed that we needed to be more active in terms of managing the pipeline for Non-Executive Directors and we commenced recruitment activity which focused very much on improving the diversity of our Board. This activity continues.

Diversity

We are committed to ensuring that our Board is appropriately diverse and that it reflects diversity in its broadest sense. A combination of demographics, skills, experience, race, age, gender, educational and professional background and other relevant personal attributes will ensure our Board is effective. We believe that diversity of experience and personal strengths are as important as diversity of gender and social and ethnic backgrounds. Our Board Diversity Policy is available on our website: **www.homeserveplc.com/media/ykdbtzao/homeserve-plc-board-diversity-policy.pdf**

Composition, succession and evaluation

Nomination Committee report continued

All relevant factors are taken into consideration when evaluating the skills, knowledge and experience needed to fill each Board vacancy. When recruiting, we require diversity on our long and short lists and in particular, ensure that appropriately qualified women are included on all short lists.

When I step down, 27% of the Board will be female. We recognise the target for FTSE350 companies to move towards 33% female representation and will use our best endeavours to further increase the number of female Board members over the next year. A recruitment process is under way.

Last year we committed to accelerating our focus on improving the gender balance of our global senior leadership team and we agreed to work towards 33% female representation on a combined basis across our Board, Executive Committee and their direct reports by March 2021, moving us towards the targets set out in the Hampton Alexander report. I am disappointed to report that at the year end, we had 27% female representation in that group but our efforts to improve the position will continue.

We appreciate that achieving the targets set out in the Hampton Alexander report is only a first step along the journey to a more diverse workforce and we recognise that we also need to take steps to achieve the targets set out in the Parker report. We are working with an external consultant to benchmark our performance and develop a rigorous strategic framework to improve our performance in respect of all forms of diversity.

More information on talent and diversity is provided in the Strategic report on pages 25 to 26.

JM Barry Gibson
Chairman
18 May 2021

Composition, succession and evaluation

People Committee report


STELLA DAVID

"It has not been an easy year for our workforce; our office based staff have had to adapt to working remotely and our people in the field have faced their own challenges whilst continuing to support our customers."

I am pleased to present the People Committee report in respect of the year ended 31 March 2021. It has not been an easy year for our workforce; our office based staff have had to adapt to working remotely and our people in the field have faced their own challenges whilst continuing to support our customers. From a Committee perspective, I have been keen to ensure that we were able to hear from the workforce about how they felt the business was handling the COVID pandemic whilst continuing to move forward with the matters on the People Committee agenda.

Members

Stella David (Chairman)
Tommy Breen (appointed 26 March 2021)
Katrina Cliffe
Roisin Donnelly (appointed 26 March 2021)
J M Barry Gibson (stepping down on 18 May 2021)
Ron McMillan
David Bower
Richard Harpin
Tom Rusin

Responsibilities

The primary responsibilities of the Committee are to:

- determine, agree and oversee the people strategy for the Group
- review the ongoing appropriateness and relevance of the people strategy
- review and make recommendations in respect of the resourcing of the people strategy
- review and oversee the employee engagement strategy.

The Committee has adopted formal terms of reference which are available on our website: **www.homeserveplc.com/who-we-are/governance/committees**

Key issues considered during the year

The People Committee met three times during the year. In addition to the members of the Committee, the Group People Director and the Company Secretary attended all Committee meetings.

Discussions during the year have been focused on the following:

- Our talent strategy including the development of apprenticeships through the HomeServe Foundation
- Diversity & inclusion
- Employee engagement including targets and action plans
- Leadership development including the embedding of the HomeServe Way.

Composition, succession and evaluation

People Committee report continued

The global talent strategy aims to drive the attraction, growth and retention of a deep pool of talented employees with the right capabilities to deliver our growth strategy. We are particularly focused on developing internal talent and are committed to achieving a target of 70% internal hires for senior leadership roles.

Ensuring that our future senior leadership team better reflects the diversity of the markets we serve and the people we employ is a key objective of our global talent strategy. In common with many organisations, we are starting this journey by focusing on a plan to drive gender diversity within our current senior leadership team and in the succession pipeline. We recognise that diversity is much broader than gender but believe that achieving sustainable traction in this critical area of talent will help us develop strategies that can be applied more widely.

The Committee has been closely involved in the UK team's plans to establish an apprenticeship academy under the auspices of the HomeServe Foundation. Skilled and experienced tradespeople are central to our purpose and there is currently a shortage of such people in all of our territories. Offering apprenticeships directly and in partnership with our trades and sub-contractors allows us to invest in the future and ensure that we can keep delivering the needs of our customers.

As the Group continues to expand through the acquisition of small HVAC businesses, the Committee also took the opportunity to consider how this activity is changing the make up of our workforce. 25% of our people now work in HVAC and for many of them, joining HomeServe is their first experience of the corporate environment. We want to ensure that the experience is a positive one where their businesses are supported to grow and prosper and are able to benefit from being part of a larger Group.

Workforce engagement

I am the nominated Non-Executive Director in respect of workforce engagement and, to support me in that role, we have established an International People Forum. The Forum is made up of representatives from each of our businesses and it met twice during the year. The feedback from the Forum has been invaluable during this unusual year as they have been able to explain how people were feeling during the pandemic; initially while adjusting to working from home in many cases and more recently while facing a return to the office. Their thoughts and opinions have influenced the plans adopted by the Group in respect of remote working and have fed into the content and frequency of the communications issued throughout the year.

It was heartening to hear from the Forum that they all felt very positive about how HomeServe had handled the crisis and were grateful for the efforts made to ensure that everyone could keep working safely while supporting our customers.

The Forum received a presentation on the work being undertaken by an external consultant on diversity and inclusion and I fully expect to have an interesting debate with them when the results of the initial workstream are available.

The Forum was pleased to have the opportunity to discuss executive remuneration with Katrina Cliffe, the Chairman of the Remuneration Committee. Katrina explained the structure of executive remuneration packages and why the structure differed when compared to the remuneration packages offered to the rest of the workforce. They welcomed the transparency of the information provided and felt that they had gained a better understanding of the remuneration policy, particularly the requirement for Executive Directors to invest in HomeServe shares.

The Forum has now been established for well over a year and the hope is that we will be able to meet in person again during FY22. We will also be reviewing the membership of the Forum and considering whether we can extend it to ensure that frontline and operational roles are better represented.

Stella David
Chairman
18 May 2021

Audit, risk and internal control

Board assessment of risk management and internal control

The Board has overall responsibility for the Group's system of risk management and internal control including the setting of risk appetite. The Audit & Risk Committee has a key role to play in overseeing risk management and internal controls and advising the Board. More detail in respect of the role of the Audit & Risk Committee is provided in the report of that Committee on pages 84 to 91.

The Board is responsible for reviewing the effectiveness of risk management and internal control systems and specifically that:

- There is an ongoing, systemised process for identifying, evaluating and managing the principal risks faced by the Group
- This system has been in place for the year under review and up to the date of approval of this Annual Report
- The system is regularly reviewed by the Board
- The system accords with the Financial Reporting Council ('FRC') guidance on risk management, internal control and related financial and business reporting.

During the year, the Board has directly, or through the Audit & Risk Committee, overseen and reviewed the development and performance of risk management activities and practices and the systems of internal control in place across the Group. As a result, the Board is satisfied that the risk management and internal control systems that are in place remain robust and effective.

The Board delegated the responsibility for conducting the work required for it to provide the 'fair, balanced and understandable', 'going concern' and 'viability' statements to the Audit & Risk Committee. In conducting this work, the Audit & Risk Committee acts on behalf of the Board and its activities remain the responsibility of the Board.

The relevant Board statements on these matters are set out on pages 54 to 55 and page 88. The principal risks and uncertainties are set out on pages 32 to 37.

System of risk management and control

The system of internal control is designed to manage and mitigate rather than eliminate the risk of failure to achieve business objectives and can only provide reasonable and not absolute assurance against material misstatement or loss. The Board has delegated the day-to-day management of the Group to the Group Chief Executive and the other Executive Directors.

The risk governance model is based on 'three lines of defence' as follows:

1st line of defence

A risk management framework is in place which includes the agreed risk appetite, policies and procedures. The Group's management operates a formal process for identifying, managing and reporting on the operational and financial risks faced by each of the Group's businesses. Risks are reviewed in detail at local risk committees and, on an overall basis, by the Executive Committee and the Audit & Risk Committee. Support is provided by the 2nd line of defence oversight functions.

2nd line of defence

Oversight is provided by the various control functions including risk, compliance and specialist functions such as health & safety and information security. The 2nd line provides advice to the Board and the Audit & Risk Committee on risk appetites, review of risk ratings and action plans and reports on risk management.

3rd line of defence

The Group has a dedicated internal audit function and a formal audit plan is in place to address the key risks across the Group and the operation and effectiveness of internal controls. The function reports to the Board through the Audit & Risk Committee.

Audit, risk and internal control
Continued

Risk management cycle

Risk appetite

Risk appetite is defined as the amount and type of risk we are willing to pursue or retain in order to meet our strategic objectives. Our assessment of risk appetite is guided by our vision and mission and informed by our strategic objectives. It is used as a measure against which all of our current and proposed activities are tested.

Risk appetite is reviewed annually to ensure that it is aligned with strategy.

Risk framework

A risk framework is in place across the Group which includes risk appetite, materiality scoring matrices and key risk indicators. Each business is expected to adhere to the Group risk framework and to report regularly on its risk registers and key risk indicators but, if appropriate, the Group framework may be customised to local requirements as long as minimum standards are met. A mechanism exists to extend the Group's risk framework to any significant new business that is acquired or established immediately upon acquisition or start-up.

Risk assessment and risk registers

Our assessment of risk is approached from both a top down and a bottom up perspective. Through the Executive Committee, we identify Group Enterprise Risks which are those risks that directly link to our business model and strategy. At a local level, each business identifies strategic and operational risks which are captured on detailed risk registers. Local businesses are also required to ensure that risks designated by the Group to be 'critical' risks are actively managed. These are risks where compliance with a minimum level of control is considered to be non-negotiable (an example of a 'critical' risk is health & safety). Best practice in respect of identifying and mitigating 'critical' risks is shared across the Group.

All risks are assessed in respect of likelihood and impact based on the materiality matrix included in the Group risk framework. Risks are then scored on a gross and net basis and rated as red, amber or green. Consideration is given to whether risks are within or outside appetite and particular attention is given to the controls that are in place and the actions being taken to mitigate the risks. Incidents are recorded and reported on at the relevant committees.

Risk registers are reviewed at local committees and boards across the Group with the Executive Committee and the Audit & Risk Committee having regular oversight of both the Group Enterprise Risks and the principal risks identified by each business.

Risk oversight

Oversight of the risk management process is provided by the Assurance & Risk Director, local risk and compliance teams, the Audit & Risk Committee and, ultimately, the Board.

Internal control

Internal audit acts as the 3rd line of defence. In order to ensure the independence of the internal audit function, the Assurance & Risk Director's primary reporting line is to the Chairman of the Audit & Risk Committee.

The internal audit function fulfils its role and responsibilities by delivery of the annual, risk-based audit plan. There are no restrictions on the scope of internal audit's work.

A report is issued after each audit which provides an opinion on the control environment and details any issues found. Internal audit then work with the businesses to agree remedial actions which are tracked to completion.

The Assurance & Risk Director submits reports to local boards and committees and attends those meetings as required. He attends and reports to every Audit & Risk Committee meeting.

Financial reporting

Three year business plans, annual budgets and investment proposals for each business are formally prepared, reviewed and approved by the Board.

A clearly defined organisation structure is in place with clear lines of accountability and appropriate division of duties. The Group's financial regulations specify authorisation limits for individual managers and for local boards, with all material transactions being approved by the Board.

Consolidated financial results, including a comparison with budgets and forecasts, are reported to the Board on a monthly basis, with variances being identified and understood so that mitigating actions can be implemented, where appropriate. Ahead of the financial results being presented to the Board, monthly business review calls are held, attended by Executives, representatives from the Group finance function and local senior management. These calls provide an opportunity for a detailed review of performance and to identify any issues or trends.

Half year and annual consolidated accounts are prepared and verified by the finance team and reviewed by the Executive Directors and the external auditor. The accounts are then considered by the Audit & Risk Committee which makes a recommendation in respect of their approval to the Board. The Board then reviews and approves the accounts prior to the announcement of the half year and annual results.

The Board considers that the processes undertaken by the Audit & Risk Committee are appropriately robust, effective and in compliance with the guidelines issued by the FRC. During the year, the Board has not been advised by the Audit & Risk Committee on, or identified itself, any failings, fraud or weaknesses in internal control which have been determined to be material in the context of the financial statements.

Viability statement

The approach to the viability statement and the statement itself are set out on pages 54 to 55.

Audit & Risk Committee report


RON MCMILLAN

"The Audit & Risk Committee is an important element of the Group's governance structure and embraces its role in protecting the interests of shareholders as regards the integrity of the published financial information and the effectiveness of audit."

I am pleased to present the Committee's report for the year ended 31 March 2021. The Committee is an important element of the Group's governance structure. Our role is to review and advise the Board on financial reporting including the various statements made in the Annual Report on viability, going concern, risk and controls and whether, when read as a whole, the Annual Report is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group's performance, business model and strategy.

Members

Ron McMillan (Chairman)
Katrina Cliffe
Edward Fitzmaurice

All members of the Committee are independent Non-Executive Directors and the Committee as a whole has competence relevant to our sector. I have recent and relevant experience in respect of my role. I am a chartered accountant and worked in PwC's assurance business for 38 years, with 28 years as an audit partner, and have extensive knowledge and experience in auditing, financial reporting and governance. During my time at PwC, my roles included Global Finance Partner, Chairman of the North of England and Deputy Chairman and Head of Assurance for the Middle East. I also chair the Audit Committees of SCS PLC and B&M European Value Retail SA.

All members of the Committee have an understanding of financial reporting, relevant corporate legislation, the functions of internal and external audit and the regulatory and compliance framework of the Group. Katrina Cliffe brings relevant experience in financial services and has recently served on risk and audit committees elsewhere. Edward Fitzmaurice has extensive relevant experience of retail and insurance having served as Chief Executive Officer of Hastings Insurance Group.

The internal and external auditors, the Chief Financial Officer, the Chief Executive Officer and the Chairman are invited, but are not entitled, to attend all meetings. Where appropriate, other Executive Directors and managers also attend meetings at the Chairman's invitation. The external and internal auditors are provided with the opportunity to raise any matters or concerns that they may have, in the absence of the Executive Directors, whether at Committee meetings or, more informally, outside of them.

Board reporting

I provide an update to the Board after each Committee meeting and the minutes of meetings are circulated to the whole Board.

Committee Effectiveness

The effectiveness of the Committee is reviewed as part of the annual Board review process facilitated by Lintstock. The FY21 review concluded that the Committee was operating effectively and benefited from a high quality cycle of work.

Responsibilities

The primary responsibilities of the Committee are to:

- monitor, on behalf of the Board, compliance with and the effectiveness of, the Group's accounting and internal control systems
- review the independence of the external auditor and agree their terms of engagement and remuneration
- review the scope of and outputs from the external audit
- approve the scope of the work undertaken by and the outputs from the work done by internal audit
- make recommendations to the Board on accounting policies and their application
- review critical judgements and key sources of estimation uncertainty as reflected in the financial statements
- review the annual and interim financial statements before they are presented to the Board
- review the Group's overall risk appetite, tolerance and strategy
- monitor, on behalf of the Board, current and emerging risk exposures
- receive reports from compliance functions and review and approve the means by which the Group seeks to comply with its regulatory obligations.

The Committee has adopted formal terms of reference which are available on our website
www.homeserveplc.com/who-we-are/governance/committees

Audit & Risk Committee report
Continued

Summary of meetings in the year

The Committee usually meets three times in the year and did so in FY21. Details of meeting attendance are set out on page 69. The timing of Committee meetings is arranged to accommodate the release of financial information, the approval of the external and internal audit plans and the review of the outputs of those plans. In addition to scheduled meetings, I met with the CFO and members of his team, the Assurance & Risk Director and the external auditor on a number of occasions to receive updates on activity.

Items discussed	May 2020	November 2020	February 2021
Financial Reporting			
Full year results	●		
Interim results		●	
Review of critical judgements and sources of estimation uncertainty	●	●	
Fair, balanced and understandable conclusion in respect of the Annual Report	●		
Liquidity, viability and going concern	●	●	
Consideration of new accounting standards	●	●	●
Internal Audit			
Internal audit plan			●
Internal audit reports	●	●	●
Internal audit effectiveness and independence			●
External Audit			
External audit plan			●
External audit reports	●	●	
External audit effectiveness and independence	●		
Approval of fees and review of non audit services	●	●	●
Risk			
Risk appetite and the risk management framework	●		
Risk registers	●	●	●
Other matters			
Regulatory compliance activity	●	●	●
IT security		●	
Post investment reviews of acquisitions		●	

Significant issues related to the financial statements

The Committee oversees the process used by the Board to assess the going concern and viability of the Group, the stress testing of key trading assumptions and the preparation of the viability statement which is set out on pages 54 to 55.

The Committee also satisfied itself that the disclosures in relation to accounting judgements and key sources of estimation uncertainty were appropriate and obtained, from the external auditor, an independent view of the key disclosure issues and risks. Management present reports to the Committee setting out the basis for the assumptions used and these reports are then discussed and challenged by the Committee. All of the issues were also discussed with the external auditor and their views taken into account. The Committee is satisfied that the judgements made are reasonable and appropriate disclosures have been included in the accounts.

The Committee assessed whether suitable accounting policies had been adopted and whether management had made appropriate estimates and judgements. The Committee also reviewed reports from the external auditor on the half year and full year results, which provided an overview of the audit work undertaken and highlighted any issues for discussion.

The Conduct Committee of the Financial Reporting Council (FRC) reviewed the FY20 Annual Report to assess compliance with reporting requirements. No questions or queries were raised as a result of the review but some improvements to disclosures were suggested. The FRC's letter and recommendations were considered by the Committee and the recommendations have been taken into account when drafting this year's Annual Report.

The significant issues considered in the year were:

Issue	How it was addressed by the Committee
Revenue recognition As an insurance intermediary, the Company is required to recognise revenue at the point at which a policy goes on risk. Some elements of revenue are deferred to cover future costs and also to provide for policies which may cancel mid term.	The Committee satisfied itself that the accounting policies for revenue are compliant with IFRS 15 and considered whether any changes were needed to take account of COVID.
Carrying value of goodwill The total goodwill balance at 31 March 2021 of £564.3m has been allocated to the relevant cash generating units (CGUs) and tested for impairment by comparing the carrying value of net assets (including allocated goodwill and acquisition intangibles) with the value in use, defined as the present value of future cash flows attributable to the CGUs.	The Committee reviewed the 'headroom' to ensure that the value in use supported the carrying value of the net assets with particular regard to the actual and potential impact of COVID and satisfied itself that no impairment was required.
Business combinations During the year the Group completed a number of acquisitions.	The Committee reviewed the Group's accounting for acquisitions and satisfied itself that it was appropriate.
eServe impairment costs A review of the eServe system has been completed and having assessed the position, it was agreed that development should be halted and customers migrated back onto the legacy system, Ensura. As a result, an impairment review was completed which concluded that the carrying value of eServe and the associated asset was fully impaired.	The Committee considered the review of eServe and the impairment review and satisfied itself that carrying value was completely impaired.
Exceptional items In addition to the impairment of eServe, redundancy costs have arisen as a result of the refocusing of the business including in respect of the change in strategy relating to international development.	The Committee considered the assumptions behind each of these judgements and satisfied itself that they were appropriate, and were indeed, exceptional in nature.
COVID impact The COVID pandemic has had an impact in all of HomeServe's territories.	The Committee considered the impact of COVID on the financial sustainability and operational resilience of the business, taking into account the additional stress testing completed as part of the going concern and viability assessments. It satisfied itself that the business is well placed to face the ongoing challenges of the crisis.
Brexit impact All of the HomeServe businesses trade exclusively within their own borders and the Group is not exposed to any cross border transactional currency risk.	The Committee considered the potential impact of the UK leaving the EU and the ongoing implementation delay and concluded that the impact on the underlying performance of the Group will be limited.

Board statements

Critical judgements and key sources of estimation uncertainty

The Group has identified critical accounting judgements in relation to business ownership interests. Key sources of estimation uncertainty arise in relation to claims handling obligations in respect of revenue deferrals, pension valuation and the impairment of goodwill and acquisition intangibles. Other areas of focus include the valuation of acquisition intangible assets, the valuation of put options over non-controlling interests and policy cancellations.

Audit & Risk Committee report
Continued

The Committee discussed how these matters impacted on the financial statements with the auditor and reviewed the sensitivities considered by management.

Critical accounting judgements and key sources of estimation are set out on pages 150 to 151.

Going concern
The Committee reviewed whether it was appropriate to adopt the going concern basis for the preparation of the Annual Report and considered a report from management. Consideration was given to the Group's three year forecasts, availability of committed bank facilities, expected headroom under the financial covenants and the impact of the COVID pandemic. The Committee ensured that the assumptions underpinning the forecasts were stress tested and that the factors which impact on risks and uncertainties were properly considered. Additional stress tests had been completed to take account of COVID.

Following the Committee's review, it recommended to the Board that it was appropriate to adopt the going concern basis. The going concern statement is set out on page 55.

Viability statement
The Committee reviewed a report from management setting out the basis for the conclusions in the viability statement. The approach to the viability statement and the statement itself are set out on pages 54 to 55.

Fair, balanced and understandable
The Committee considered whether:

- the Annual Report was clear and presented a balanced view of successes, challenges, opportunities and risks
- key messages were prominent and appropriate KPIs were disclosed
- reporting in respect of business segments, significant issues and key judgements were consistent with disclosures in the financial statements
- definitions provided were explained and Alternative Performance Measures (APMs) were reconciled with the closest IFRS measure in the financial statements
- adjusted profitability definitions were clearly explained and presented.

The Committee also noted that:

- key contributors to sections of the Annual Report (such as Executive Directors and local CEOs) had been asked to confirm the accuracy of the information provided
- an internal verification exercise had been completed in respect of the information contained in the Annual Report
- external support had been provided by FutureValue, a corporate reporting consultancy and Korn Ferry, who reviewed the Directors' Remuneration Report
- drafts of the Annual Report had been circulated to Committee Chairs and the full Board for review.

Having reviewed the Annual Report, the Committee and subsequently, the Board were satisfied that taken as a whole, the Annual Report was fair, balanced and understandable and provided the necessary information for shareholders.

Robust assessment of emerging and principal risks
The Committee completed a robust assessment of the emerging and principal risks by reviewing the Group Enterprise Risks and the top ten risks in respect of each business. Particular attention was paid to any risk that was out of appetite and consideration was given to the mitigating actions being taken.

Risk management and internal control
The Board has overall responsibility for the Group's system of internal control and for reviewing its effectiveness. The Audit & Risk Committee supports the Board by advising on the Group's overall risk appetite, tolerance and strategy, current risk exposures and future risk strategy. The Committee reviews risk registers produced by the management of each business and the plc function along with the Group Enterprise Risks at each of its meetings. On a periodic basis, we also review action plans in respect of significant risks.

The Committee also monitors, on behalf of the Board, the effectiveness of the Company's material accounting and internal control systems. In fulfilling this responsibility for FY21, the Committee considered reports from management and the internal and external auditors.

The Committee considers that appropriate controls are in place across the Group, that the Group has a well defined organisational structure with clear lines of responsibility and a comprehensive financial reporting system. The Committee also considers that the Group complies with the FRC guidance on risk management, internal control and related financial reporting.

Further details in respect of risk management and internal controls are set out on pages 81 to 83.

Details in respect of the principal risks and uncertainties are set out on pages 32 to 37.

Regulation and compliance

The Group operates in a regulated market place and faces the challenges of regulatory requirements across its different territories. This creates risk for the business as non-compliance can lead to customer detriment, reputational damage, financial penalties and potential loss of licence to operate.

The Committee receives regular updates on legal and compliance from management and believes that key compliance indicators are strong across the Group. All Membership businesses are required to complete Annual Compliance Reports to confirm that the requirements of the Group Compliance Framework have been met and that processes and controls are sufficient to identify breaches in local law and regulations.

External auditor

Effectiveness

The Committee is responsible for assessing the effectiveness of the external audit process, for monitoring the independence and objectivity of the external auditor and for making recommendations to the Board in relation to the appointment of the external auditor. The Committee is also responsible for developing and implementing the Group's policy on the provision of non-audit services by the external auditor.

Deloitte LLP has been the Group's auditor since 2002 and the lead audit partner rotates every five years. The current lead audit partner, Peter Birch was first appointed for FY20. The Committee sought and was provided with, assurance that all members of Deloitte's team had confirmed that they and their dependants were independent and that Deloitte, as a firm, was independent.

Prior to each audit or review, Deloitte presented their plan to the Committee for discussion. The Committee reviewed the reports prepared by Deloitte on key audit findings and any significant deficiencies in the control environment, as well as the recommendations made to improve processes and controls together with management's responses to those recommendations. Deloitte did not highlight any material internal control weaknesses in respect of the FY21 audit.

The Committee also discussed with Deloitte the results of the FRC's firm-wide review of Deloitte's audit quality and the proposed improvement plans arising from the report. The Committee noted that no firm inspected achieved the quality targets set by the FRC and will monitor progress against the improvement plans.

The Committee reviews the performance of the external auditor annually based on their understanding of the Group, their approach to key areas of judgement and the extent of challenge, the quality of reporting and the efficiency and conduct of the audit. Feedback is also sought from Group finance and local finance directors on the external auditor's performance. We also reviewed the external auditor's transparency report, which is intended to demonstrate the steps it takes to ensure audit quality with reference to the Audit Quality Framework issued by the Professional Oversight Board of the FRC. In addition, I meet with the external auditor outside of formal Committee meetings to ensure that there is an ongoing dialogue.

The Committee is satisfied that the audit continues to be effective and that Deloitte LLP continues to provide constructive and independent challenge to management and consistently demonstrates a realistic and commercial view of the business. On this basis, the Committee concluded that the needs of the Group would not be best served by putting the external audit out to tender at this time. The Committee has therefore recommended to the Board that the re-appointment of Deloitte LLP should be proposed at the forthcoming Annual General Meeting.

Audit & Risk Committee report
Continued

The Committee has noted the changes to EU audit legislation and the UK adoption of this legislation, which requires mandatory rotation for auditors of public interest entities at least every 20 years with a mandatory tender process being undertaken at the 10 year point. The transitional rules for this new legislation mean that the Group would be required to change its auditor after FY24. The Committee is mindful of the restrictions which now apply to firms providing non-audit services in the two year period prior to an audit appointment. We will closely monitor the implications of the BEIS White Paper with regards to restoring trust in audit and corporate governance and specifically, the likely implementation date thereof, and the Committee may review the timing of the tender as a result.

The Company confirms that it has complied with the provisions of the CMA's Statutory Audit Services Order for the financial year under review.

In accordance with International Standards on Auditing (UK & Ireland) 260 and Ethical Statement 1 issued by the Accounting Practices Board, and as a matter of best practice, the external auditor has confirmed its independence as auditor of the Company.

Non-audit services

The Committee has approved a policy in respect of non-audit services which reflects the Ethical Standards. The policy sets out a list of prohibited services and in particular, prevents Deloitte LLP from providing almost all taxation services. The policy provides that the total fees payable to the auditor for non-audit related work in any financial year should not normally be more than 50% of the total fees payable in respect of audit and compliance services. In addition, any proposed spend over a predetermined limit must be approved by the Committee.

The fees payable to the auditor in respect of audit and audit-related assurance services totalled £1.4m and there were no fees incurred for non-audit related work (excluding audit-related assurance services). Further detail on the fees paid is provided in Note 5.

Internal audit

The Committee reviews and approves the internal audit plan which is based on an assessment of the risks faced by the Group. The internal audit team undertakes an initial review of the risks and drafts a plan which addresses those risks while taking into account the need to review key control processes on a cyclical basis. The draft plan is then discussed with senior management in each business or territory before being presented to the Committee.

Progress in respect of the plan is monitored throughout the year and considered at each meeting of the Committee. Consideration is also given at each meeting as to whether there is sufficient resource to deliver the plan and whether the external resource available through the co-sourced arrangements needs to be adjusted. The audit plan may be reviewed during the year as a result of the ongoing assessment of the key risks or in response to the needs of the Group.

The Assurance & Risk Director reports ultimately to the Chairman of the Committee although he reports on a day-to-day basis to the Chief Financial Officer. He attends all meetings of the Committee and reports regularly to the Executive Committee. A report on completed internal audits is presented to each meeting of the Committee and, where appropriate, action plans are reviewed. In addition, all grade 1 audit reports are circulated to the Committee as soon as they are finalised so that any issues can be addressed in a timely manner. Reports are graded as 1 if the controls currently operated are inadequate and expose the business to significant loss or regulatory breach.

During the year, the Committee received 74 reports in respect of the following areas:

Finance	Key financial controls and processes including balance sheet control reviews, purchase to pay, order to cash and record to report cycles.
Operations	Key operations processes including fulfilment, contractor management, business continuity planning and disaster recovery, compliance and risk management.
IT controls	Key IT controls including disaster recovery, mobile device management and general controls such as logical access, back up and restore processes and controls.
Information Security	Developments in information and cyber security including penetration testing, firewalls, server security and crisis management.

In relation to each of the above, internal audit made recommendations for improvements, the vast majority of which have been, or are being implemented by management. Management's approach to internal audit is positive and there is a real desire to work collaboratively to continually improve the control environment. Action trackers are reported on at each Committee meeting.

The internal audit function continues to benefit from co-sourced arrangements with PwC and KPMG which are used to augment the internal skills and experience available and ensure that the Group can access appropriate technical and specialised resource on a global and flexible basis.

The Committee has discussed the performance of internal audit and believes that internal audit performs in a very professional manner, provides constructive challenge and demonstrates a realistic and commercial view of the business.

Conclusion and looking ahead

The Committee considers that it has acted in accordance with its terms of reference and that it has ensured the independence, objectivity and effectiveness of the external and internal auditors.

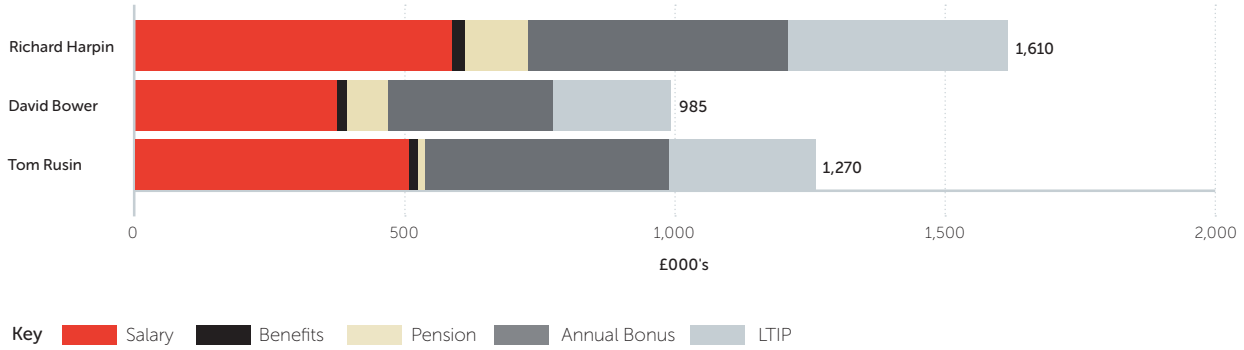
Going forward, I shall ensure that the Committee continues to acknowledge and embrace its role of protecting the interests of shareholders as regards the integrity of the published financial information and the effectiveness of audit. The outcome of the consultation on the government's proposals to restore trust in audit and corporate governance has recently been published and the Committee will monitor the progress of the proposals over the coming months and years.

I am available to speak with shareholders at any time. I would like to thank my colleagues on the Committee for their help and support during the year.

Ron McMillan
Chairman of the Audit & Risk Committee
18 May 2021

Remuneration at a glance

Single Total Remuneration Figure (£000)



Annual Bonus Outcome

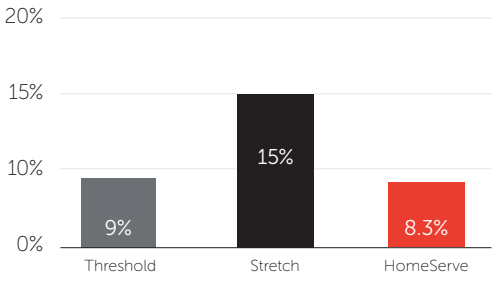
		Weighting	Maximum	Actual	% Payable
Financial measures	Adjusted Group profit before tax	40%	£184.0m	£191.3m	100%
Non financial measures	Customer growth	15%	8,163k	8,366k	100%
	Trades growth (Checkatrade)	5%	43.0k	43.6k	100%
	No. of leads (Habitissimo)	5%	2.1m	2.0m	94%
	Customer dissatisfaction (measured as a weighted average level of customer dissatisfaction across the UK, US, France and Spain)	15%	5.6%	5.5%	100%
	Personal targets	20%			100%

FY21
79.7% [1]
payout

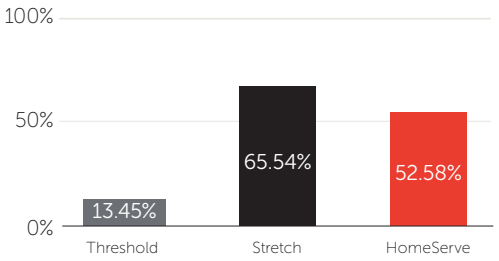
[1] Payout reduced to 79.7%. See page 93

LTIP Outcome

Adjusted earnings per share (75% weighting)



Relative TSR (25% weighting)



20.33%
vesting

Annual statement

"It has been a challenging year for many remuneration committees given the uncertainties created by the pandemic. We have been fortunate in that HomeServe adapted promptly and successfully to a new way of working and we have been able to retain and support our workforce and maintain remuneration arrangements broadly unchanged across the business."

I am pleased to present the Remuneration report for the year ended 31 March 2021.

It has been a challenging year for many remuneration committees given the uncertainties created by the pandemic. We have been fortunate in that HomeServe adapted promptly and successfully to a new way of working, with employees across the business demonstrating tremendous resilience, despite considerable challenges.

We have been able to retain and support our workforce and maintain remuneration arrangements broadly unchanged across the business. As we come out of the worst of the pandemic the Committee continues to focus on ensuring that those arrangements are consistent with our company purpose and strategy with the aim of delivering reward that clearly links to the delivery of our long-term plans.

FY21 in review

We delivered good financial results in respect of FY21 with 6% growth in adjusted profit before tax. There was also good performance in respect of our non-financial measures which, combined with excellent personal performance, resulted in a bonus outturn for the Executive Directors at 99.7% of the maximum available. However, following the decision to halt the implementation of eServe, the UK CRM solution, which resulted in an exceptional charge of £84.8m, the Committee agreed that it would be appropriate to exercise discretion to reduce the bonus for the Executive Directors. The payment in respect of the profit element of their bonus has been halved and, as a result, the Executive Directors will receive a bonus at 79.7% of the maximum.

In respect of longer-term performance, the LTIP awards granted in 2018 will only partially vest in July 2021. The awards were based 25% on relative total shareholder return (TSR) performance and 75% on adjusted earnings per share (EPS) performance. HomeServe's TSR performance to 31 March 2021 was excellent, at 53% (compared to the FTSE 250 Index TSR of 13%) which resulted in 81% vesting for the TSR element. Despite rising earnings over the three-year performance period, the rate of growth of 8.3% per annum fell short of the minimum 9% per annum threshold required for this portion of the award to start to vest. Accordingly, the overall level of vesting of the entire award was 20.33%. While we were disappointed to fall short of the stretching EPS performance threshold, which has resulted in lower LTIP payments compared to prior years, we believe that this demonstrates the highly performance orientated structure of our LTIP and is evidence of the remuneration policy operating as intended. The vested shares, net of tax, are subject to a two year post-vesting holding requirement.

As noted in last year's report, we took the decision to delay setting the performance conditions for the FY21 LTIP grant in order to assess trading in the early months of the financial year and how this would impact on the three-year plan. Historically, we have used a combination of EPS growth and relative TSR performance in respect of both the Performance and Matching Share elements of the LTIP but a number of investors had suggested that we review this approach. Having considered the feedback received, we decided that we would apply an EPS condition to the Performance Share element of the LTIP and a relative TSR condition to the Matching Share element, thus clearly differentiating the separate parts of the plan and providing a better balance by increasing the proportion of long-term incentives subject to TSR performance.

Annual statement
Continued

Having carefully considered our future growth trajectory and considered a number of scenarios in relation to how the pandemic could impact the Group, the Committee agreed that it would be appropriate to set the threshold for the FY21 grant for compound annual EPS growth at 7%, with the top of the range at 13%. Although this was a slight reduction on the EPS range in place for LTIP awards granted in prior years, the Committee took the view that the targets were appropriately challenging given the changes to the external business environment and recognised that this range was still very stretching by market standards. In respect of TSR, the Company's performance will be compared to the performance of FTSE companies ranked 31-200. The exact performance targets were announced to the market in July 2020 at the time the awards were granted, and the full details are set out on page 118.

We welcomed a new Executive Director to the Board at the end of the year, Ross Clemmow. Ross joined us on 22 March 2021 as CEO, EMEA. Details of his remuneration arrangements are set out on page 113. As part of Ross's recruitment package, we agreed a buyout award to compensate him for incentives forfeited when he left his previous employer. All elements of Ross's pay, including the buyout award, are consistent with the terms of the remuneration policy approved by shareholders at last year's AGM.

FY22 – looking forward

The Committee has reviewed the salaries of the Executive Directors to apply with effect from 1 July 2021 and has agreed increases for Richard Harpin and Tom Rusin of 2% and 2.5% respectively, in line with the average level of increase for other employees in their home country. Ross Clemmow will not receive an increase as he has only recently been appointed.

For David Bower, the CFO, the Committee has agreed an increase in salary from £375,000 to £450,000. David was appointed to his current role in 2017 on a salary of £300,000, well below that of his predecessor and in the bottom quartile when measured against the salaries of CFOs of comparably-sized companies. This positioning reflected the fact that although he had demonstrated a strong level of performance during his time with HomeServe, having joined the business in 2005, the CFO role was his first plc Board position. The Committee wished to ensure he was the right person for the role and progress his salary over time on the basis of performance and experience. A step change in David's salary was made in 2018 to reflect the expansion of his responsibilities following the removal of the Board-level COO role and his performance and growth since initial appointment as CFO. He has received no further salary increases since then.

David has continued to perform at a very strong level and is an integral part of HomeServe's senior leadership team and central to the future growth strategy of the business. The Committee is aware that his current salary remains very significantly below market and is making the increase to move it to a position which accurately reflects David's performance, contribution and commitment to the business.

The other key consideration has been the growth in size and complexity of HomeServe and in particular the growing importance of the US part of the business. The Committee believes that David is vital to the continued expansion in the US. He was pivotal in raising finance in the US during FY21 and understands the US business intimately.

The final reference point is the growth of the wider executive team in recent years. This includes Ross Clemmow, noted above, and several below Board business unit and country heads who have been recruited on mid-market salaries. This has created a situation where David's salary is now out of kilter internally, something we are keen to fix.

The new salary of £450,000 is in line with what would be expected for a company at the top end of the FTSE 250 and is considered to be the absolute minimum we would need to offer if we were in the position of having to recruit a replacement of David's calibre.

We intend the bonus scheme for FY22 to operate in a similar way as for FY21, using broadly similar performance measures and weightings.

The FY22 grant of long-term incentives is intended to be made in June 2021. Executive Directors will again be offered the opportunity to participate in the Matching Share element of the LTIP, subject to the investment of their FY21 cash bonus into shares. Matching Shares will vest after three years subject to the same relative TSR performance conditions as applied for the FY21 grant noted above.

An award of Performance Shares will also be made. With this award, we wish to incentivise truly exceptional levels of performance from the Executive Directors as HomeServe continues to focus on growth. The Board has ambitious plans for the business for the next three years and we would like to ensure that if our current growth expectations are exceeded, then an appropriate level of reward is available.

As a result, we are increasing the size of the Performance Share award from 150% to 200% of basic salary. This higher award level is in line with the 200% limit set out in the Directors' remuneration policy, although we have chosen to grant at the lower 150% level in recent years. The last time this provision to grant at 200% was used was in 2015, following which there was the strongest period of growth in the Company's history. We believe that the higher award provided crucial additional focus to the executives at that time and we now wish to drive further outperformance through a higher award this year.

To reflect the higher potential reward, we are making a corresponding increase to the EPS targets. In practice, this will mean that the extra 50% of salary will only vest for the achievement of EPS growth over the performance period higher than that which would be required for full vesting under an award at 150% of salary. For vesting of the element of the award equivalent to 150% of salary, EPS growth of 7%-13% CAGR will be required, the same as applied to the FY21 Performance Share award discussed above. Vesting of the element above 150% up to 200% of salary will require EPS growth of 13%-16% CAGR, thus ensuring that there is a benefit to participants only in the event of EPS performance materially in excess both of our internal forecasts for the coming three years and of current market estimates. This level of EPS growth required for an LTIP award is amongst the highest in the market.

Any Matching Shares and Performance Shares which vest will continue to be subject to a two-year post-vesting holding period, thus ensuring a five-year period between grant and ultimate release.

I recently wrote to major shareholders explaining our proposed approach both for the higher Performance Share award and the increase to David Bower's salary as discussed above.

Currently, the CEO and CFO benefit from employer pension contributions that are higher than those of the UK workforce. The Committee has agreed that pension contributions for these Directors will be reduced to the level of the workforce at the end of December 2022.

We have also agreed that we will review our remuneration policy during FY22 and, if we feel changes should be made, we may present an updated policy for shareholder approval at the AGM in 2022. If we go down this route we will of course discuss our proposals with major shareholders before finalisation. I look forward to these discussions and hearing the view of shareholders on how we can continue to retain and incentivise our Executives to deliver outstanding performance.

During FY22 the Committee will also again review workforce remuneration and related policies to ensure that there continues to be consistency and alignment with the approach taken for Executive Directors. The Committee is kept informed of pay practices across the Group and spends a considerable amount of time reviewing incentive structures and other matters for below-Board executives and employees more broadly. We are committed to ensuring that HomeServe operates remuneration practices at all levels that are fair and appropriate.

During FY21 we reviewed the HomeServe One Plan, a plan in which all eligible employees can participate, and decided to double the matching element so that participants now receive one free matching share for every partnership share that they buy. This is consistent with our approach of encouraging high levels of share ownership across the business. In addition, I engaged with the International People Forum during the year and there was a useful discussion about executive pay and the reasons why it can differ from workforce arrangements. I look forward to similar engagement during FY22 as we continue to focus on this important area.

The Committee's activities during the year are described in more detail later in this report.

Katrina Cliffe
Chairman of the Remuneration Committee
18 May 2021

Annual statement
Continued

UK Corporate Governance Code

As indicated in the compliance statement on page 60, the Board believes that HomeServe has applied the principles of the UK Corporate Governance Code ('the Code') and complied with the relevant provisions of the Code during FY21, with a couple of minor exceptions. As noted on pages 93 to 95, the Committee will align the pension contribution rate for the CEO and the CFO to that of the wider workforce at the end of December 2022.

The Committee has considered the principles set out in Provision 40 of the Code and explains below how these have been addressed:

- **Clarity:** The current Directors' remuneration policy is set out on pages 97 to 104. Committee decisions around the implementation of the policy are set out in each year's Directors' remuneration report. When consulting with major shareholders on executive remuneration, or engaging with the workforce on such matters, the Committee aims for full transparency surrounding its proposals and the rationale for making any changes. As an example, this approach was taken during the consultation exercise with major shareholders conducted ahead of the renewal of the remuneration policy in 2020 and the recent engagement with shareholders on the Committee's proposals for FY22.
- **Simplicity:** The Committee is keen to ensure that the remuneration structures in place for Executive Directors (and for other senior leaders within the business) are not overly complex and can be easily understood both internally and externally. While the inclusion of the Matching Share scheme for the Directors means that they effectively participate in three incentive arrangements, the scheme is an integral part of HomeServe's philosophy of ensuring a focus on long-term, equity-based remuneration. It has operated successfully for many years and its structure is well understood by participants.
- **Risk:** The Committee is satisfied that the Directors' remuneration policy is proportionate and does not lead to excessive risks, either in terms of the behaviour it promotes or the potential for the generation of outsize rewards which are not tied to performance. The policy has a strong performance focus, with the Committee seeking to ensure that incentive targets are challenging but realistic and do not encourage undue risk-taking. The Committee regularly considers formal risk reviews of the remuneration policy.
- **Predictability:** A range of possible values of rewards to individual Executive Directors under the current Directors' remuneration policy was included in last year's Annual Report & Accounts. An updated range is included in this year's report on page 102. While the final value of Directors' remuneration will depend upon a variety of factors, including the extent to which performance targets are met and HomeServe's share price, these "scenario charts" provide indicative values of reward for different performance outcomes.
- **Proportionality:** Incentives for Directors are based on the achievement of pre-set performance targets linked to HomeServe's strategic priorities and business plan, with both a financial and non-financial focus. Bonus payouts and the vesting of Performance and Matching Share awards depend on genuinely challenging targets being met, with no possibility of rewards for poor performance.
- **Alignment to culture:** HomeServe is an organisation focused on driving long-term shareholder value, and this is recognised at Executive Director level by a remuneration policy which is heavily weighted towards performance and payment in equity. Executive Directors are encouraged to invest their cash bonuses into shares and gain the potential benefit of Matching Shares, subject to three-year performance targets being met. Further, the business prides itself on a culture of excellent customer service, which is reflected in the use of performance metrics for the annual bonus scheme.

Directors' remuneration policy

The Directors' remuneration policy was approved by shareholders at the 2020 AGM.

The Committee's policy for the remuneration of Executive Directors and other senior Executives is based on the following principles:

- to clearly align rewards with the Group's financial and operational performance
- to ensure that remuneration, in particular, variable pay, supports the Group's strategy and purpose
- to promote high levels of executive share ownership to encourage a long-term focus and alignment of interest between executives and shareholders
- to attract, retain and motivate high calibre executives.

To that end, the Committee structures executive remuneration in two distinct parts: fixed remuneration of basic salary, pension and benefits and variable performance-related remuneration in the form of a cash bonus and long-term incentive arrangements. Remuneration for Executive Directors is structured so that the variable pay element forms a significant portion of each Director's package.

The Committee is satisfied that neither the structure of the remuneration packages, with the high weighting on variable pay, nor the performance measures targeted under the annual bonus and long-term incentive arrangements, encourages inappropriate risk taking.

The remuneration arrangements are designed so as to provide a strong alignment of interest between the Executives and shareholders and to support the growth and performance aspirations of the Company. The Committee is satisfied that the current arrangements meet these objectives. Furthermore, there is a clawback provision in respect of annual bonuses and long-term incentive awards which helps to guard further against excessive risk-taking.

Summary of components of Executive Directors' remuneration

The table below summarises the Committee's policy for the remuneration of Executive Directors.

Element	Purpose and link to strategy	Performance Period	Operation (including performance measures and maximum limits)
Basic salary	To reflect the particular skills and experience of an individual and to provide a competitive base salary compared with similar roles in similar companies.	Usually reviewed annually, with any changes normally taking effect from 1 July each year.	Individual pay is determined by the Committee taking into account the role, responsibilities, performance and experience of the individual and market data on comparable roles. The Committee has not set a cap on the maximum salary level that may be offered. However, any salary increases will normally be no higher than the typical level of increase awarded to other employees. Increases above this level may be offered in certain circumstances such as where an Executive Director has been promoted, has had a change in responsibility, to reflect increased experience in the role, or where there has been a significant change in the size and/or scope of the business. When reviewing salary increases, the Committee also takes into account the impact of any increase to base salaries on the total remuneration package. Details of the current salaries of the Executive Directors are set out in the Annual report on remuneration.

Directors' remuneration policy
Continued

Element	Purpose and link to strategy	Performance Period	Operation (including performance measures and maximum limits)
Performance related bonus	The annual bonus is designed to drive and reward the short-term operating performance of the Company and encourage the delivery of consistently good customer outcomes.	Annual (determined after the year end)	Annual bonuses are determined by reference to performance against a mix of financial, non financial and personal objectives. Before any bonus is payable a minimum level of financial performance must be achieved. Bonuses are based on Group performance. Individual performance accounts for no more than 20% of the overall bonus opportunity. The maximum potential quantum is 100% of salary. Bonuses are payable in cash but may be voluntarily invested by the executive into shares under the matching element of the LTIP.
Long-term incentives	To drive long-term delivery of the Group's objectives, to align Directors' interests with those of the Company's shareholders and to encourage exceptional performance.	Three years	Awards of performance and matching shares are granted under the Long Term Incentive Plan (which was approved by shareholders in 2008 and renewed at the 2018 AGM). The maximum limit is 200% of salary for performance share awards and a maximum 2:1 match on voluntary investment of bonus into shares. The maximum amount of bonus that may be invested is set at 75% of the maximum bonus potential (i.e. 75% of salary). If the bonus earned is less than 25% of salary, then the executive may invest the equivalent of 25% of salary, from their own money, in shares to receive a matching award. In determining the number of matching awards to be granted, the investment is deemed to be made gross of tax. Dividend equivalents may be awarded on shares vesting under the Plan. Performance awards and matching awards are subject to challenging performance conditions. Performance is measured over a performance period of at least three years and a two year post vesting holding period applies.
Pension	To provide benefits comparable with similar roles in similar companies.	n/a	Newly appointed UK based Executive Directors (including Ross Clemmow) may receive a pension allowance that is aligned with the majority of colleagues (currently 6% of salary in the UK), to be paid, subject to the scheme limits, into the HomeServe Money Plan (a money purchase pension scheme) and/or taken as a cash allowance in lieu. Of the other Executive Directors, Richard Harpin and David Bower receive a pension allowance of 20% of salary, which may be taken as a cash allowance in lieu. This benefit will reduce to the level of the workforce no later than December 2022.
Other benefits	Provides a competitive package of benefits to assist with recruitment and retention of staff.	n/a	Other benefits include a fully expensed car (or cash alternative), fuel allowance, private health cover (for the individual, partner and dependant children), death in service benefits (up to 8 x salary) and permanent health insurance. Other benefits may be provided as appropriate and Directors can access HomeServe products and services on the same terms as offered to employees. Any reasonable business related expenses (including tax thereon) may be reimbursed if determined to be a taxable benefit. There is no maximum limit on the value of the benefits provided but the Committee monitors the total cost of the benefit provision.

Element	Purpose and link to strategy	Performance Period	Operation (including performance measures and maximum limits)
All Employee Share Plans	To encourage employee share ownership.	n/a	The Executive Directors may participate in any employee share plans offered by the Company on the same terms as other employees.
Chairman and Non-Executive Directors' fees	To attract and retain Non-Executive Directors of the right calibre.	n/a	Non-Executive Director fees are determined by the Board. The fees for the Chairman are determined by the Remuneration Committee taking into account the views of the Chief Executive. The Chairman excludes himself from such discussions. The fee levels are reviewed periodically and are set to reflect the responsibilities and time commitment of the role and the experience of the individual. Fee levels are set by reference to rates in companies of comparable size and complexity. The fees for the Non-Executive Directors comprise a basic Board fee, with additional fees paid for chairing a Committee or for the Senior Independent Directorship. The Chairman receives an all encompassing fee for his role. In exceptional circumstances, additional fees may be payable to reflect a substantial increase in time commitment. Fees are paid monthly in cash. Any reasonable business related expenses (including tax thereon) may be reimbursed if determined to be a taxable benefit. The Chairman and Non-Executive Directors may be eligible to access HomeServe products and services on the same terms as offered to employees.

Performance measures

The Remuneration Committee works hard to ensure that the remuneration policy for the Executive Directors supports the business strategy, and that the level of remuneration received is reflective of the overall business performance and the returns received by shareholders. A significant proportion of the remuneration package comes from variable pay with careful consideration given to the choice of performance metrics to ensure that the executives are not encouraged to take inappropriate risks.

The choice of measures may change for future award cycles, but is currently based on the following:

Metric	Type of Award	Link to strategy
Profit Before Tax	Bonus	Core short-term profitability metric.
Growth in Customers and Trades	Bonus	Core non-financial top line volume metrics aligned with our growth strategy.
Customer Service	Bonus	Core non-financial quality metric that contributes to long-term customer retention and reflects operational improvement.
Personal Strategic Objectives	Bonus	Unique non-financial personal strategic objectives.
Earnings per Share (EPS)	LTI	This provides an assessment of the profitability of the Group over the longer-term and is strongly aligned to the execution of the business strategy. Challenging targets are set for each award cycle based on internal and external forecasts.
Total Shareholder Return (TSR)	LTI	This measures the total return to shareholders provided through share price appreciation and dividends.TSR provides a clear alignment between the value created for shareholders and the reward earned by executives.

The Committee would consult with shareholders in advance of the introduction of new measures to be applied to future award cycles.

Directors' remuneration policy
Continued

Annual Bonus
The annual bonus is designed to drive and reward excellent short-term operating performance of the Company. No annual bonus is paid unless a very high level of performance is achieved. The Committee reviews the annual bonus plan measures annually in order to ensure that they are aligned with the Group's strategy and so that bonus arrangements are consistent amongst the senior executive team. Performance targets are set at the start of the financial year and are linked to the Group's strategic and operational objectives. The customer focused culture across our business is reflected in the use of non financial metrics in the annual bonus scheme. These are balanced by the use of financial targets and personal objectives used to reflect other strategic priorities.

The Committee retains the discretion to alter the choice and weighting of the metrics for future bonus cycles to reflect the changing needs of the business. The payment of any bonus is at the discretion of the Committee and bonuses will only be paid once a minimum level of financial performance is achieved.

LTIP
Long-term incentive awards will be granted in accordance with the rules of the shareholder approved HomeServe 2018 Long-Term Incentive Plan (LTIP) (and any subsequent replacement plan) and the discretions contained therein. The performance measures for the matching and performance awards are set using a sliding scale of targets and no more than 25% of the award will vest for achieving the threshold performance hurdle.

Under the rules of the plan, the Committee has the discretion to adjust the targets applying to existing awards in exceptional circumstances providing the new targets are no less challenging than originally envisaged. The Committee also has the power to adjust the number of shares subject to an award in the event of a variation in the capital of the Company.

Awards under the LTIP may be granted as conditional allocations or nil (or nominal) cost options with, or as, forfeitable shares. The Committee may also decide to grant cash based awards of an equivalent value to share based awards or to satisfy share based awards in cash, although it does not currently intend to do so. Awards are satisfied through a mixture of either market purchase or new issue shares. To the extent new issue shares are used, the LTIP will adhere to a 5% in 10 year dilution limit.

A post vesting holding period applies to all awards. There is a minimum period of five years from the date of grant of an award before shares can be sold. To the extent that nil cost options are exercised after the three year vesting point, but before five years, the net of tax value of the vested shares must continue to be held. The dividend roll up on unexercised nil cost options will continue until five years from grant. This five year view provides a longer-term perspective to the incentive programme than the three year performance period.

Clawback
The Committee has the power to reclaim some, or all, of a cash bonus and vested LTIP awards (performance and matching) in exceptional circumstances, such as misstatement of financial results, an error in assessment of performance, the use of misleading information and/or gross misconduct on the part of the individual.

Shareholding guidelines
It is the Board's policy that Directors build up and retain a minimum shareholding in the Company. Each Director is encouraged to hold shares of at least equal value to three times their annual basic salary or fee. For new Directors, the requirement is expected to be met within five years of appointment (within five years of the adoption of the new policy for existing Directors).

If the holding guideline has not been fulfilled at the point of exercise of any option or the vesting of any other long-term incentive award, the Director must retain 50% of the net proceeds in the Company's shares until the holding requirement is achieved. Details of the current shareholdings of the Directors are provided on page 113.

The policy also reflects the post vesting shareholding requirement in respect of the Long-Term Incentive Plan whereby the net of tax value of shares that vest must be retained for a period of two years.

The guideline for post-cessation shareholding requirements is 200% of base salary; this would apply for two years post cessation and applies to shares awarded after the implementation of the policy.

How employees' pay is taken into account

The remuneration policy for the Executive Directors is designed with regard to the policy for employees across the Group as a whole. Our ability to meet our growth expectations and compete effectively is dependent on the skills, experience and performance of all of our employees. Our employment policies, remuneration and benefit packages for employees are regularly reviewed.

There are some differences in the structure of the remuneration policy for the Executive Directors and senior management team compared to other employees reflecting their differing responsibilities, with the principal difference being the increased emphasis on performance related pay for the more senior executives within the organisation. However, there are many common themes. For example, the structure of the annual bonus, with the focus on financial, non financial and personal performance is the same for employees at management grade and above with the same objectives being used for everyone in a particular business unit.

Employee share ownership is encouraged and facilitated through extending participation in the LTIP to other senior leaders within the business and all eligible employees are able to participate in the HomeServe One Plan, a share incentive plan. The One Plan was reviewed during the year with the matching element doubled so that participants now receive one free matching share for every partnership share that they buy.

Although the Committee does not consult directly with employees on Directors' pay, the Committee does take into consideration the pay and employment conditions of all employees when setting the policy for Directors' remuneration. In terms of comparison metrics, the Committee takes into account the average level of salary increase being budgeted for the workforce when reviewing the salary levels of the Executive Directors. The Committee is also mindful of any changes to the pay and benefit conditions for employees more generally when considering the policy for Directors' pay.

The Chairman of the Committee took the opportunity to meet with the International People Forum during the year and there was a useful discussion about executive pay and the reasons why it can differ from workforce arrangements.

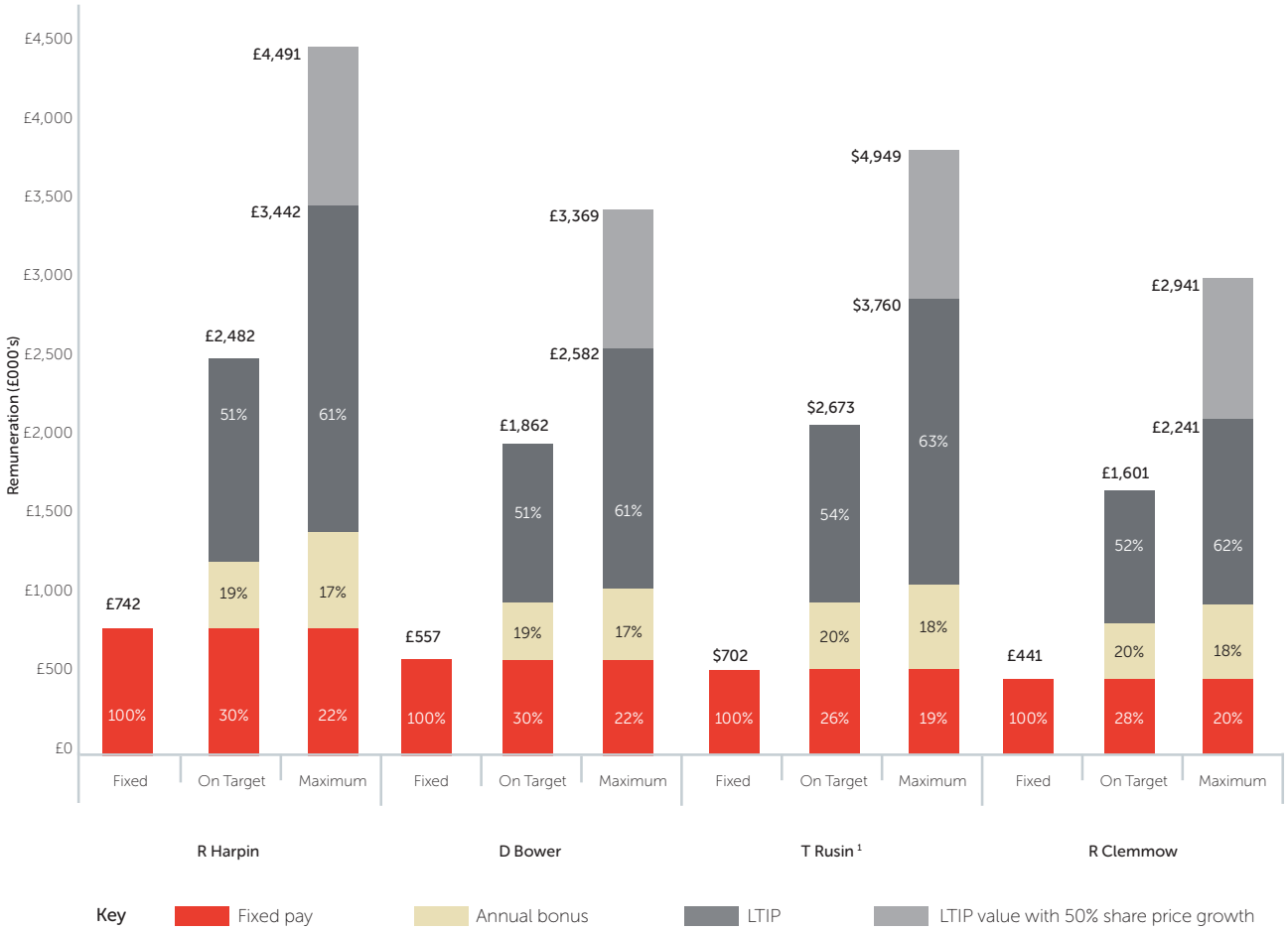
How shareholders' views are taken into account

The Committee considers shareholder feedback received regarding the Remuneration report annually and guidance from shareholder representative bodies more generally. These views are key inputs when shaping remuneration policy. The Committee consults with shareholders when considering changes to remuneration arrangements and did so in respect of the renewal of the policy in 2020. More recently, the Committee sought shareholder feedback on the increase to the size of the Performance Share award for FY22 and the basic salary increase for the CFO.

Directors' remuneration policy
Continued

Remuneration scenarios for Executive Directors

The chart below details the composition of each Executive Director's remuneration package and how it varies at different levels of performance under the policy set out above. It demonstrates the balance between fixed and variable pay at threshold, on-target and maximum performance levels under the normal remuneration policy for the Executive Directors.



[1] Tom Rusin is paid in USD and the USD amounts have been converted to GBP for illustrative purposes.

Assumptions

Fixed:	Fixed pay only (salary plus benefits plus pension).
On target:	Target annual bonus of 80% of salary plus target LTIP awards in FY22 of 120% of salary plus matching awards of 90% of salary.
Maximum:	Maximum annual bonus of 100% of salary plus maximum LTIP awards in FY22 of 200% of salary plus matching awards of 150% of salary.
Maximum plus share price growth:	The maximum scenario above but illustrating the impact of a 50% increase in the share price on the LTIP awards.

Salary levels (on which other elements of the packages are calculated) are based on salaries as at 1 July 2021.

The value of taxable benefits is based on the actual values paid in FY21.

Richard Harpin and David Bower receive a pension allowance of 20% of basic salary. The Executive Directors may participate in all-employee share schemes on the same basis as other employees. The value that may be received under these schemes is subject to tax approved limits. For simplicity, the value that may be received from participating in these schemes has been excluded from the above charts. The on target and maximum scenarios exclude the impact of share price growth except as otherwise noted.

Executive Directors' service agreements and policy on payments for loss of office

Under the Executive Directors' service contracts up to twelve months' notice of termination of employment is required by either party (reduced to six months if following a prolonged period of incapacity).

Dates of current contracts are summarised in the table below:

Name	Date of contract
D Bower	3 February 2017
R Clemmow	4 March 2021
R Harpin	18 January 2002
T Rusin	4 April 2018

Should notice be served, the Executives can continue to receive basic salary, benefits and pension for the duration of their notice period. The Company may require the individual to continue to fulfil their current duties or may assign a period of garden leave. The Company applies a general principle of mitigation in relation to termination payments and supports the use of phased payments. From the date of the announcement of an Executive Director's termination, any payment would be capped at 12 months' pay (that is, notice must be served concurrent with the announced departure).

Outplacement services may be provided where appropriate, and any statutory entitlements or sums to settle or compromise claims in connection with a termination (including, at the discretion of the Committee, reimbursement for legal advice) would be paid as necessary.

The service contracts also enable the Company to elect to make a payment in lieu of notice equivalent in value to twelve months' base salary, benefits and pension.

In the event of cessation of employment, the executives may still be eligible for a performance related bonus for the period worked. Different performance measures may be set to reflect changes in the Director's responsibilities until the point of departure.

The rules of the LTIP set out what happens to outstanding share awards if a participant leaves employment before the end of the vesting period. Generally, any outstanding share awards will lapse when an Executive leaves employment, except in certain circumstances. If the Executive leaves employment as a result of death, ill-health, injury, disability, retirement, transfer of employment or any other reason at the discretion of the Committee, then they will be treated as a 'good leaver' under the plan rules.

For a good leaver, any outstanding unvested LTIP awards will vest on the normal vesting date subject to an assessment of performance, with a pro-rata reduction to reflect the proportion of the vesting period served. The Committee may dis-apply the time pro-rating requirement if it considers it appropriate to do so. In the case of cessation due to death, the Committee can determine that the awards vest early. Outstanding vested but not exercised awards can be exercised by a good leaver until the expiry of the normal exercise period (or within 12 months in the case of death).

In determining whether an Executive should be treated as a good leaver and the extent to which their award may vest, the Committee will take into account the circumstances of an individual's departure.

The treatment of share awards on a change of control is the same as that set out above in relation to a good leaver (albeit with the vesting period automatically ending on the date of the change in control).

Recruitment Policy

Base salary levels will be set in accordance with HomeServe's remuneration policy, taking account of the executive's skills, experience and their current remuneration package. Where it is appropriate to offer a lower salary initially, a series of increases to the desired salary positioning may be given over subsequent years subject to individual performance. Benefits will generally be provided in accordance with the approved policy, with relocation expenses and/or an expatriate allowance paid for if necessary. For an overseas appointment (which may include the relocation of an existing Director), the benefit and pension arrangements may be tailored to reflect local market practice (subject to the overall maximum limits on pension set out in the policy table).

Directors' remuneration policy
Continued

The structure of the variable pay element will be in accordance with HomeServe's policy as detailed above. The maximum permitted variable pay opportunity is 450% of salary (100% of salary bonus + 200% of salary LTIP + 150% of salary matching award). However, the normal award limits are a bonus of 100% of salary, a performance share award of 150% of salary and up to a 150% of salary matching award. In the case of the matching awards, a new recruit may be invited to invest up to 25% of salary from their own funds in the first year in order to receive a matching award (in determining the number of matching awards to be granted, the investment is deemed to be made gross of tax). LTIP awards may be made shortly following an appointment (assuming the Company is not in a closed period).

The performance and matching awards would be granted on a consistent basis to the other Executive Directors. In the case of the annual bonus, different performance measures may be set for the first year, taking into account the responsibilities of the individual and the point in the financial year at which they joined. If it is necessary to buy-out incentive pay (which would be forfeited on leaving the previous employer) in order to secure the appointment, this would be provided for taking into account the form (cash or shares), timing and expected value (i.e. likelihood of meeting any existing performance criteria) of the remuneration being forfeited. The LTIP permits the grant of restricted share awards to Executive Directors in the case of recruitment to facilitate this, although awards may also be granted outside of this scheme if necessary, and as permitted under s.9.4.2.2 of the Listing Rules.

The service contract for a new appointment would be in accordance with the policy for the current Executive Directors.

In the case of an internal hire, any outstanding variable pay awarded in relation to the previous role will be allowed to pay out according to its terms of grant.

Fees for a new Chairman or Non-Executive Director will be set in line with the approved policy.

Non-Executive Directors' letters of appointment

Non-Executive Directors serve under letters of appointment for periods of three years. The Non-Executive Directors (including the Chairman) have a notice period of three months but no liquidated damages are payable.

Fees are determined by the Executive Directors within the limits set by the Articles of Association, and are based on information on fees paid in similar companies and the skills and the expected time commitment of the individual concerned.

Details of their current three year appointments are as follows:

Name	Date of contract
T Breen	27 January 2021
K Cliffe	23 May 2020
S David	23 November 2019
R Donnelly	25 March 2021
E Fitzmaurice	23 May 2020
J M B Gibson	1 April 2019
O Grémillon	29 March 2019
R McMillan	27 October 2020

Outside Appointments

Executive Directors may hold one outside appointment and can retain any fees received.

Annual report on remuneration

This part of the report has been prepared in accordance with Part 3 of the revised Schedule 8 set out in The Large and Medium-sized Companies and Groups (Accounts and Reports) (Amendment) Regulations 2013, and 9.8.6R of the Listing Rules. The annual report on remuneration will be put to an advisory shareholder vote at the 2021 Annual General Meeting.

Remuneration Committee Members

Katrina Cliffe (Chairman)
Tommy Breen (appointed 26 March 2021)
JM Barry Gibson (stepping down on 18 May 2021)
Stella David (stepped down on 17 July 2020)
Edward Fitzmaurice
Olivier Grémillon
Ron McMillan

All of the current members are independent Non-Executive Directors and the Chairman of the Committee has experience of other remuneration committees. The Board determined that the Company Chairman, Barry Gibson, should remain a member of the Committee taking account of the fact that he was considered to be independent on appointment and also that, as a former Chairman of the Remuneration Committee, his knowledge of the development of the remuneration policy and practices at HomeServe is invaluable. He takes no part in discussions relating to his own remuneration. Barry is stepping down from the Board on 18 May 2021.

Responsibilities

The principal role of the Remuneration Committee is to set the framework and policy for remuneration of the Board of Directors, both Executives and Non-Executives, and the Executive Committee. In determining these arrangements, the Committee takes account of the employment conditions and remuneration arrangements across the Group, seeking to ensure they align with common objectives and are based on the same principles. Insofar as possible, we ensure they also follow similar structures, since this is the most reliable way of ensuring transparency. We aim to offer a remuneration package that is sufficiently attractive to attract and appropriately reward the leadership team required to successfully run a complex international Group.

The primary responsibilities of the Committee include:

- Determining the Group's overall remuneration strategy
- Determining the remuneration packages of the Executive Directors and other members of the Executive Committee
- Selecting the measures and setting the performance criteria for the annual bonus and LTIP; and, at the end of the performance periods, evaluating performance against these criteria and determining if discretion should be applied in determining the final level of payment
- Approving the grant and exercise of executive share-based long-term incentive arrangements and overseeing the operation of other share-based plans across the Group
- Agreeing the terms and conditions of service agreements with Executive Directors, including termination payments
- Monitoring the pay of the Executive Committee, whose pay takes into account that of the whole workforce; in this regard, the Committee reviews internal relativities and pay ratios, and considers pay and conditions across the Group
- Considering the guidance issued by shareholders, their representative bodies and proxy agencies (including the Investment Association and Institutional Shareholder Services) on matters related to executive compensation and corporate governance; further, the Committee encourages an open dialogue with shareholders, soliciting feedback and seeking their views ahead of enacting significant changes to the remuneration policy or its implementation.

Annual report on remuneration
Continued

The Committee's terms of reference were reviewed during the year. The full schedule is available on our website: **www.homeserveplc.com/who-we-are/governance**

In determining the remuneration policy, the Committee is free to obtain such professional advice as it sees fit, and it periodically monitors both the policies of comparator companies and current market practice, in order to ensure that the packages provided are sufficient to attract and retain Executive Directors of the necessary quality.

The Committee aims to develop and recommend remuneration strategies that drive performance and reward it appropriately. In determining its policy, the Committee has paid regard to the principles and provisions of good governance contained in the UK Corporate Governance Code and the guidelines issued by institutions such as the Investment Association, ISS and the Pensions and Lifetime Savings Association (PLSA). The Committee operates under the delegated authority of the Board.

The remuneration of Non-Executive Directors is a matter for the Board. No Director is involved in determining his or her own remuneration.

The Committee has agreed and implemented a procedure for reviewing and assessing its own effectiveness as part of the annual effectiveness review of the Board.

Advisers

The Committee selects its own advisers. From April 2020 to October 2020, independent advice was received by the Committee from the Executive Compensation practice of Aon plc. Aon also provided technical implementation and accounting advice in relation to the administration of the Company's share schemes. Aon is a member of the Remuneration Consultants Group and is a signatory to its Code of Conduct. During the year, insurance broking services were also provided to the Group by other subsidiaries of Aon plc, which the Committee considers in no way prejudiced Aon's position as the Committee's independent advisers. Aon plc had no connection with any individual Director.

Fees charged by Aon for advice provided to the Committee for the year ended 31 March 2021 amounted to £21,550 (excluding VAT). Aon also provided additional remuneration advisory services to the Company during the year ended 31 March 2021 which fell outside of its support to the Remuneration Committee. These fees amounted to £19,950 (excluding VAT).

During the year, Aon plc decided to withdraw from the provision of remuneration advisory services and as a result, the Committee undertook a selection process for new advisers. Korn Ferry were selected and provided advice from November 2020. Korn Ferry is a member of the Remuneration Consultants Group and is a signatory to its Code of Conduct. During the year, diversity & inclusion advice was also provided to the Group by Korn Ferry. The Committee does not consider that this prejudices Korn Ferry's position as the Committee's independent advisers. Korn Ferry had no connection with any individual Director.

Fees charged by Korn Ferry for advice provided to the Committee for the year ended 31 March 2021 amounted to £81,800 (excluding VAT).

The Committee has also received assistance from Richard Harpin, Group Chief Executive, David Bower, Chief Financial Officer, Kate Keyworth, Group People Director and Anna Maughan, Company Secretary, all of whom attended meetings of the Committee as required. No Executive took part in discussions in respect of matters relating directly to their own remuneration.

Remuneration for the year under review (Audited)

	Year	Salary and fees £000	Taxable benefits[5] £000	Pension[6] £000	Bonus £000	LTIP[7] £000	Total Fixed £000	Total Variable £000	**Total £000**
Executives									
D Bower	FY21	375	17	75	299	219	467	518	**985**
	FY20	375	18	75	356	803	468	1,159	1,627
R Clemmow[1]	FY21	12	—	—	—	—	12	—	**12**
	FY20	—	—	—	—	—	—	—	—
R Harpin	FY21	588	23	118	469	412	729	881	**1,610**
	FY20	585	28	117	538	2,969	730	3,507	4,237
T Rusin[2]	FY21	508	9	8	405	340	525	745	**1,270**
	FY20	519	9	9	462	2,408	537	2,870	3,407
Non-Executives									
T Breen[3]	FY21	62	—	—	—	—	62	—	**62**
	FY20	—	—	—	—	—	—	—	—
K Cliffe	FY21	77	—	—	—	—	77	—	**77**
	FY20	68	—	—	—	—	68	—	68
S David	FY21	68	—	—	—	—	68	—	**68**
	FY20	70	—	—	—	—	70	—	70
R Donnelly[4]	FY21	1	—	—	—	—	1	—	**1**
	FY20	—	—	—	—	—	—	—	—
E Fitzmaurice	FY21	57	—	—	—	—	57	—	**57**
	FY20	55	—	—	—	—	55	—	55
O Grémillon	FY21	57	—	—	—	—	57	—	**57**
	FY20	55	—	—	—	—	55	—	55
J M B Gibson	FY21	300	—	—	—	—	300	—	**300**
	FY20	263	—	—	—	—	263	—	263
R McMillan	FY21	68	—	—	—	—	68	—	**68**
	FY20	65	—	—	—	—	65	—	65
Total FY21		**2,173**	**49**	**201**	**1,173**	**971**	**2,423**	**2,144**	**4,567**
Total FY20		2,055	55	201	1,356	6,180	2,311	7,536	9,847

[1] Ross Clemmow joined the Board on 22 March 2021.
[2] Tom Rusin is paid in USD and the USD amounts have been converted into GBP for the purposes of this table using the average exchange rate for FY21.
[3] Tommy Breen joined the Board on 27 January 2021.
[4] Roisin Donnelly joined the Board on 25 March 2021.
[5] Benefits comprise company car, fuel allowance and medical insurance.
[6] Details of pension contributions can be found later in the report.
[7] The figures for FY20 have been updated to reflect the actual share price on vesting for the 2017 award. The figures for FY21 are based on the average share price over the last three months of the financial year as the awards have not yet vested. The value shown for each LTIP award includes an amount in respect of dividend equivalents.

Annual report on remuneration
Continued

Details of variable pay earned in the year (Audited)

Annual Bonus

For FY21, the annual bonus was based on the following stretching targets. The Committee agreed a minor adjustment to the weightings for FY21 bonuses which were disclosed in last year's report, introducing a new measure linked to the number of leads in the Habitissimo business and balancing this with a slight reduction on the weighting for the customer dissatisfaction measure:

Financial and non financial bonus targets

		Weighting	% Payable at Threshold	Threshold	Maximum	Actual	% Payable
Financial measures	Adjusted Group profit before tax	40%	25%	£177.0m	£184.0m	£191.3m	100%
Non financial measures	Customer growth	15%	20%	8,000k	8,163k	8,366k	100%
	Trades growth (Checkatrade)	5%	40%	40.9k	43.0k	43.6k	100%
	No. of leads (Habitissimo)	5%	40%	1.85m	2.1m	2.0m	94%
	Customer dissatisfaction (measured as a weighted average level of customer dissatisfaction across the UK, US, France and Spain)	15%	20%	5.9%	5.6%	5.5%	100%

Personal bonus targets

	Objectives	Weighting	Outcome	% Payable
D Bower	Use financial analysis to drive business improvements or efficiencies that generate incremental in year savings versus the budget	20%	Key achievements included: • Delivering significant cost savings (£6m+, including a marked reduction in plc costs) and profit in excess of targets for FY21 • Arranged additional US Private Placement funding to support the delivery of our growth plans and increasing our appeal to US investors • Pioneered enhanced internal budgeting process.	100%
R Harpin	Develop and prove out two new Home Experts initiatives, creating opportunities for significant P&L benefit in FY22	20%	Key achievements included: • Proved out UX for Directory Extra and developed highly successful new advertising campaign for Checkatrade which increased Checkatrade web visits from 23.6m to 29.0m • Rollout of the freemium model • Clearly identified FY22 P&L opportunities.	100%
T Rusin	To reinvent and step change Membership & HVAC growth	20%	Key achievements included: • Delivering growth in HVAC growth in terms of revenue (16% growth), policies (15% growth) and profit (65% growth), doubling HVAC customers to over 100k • Beginning the step change to driving new growth in the UK • Decreased complaints per claim and increased service efficiency in the UK • Delivering continued strong customer growth in mainland Europe, including 27% growth in HVAC customers in France and 86% growth in gross new customers in Spain • 7% customer growth in North America.	100%

Despite the COVID pandemic the Group performed well, delivering good growth in adjusted PBTA and strong growth in Membership customers, particularly in North America and France. Progress was also made in respect of the key strategic measures in Home Experts; trades and leads. Continued focus on customer service across all of our businesses meant that customer dissatisfaction remained low. Combined with the excellent personal performance of each of our Executive Directors, this delivered bonuses at 99.7% of the maximum available. However, following the decision to halt the implementation of eServe, the UK CRM solution, which resulted in an exceptional charge of £84.8m, the Committee agreed to exercise discretion to reduce the bonus for the Executive Directors. The payment in respect of the profit element of their bonus has been halved and, as a result, the Executive Directors will receive a bonus at 79.7% of the maximum.

The following bonuses were payable:

Name	Bonus £	% of salary
D Bower	298,875	79.7%
R Harpin	468,686	79.7%
T Rusin	404,789	79.7%

Annual bonuses are paid in cash but Executive Directors have the opportunity to invest their bonuses (up to 75% of the maximum) in HomeServe shares in order to participate in the matching element of the LTIP.

Ross Clemmow was appointed on 22 March 2021 and did not participate in the FY21 bonus scheme.

Long-term Incentive Plan

The 2018 LTIP performance and matching awards were granted on 24 July 2018.

The performance conditions for the performance and matching awards were as follows:

Condition	Percentage of award to which the condition applies	Performance period	Threshold target	Stretch target	Actual performance	Vesting
TSR (underpinned by underlying financial performance)	25%	3 years to 31 March 2021	TSR equal to the FTSE 250 index	TSR exceeds the index by an average of 15% p.a.	52.58%	81.3%
EPS	75%	3 years to 31 March 2021	Compound annual growth of 9%	Compound annual growth of 15%	8.3%	0%

Based on the level of performance as set out in the table above, the overall level of vesting was 20.33%. A two year post-vesting holding requirement applies to the awards.

The 2018 awards have been valued for the purpose of the remuneration table on page 107 using the average share price over the last three months of the financial year.

Annual report on remuneration
Continued

Summary of outstanding awards (Audited)

LTIP

Details of the maximum number of shares receivable from awards made under the LTIP are as follows:

	31 March 2021	Awarded during year	Lapsed during year	Vested during year	31 March 2020	Date granted	Type of award
D Bower	**—**	—	—	59,250	59,250	27.6.17	Performance
	46,247	—	—	—	46,247	24.7.18	Performance
	45,117	—	—	—	45,117	24.7.18	Matching
	47,468	—	—	—	47,468	26.6.19	Performance
	40,789	—	—	—	40,789	26.6.19	Matching
	42,485	42,485	—	—	—	15.7.20	Performance
	41,985	41,985	—	—	—	15.7.20	Matching
R Harpin	**—**	—	—	111,632	111,632	27.6.17	Performance
	—	—	—	107,547	107,547	27.6.17	Matching
	87,133	—	—	—	87,133	24.7.18	Performance
	84,691	—	—	—	84,691	24.7.18	Matching
	74,438	—	—	—	74,438	26.6.19	Performance
	71,453	—	—	—	71,453	26.6.19	Matching
	66,623	66,623	—	—	—	15.7.20	Performance
	65,842	65,842	—	—	—	15.7.20	Matching
T Rusin	**—**	—	—	93,920	93,920	27.6.17	Performance
	—	—	—	83,823	83,823	27.6.17	Matching
	74,699	—	—	—	74,699	24.7.18	Performance
	67,192	—	—	—	67,192	24.7.18	Matching
	65,926	—	—	—	65,926	26.6.19	Performance
	62,030	—	—	—	62,030	26.6.19	Matching
	59,666	59,666	—	—	—	15.7.20	Performance
	59,475	59,475	—	—	—	15.7.20	Matching

The performance conditions for the outstanding awards granted in 2018 and 2019 are as follows:

- 25% comparative TSR (FTSE 250 Index + 15% per annum for maximum vesting)
- 75% compound annual EPS growth (15% CAGR for maximum vesting).

Further details on LTIP awards granted in the year

On 15 July 2020, the following performance and matching share awards were granted to the Executive Directors under the LTIP:

Performance share awards

	Date of grant	Number of shares	Share price used to determine awards	Award size (% salary)	Face value at grant £	% that vests at threshold
D Bower	15.7.20	42,485	£13.24	150%	£562,501	25%
R Harpin	15.7.20	66,623	£13.24	150%	£882,089	25%
T Rusin	15.7.20	59,666	£13.24	150%	£789,978	25%

Performance Share Awards will vest after three years subject to continued employment and the achievement of stretching performance criteria relating to EPS. The extent to which Performance Share Awards vest at the end of the Performance Period will be determined as follows:

Compound annual percentage growth in EPS	Percentage of Shares that Vests
Less than 7%	0%
7%	25%
Between 7% and 13%	On a straight-line basis between 25% and 100%
13% or more	100%

The Performance Period is the period of three financial years ending on 31 March 2023. Vesting is also subject to underlying financial performance and a two year post vesting holding period applies.

Matching share awards

	Date of grant	Number of investment shares purchased	Award size	Number of shares subject to matching award	Share price used to determine awards	Face value £	% that vests at threshold
D Bower	15.7.20	11,126	2:1 match	41,985	£13.24	£147,308	25%
R Harpin	15.7.20	17,448	2:1 match	65,842	£13.24	£231,012	25%
T Rusin	15.7.20	15,761	2:1 match	59,475	£13.24	£208,676	25%

Subject to the retention of the Investment Shares, continued employment and the achievement of stretching comparative TSR related performance criteria, the Matching Share Awards will vest in three years' time.

The Company's TSR over the Performance Period must match or exceed the TSR of the Peer Group over the Performance Period. The Peer Group is those companies at positions 31 to 200 in the FTSE Index at the start of the Performance Period. The extent to which Matching Share Awards vest at the end of the Performance Period will be determined as follows:

The Company's TSR over the Performance Period	Percentage of Shares that Vests
Below the TSR of the median company in the Peer Group	0%
Equal to the TSR of the median company in the Peer Group	25%
Equal to or more than the TSR of the company at the 75th percentile of the Peer Group	100%
Between median and upper quartile TSR	Pro-rata on a straight-line basis between 25% and 100%

The Performance Period is the period of three financial years ending on 31 March 2023. Vesting is also subject to underlying financial performance and a two year post vesting holding period applies.

Annual report on remuneration
Continued

Further details on awards vested in the year

Performance and matching awards granted on 27 June 2017 vested in full during the year.

	Date of grant	Type of Award	Date of exercise	No of Shares	Share price at exercise	Face value at exercise £	Dividend equivalents paid in cash £
D Bower	27.6.17	Performance	30.6.20	59,250	£12.97	£768,473	£34,069
R Harpin	27.6.17	Performance	30.6.20	111,632	£12.97	£1,447,867	£64,188
	27.6.17	Matching	30.6.20	107,547	£12.97	£1,394,885	£61,840
T Rusin	27.6.17	Performance	30.6.20	93,920	£12.97	£1,218,142	£54,004
	27.6.17	Matching	30.6.20	83,823	£12.97	£1,087,184	£48,198

One Plan Matching Shares (Share Incentive Plan)

	31 March 2021	Sold during the year to pay tax on vesting	Acquired during year	31 March 2020	Aggregate face value of shares awarded during the year £ [1]
D Bower	**465**	—	83	382	£981
R Harpin	**465**	—	83	382	£981
T Rusin	**421**	39	89	371	£1,052

[1] Based on the acquisition price of the associated Partnership Shares.The highest share price was £13.30 and the lowest share price was £10.22.

Until January 2021, participants received one Matching Share for every two Partnership Shares they purchase. From February 2021, the match was enhanced to one Matching Share for every one Partnership Share purchased. Shares are purchased on a monthly basis. Matching Shares are normally kept in trust for a minimum period of three years.

Shareholding Guidelines (Audited)

It is the Board's policy that Executive Directors build up and retain a minimum shareholding in the Company. Each Director is encouraged to hold shares of at least equal value to 300% of their annual basic salary or fee.

Under the Long-Term Incentive Plan, the net of tax value of shares that vest must be retained for a period of two years.

The beneficial interests of Directors who served at the end of the year, together with those of their families, in the shares of the Company are as follows:

	18 May 2021	31 March 2021	31 March 2020	Outstanding LTIP awards	**Total 31 March 2021**	Value of shares counting towards guideline holding (as a % of salary or fee) [1]	Guideline met?
D Bower	167,364	167,338	124,648	264,091	**431,429**	536%	Yes
R Clemmow [2]	—	—	—	—	**—**	—	No
R Harpin	40,790,030	40,790,004	40,553,117	450,180	**41,240,184**	83,305%	Yes
T Rusin	841,752	841,725	703,862	388,988	**1,230,712**	1,990%	Yes
T Breen [3]	—	—	—	—	**—**	—	No
K Cliffe	20,976	20,976	18,276	—	**20,976**	283%	No
S David	100,020	100,020	100,020	—	**100,020**	1,560%	Yes
R Donnelly [4]	—	—	—	—	—	—	No
E Fitzmaurice	786,265	786,265	786,265	—	**786,265**	14,528%	Yes
O Grémillon	15,600	15,600	10,000	—	**15,600**	288%	No
J M B Gibson	150,070	150,070	150,070	—	**150,070**	601%	Yes
R McMillan	17,999	17,999	15,249	—	**17,999**	281%	No

[1] Calculated using the shareholding and share price on 31 March 2021 of £12.01 divided by the Executive's salary or Non-Executive's fee on that date.
[2] Ross Clemmow was appointed on 22 March 2021.
[3] Tommy Breen was appointed on 27 January 2021.
[4] Roisin Donnelly was appointed on 25 March 2021.

Directors' pensions (Audited)

The following contributions were made:

	2021 £000	2020 £000
D Bower	**75**	75
R Clemmow	—	—
R Harpin	**118**	117

Tom Rusin participates in a US 401k pension plan (a defined contribution scheme) to which the Company contributed £8,639 ($11,278) in FY21. (FY20: £8,915).

Ross Clemmow

Ross Clemmow joined the Board on 22 March 2021. His remuneration package comprises:

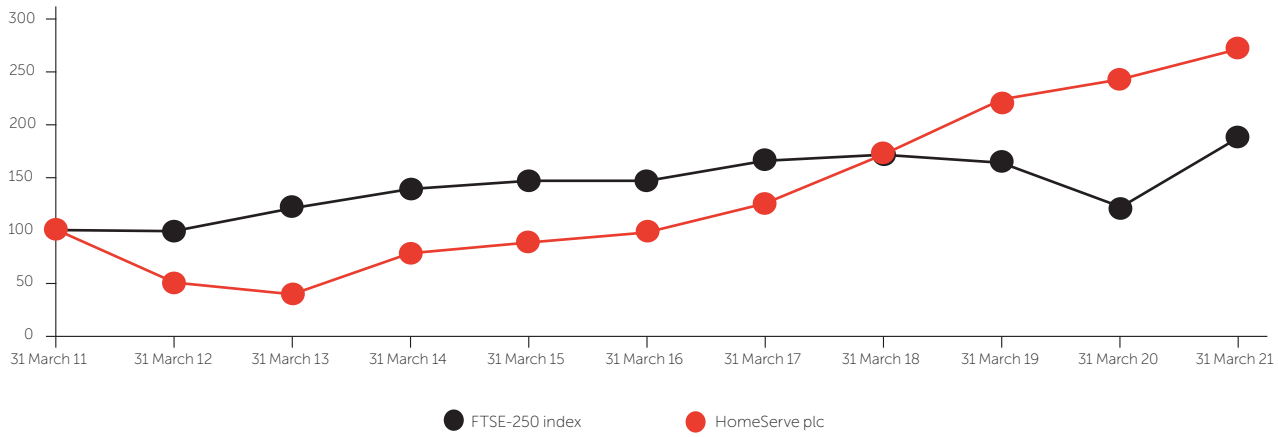
- Base salary of £400,000 per annum
- Maximum annual bonus of 100% of salary
- Annual LTIP Performance Share Award of 150% of salary and eligibility to participate in the Matching Share element of the LTIP
- Car allowance of £14,000
- Pension contributions of 6% (in line with the rate for the wider workforce)
- Other benefits including medical insurance and life insurance.

In addition, a one-off award will be made to buy out Ross's participation in a carried interest fund operated by his previous employer which was forfeited on leaving. After taking external advice, the Committee agreed to buy out his interest in this fund at a level of 50% of the minimum projected value of the fund, which was considered to be a fair estimate of what he was effectively forfeiting on his departure. The value of the buyout was determined at £750,000. The Committee agreed to grant this buyout award as an award of shares subject to the same performance and vesting conditions as those applying to the LTIP Awards to be granted in 2021. As a result, the buyout award has a long-term structure and the award will only vest in the event of challenging performance conditions being met over the forthcoming three-year period. The Committee intends to grant the award under Listing Rule 9.4.2 (2), which permits share awards to be granted to Directors linked to their recruitment without the requirement for specific shareholder approval to be sought. The use of Listing Rule 9.4.2 (2) in this fashion is permitted by the remuneration policy.

Annual report on remuneration
Continued

Performance graph

The graph below shows the Company's performance, measured by TSR, compared with the performance of the FTSE-250 Index (also measured by TSR) for the ten years ended 31 March 2021. This comparator has been chosen as it is a broad equity index of which the Company is currently a constituent and it is also the one historically used in assessing relative TSR performance under the LTIP.



The graph shows the value, by 31 March 2021, of £100 invested in HomeServe on 31 March 2011 compared with that of £100 invested in the FTSE-250 Index on the same date.

Chief Executive's remuneration

The total remuneration figures for the Chief Executive during each of the last ten years are shown in the table below. The figures include the annual bonus based on that year's performance and the matching awards plus the LTIP awards based on the three year performance period ending in the relevant year. The annual bonus and long-term incentive award vesting level as a percentage of the maximum opportunity are also disclosed below:

	FY12	FY13	FY14	FY15	FY16	FY17	FY18	FY19	FY20	**FY21**
Total remuneration (£000s)	559	953	1,212	1,200	3,355	4,256	8,563 [1]	4,749 [2]	4,237	**1,610**
Annual Bonus	0%	75%	100%	96%	98%	100%	96%	75%	92%	**79.7%**
LTIP awards vesting	60%	0%	0%	0%	100%	100%	100%	100%	100%	**20.33%**

Notes:
[1] The total includes the 2014 and 2015 LTIP awards which were granted and vested a year apart.
[2] Standard LTIPs vested at 100%. Additional LTIPs vested at 96.38%.

Percentage change in remuneration levels

The table below shows the percentage change in each Director's remuneration (excluding the value of any pension, matching awards and performance awards receivable in the year) between FY20 and FY21 compared to the average for all employees of HomeServe plc.

	% Change from FY20 to FY21		
	Salary	Benefits	Annual Bonus
D Bower	0%	(6%)	(16%)
R Clemmow	n/a	n/a	n/a
R Harpin	1%	(19%)	(13%)
T Rusin	1%	(6%)	(10%)
T Breen	n/a	n/a	n/a
K Cliffe	13%	n/a	n/a
S David	(3%)	n/a	n/a
R Donnelly	n/a	n/a	n/a
E Fitzmaurice	5%	n/a	n/a
O Grémillon	5%	n/a	n/a
J M B Gibson	14%	n/a	n/a
R McMillan	5%	n/a	n/a
Average of other HomeServe plc employees	5%	2%	34%

CEO pay ratio

The table below compares the Chief Executive's total remuneration against that of all of its UK employees.

Year	Method	25th Percentile pay ratio	Median pay ratio	75th percentile pay ratio
FY21	**Option B**	**70:1**	**52:1**	**43:1**
FY20	Option B	203:1	126:1	91:1

In terms of reporting options, the Company chose option B, using the most recent gender pay gap information to determine the relevant employee at the 25th, 50th and 75th percentile to compare to the Chief Executive's pay, as that data was considered to be the most accurate and comprehensive data available. It refers to gender pay data as at 1 April 2020 in respect of the FY21 disclosures and as at 1 April 2019 in respect of the FY20 disclosures. The pay and benefits for the employees identified was determined as at 31 March 2021 for the FY21 disclosures and as at 31 March 2020 for the FY20 disclosures.

The total pay and benefits figures and the salary figures used for the pay ratio calculations are set out in the table below.

Year		25th Percentile pay ratio	Median pay ratio	75th percentile pay ration
FY21	**Total pay and benefits**	**£23,039**	**£30,767**	**£37,010**
	Salary	**£22,645**	**£24,058**	**£34,091**
FY20	Total pay and benefits	£20,922	£33,751	£46,483
	Salary	£18,815	£28,074	£31,328

There has been significant change since we published our first CEO pay ratio report in 2020. This is largely due to the much lower level of LTIP vesting in respect of the CEO in 2021 compared to previous years.

Annual report on remuneration
Continued

The employees identified for this year's report are all working in frontline Customer focussed roles at increasing levels of seniority. With frontline roles representing a substantial proportion of the UK workforce, these employees are therefore reasonably representative of the 25th, 50th and 75th percentiles and demonstrate the progression in remuneration across the largest proportion of the workforce.

Overall the data demonstrates the commitment to pay the real Living Wage rate to all directly employed staff, which underpins the UK pay structure and is reflective of the wider approach to pay and progression.

Relative importance of spend on pay

The following table shows the Company's actual spend on pay (for all employees) relative to dividends, tax and retained profits:

	FY20 £m	**FY21 £m**	% change
Pay	339.2	**389.1**	+15%
Dividends	73.5	**80.5**	+10%
Tax	32.1	**15.4**	-52%
Retained profits	106.0	**31.1**	-71%

Application of the remuneration policy for FY21

Basic salary

Basic salary for each Executive Director is determined by the Remuneration Committee taking into account the roles, responsibilities, performance and experience of the individual. Salary increases are determined taking into account pay and employment conditions of employees elsewhere in the Company and market data on salary levels for similar positions at comparably-sized companies.

Salaries are normally reviewed in July each year (unless responsibilities change). The explanation for the salary decisions for FY22 is in the Annual Statement of the Chairman of the Remuneration Committee on pages 94 to 95.

The salaries for the Executive Directors from 1 July 2021 will be as follows:

Name of Director	Salary
D Bower	£450,000
R Clemmow	£400,000
R Harpin	£599,824
T Rusin	$679,575

Fees for the Chairman and Non-Executive Directors

As detailed in the remuneration policy, the Company aims to set remuneration for Non-Executive Directors at a level which is sufficient to attract and retain Non-Executive Directors of the right calibre. The fees paid to the Chairman and the Non-Executive Directors are reviewed periodically.

The fees for Non-Executive Directors were reviewed during FY21. Fees had been unchanged since 2015 and having reviewed the market data and taking into account the growth in the size and complexity of the Group, it was agreed that fees be increased to ensure that they remained competitive. Increases took effect on 1 January 2021.

As disclosed last year, the fees for the Chairman were reviewed in FY20 as part of the work undertaken in respect of the search for a successor to Barry Gibson.

Details of the current and previous fees are detailed in the table below.

	Previous	Current
Chairman's fees [1]	£300,000	£350,000
Senior Independent Director additional fee	£7,500	£12,000
Non-Executive Directors' base fee	£55,000	£65,000
Chair of Remuneration, Audit & Risk or People Committee	£10,000	£12,000

[1] The 'previous' figure for the Chairman relates to Barry Gibson who steps down on 18 May 2021. The 'current' figure relates to Tommy Breen who was appointed to the Board on 27 January 2021 and takes over as Chairman on 19 May 2021. The fee for the new Chairman reflects the increased size and complexity of the business compared to when Barry was originally appointed as Chairman and takes account of fees paid at comparable businesses.

Annual bonus performance targets

The annual bonus plan for FY22 will operate on a similar basis to FY21 and is consistent with the policy detailed earlier in this report.

The bonus measures will be as follows:

Financial measures (40% of bonus)	Non financial measures (40% of bonus)	Personal objectives (20% of bonus)
• Profit before tax	• Customer growth (15%) • Trades growth (Checkatrade) (5%) • Trades growth (Habitissimo) (5%) • Customer service (15%)	• Up to three personal strategic objectives

The Committee considers the forward looking performance targets to be commercially sensitive but more detailed disclosure will be provided in next year's remuneration report.

The Committee has discretion to scale back any bonus payments if it is deemed appropriate.

Annual report on remuneration
Continued

Long-term incentives

The Long-Term Incentive Plan will continue to provide a mix of Performance (up to 200% of salary) and Matching Share Awards (2:1 match on up to 75% of salary bonus invested in shares). As explained in the Annual Statement of the Chairman of the Remuneration Committee on pages 94 to 95, the FY22 Performance Share award for Executive Directors will be at 200% of salary.

Performance criteria

The performance targets to be applied to the awards granted in FY22 are set out below. The performance period is the three financial years ending on 31 March 2024.

Compound annual percentage growth in EPS	Percentage of Shares that Vests
Less than 7%	0%
7%	18.75%
Between 7% and 13%	On a straight-line basis between 18.75% and 75%
13%	75%
Between 13% and 16%	On a straight-line basis between 75% and 100%
16%	100%

Matching Share Awards will vest after three years subject to the retention of the Investment Shares purchased with the annual cash bonus, continued employment and the achievement of stretching comparative TSR related performance criteria. The Company's TSR over the performance period must match or exceed the TSR of the Peer Group over the performance period. The Peer Group is those companies at positions 31 to 200 in the FTSE Index at the start of the performance period. The extent to which Matching Share Awards vest at the end of the performance period will be determined as follows:

The Company's TSR over the Performance Period	Percentage of Shares that Vests
Below the TSR of the median company in the Peer Group	0%
Equal to the TSR of the median company in the Peer Group	25%
Equal to or more than the TSR of the company at the 75th percentile of the Peer Group	100%
Between median and upper quartile TSR	Pro-rata on a straight-line basis between 25% and 100%

Holding period for vested shares

The net of tax value of any shares vesting under the LTIP must be held for a further two years, providing a longer-term perspective to the incentive programme.

Shareholder voting at the 2020 Annual General Meeting

At last year's Annual General Meeting held on 17 July 2020, the following votes from shareholders were received:

	Remuneration report		Remuneration policy	
	Total number of votes	% of votes cast	Total number of votes	% of votes cast
For	232,066,059	97.4%	226,075,370	95.7%
Against	6,235,977	2.6%	10,179,917	4.3%
Total votes cast (for and against excluding withheld votes)	238,302,036	100.0%	236,255,287	100.0%
Votes withheld	5,760,270		3,713,421	
Total votes (including withheld votes)	**244,062,306**		**239,968,708**	

By Order of the Board

Katrina Cliffe
Chairman of the Remuneration Committee
18 May 2021

Directors' report

The Directors have pleasure in presenting their Annual Report for the year ended 31 March 2021.

Management report

The Directors' report, together with the Strategic report set out on pages 2 to 57 form the Management Report for the purposes of Disclosure Guidance and Transparency Rule (DTR) 4.1.5R.

Statutory information contained elsewhere in the Annual Report

Information required to be part of this Directors' Report can be found elsewhere in the Annual Report as indicated in the table below and is incorporated into this report by reference.

Information	Location in Annual Report
Likely future developments in the business of the Company or its subsidiaries	Pages 2 to 55
Employees (employment of disabled persons, employee engagement and policies)	Pages 25 to 26
Greenhouse gas emissions	Pages 30 to 31
Employee engagement	Page 25
Supplier, customers, others in a business relationship	Pages 20 and 21
Corporate Governance statement	Pages 58 to 91
Directors' details (including changes made during the year)	Pages 71, 72 and 74
Related party transactions	Note 34 on page 187
Diversity	Page 26
Share capital	Note 28 on page 180
Going Concern and Viability statement	Pages 54 to 55
Employee share schemes (including long-term incentive schemes)	Note 32 on pages 182 to 184
Financial instruments: Information on the Group's financial instruments and risk management objectives and policies, including our policy for hedging	Note 27 and 46 on pages 177 and 199
Statements of responsibilities	Pages 122 to 123
Disclosure of information to auditor	Page 122

Disclosure table pursuant to Listing Rule (LR) 9.8.4C

The following table provides reference to where the information required by Listing Rule 9.8.4C R is disclosed:

Listing Rule	Listing Rule requirement	Disclosure
9.8.4(1)	Interest capitalised by the Group and any related tax relief	Not applicable
9.8.4(2)	Unaudited financial information (LR 9.2.18 R)	Strategic report page 2 to 55
9.8.4(4)	Long-term incentive schemes (LR 9.4.3 R)	Directors' remuneration report pages 109 to 112
9.8.4(5)	Directors' waivers of emoluments	Not applicable
9.8.4(6)	Directors' waivers of future emoluments	Not applicable
9.8.4(7)	Non pre-emptive issues of equity for cash	Not applicable
9.8.4(8)	Non pre-emptive issues for cash by any unlisted major subsidiary undertaking	Not applicable
9.8.4(9)	Parent company participation in a placing by a listed subsidiary	Not applicable
9.8.4(10)	Contract of significance in which a Director is or was materially interested	Not applicable
9.8.4(11)	Contract of significance between the Company (or one of its subsidiaries) and a controlling shareholder	Not applicable
9.8.4(12)	Waiver of dividends by a shareholder	Directors' report on page 120
9.8.4(13)	Waiver of future dividends by a shareholder	Directors' report on page 120
9.8.4(14)	Board statement in respect of relationship agreement with the controlling shareholder	Not applicable

Directors' report
Continued

Results and Dividends
The Directors are recommending the payment on 2 August 2021 of a final dividend of 19.8p per ordinary share to shareholders on the register at the close of business on 2 July 2021 which, together with the net interim dividend of 6.2p per ordinary share paid on 8 January 2021, results in a total net dividend for the year of 26.0p per share (FY20: 23.6p).

Political donations
No political donations were made during the year.

Rules on appointment and replacement of Directors
All of the ongoing Directors will seek election or re-election at the AGM in accordance with the Company's Articles of Association and the recommendations of the Code.

A Director may be appointed by ordinary resolution of the shareholders in a general meeting following nomination by the Board or a member (or members) entitled to vote at such meetings. In addition, the Directors may appoint a Director to fill a vacancy or as an additional Director, provided that the individual seeks election at the next AGM.

A Director may be removed by the Company in certain circumstances set out in the Articles of Association or by an ordinary resolution of the Company.

Directors' indemnities and insurance
The Company has made qualifying third party indemnity provisions for the benefit of its Directors which were in place during the year and remain in force at the date of this report. The Company maintains Directors' and officers' liability insurance for its Directors and officers.

Articles of Association
The powers of the Directors are set out in the Company's Articles of Association which are available on request. The Articles of Association may be changed by special resolution.

Capital Structure
Details of the issued share capital, together with details of shares issued during the year, are set out in note 28. There is one class of ordinary shares which carries no right to fixed income. Each share carries the right to one vote at a general meeting of the Company.

There are no specific restrictions on the size of a holding or on the transfer of shares, which are both governed by the general provisions of the Articles of Association and prevailing legislation. The Directors are not aware of any agreements between holders of the Company's shares that may result in restrictions on the transfer of securities or on voting rights.

Details of employee share schemes are set out in note 32. No votes are cast in respect of the shares held in the Employee Benefit Trust and dividends are waived.

No person has any special rights of control over the Company's share capital and all issued shares are fully paid. Subject to the Companies Act 2006 and any relevant authority of the Company in general meeting, the Company has authority to issue new shares.

The AGM held in 2020 authorised the Directors to allot shares in the capital of the Company within certain limited circumstances and as permitted by the Companies Act. A renewal of this authority will be proposed at the 2021 AGM.

Authority to purchase shares
The Company was authorised at the 2020 AGM to purchase its own shares, within certain limits and as permitted by the Articles of Association. A renewal of this authority will be proposed at the 2021 AGM. No shares were purchased during the year and no shares are held in Treasury.

Significant agreements – change of control

There are a number of agreements that take effect, alter or terminate upon a change of control of the Company such as commercial contracts, bank loan agreements, property lease arrangements and employees' share plans. None of these are considered to be significant in terms of their likely impact on the business of the Group as a whole. Furthermore, the Directors are not aware of any agreements between the Company and its Directors and employees that provide for compensation for loss of office or employment that occurs because of a takeover bid.

Annual General Meeting

The 2021 Annual General Meeting of the Company will be held on 16 July 2021.

Fixed Assets

Capital expenditure on tangible fixed assets amounted to £7.1m (FY20: £8.5m) during the year.

Directors' interests in shares

The beneficial interests of the Directors in the shares of the Company and the options held as at 31 March and 18 May 2021 are set out in the Remuneration report on page 112. None of the Directors serving at the year end had a beneficial interest in the share capital of any subsidiary company.

Substantial Shareholdings

As far as the Directors are aware, no person or company had a beneficial interest in 3% or more of the voting share capital at 31 March and 18 May 2021, except for the following:

	As at 31 March 2021		As at 18 May 2021	
Name	ordinary shares	%	ordinary shares	%
R Harpin	**40,790,004**	**12.1**	40,790,030	12.1
Baillie Gifford & Co	**21,949,959**	**6.5**	21,949,959	6.5
T Rowe Price Associates Inc	**16,904,551**	**5.0**	16,769,101	5.0
BlackRock Inc	**16,763,157**	**5.0**	17,023,125	5.0

Taxation status

The Company is not a close company within the meaning of the Income and Corporation Taxes Act 1988.

By Order of the Board

Anna Maughan
Company Secretary
18 May 2021

Statements of responsibilities

The Directors are responsible for preparing the Annual Report & Accounts, Remuneration report and the financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law, the Directors are required to prepare the Group financial statements under international accounting standards in conformity with the requirements of the Companies Act 2006 and International Financial Reporting Standards (IFRSs) adopted pursuant to Regulation (EC) No 1606/2002 as it applies to the European Union. Under company law, the Directors must not approve the accounts unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing these financial statements, the Directors are required to:

- properly select and apply accounting policies
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- provide additional disclosures when compliance with the specific requirements in IFRSs are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance
- make an assessment of the Company's ability to continue as a going concern.

The Directors are responsible for keeping proper accounting records that are sufficient to show and explain the Company's transactions and that disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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

Disclosure of Information to Auditor

Each of the Directors confirms that:

- so far as the Director is aware, there is no relevant audit information of which the Company's auditor is unaware; and
- the Director has taken all the steps that he or she ought to have taken as a Director in order to make himself or herself aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of s418 of the Companies Act 2006.

Resolutions proposing the reappointment of Deloitte LLP as auditor and authorising the Board to determine its remuneration will be put to the Annual General Meeting.

Website publication

The Directors are responsible for ensuring the Annual Report, including the financial statements, is made available on a website. Financial statements are published on the Company's website in accordance with legislation in the United Kingdom governing the preparation and dissemination of financial statements, which may vary from legislation in other jurisdictions. The maintenance and integrity of the Company's website **(www.homeserveplc.com)** is the responsibility of the Directors. The Directors' responsibility also extends to the ongoing integrity of the financial statements contained therein.

Directors' responsibility statement

We confirm to the best of our knowledge:

- the financial statements, prepared in accordance with IFRSs in conformity with the requirements of the Companies Act 2006 and IFRSs as adopted by the European Union, 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;
- the Directors' report, together with the Strategic report, which represent the Management 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.

By Order of the Board

Richard Harpin
Chief Executive Officer
18 May 2021

David Bower
Chief Financial Officer
18 May 2021

Independent Auditor's report to the members of HomeServe plc

Opinion

In our opinion:

- the financial statements of HomeServe plc (the 'parent company') and its subsidiaries (the 'Group') give a true and fair view of the state of the Group's and of the parent company's affairs as at 31 March 2021 and of the Group's profit for the year then ended;
- the Group financial statements have been properly prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006, and International Financial Reporting Standards (IFRSs) as adopted by the European Union;
- the parent company financial statements have been properly prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements which comprise:

- the Group income statement;
- the Group and parent company statements of comprehensive income;
- the Group and parent company balance sheets;
- the Group and parent company statements of changes in equity;
- the Group and parent company cash flow statements; and
- the related notes 1 to 50.

The financial reporting framework that has been applied in the preparation of the Group financial statements is applicable law, and international accounting standards in conformity with the requirements of the Companies Act 2006, and IFRSs as adopted by the European Union. The financial reporting framework that has been applied in the preparation of the parent company financial statements is applicable law and international accounting standards in conformity with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report.

We are independent of the Group and the parent company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the Financial Reporting Council's (the 'FRC's') Ethical Standard as applied to listed public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. The non-audit services provided to the Group and parent company for the year are disclosed in note 5 to the financial statements. We confirm that the non-audit services prohibited by the FRC's Ethical Standard were not provided to the Group or the parent company.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Summary of our audit approach

Key audit matters

The key audit matters that we identified in the current year were:

- carrying value of goodwill;
- impairment of the UK's eServe Customer Relationship Management ('eServe') system; and
- revenue deferrals

Within this report, key audit matters are identified as follows:

Newly identified | Increased level of risk | Similar level of risk | Decreased level of risk

Materiality

The materiality that we used for the Group financial statements was £7.4m which was determined on the basis of less than 0.6% of revenue.

Scoping

The following operating segments were subject to a full scope audit:

Membership and HVAC:

- United Kingdom;
- North America;
- France; and
- Spain.

Home Experts:

- United Kingdom; and
- North America.

The 'Membership and HVAC – New Markets' and 'Home Experts – Other' operating segments were subject to specific audit procedures.

Following the acquisition of eLocal in the prior year, the 'Home Experts – North America' segment was subject to a full scope audit for the first time in the year ended 31 March 2021.

Significant changes in our approach

In the prior year the Group's materiality was determined on the basis of 5% of profit before tax. In the current year, materiality has been determined on the basis of 0.6% of revenue. Please refer to our application of materiality section for further details.

During the year, management has fully impaired the new eServe system, resulting in impairment charges of £82.6m (FY20: £nil) being incurred by the Group. Following management's impairment review and the decision to fully impair the eServe system, we have amended our key audit matter in relation to eServe to focus on the assumptions underpinning the impairment decision and the £nil valuation of the asset.

In the prior year we identified the Group's acquisition of 79% of eLocal to be a key audit matter, in relation to the valuation of eLocal acquisition intangibles and the valuation of the put option over the remaining 21% equity interest. As this was related purely to the opening fair value assessment, this area has not been identified as a key audit matter for the year ended 31 March 2021.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the Directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Our evaluation of the Directors' assessment of the Group's and parent company's ability to continue to adopt the going concern basis of accounting included:

- evaluating management's going concern assessment, which included specific consideration of the impacts of the COVID pandemic and the Group's operational resilience, in order to understand, challenge and assess the key judgements made by management;
- obtaining an understanding of the Group's process and relevant controls around management's going concern assessment;
- reviewing management's three year business plan and regulatory correspondence across the Group;
- assessing compliance with the covenant conditions attached to the Group's lending facilities;
- reviewing post year end performance and assessing the historical accuracy of forecasts prepared by management; and
- assessing the appropriateness of the disclosures made in the financial statements surrounding going concern and the principal risks and uncertainties that the Group is facing.

Independent Auditor's report to the members of HomeServe plc
Continued

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Group's and parent company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

In relation to the reporting on how the Group has applied the UK Corporate Governance Code, we have nothing material to add or draw attention to in relation to the Directors' statement in the financial statements about whether the Directors considered it appropriate to adopt the going concern basis of accounting.

Our responsibilities and the responsibilities of the Directors with respect to going concern are described in the relevant sections of this report.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified. These matters included those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit; and directing the efforts of the engagement team.

These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Carrying value of goodwill

Key audit matter description

The carrying value of goodwill is £564.3m (FY20: £509.9m).

Management's goodwill impairment analysis is completed at an individual cash generating unit ('CGU') basis. The Group's assessment of the carrying value of goodwill is a judgemental process which requires estimates concerning the future cash flows of each CGU and associated discount rates. We identified key audit matters in the following areas:

- the accuracy of the weighted average cost of capital ('WACC') for each CGU used to discount the cash flows within the Group's impairment assessment; and
- the cash flow forecasts used for the Home Experts division, comprising Checkatrade, Habitissimo and eLocal. The Home Experts division has been most heavily impacted by the COVID pandemic, Checkatrade and Habitissimo are currently loss making and the value in use assessments are highly sensitive to variations in the short-term cash flow growth assumptions, particularly in the year three projection.

Having made their assessment, management determined that no impairment was required, however, as disclosed in notes 3 and 13, a reasonably plausible change in operational cash flows in the CGUs could result in an impairment of goodwill.

Further detail on the key judgements involved is set out within the Audit and Risk Committee report on page 87, significant accounting policies in note 2, the key sources of estimation uncertainty in note 3 and note 13 to the financial statements.

How the scope of our audit responded to the key audit matter

We first understood the Group's process and key controls around the carrying value of goodwill, specifically the Group review process to assess the accuracy and completeness of key assumptions within the impairment assessment.

We assessed the Group's WACC working with our internal valuations specialists. We benchmarked assumptions to external macro-economic and market data and independently determined the WACC rate for each CGU.

We challenged the Group's key assumptions relating to the estimated future cash flows applied to the Home Experts businesses. Our procedures included:

- challenging the reasonableness of the Group's assessment of the cash flow forecasts and growth rates applied for the Home Experts businesses, particularly Checkatrade and Habitissimo, given that both businesses are currently loss making and have significant growth forecasts over the next three years. This included understanding the key drivers of growth; and
- assessing the Group's ability to accurately forecast business performance with reference to historical trading performance and assessing the businesses performance throughout the COVID pandemic as well as any potential impact on future business performance.

We have reviewed the consistency of the key assumptions used in the carrying value of goodwill assessment to the budget used by the Group to assess longer term-viability and going concern.

We have considered the appropriateness of management's carrying value of goodwill disclosures, including the potential impact on headroom under a range of alternative lockdown scenarios, in line with guidance from IAS 36 – Impairment of assets and IAS 1 – Presentation of financial statements.

Key observations
We assessed the impact of using our independent WACC rate in management's impairment calculation, noting that it reduced the level of headroom within the Home Experts CGUs, however it did not indicate that an impairment write down was required.

We concluded that other key assumptions used within the Group's goodwill impairment assessment were acceptable.

We consider management's conclusions regarding the carrying value of goodwill to be reasonable as at 31 March 2021. We consider management's disclosures in note 3 in relation to Checkatrade and note 13 in relation to Habitissimo to be appropriate, which indicate that a reasonably plausible change in operational cash flows in the CGUs could result in an impairment of goodwill.

Impairment of the UK's 'eServe' Customer Relationship Management system

Key audit matter description
Management has been developing the new UK eServe Customer Relationship Management ('eServe') system since 2013. During the second half of the year, management identified a number of system capability issues associated with the eServe system and as a result, fully impaired the system, resulting in impairment charges of £82.6m (FY20: £nil). In addition, a provision of £2.2m has been recognised for onerous contracts associated with the eServe system. Total charges of £84.8m have been treated as exceptional in the Group's income statement due to their size, nature and incidence.

Following management's impairment review and the decision to fully impair the eServe system, we identified a key audit matter focussing on the assumptions underpinning the value-in-use calculation, the impairment decision and the £nil valuation of the asset.

Further detail on the key judgements involved is set out within the Audit and Risk Committee report on page 87, significant accounting policies in note 2 and note 7 to the financial statements.

How the scope of our audit responded to the key audit matter
We first understood management's process and relevant controls in relation to the impairment assessment, specifically the Group's process to assess the accuracy and completeness of key assumptions used to determine the value-in-use calculation.

We assessed the indicators of impairment identified by management against the requirements of IAS 36. We challenged management's value-in-use computation by assessing whether the nature of the cash flows that management has taken into account are consistent with the requirements of IAS 36 – Impairment of assets and verifying the accuracy of estimated cash flows used in the computation.

We engaged our IT specialists to challenge management's conclusions in technical areas such as the assumptions relating to the repatriation of policies from the new eServe system back onto the existing system.

We have challenged the completeness of management's assessment of onerous contracts and other provisions in accordance with IAS 37 - Provisions, contingent liabilities and contingent assets in relation to their decision to discontinue the eServe system and fully impair the asset.

We have reviewed management's disclosures in the financial statements relating to the impairment of the eServe system and its presentation as an exceptional item.

Independent Auditor's report to the members of HomeServe plc
Continued

Key observations
We are satisfied the cash flows applied in management's impairment assessment are reasonable in determining the eServe system's value-in-use.

Overall we consider management's decision to impair the eServe system down to £nil to be reasonable.

We also consider management's disclosures on the impairment of the eServe system to be reasonable, as well as its presentation as an exceptional item.

Revenue deferrals
Key audit matter description
The recognition of revenue is an important area of estimation which requires significant judgement by the Group to determine key assumptions, particularly regarding the level of revenue to defer in the Membership and HVAC division in order to satisfy the Group's obligations for future claims handling and non-recoverable costs incurred by HomeServe's directly employed operations.

Given the degree of judgement and estimation involved in determining the level of revenue to defer, we also identified that there is a potential for fraud through possible manipulation of this balance.

The total amount of revenue deferred at 31 March 2021 in respect of the Group's future claim handling obligations is £18.9m (FY20: £19.1m). The total amount of revenue deferred at 31 March 2021 in respect of the Group's directly employed operations is £21.8m (FY20: £18.9m).

The key assumptions used by the Group for claims handling and directly employed operations are the directly employed engineer rate, claims profiles and the average cost per claim, which are based on recent behavioural experience.

Further detail on the Group's revenue recognition policy is set out within the Audit and Risk Committee report on page 87, significant accounting policies in note 2 and the associated key judgements involved are set out in the critical accounting judgements and key sources of estimation uncertainty in note 3 to the financial statements.

How the scope of our audit responded to the key audit matter
We first understood the Group's process and relevant controls around the revenue deferrals. Specifically, controls that the Group has in place to manage the risk of inappropriate assumptions being used within the revenue deferrals.

We assessed the Group's policy for deferring revenue, including considering whether the policy is in accordance with current accounting standards, IFRS 15 – Revenue from contracts with customers.

We challenged the key inputs and assumptions used in the revenue deferral calculations. As part of this, we specifically considered whether any adjustments were required to revenue deferrals in light of the COVID pandemic through review of current behavioural experience, as well as forecast volumes during the recovery period:

- For cost per claim we compared budgeted costs to previous actual behaviour;
- We re-calculated directly employed engineer rates based on previous claims data; and
- For claims profiles we substantively tested policy information and agreed underwriter rates to third party information.

We substantively tested the source data to underlying supporting evidence.

Additionally, we have assessed if management was consistent in implementing the calculations across the Membership and HVAC division and in line with Group policy.

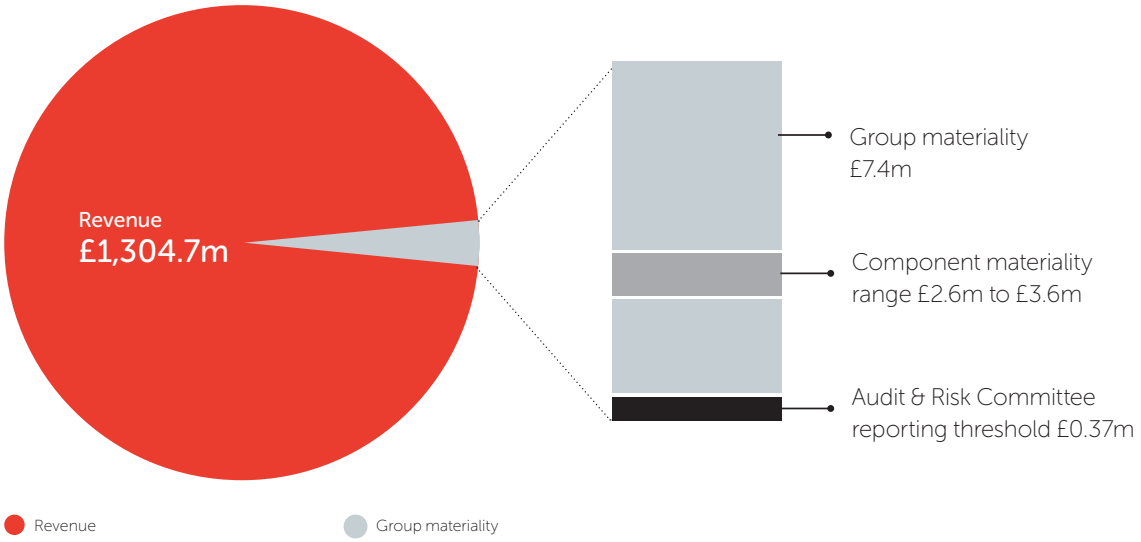
Key observations
We concluded that the key assumptions used in estimating the revenue deferrals for the Group were reasonable.

Our application of materiality

We define materiality as the magnitude of misstatement in the financial statements that makes it probable that the economic decisions of a reasonably knowledgeable person would be changed or influenced. We use materiality both in planning the scope of our audit work and in evaluating the results of our work.

Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

	Group financial statements	Parent company financial statements
Materiality	£7.4m (FY20: £7.3m)	£3.7m (FY20: £3.7m)
Basis for determining materiality	Less than 0.6% of revenue (FY20: 5% of profit before tax)	Parent company materiality equates to 0.8% (FY20: 0.9%) of net assets, which is capped at 50% of Group materiality.
Rationale for the benchmark applied	We have transitioned to using 0.6% of revenue as our materiality benchmark. We consider revenue to be less susceptible to business seasonality and to provide a more stable benchmark than profit before tax. Further, we note revenue is also considered a key metric for users of the financial statements. Our prior year materiality equated to 0.6% of prior year revenue. The materiality we have determined is less than 5% of statutory PBT when excluding the exceptional impairment charge of the eServe system.	The Company is the parent company for the Group and is not a trading entity, hence we considered this to be the most appropriate measure for the Company.



Independent Auditor's report to the members of HomeServe plc
Continued

Performance materiality
We set performance materiality at a level lower than materiality to reduce the probability that, in aggregate, uncorrected and undetected misstatements exceed the materiality for the financial statements as a whole.

	Group financial statements	Parent company financial statements
Performance materiality	70% (FY20: 70%) of Group materiality	70% (FY20: 70%) of parent company materiality
Basis and rationale for determining performance materiality	In determining performance materiality, we considered a number of factors, including: • the level of decentralisation and autonomy displayed by the operating segments of the Group; • the level of growth within the Group including the number of acquisitions completed during the year; • the nature, volume and size of uncorrected and corrected misstatements in the previous year; • the quality of the control environment; and • the impact of the COVID pandemic on the control environment.	

Error reporting threshold
We agreed with the Audit and Risk Committee that we would report to the Committee all audit differences in excess of £367,500 (FY20: £360,000), as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds. We also report to the Audit and Risk Committee on disclosure matters that we identified when assessing the overall presentation of the financial statements.

An overview of the scope of our audit
Identification and scoping of components
Our Group audit was scoped by obtaining an understanding of the Group and its environment, including Group-wide controls, and assessing the risks of material misstatement at the Group level. Based on that assessment, we focused our Group audit scope primarily on the following operating segments:

Membership and HVAC:
- United Kingdom;
- North America;
- France; and
- Spain.

Home Experts:
- United Kingdom; and
- North America.

The 'Membership and HVAC – New Markets' and 'Home Experts – Other' operating segments were subject to specified audit procedures.

Following the acquisition of eLocal in the prior year, the 'Home Experts – North America' segment was subject to a full scope audit for the first time in the year ended 31 March 2021.

The operating segments subject to a full scope audit account for 99% (FY20: 97%) of the Group's revenue and 100% (FY20: 100%) of the Group's profit before tax. They were also selected to provide an appropriate basis for undertaking audit work to address the risks of material misstatement identified above. Our audit work for these operating segments was executed at levels of materiality ranging from £2.6m to £3.6m (FY20: £2.5m to £3.5m).

At the parent company level we also tested the consolidation process and carried out analytical procedures to confirm our conclusion that there were no significant risks of material misstatement of the aggregated financial information of the remaining segments not subject to audit or audit of specified account balances.

Working with other auditors

We have previously followed a programme of planned visits in which at least two senior members of the UK based Group audit team physically visited our component auditors in North America, France and Spain.

As a result of the COVID pandemic, we were unable to conduct our component visits. In response to this we increased the frequency of our communications with each component to monitor progress. At least two senior members attended each component planning and audit close meeting, which was held via videoconference. We issued referral instructions to all significant component audit teams and interacted with them throughout the audit process. In the absence of fieldwork component visits, we used videoconferencing to review component audit documentation.

Other information

The other information comprises the information included in the Annual Report, other than the financial statements and our auditor's report thereon. The Directors are responsible for the other information contained within the Annual Report.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit, or otherwise appears to be materially misstated.

If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Responsibilities of Directors

As explained more fully in the Directors' responsibilities statement, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Directors are responsible for assessing the Group's and the parent company's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or the parent company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: **www.frc.org.uk/auditorsresponsibilities**. This description forms part of our auditor's report.

Independent Auditor's report to the members of HomeServe plc
Continued

Extent to which the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below.

Identifying and assessing potential risks related to irregularities

In identifying and assessing risks of material misstatement in respect of irregularities, including fraud and non-compliance with laws and regulations, we considered the following:

- the nature of the industry and sector, control environment and business performance including the design of the Group's remuneration policies, key drivers for Directors' remuneration, bonus levels and performance targets;
- results of our enquiries of management, internal audit and the Audit and Risk Committee about their own identification and assessment of the risks of irregularities;
- any matters we identified having obtained and reviewed the Group's documentation of their policies and procedures relating to:
  - identifying, evaluating and complying with laws and regulations and whether they were aware of any instances of non-compliance;
  - detecting and responding to the risks of fraud and whether they have knowledge of any actual, suspected or alleged fraud;
  - the internal controls established to mitigate risks of fraud or non-compliance with laws and regulations;
- the matters discussed among the audit engagement team including significant component audit teams and relevant internal specialists, including tax, valuations, pensions, financial instrument and IT specialists regarding how and where fraud might occur in the financial statements and any potential indicators of fraud.

As a result of these procedures, we considered the opportunities and incentives that may exist within the organisation for fraud and identified the greatest potential for fraud in relation to revenue deferrals. In common with all audits under ISAs (UK), we are also required to perform specific procedures to respond to the risk of management override.

We also obtained an understanding of the legal and regulatory frameworks that the Group operates in, focusing on provisions of those laws and regulations that had a direct effect on the determination of material amounts and disclosures in the financial statements. The key laws and regulations we considered in this context included the UK Companies Act, Listing Rules, UK Corporate Governance Code and local tax legislation.

In addition, we considered provisions of other laws and regulations that do not have a direct effect on the financial statements but compliance with which may be fundamental to the Group's ability to operate or to avoid a material penalty. These included compliance with Financial Conduct Authority regulation for the UK operating segment and compliance with local legislation for the overseas operating segments.

Audit response to risks identified

As a result of performing the above, we identified revenue deferrals as key audit matter related to the potential risk of fraud. The key audit matters section of our report explains the matter in more detail and also describes the specific procedures we performed in response to that key audit matter.

In addition to the above, our procedures to respond to risks identified included the following:

- reviewing the financial statement disclosures and testing to supporting documentation to assess compliance with provisions of relevant laws and regulations described as having a direct effect on the financial statements;
- enquiring of management, the Audit and Risk Committee, in-house and external legal counsel concerning actual and potential litigation and claims;
- performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud;
- reading minutes of meetings of those charged with governance, reviewing internal audit reports and reviewing correspondence with the Financial Conduct Authority; and

- in addressing the risk of fraud through management override of controls, testing the appropriateness of journal entries and other adjustments; assessing whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluating the business rationale of any significant transactions that are unusual or outside the normal course of business. We also obtained an understanding of provisions and held discussions with management to understand the basis of recognition or non-recognition of tax provisions.

We also communicated relevant identified laws and regulations and potential fraud risks to all engagement team members including internal specialists and significant component audit teams, and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

Report on other legal and regulatory requirements

Opinions on other matters prescribed by the Companies Act 2006

In our opinion the part of the Directors' remuneration report to be audited has been properly prepared in accordance with the Companies Act 2006.

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and the Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the Directors' report have been prepared in accordance with applicable legal requirements.

In the light of the knowledge and understanding of the Group and the parent company and their environment obtained in the course of the audit, we have not identified any material misstatements in the Strategic report or the Directors' report.

Corporate governance statement

The Listing Rules require us to review the Directors' statement in relation to going concern, longer-term viability and that part of the Corporate governance statement relating to the Group's compliance with the provisions of the UK Corporate Governance Code specified for our review.

Based on the work undertaken as part of our audit, we have concluded that each of the following elements of the Corporate governance statement is materially consistent with the financial statements and our knowledge obtained during the audit:

- the Directors' statement with regards to the appropriateness of adopting the going concern basis of accounting and any material uncertainties identified set out on page 55;
- the Directors' explanation as to its assessment of the Group's prospects, the period this assessment covers and why the period is appropriate set out on page 54;
- the Directors' statement on fair, balanced and understandable set out on page 88;
- the Board's confirmation that it has carried out a robust assessment of the emerging and principal risks set out on page 88;
- the section of the annual report that describes the review of effectiveness of risk management and internal control systems set out on pages 81 to 83; and
- the section describing the work of the audit committee set out on page 85.

Matters on which we are required to report by exception

Adequacy of explanations received and accounting records

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit; or
- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements are not in agreement with the accounting records and returns.

We have nothing to report in respect of these matters.

Independent Auditor's report to the members of HomeServe plc
Continued

Directors' remuneration
Under the Companies Act 2006 we are also required to report if in our opinion certain disclosures of Directors' remuneration have not been made or the part of the Directors' remuneration report to be audited is not in agreement with the accounting records and returns.

We have nothing to report in respect of these matters.

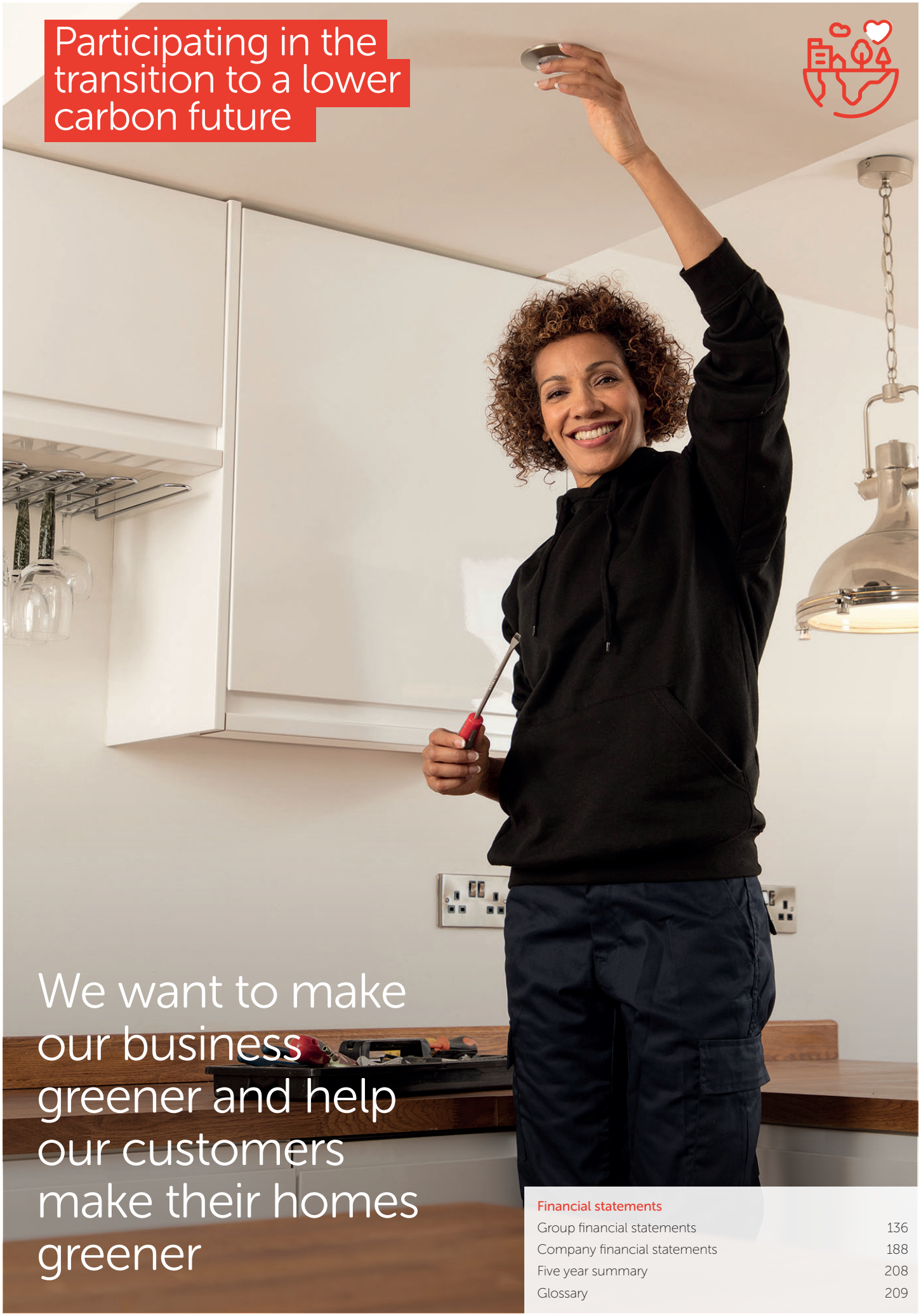
Other matters which we are required to address
Auditor tenure
Following the recommendation of the Audit and Risk Committee, we were appointed by the Board of Directors on 1 August 2002 to audit the financial statements for the year ending 31 March 2003 and subsequent financial periods. The period of total uninterrupted engagement including previous renewals and reappointments of the firm is 19 years, covering the years ending 31 March 2003 to 31 March 2021.

Consistency of the audit report with the additional report to the audit committee
Our audit opinion is consistent with the additional report to the Audit and Risk Committee we are required to provide in accordance with ISAs (UK).

Use of our report
This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Peter Birch FCA (Senior statutory auditor)
For and on behalf of Deloitte LLP
Statutory Auditor
Leeds, UK
18 May 2021

Participating in the transition to a lower carbon future



We want to make our business greener and help our customers make their homes greener

Financial statements