Directors' remuneration report
Annual statement

"The Committee continues to focus on ensuring that our remuneration arrangements are consistent with our company purpose and strategy and deliver rewards that clearly link to the successful implementation of our long-term plans."

I am pleased to present the Remuneration report for the year ended 31 March 2022.

FY22 – the year in review

The pandemic has continued to have an impact on the work of remuneration committees, particularly in respect of incentives and retention. The labour market is challenging, and the rising cost of living is a concern for all of our employees. The Committee continues to focus on ensuring that our remuneration arrangements are consistent with our company purpose and strategy and deliver rewards that clearly link to the successful implementation of our long-term plans.

We delivered good financial results in respect of FY22 with 15% growth in adjusted profit before tax, the key financial metric used for our annual bonus scheme. There was also good performance in respect of our non-financial measures which, combined with excellent personal performance, has resulted in a bonus payment for the Executive Directors at 66 - 75% of the maximum available. The Committee believes this is a fair outcome for the strong business performance over the course of the year and has not exercised any discretion in respect of the performance outcome.

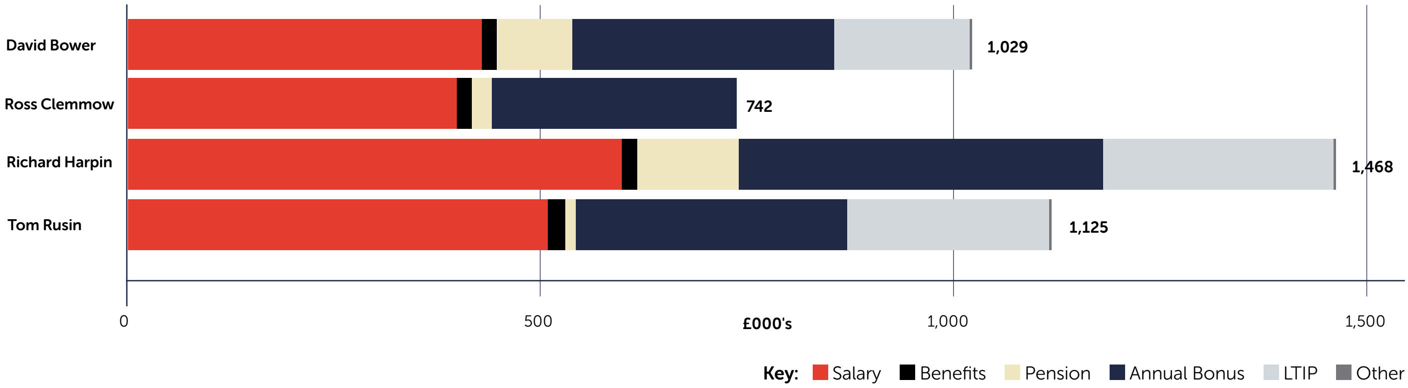
In respect of longer-term performance, the LTIP awards granted in 2019 will only partially vest in June 2022. The awards were based 25% on relative total shareholder return (TSR) performance and 75% on adjusted earnings per share (EPS) performance. The threshold in respect of TSR performance was not achieved, but EPS growth of 9.54% was delivered, so this element of the awards will partially vest. Overall, 23.93% of the awards will vest. 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 reported last year, we increased the size of the Performance Share award granted in FY22 from 150% to 200% of basic salary. This higher award level was in line with the 200% limit set out in the Directors' remuneration policy, although we had chosen to grant at the lower 150% level in the previous few years. To reflect the higher potential reward, we made 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. 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 internal and external forecasts. This level of EPS growth required for an LTIP award is amongst the highest in the market.

The Committee was very aware that HomeServe's share price fell following the announcement of our results in May 2021 and decided that it would be appropriate to take this into account when granting awards under the LTIP. The price used to calculate the number of shares in the Performance Awards was £10.37, which was the closing mid-market price of a HomeServe plc share on 17 May 2021 (the day before the announcement of the Preliminary Results for the year ended 31 March 2021). This was significantly higher than the share price immediately prior to the date of grant of the awards (£9.675). The use of the higher share price means that Executives did not benefit from receiving a higher number of shares in their Performance Award because of the share price performance following the results announcement.

Remuneration at a glance

Single Total Remuneration Figure (£000)



Annual Bonus Outcome

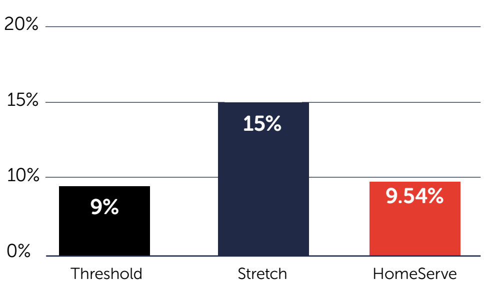
		Weighting	% Payable at Threshold	Threshold	Maximum	Actual	% Payable
Financial measures	Adjusted Group profit before tax	40%	10%	£215.0m	£220.0m	£220.3m	40%
Non financial measures	Customer growth	15%	3%	8,614k	8,819k	8,373k	0%
	Trades growth (Checkatrade)	5%	2%	50.0k	59.4k	46.9k	0%
	Trades growth (Habitissimo)	5%	2%	11.8k	13.1k	10.8k	0%
	Customer dissatisfaction[1]	3.7%	0.73%	5.0%	4.5%	4.5%	3.7%
	Customer 5 star rating [1]	11.3%	2.27%	4.64	4.68	4.74	11.3%
	Personal objectives	20%					11 - 20%

[1] Customer dissatisfaction is measured as a weighted average across our UK and Spanish Membership businesses and the 5 star rating is measured as a weighted average across our North American, French and Spanish Membership businesses.

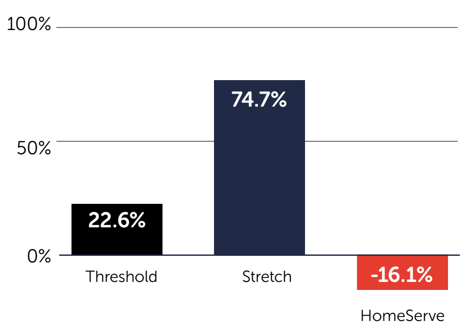
FY22 **66-75%** payout

LTIP Outcome

Adjusted earnings per share (75% weighting)



Relative TSR (25% weighting)



23.93% vesting

Directors' remuneration report continued

Annual statement continued

Proposed Changes to the Directors' remuneration policy

We indicated last year that we were minded to review our Directors' remuneration policy during FY22. We completed this review during the year and developed a set of proposals for a new policy which we shared in advance with major shareholders. Having received generally positive feedback during this consultation process, we will be presenting a revised policy for shareholder approval at the forthcoming AGM. Although this is one year earlier than is technically required under the regulations, we believe that now is the right time to make some important changes.

a) Background

The existing Directors' remuneration policy was last approved at the AGM in 2020. We reviewed it in the context of the ongoing evolution of HomeServe's strategic priorities and changes in institutional investors' preferences and expectations on executive pay. In proposing a new policy, we seek to retain key features of the existing approach which have served HomeServe and its shareholders well, namely the clear link with performance and the focus on equity as a major part of the reward package. We have decided, however, to simplify the current structures and put in place incentives which are relevant to those Directors who lead our major divisions.

Critically, in light of the importance of the North American market to HomeServe's future growth, and the current retention and reward pressures in the United States in particular, we have specific proposals in respect of Tom Rusin, who serves on the Board as CEO, North America. The changes are explained in more detail below. Other than for Tom, there is no change in the level of remuneration under the new Policy.

b) A new approach to long-term incentives

To simplify and provide greater alignment of equity incentives throughout the organisation, we will cease making matching awards of shares under the LTIP. Therefore, with effect from the financial year beginning 1 April 2022, Executive Directors will only receive awards of performance shares. To reflect the absence of matching awards, we propose to increase the maximum performance award grant limit from 200% to 350% of salary (and are seeking shareholder approval at the AGM for amended LTIP rules to allow for this higher limit). Grants to the Executive Directors will normally be made at a level of 250% of basic salary, although a different approach will apply to Tom Rusin, as explained below.

As is normal, the new policy provides flexibility to set appropriate performance conditions for each year's grant. For the grant we intend to make after the AGM, we propose a structure with three equally-weighted metrics: (1) EPS growth, similar to the approach taken for prior year awards; (2) relative TSR performance, measured against companies ranked 31-200 in the FTSE index (i.e. the same as used to date for the matching awards) and; (3) return on invested capital (ROIC). This latter metric is new and will ensure that the management team is closely focused on efficient capital allocation as HomeServe enters its next growth phase. For all three measures, the Committee will set challenging performance targets.

c) Additional LTIP award for Tom Rusin

In the US, there is currently a phenomenal level of demand for top-quality executives in relevant sectors of the market, which is putting pressure on our ability to recruit and retain the very best talent. We are in the process of restructuring HomeServe's incentive provision for senior leaders in the US to better match the typical packages on offer in comparable companies. In Tom Rusin's case, we have some concerns that his current remuneration is not competitive when measured against practice at US companies of a similar size to HomeServe's North American division. This is a particular issue given the significant level of interest from private equity in comparable businesses in the US, and creates a retention risk, which is of concern to the Committee and the Board given Tom and his team's importance to leading this crucial part of our business.

We have given considerable attention to the appropriate incentive arrangements for the US business. There is significant use of restricted share awards at all senior levels in the US market and, for the US Membership division we will be supplementing existing performance share awards with a restricted share award. However, as Tom Rusin serves as an Executive Director, we are keen to ensure that all of his long-term incentives are based on the achievement of stretching performance conditions. Therefore, for Tom, we have decided to enhance his long-term incentive provision through an additional award of performance shares each year. In line with the approach for the other Executive Directors, he will receive a performance award at a level of 250% of basic salary with vesting subject to the same EPS, TSR and ROIC measures set out above. In addition, he will receive a further 100% of salary performance award, which will vest subject to the achievement of stretching targets relating to profit growth and ROIC in the North American business over the three-year performance period.

This will provide Tom with an equity incentive which, although structured differently to US practice, is competitive in the local market and is more aligned to his direct reports who will have their entire performance share award based on US profit performance. This will also ensure that there remains full alignment to the interests of HomeServe shareholders in that any benefit will depend on challenging targets being met.

d) Annual bonus

The annual bonus scheme for the Executive Directors is currently limited to a maximum of 100% of basic salary, payable in cash. In partial recognition of the removal of matching awards, we are increasing this to 150%. At the same time, the level of bonus for on-target performance will reduce slightly from 80% to 75% of salary. We are also introducing a share-based element, whereby one-third of any net bonus must be invested in shares which are held for a minimum of three years, thus ensuring ongoing alignment with shareholders.

At present, 40% of Directors' bonuses is based on Group PBT performance, with the remaining 60% subject to achievement of a mixture of Group non-financial and personal objectives. Under the new Policy, we will place a greater emphasis on financial performance, shifting to a 60%/40% financial/non-financial split, as considered appropriate given the higher bonus opportunity.

For Richard Harpin, the CEO, and David Bower, the CFO, the focus for the FY23 bonus scheme will remain on Group PBT for the financial element, and a Group-wide customer measure for half of the non-financial element. For the other half, we have introduced Group strategic and ESG metrics linked to specific priorities for the business for the coming year.

For Ross Clemmow, the CEO, EMEA, and Tom Rusin, we have tailored the metrics more closely to their specific area of responsibility. Half of the PBT element will be based on Group performance, recognising their Group roles as Executive Directors, and half on divisional performance. The customer measure will relate to divisional performance.

Full details of the specific targets will be included in next year's Directors' remuneration report.

e) Other matters

No other major changes have been made to the remuneration policy. We will continue to operate a shareholding requirement which, at 300% of basic salary, is higher than the market norm. Our post-employment shareholding requirement is in line with good practice, although we have clarified the precise wording to reflect standard practice. As promised last year, the 20% of salary pension contribution rate for the CEO and CFO will reduce to the workforce average, currently 6% of salary, on 1 December 2022.

Basic salary levels for the Executive Directors

For Tom Rusin, the Remuneration Committee decided that given the pressing retention issues in the context of the US market environment, it was necessary to adjust his salary as soon as possible. Therefore, we agreed that Tom's salary would increase from $679,575 to $780,000 (an increase of 14.8%) with effect from 1 January 2022. In reaching this decision, we concluded that the situation in the US market was such that the risks of delaying consideration of an increase for the successful leader of our North American business were too high.

We are of course cognisant of the impact of the salary increase on the other aspects of Tom's pay discussed above and believe that, together, the salary increase and the enhanced long-term incentive, represent a compelling proposition that will retain Tom for the long-term and enable the US business to continue to deliver outstanding performance. We have checked Tom's revised package against relevant benchmark data for US companies of a comparable size to the North American division, and while it is still below US market rates, it is now considered to be sufficiently competitive. Also as noted above, we are committed to retaining a UK style equity package with all awards linked to stretching targets, rather than a US package incorporating an element of restricted shares.

The Committee has reviewed the salaries of the other Executive Directors to apply with effect from 1 July 2022 and has agreed increases for Richard Harpin, David Bower and Ross Clemmow of 3%. This compares to an average increase for both UK and US based employees of 5%. Tom Rusin will not receive an increase as his salary was reviewed with effect from 1 January 2022 as explained above.

Remuneration for the wider workforce

The Committee continues to review workforce remuneration and related policies to ensure that there is 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. As indicated above, a substantial amount of time has been taken during FY22 to review and consider the appropriate long-term incentive provision for key employees within the business. We are committed to ensuring that HomeServe operates remuneration practices at all levels that are fair and appropriate and aligned to our values whilst enabling pay to be set at a level necessary to attract, incentivise and retain high-calibre individuals, while not overpaying.

Directors' remuneration report continued

Annual statement continued

Conclusion

The Committee believes that the updated remuneration policy will provide a simpler and stronger link between business (and, where appropriate, divisional) performance and individual reward for the Executive Directors. With the exception of Tom Rusin – where an enhancement to his package is being proposed in light of very specific market conditions in the US – overall incentive opportunities as a percentage of salary are not increasing, when the removal of the matching award element is considered. This is illustrated by the table below, which shows the "on-target" and maximum levels of reward under the current and proposed policies (expressed as a % of basic salary), as it applies to all Executive Directors except Tom Rusin.

	Current		Current (reflecting the higher PSP award in FY22)		Proposed	
	On-target	Maximum	On-target	Maximum	On-target	Maximum
Annual bonus	80%	100%	80%	100%	75%	150%
Matching shares	90%	150%	90%	150%	n/a	n/a
Performance shares	90%	150%	120%	200%	150%	250%
Total	**260%**	**400%**	**290%**	**450%**	**225%**	**400%**

For the annual bonus, the on-target level of payout is reducing from 80% of the maximum award to 50%, consistent with investor expectations. For long-term incentives, we have assumed a 60% level of vesting for on-target performance, which is consistent with past assumptions.

The Committee is satisfied that the updated policy will serve us well over the coming years and continue to motivate and retain our Executive Directors. I would welcome your support for the new policy and the other remuneration related resolutions at the forthcoming AGM.

Recommended offer

On 19 May 2022, Brookfield Infrastructure Funds announced the terms of a recommended offer for the Group. The Remuneration Committee is in the process of carefully considering the full implications of the offer, including in respect of the impact on participants in the various share plans operated by HomeServe.

Katrina Cliffe

Chair of the Remuneration Committee
24 May 2022

Directors' remuneration policy

The Directors' remuneration policy sets the overall framework for the remuneration of the Directors of the Company. The policy must be approved by shareholders by way of a binding vote. All remuneration payments and payments for loss of office must be consistent with the terms of the approved remuneration policy. If the Company wishes to make a payment which is not consistent with the policy, it must seek shareholder approval for an amendment to the policy before the payment can be made.

Subject to shareholder approval, this policy will apply from the date of the 2022 AGM.

The policy was developed by the Remuneration Committee following a detailed review undertaken in conjunction with the Committee's external advisers. This considered the ongoing evolution of HomeServe's strategic priorities and changes in institutional views and the broader corporate governance environment since the policy was last approved in 2020. The review also took into account specific issues relating to the competitiveness of the North American markets and the need to put in place appropriate retention and reward structures to mitigate the risks of losing key people in these markets. The Committee considered a number of alternative policy approaches before agreeing on a set of proposals which it communicated to major shareholders in a consultation exercise.Taking into account the generally positive comments received from those consulted, the Committee agreed to take forward the policy proposals to shareholders by way of a formal vote at the 2022 AGM. The Committee was aware of the need to avoid conflicts of interest during the development of the policy. No Director was responsible for determining his or her own remuneration.

The remuneration policy remains based on the following key principles:

- To clearly align rewards with the Group's financial and operational performance;
- To ensure that remuneration – particularly 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; and
- To attract, retain and motivate high-calibre executives.

Executive remuneration is structured in two distinct parts: fixed remuneration of basic salary, pension and benefits and variable performance-related remuneration in the form of an annual 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 key changes to the policy approved in 2020 are set out below:

- In the interests of simplification, we have removed the matching shares element from the long-term incentives. Only performance shares will be granted, with effect from the LTIP awards to be made in 2022.
- To reflect the absence of matching awards, the maximum grant limit for performance shares has increased from 200% to 350% of basic salary. However, with the exception of awards to be made to Tom Rusin, grants to Executive Directors will normally be made at a level of 250% of basic salary. Tom Rusin will receive an additional award at a level of 100% of basic salary, with performance conditions specific to his role.
- The annual bonus limit has increased from 100% to 150% of basic salary, to also reflect the absence of matching awards. We also confirm that the payout for "on-target" performance will be 50% of the maximum potential award, consistent with general investor expectations.
- Two-thirds of any bonus will be paid in cash, with the remaining one-third invested in shares which must be held for a minimum of three years. The introduction of bonus deferral helps provide for ongoing alignment with shareholders in the absence of matching shares.
- We have clarified that annual bonuses may be based on divisional as well as Group performance. This is to ensure that a portion of bonuses for the Executive Directors with divisional responsibilities can be directly linked to the performance of their divisions.
- We have confirmed that pension provision for all Executive Directors will be aligned with the rate for the wider workforce from 1 December 2022, in line with our prior commitments and what is now standard market practice.

We have specified that the post-employment shareholding requirement applies to the lower of (1) 200% of basic salary and (2) the actual shareholding at the point of departure, consistent with standard practice and the guidance of the Investment Association.

Additional minor changes to the wording of the policy have also been made for the purpose of clarification.

Directors' remuneration report continued

Annual remuneration policy continued

The policy for the remuneration of Executive Directors is set out below.

Element	Purpose and link to business strategy	Performance Period	Operation (including performance measures and maximum limits)
Basic salary	To attract, motivate and retain individuals of the right calibre whilst reflecting their particular skills and experience and to provide a competitive base salary compared with similar roles in similar-sized companies.	n/a	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 in the relevant territory. 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 considers the impact of any increase to base salaries on the total remuneration package. Salaries are usually reviewed annually, with any changes normally taking effect from 1 July.
Performance related bonus	To drive and reward the short-term operating performance of the Company and encourage the delivery of consistently good customer and other stakeholder outcomes.	Annual (determined after the year-end).	Annual performance bonuses are determined by reference to achievement against a mix of financial, non-financial and strategic/personal objectives. Before any bonus is payable a minimum threshold level of financial performance must be achieved. Bonuses are based on Group performance, Divisional performance (where appropriate) and individual performance. Individual performance accounts for no more than 20% of the overall bonus opportunity. The maximum potential quantum is 150% of base salary. No more than half of this amount is payable for on-target performance. The Committee retains the discretion to review and set the choice of bonus plan measures and respective weightings annually to ensure that they reflect the changing needs of the business, are aligned with the Group's business strategy and so that arrangements are consistent amongst the senior executive team. Performance targets are linked to the Group's strategic and operational objectives. The Committee has the discretion to modify the amount payable, to reflect wider financial and business performance or other relevant factors. Bonuses are payable in cash and one-third of any bonus paid (net of tax) must be invested in shares having a three-year holding period.

Element	Purpose and link to business strategy	Performance Period	Operation (including performance measures and maximum limits)
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 other stakeholders and to encourage exceptional performance.	Three years plus a two-year post vesting holding period.	Awards of performance shares may be granted each year under the Long-Term Incentive Plan. Shareholder approval to amend the current LTIP rules will be sought at the 2022 AGM (the current rules were approved by shareholders in 2018). The maximum limit is 350% of base salary. Awards for Executive Directors based outside the US will normally be granted at a level of 250% of base salary. Awards for Tom Rusin (and, if relevant during the remuneration policy period, any successor as head of the North American business) will normally be granted at a level of 350% of base salary, i.e. inclusive of an additional 100% award on top of the "standard" 250% of salary award. Awards of performance shares vest after three years, subject to the achievement of challenging performance conditions. Performance metrics and targets are agreed by the Committee each year prior to the grant of awards. Measures and weightings for awards to be made under the Long-Term Incentive Plan in 2022 (subject to approval of the remuneration policy and the LTIP rule amendment at the AGM) are: • for the standard award (250% of salary), EPS growth (33.33%), Relative TSR (33.33%) and ROIC (33.33%) each measured over three years; • for the additional award pertaining to Tom Rusin (100% of base salary), profit growth (50%) and ROIC (50%) for the North America division measured over three years. Targets are set using a sliding scale and no more than 25% of an award will vest for achieving the threshold performance hurdle. The value of dividends payable over the vesting period may be awarded on any shares vesting under the Plan. A two-year post vesting holding period applies to all vested shares. The Committee may use its discretion to modify the number of shares which vest, to reflect wider financial and business performance or other relevant factors.
Pension	To provide benefits comparable with similar roles in similar companies, assist attraction and retention and reward sustained contribution.	n/a	**UK-based – Defined Contribution:** Effective 1 December 2022, all UK-based Directors may receive a pension allowance in line with the majority of the workforce (currently 6% of salary). Annual contributions for new appointments since the date of approval of the 2020 remuneration policy are aligned to the majority of the workforce (currently 6% of salary). Annual contributions for Directors appointed prior to this are set at 20% of salary. This will reduce to the level received by the majority of the workforce (currently 6%) on 1 December 2022. The pension allowance can 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. **US-based – Defined Contribution:** Annual contributions of up to 4% of basic salary paid into the 401(k) plan. This is aligned with the provision for the majority of the wider workforce in the United States.

Directors' remuneration report continued

Directors' remuneration policy continued

Element	Purpose and link to business strategy	Performance Period	Operation (including performance measures and maximum limits)
Other benefits	To provide a competitive and cost-effective package of benefits to assist with recruitment and retention of individuals of the right calibre.	n/a	Other benefits may include a fully expensed car (or cash alternative), fuel allowance, private health cover (for the individual, partner and dependent children), death in service benefits (up to 8 x salary) and income protection 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.
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.

The policy for the remuneration of Non-Executive Directors is set out below.

Chairman and Non-Executive Directors' fees	To attract and retain Non-Executive Directors of the right calibre to oversee the implementation of our business strategy.	n/a	Non-Executive Director fees are determined by the Board within the limits set by the Articles of Association. 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 the 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 opportunity comes from variable pay with careful consideration given to the choice of performance metrics to ensure that executives are not encouraged to take inappropriate risks.

The choice of measures may change for future award cycles, but for FY23 the Group measures will be 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 metric aligned with our growth strategy
Reduction in Customer Dissatisfaction	Bonus	Core non-financial quality metric that contributes to long-term customer retention and reflects operational improvement
ESG	Bonus	Core non-financial metrics relating to Environmental, Social and Governance strategy
Personal Strategic Objectives	Bonus	Up to three personal strategic objectives relevant to each Executive Director
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.
Return on Invested Capital (ROIC)	LTI	This measures the percentage return earned on invested capital and shows how efficiently funds are being used to generate income.

In addition to the above Group measures, the Executive Directors with specific divisional responsibilities (Tom Rusin and Ross Clemmow) will have a portion of their bonus based on divisional profit before tax growth and reduction in divisional customer dissatisfaction. The purpose of this is to ensure that a significant proportion of their annual bonus is based on the performance of the parts of the business for which they are directly responsible. In addition, the extra performance share award to be granted to Tom Rusin in line with the new remuneration policy depends on the performance of the North American division over the three-year performance period, again reflecting his responsibilities for leading this critically important part of HomeServe's business.

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

Remuneration Committee discretion

The Committee can exercise discretion in a number of areas when operating the incentive schemes, in line with the relevant rules of the schemes. This includes in respect of the choice of participants, the size of awards in any year (subject to the limits in the policy table above), the determination of the treatment for leavers (subject to the scheme rules and the provisions of this remuneration policy) and the treatment of outstanding awards in the event of a change of control.

Malus and Clawback

The Committee has discretion to determine whether exceptional circumstances exist which justify whether any or all of bonus award (cash or shares) or vested/unvested LTIP award should be forfeited, even if already paid. Examples of exceptional circumstances include but are not limited to, material misstatement of financial results, an error in assessment of performance, the use of misleading information, misconduct on the part of the individual, corporate failure or the Company suffering reputational damage. The clawback provisions are in place for a period of three years after the date of bonus payment or vesting of LTIP awards.

Shareholding requirement – in employment

Executive Directors and Non-Executive Directors are required to build up and retain a minimum shareholding in the Company. The shareholding requirement for each Director is 300% of annual basic salary or fee. The requirement is normally expected to be met within five years of appointment.

If the holding requirement 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 at least 50% of the net proceeds in the Company's shares until the holding requirement is achieved.

Directors' remuneration report continued

Directors' remuneration policy continued

Shareholding requirement – post employment

The requirement for Executive Directors to continue to hold shares after leaving ensures they continue to share a level of risk with shareholders and maintain alignment with their interests. The post-employment requirement for Executive Directors is 200% of base salary calculated at their leave date (or maintenance of their actual holding percentage if lower), expressed as a number of shares and held for a period of two years. The requirement applies to shares awarded after the implementation of the 2020 remuneration policy. The calculation excludes the value of any awards not yet vested for 'good leavers' that will vest according to the normal schedule (and which in any event must be held for the required holding period). The calculation includes any recently vested awards which continue to be subject to a holding period, even after employment.

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. We have differences in pay and benefits across the Group which reflect specific accountabilities and labour markets. 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 to ensure they remain competitive in the countries in which we operate.

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 variable pay, delivered through annual bonus and LTI opportunities 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 business 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. As noted in the annual statement from the Chair of the Remuneration Committee, we are introducing restricted shares in the US in FY23 to reflect the specific competitive pressures in that market, although such an approach is not being extended to the US-based Executive Director. All eligible employees are able to participate in the HomeServe One Plan, a share incentive plan. The One Plan was reviewed during FY21 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 in the relevant territory 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.

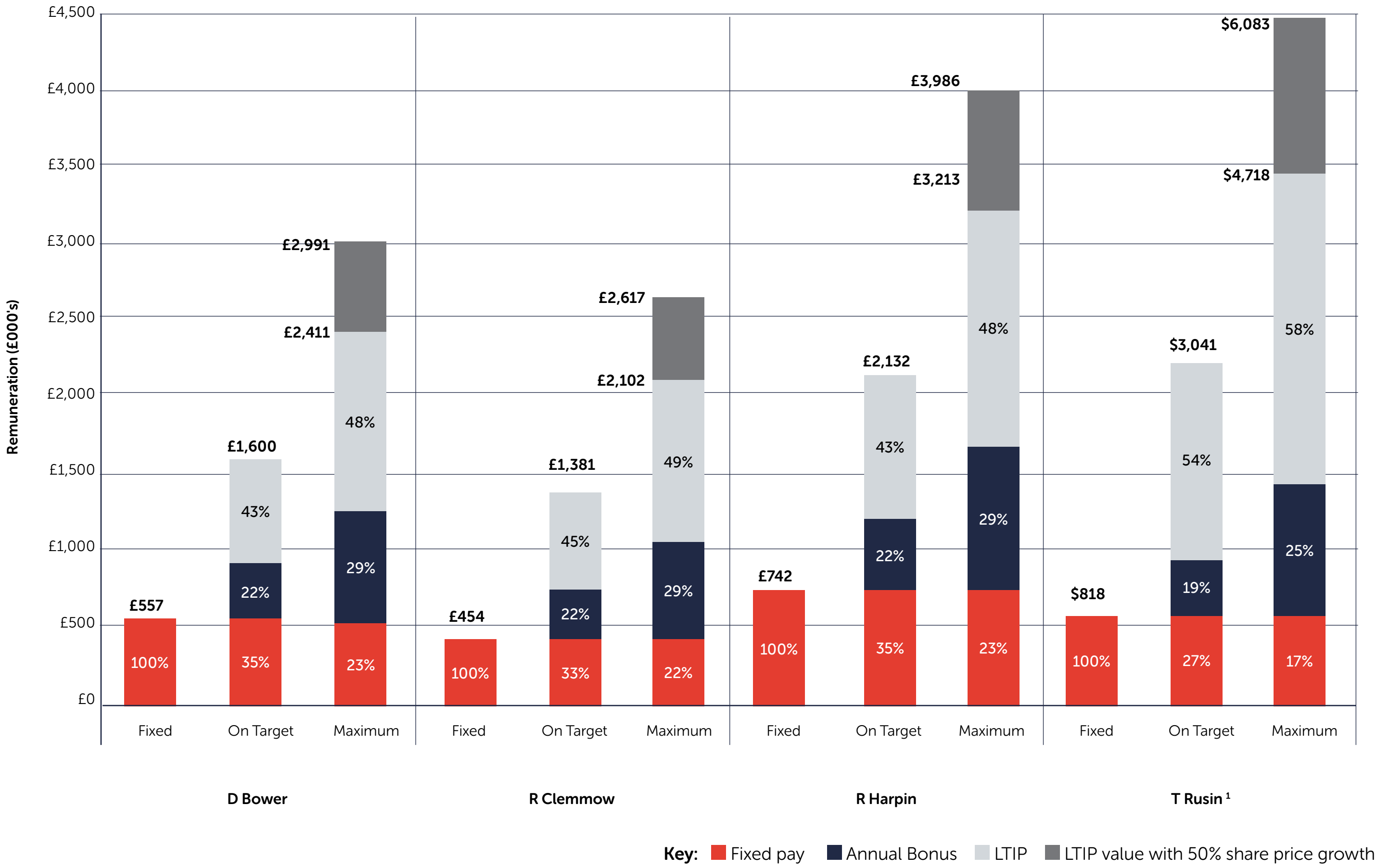
The Committee Chair has met with the International People Forum (established to facilitate workforce engagement) and there was a useful discussion about executive pay and the reasons why it can differ from workforce arrangements and in particular the requirement for Executive Directors to invest in HomeServe shares and for a high proportion of their pay to be delivered in shares through the LTIP.

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 review of the new policy to be voted on at the 2022 AGM. A detailed letter was sent to major shareholders and governance advisers and all of them were offered a meeting with the Chair of the Committee.

Remuneration scenarios for Executive Directors

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



[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 75% of salary (50% of maximum) plus target LTIP awards in FY23 of 150% of salary for Richard Harpin, David Bower and Ross Clemmow and 210% of salary for Tom Rusin. (60% of maximum)
Maximum:	maximum annual bonus of 150% of salary plus maximum LTIP awards in FY23 of 250% for David Bower, Ross Clemmow and Richard Harpin. The maximum LTIP award in FY23 for Tom Rusin is 350% 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 2022.

The value of taxable benefits is based on the actual values paid in FY22.

Richard Harpin and David Bower receive a pension allowance of 20% of basic salary. This reduces to 6% on 1 December 2022.

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.

Directors' remuneration report continued

Directors' remuneration policy continued

Executive Directors' service agreements

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

Policy on payment for loss of office

Should notice be served, the Executive Directors 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 up to twelve months' base salary, benefits and pension, again normally phased over the unexpired original period of notice.

In the event of cessation of employment, the executives may still be eligible for a discretionary performance related payment for the period worked if the Committee deems the individual to be a 'good leaver'. 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 specific circumstances where 'good leaver' provisions apply at the Committee's discretion. Such circumstances include death, ill-health, injury, disability, retirement, transfer of employment or any other reason at the discretion of the Committee.

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). Other than in respect of death, the post-vesting holding period will continue to apply in 'good leaver' circumstances.

In determining whether an Executive Director should be treated as a 'good leaver' and the extent to which their award may vest, the Committee will consider 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 and no holding period).

Policy on recruitment remuneration

Base salary levels will be set in accordance with the approved remuneration policy applicable at the time of appointment, taking account of the individual's skills, experience and their current remuneration package. Where it is appropriate to offer a lower salary initially, a series of increases (in excess of the average for the wider workforce) to the desired salary positioning may be given over subsequent years subject to individual and Company 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 a non-UK based Executive Director appointment (which may include the relocation of an existing UK-based 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).

The structure of the variable incentive pay element will be in accordance with the approved remuneration policy applicable at the time of appointment. This means the maximum annual bonus award in any year would be 150% of salary, with one-third of any bonus payment required to be invested in shares. The maximum LTIP performance shares award would be 250% of salary for non US-based Executive Directors and 350% of salary for a US-based Executive Director. LTIP awards may be made shortly following an appointment (assuming the Company is not in a closed period). Benefits consistent with those available to other Executive Directors under the approved remuneration policy applicable at the time will be offered, taking account of local market practice. The Committee may also agree for the Company to meet the costs associated with the recruitment, such as for example legal fees, and certain relocation expenses or provide tax equalisation as appropriate.

Performance share awards would be granted on a consistent basis to the other Executive Directors. In the case of the annual performance 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 join.

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.

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

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

Fees for a new Chairman or Non-Executive Director would be set in line with the approved policy applicable at the time of appointment.

Non-Executive Directors' letters of appointment

Non-Executive Directors serve under letters of appointment for periods of three years. Fees are set in line with the approved policy applicable at the time of appointment. No compensation is payable to the Chairman or Non-Executive Directors if they are not re-elected at the AGM. Non-Executive Directors (including the Chairman) otherwise have a notice period of three months, but no liquidated damages are payable.

Details of Non-Executive Directors' 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
O Grémillon	29 March 2022
R McMillan	27 October 2020

External Appointments

Executive Directors, with the approval of the Board, may hold one external appointment as a Non-Executive Director of another company and can retain any fees received.

Directors' remuneration report continued

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, subsequent relevant reporting regulations and 9.8.6R of the Listing Rules. The annual report on remuneration is put to an annual advisory shareholder vote each year and this report will be subject to a vote at the 2022 Annual General Meeting.

Remuneration Committee Members

Katrina Cliffe (Chair)
Tommy Breen
Edward Fitzmaurice
Olivier Grémillon
Ron McMillan
JM Barry Gibson (stepped down on 18 May 2021)

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, Tommy Breen should be a member of the Committee as he was independent on appointment. He takes no part in discussions relating to his own remuneration.

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 considering 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
- Reviewing workforce remuneration and related policies; in this regard, the Committee reviews internal relativities and pay ratios, and receives inputs to its meetings to provide a full picture of 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.

The Committee's terms of reference are available on our website: **www.homeserveplc.com/who-we-are/governance/committees**

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.

UK Corporate Governance Code

As indicated in the compliance statement on page 63, 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 FY22, with a couple of minor exceptions. The Committee will align the pension contribution rate for the CEO and the CFO to that of the wider workforce on 1 December 2022 and so will be compliant with Provision 38 of the Code from that time.

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

- **Clarity:** The proposed Directors' remuneration policy (subject to shareholder approval at the 2022 AGM) is set out on pages 97 to 105. 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 during the year under review ahead of the renewal of the remuneration policy.
- **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. We are simplifying our long-term incentives by ceasing to make matching awards of shares under the LTIP and so Executive Directors will only receive awards of performance shares.
- **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 proposed Directors' remuneration policy is included on page 103. 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 long-term incentive 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. Until FY22 (inclusive) Executive Directors have been encouraged to invest their cash bonuses into shares and gain the potential benefit of Matching Shares, subject to three-year performance targets being met. For FY23 (onwards) we are introducing a mandatory share-based element to the pay-out of bonuses whereby one-third of any net bonus must be invested in shares which are held for a minimum of three years, thus ensuring ongoing alignment with shareholder interests. Further, the business prides itself on a culture of excellent customer service, which is reflected in the use of relevant performance metrics in the annual bonus scheme.

Directors' remuneration report continued

Annual report on remuneration continued

Activities

The Committee met four times during the year. Details of meeting attendance are set out on page 72. The timing of meetings is arranged around the annual remuneration cycle. The main areas of discussion are summarised below:

Items discussed	May 2021	November 2021	January 2022	March 2022
Policy				
Review of the remuneration policy and shareholder consultation		●		
Feedback from the shareholder consultation			●	
Long-term incentives				
Outturn for awards vesting in June 2021	●			
Grant of awards including performance conditions	●	●		
Bonus scheme				
Performance conditions for the FY22 scheme	●			
Potential outturn for FY22 scheme				●
Structure and performance conditions for FY23 scheme			●	●
Salaries				
Salary increases for July 2021	●			
Benchmarking for the CEO, North America		●		
Broader workforce remuneration				
Annual average salary increases	●			
US LTIP approach for employees more broadly			●	●
Approach to subsidiary share plans			●	●

Advisers

The Committee selects its own advisers and received independent advice during FY22 from Korn Ferry. Korn Ferry was selected to provide independent advice from November 2020 following a competitive tendering process. Korn Ferry is a member of the Remuneration Consultants Group and is a signatory to its Code of Conduct. During the year, diversity and inclusion advice was also provided to the Group by a separate team within Korn Ferry. The Committee does not consider that this prejudices Korn Ferry's position as the Committee's independent advisers.

Fees charged by Korn Ferry for advice provided to the Committee for the year ended 31 March 2022 amounted to £108,972 (excluding VAT) on the basis of time charged to perform services and deliverables.

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

Single Total Figure of Remuneration (Audited)

	Year	Salary and fees £000	Taxable benefits[6] £000	Pension[7] £000	Bonus £000	LTIP[8 9] £000	Other[10] £000	Total Fixed £000	Total Variable £000	**Total £000**
Executives										
D Bower	FY22	431	17	86	323	170	2	534	495	**1,029**
	FY21	375	17	75	299	191	1	467	491	958
R Clemmow[2]	FY22	400	17	25	300	–	–	442	300	**742**
	FY21	12	–	–	–	–	–	12	–	12
R Harpin	FY22	597	22	119	448	280	2	738	730	**1,468**
	FY21	588	23	118	469	343	1	729	813	1,542
T Rusin[1]	FY22	512	18	9	338	246	2	539	586	**1,125**
	FY21	508	16	8	405	297	1	532	703	1,235
Non-Executives										
T Breen[3]	FY22	350	–	–	–	–	–	350	–	**350**
	FY21	62	–	–	–	–	–	62	–	62
K Cliffe	FY22	89	–	–	–	–	–	89	–	**89**
	FY21	77	–	–	–	–	–	77	–	77
S David	FY22	77	–	–	–	–	–	77	–	**77**
	FY21	68	–	–	–	–	–	68	–	68
R Donnelly[4]	FY22	65	–	–	–	–	–	65	–	**65**
	FY21	1	–	–	–	–	–	1	–	1
E Fitzmaurice	FY22	65	–	–	–	–	–	65	–	**65**
	FY21	57	–	–	–	–	–	57	–	57
O Grémillon	FY22	65	–	–	–	–	–	65	–	**65**
	FY21	57	–	–	–	–	–	57	–	57
J M B Gibson[5]	FY22	39	–	–	–	–	–	39	–	**39**
	FY21	300	–	–	–	–	–	300	–	300
R McMillan	FY22	77	–	–	–	–	–	77	–	**77**
	FY21	68	–	–	–	–	–	68	–	68
Total FY22		**2,767**	**74**	**239**	**1,409**	**696**	**6**	**3,080**	**2,111**	**5,191**
Total FY21		2,173	56	201	1,173	831	3	2,430	2,007	4,437

1 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 FY22 of 1 GBP:1.36705 USD.
2 Ross Clemmow joined the Board on 22 March 2021.
3 Tommy Breen joined the Board on 27 January 2021.
4 Roisin Donnelly joined the Board on 25 March 2021.
5 JM Barry Gibson stepped down from the Board on 18 May 2021.
6 Benefits for UK-based Executive Directors comprise company car, fuel allowance and private health cover. Benefits for Tom Rusin comprise private health cover only.
7 Details of pension contributions can be found later in the report.
8 LTIP figures for FY21 have been updated to reflect the actual share price on vesting for the 2018 award. The figures for FY22 are based on the average share price over the last three months of the financial year of £7.47 as the awards have not yet vested. The value shown for each LTIP award includes an estimated amount in respect of dividend equivalents.
9 Impact of share price change: The 2019 LTIP awards were granted on 26 June 2019 with a share price of £11.85. The impact of share price change for the 2019 LTIP awards, comparing share prices at grant versus the average share price for the period 1 January to 31 March 2022 of £7.47, for each Executive Director is a decrease of £4.38 (37%) per share. This results in an estimated decrease in value (including dividend equivalents) of: £99,487 for David Bower; £164,456 for Richard Harpin and £144,238 for Tom Rusin.
10 'Other' relates to SIP matching shares awarded during the year.

Directors' remuneration report continued

Annual report on remuneration continued

Details of variable pay earned in the year (Audited)

Annual Bonus

For FY22 the annual bonus was based on the following stretching targets:

Financial and non-financial bonus targets

		Weighting	% Payable at Threshold	Threshold	Maximum	Actual	% Payable
Financial measures	Adjusted Group profit before tax	40%	10%	£215.0m	£220.0m	£220.3m	40%
Non-financial measures	Customer growth	15%	3%	8,614k	8,819k	8,373k	0%
	Trades growth (Checkatrade)	5%	2%	50.0k	59.4k	46.9k	0%
	Trades growth (Habitissimo)	5%	2%	11.8k	13.1k	10.8k	0%
	Customer dissatisfaction[1]	3.7%	0.73%	5.0%	4.5%	4.5%	3.7%
	Customer 5 star rating[1]	11.3%	2.27%	4.64	4.68	4.74	11.3%

[1] Customer dissatisfaction is measured as a weighted average across our UK and Spanish Membership businesses and the 5 star rating is measured as a weighted average across our North American, French and Spanish Membership businesses. The 5 star rating element was introduced to the bonus scheme during the year under review as it was considered to represent a more rounded assessment of customer satisfaction in selected key markets.

Personal bonus targets

	Personal strategic objectives	Weighting	Outcome	% Payable
D Bower	• Review the operation of the Group from an organisational perspective and implement efficiencies and improvements to support the execution of business plans • Simplify the various reward structures within the Group, recognising David's role leading the HR function.	20%	Key achievements included • Corporate structure reviewed and changes implemented to ensure that the legal structure reflects the organisational structure. • Changes agreed to the governance framework to ensure timely and effective oversight of key priorities, improving efficiency while maintaining appropriate controls. • Group reward structures simplified and amended, with US long-term incentive approach updated to include restricted shares to ensure that the scheme remains relevant to the local environment. LTIP to be used as the key plan for all businesses, with a reduction in the number of bespoke incentive schemes in operation.	20%
R Clemmow	• Establish a new plan to return the UK Membership business to deliver profit growth in FY23. • Set out and prove out the winning operating and marketing model for HVAC which enables us to budget for 7.5% marketing spend per local HVAC business in FY23. • Grow new international opportunities.	20%	Key achievements included • UK Membership stabilised customers at 1.5m and grew profit to £72.9m in FY22. • Good progress on HVAC marketing and operating model, setting strong foundations for FY23. • First HVAC business acquired in Germany and discussions progressing in respect of other targets. Japanese joint venture now has 4 group affinity partnerships, with affinity households now at 14.1m (ahead of target).	20%
R Harpin	• Implement Directory Extra technology stack alongside proven organisational model. • Assist Tom Rusin to accelerate growth in US and in particular, to prove a new model to sign utility partners quicker.	20%	Key achievements included • Very good progress on Directory Extra model in Checkatrade, with additional launches in Habitissimo and in Maison in France. • New way to introduce the US Membership business to prospective partners pioneered and rolled out, with promising initial results	20%

	Up to three personal strategic objectives	Weighting	Outcome	% Payable
T Rusin	Achieve the following metrics in respect of North American Membership: • PBT between \$154.1m and \$172.0m • Customers between 5,022.5k and 5,227.5k • New households between 6m and 10m.	20%	Key achievements included • North American adjusted operating profit of \$159.1m versus a budget of \$163.0m, so in the performance range • Household signings of 7.2m • Customer numbers unfortunately slightly below the bottom end of the performance range.	11%

HomeServe had another successful year, financially and strategically. In line with our expectations, we delivered an acceleration in our financial performance, with our key profit measure, adjusted profit before tax (PBTA) up 15% at £220.3m. We did not achieve our stretching targets in respect of overall customer growth in our Membership businesses and trades growth in Home Experts, but it is clear from the customer dissatisfaction and 5 star scores that our customers continue to be very happy with the service we provide. As a result, 55% out of a maximum of 80% is payable in respect of Group performance.

Taking this into account and following an assessment of the personal performance of each Executive Director as set out above, payments of between 66% and 75% of the maximum will be made.

The overall FY22 bonus opportunity and actual pay-outs achieved by each Executive Director as set out above, is set out below:

	Maximum Opportunity		Actual pay-out	
Name	£	% of salary	£	% of salary
D Bower	£431,250	100%	£323,438	75%
R Clemmow	£400,000	100%	£300,000	75%
R Harpin	£596,884	100%	£447,663	75%
T Rusin	£512,445	100%	£338,214	66%

Annual bonuses are paid in cash. Under the proposed remuneration policy, Executive Directors will have to invest one third of any net bonus in shares. These shares will be subject to a three-year holding period.

Long-term Incentive Plan

The 2019 LTIP performance and matching awards were granted on 26 June 2019.

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 2022	TSR equal to the FTSE 250 index	TSR exceeds the index by an average of 15% p.a.	-16.1%	0%
EPS	75%	3 years to 31 March 2022	Compound annual growth of 9%	Compound annual growth of 15%	9.54%	31.9%

Based on the level of performance as set out in the table above, the overall level of vesting is expected to be 23.93%. A two-year post-vesting holding requirement applies to the awards.

The 2019 awards have been valued for the purpose of the remuneration table on page 109 using the average share price over the last three months of the financial year (£7.47 per share).

Directors' remuneration report continued

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 2022	Awarded during year	Lapsed during year	Vested during year	31 March 2021	Date granted	Type of award
D Bower	**—**	—	36,845	9,402	46,247	24.7.18	Performance
	—	—	35,945	9,172	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
	86,789	86,789	—	—	—	23.6.21	Performance
	57,570	57,570	—	—	—	23.6.21	Matching
R Clemmow	**77,146**	77,146	—	—	—	23.6.21	Performance
	72,324	72,324	—	—	—	23.6.21	Buy Out
R Harpin	**—**	—	69,419	17,714	87,133	24.7.18	Performance
	—	—	67,474	17,217	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
	115,684	115,684	—	—	—	23.6.21	Performance
	90,279	90,279	—	—	—	23.6.21	Matching
T Rusin	**—**	—	59,513	15,186	74,699	24.7.18	Performance
	—	—	53,532	13,660	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
	94,496	94,496	—	—	—	23.6.21	Performance
	72,075	72,075	—	—	—	23.6.21	Matching

Further details on LTIP awards granted during the financial year

On 23 June 2021, 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	23.6.21	86,789	£10.37	200%	£900,002	18.75%
R Clemmow	23.6.21	77,146	£10.37	200%	£800,004	18.75%
R Harpin	23.6.21	115,684	£10.37	200%	£1,199,643	18.75%
T Rusin	23.6.21	94,496	£10.37	200%	£979,924	18.75%

No consideration was payable for the grant of the Awards. Performance Awards will vest in three years' time subject to continued employment and the achievement of stretching performance criteria relating to EPS. The extent to which Performance Awards vest at the end of the Performance Period will be determined as follows:

Compound Annual Growth in EPS over the Performance Period	Percentage of Award 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%
Over 13% and up to 16%	On a straight-line basis between 75% and 100%

The Performance Period is the period of three financial years ending on 31 March 2024. 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	23.6.21	15,256	2:1 match	57,570	£9.687	£557,681	25%
R Harpin	23.6.21	23,924	2:1 match	90,279	£9.687	£874,533	25%
T Rusin	23.6.21	19,100	2:1 match	72,075	£9.687	£698,191	25%

No consideration was paid for the grant of Matching Awards (other than the acquisition of linked Investment Shares). Subject to the retention of the Investment Shares, continued employment and the achievement of stretching comparative TSR related performance criteria, the Matching Awards will vest after three years.

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 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 2024.

Directors' remuneration report continued

Annual report on remuneration continued

Individual Award under Listing Rule 9.4.2 (2)
As explained last year, a one-off award was made to buy out Ross Clemmow'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 Ross Clemmow's 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 and the number of shares awarded was 72,324 (based on the closing mid-market price of the Company's shares on 17 May 2021 of £10.37). The date of grant was 23 June 2021. The award is not pensionable.

The share award is fully performance-related and the extent to which the shares vest at the end of the Performance Period will be determined as follows:

Compound Annual Growth in EPS over the Performance Period	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 2024. Any shares which vest are subject to a two-year post-vesting holding period (excluding any shares which are required to be sold to pay tax on vesting).

Further details on awards vested during the financial year - Audited

Performance and matching awards granted on 24 July 2018 vested at 20.33% 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	24.7.18	Performance	26.7.21	9,402	£9.575	£90,024	£6,675
	24.7.18	Matching	26.7.21	9,172	£9.575	£87,822	£6,512
R Harpin	24.7.18	Performance	29.11.21	17,714	£9.110	£161,375	£12,577
	24.7.18	Matching	29.11.21	17,217	£9.110	£156,847	£12,224
T Rusin	24.7.18	Performance	26.7.21	15,186	£9.575	£145,409	£10,782
	24.7.18	Matching	26.7.21	13,660	£9.575	£130,796	£9,699

One Plan Matching Shares (Share Incentive Plan)

All employees are eligible to participate in One Plan. Participants receive one Matching Share for every Partnership Share they purchase. Shares are purchased monthly. Matching Shares are normally kept in trust for a minimum period of three years.

	31 March 2022	Sold during the year to pay tax on vesting	Acquired during year	31 March 2021	Aggregate face value of shares awarded during the year [1]
D Bower	**671**	—	206	465	£1,798
R Clemmow	**62**	—	62	—	£449
R Harpin	**671**	—	206	465	£1,798
T Rusin	**598**	38	215	421	£1,869

[1] Based on the acquisition price of the associated Partnership Shares. The highest share price was £11.42 and the lowest share price was £6.65. Ross Clemmow joined the Plan in January 2022.

Payments for loss of office and payments to past Directors - Audited

No payments were made during the year for loss of office or to past Directors.

Shareholding Guidelines - Audited

It is the Board's policy that Executive Directors and Non-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 financial year, together with those of their families, in the shares of the Company are set out below, as at 31 March 2022. Further SIP Partnership shares have since been purchased in each of April and May 2022 on behalf of the Executive Directors together with the allocation of a corresponding number of matching shares. Beneficial interests have therefore increased further by 62 shares for each of D Bower and R Harpin, 60 shares for R Clemmow, 68 shares for T Rusin.

	31 March 2021	**31 March 2022**	Value of Shares held as a multiple of current salary/fee[1]	Guideline met?	**Outstanding LTIP awards (2019,2020 & 2021)[2]**
D Bower	167,338	**192,896**	361%	Yes	**317,086**
R Clemmow	—	**124**	0.26%	No	**149,470**
R Harpin	40,790,004	**24,825,697**	34,890%	Yes	**484,319**
T Rusin	841,725	**873,794**	1,291%	Yes	**413,668**
T Breen	—	**100,000**	241%	No	**—**
K Cliffe	20,976	**20,976**	199%	No	**—**
S David	100,020	**100,020**	1,095%	Yes	**—**
R Donnelly	—	**5,000**	65%	No	**—**
E Fitzmaurice	786,265	**786,265**	10,197%	Yes	**—**
O Grémillon	15,600	**18,600**	241%	No	**—**
R McMillan	17,999	**17,999**	197%	No	**—**

[1] Calculated using the shareholding and share price on 31 March 2022 of £8.43 divided by the Executive's salary or Non Executive's fee on that date.
[2] Outstanding LTIP awards include both Performance and Matching share awards made in 2019, 2020 and 2021 and are subject to meeting performance conditions at vesting in 2022, 2023 and 2024 respectively.

Directors' pensions (Audited)

The following contributions were made:

	2022 £000	2021 £000
D Bower	**86**	75
R Clemmow	**25**	—
R Harpin	**119**	118

Tom Rusin participates in a US 401k pension plan (a defined contribution scheme) to which the Company contributed £9,219 ($12,603) in FY22. (FY21: £8,639).

Directors' remuneration report continued

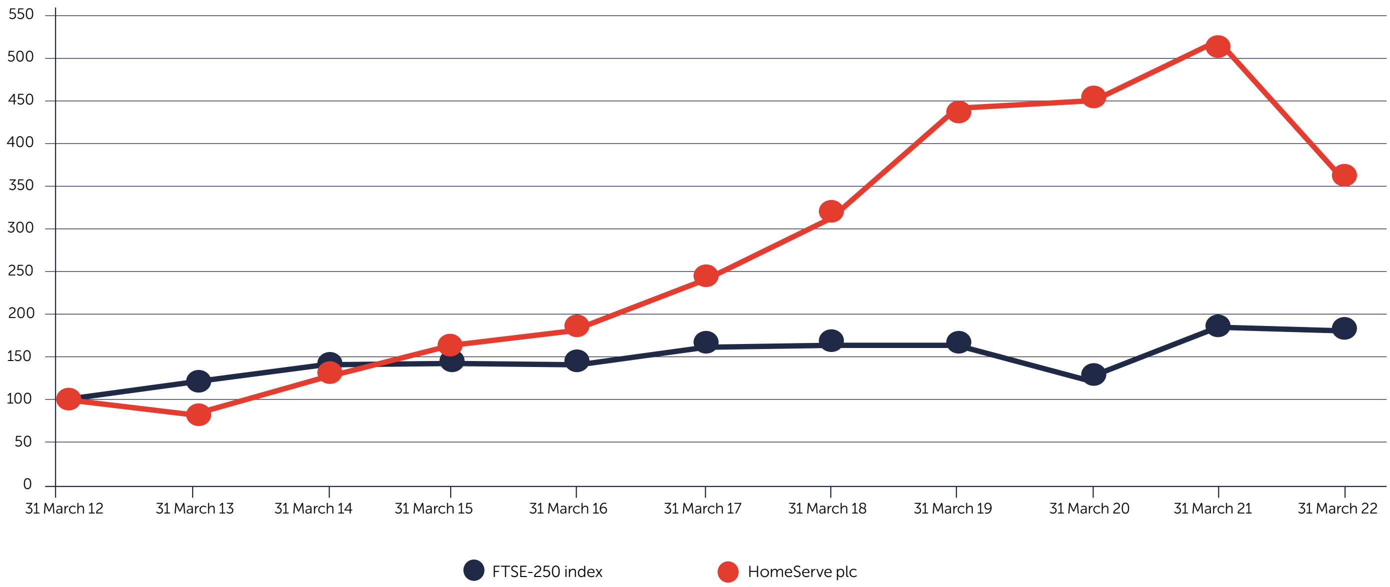
Annual report on remuneration continued

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 2022. This comparator has been chosen as it is a broad equity index of which the Company is currently a constituent.

Total Shareholder Return

Source: Refinitiv Eikon Datastream



The graph shows the value, by 31 March 2022, of £100 invested in HomeServe plc on 31 March 2012 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:

	FY13	FY14	FY15	FY16	FY17	FY18	FY19	FY20	FY21	FY22
Total remuneration (£000s)	953	1,212	1,200	3,355	4,256	8,563 [1]	4,749	4,237	1,542 [2]	**1,468**
Annual Bonus	75%	100%	96%	98%	100%	96%	75%	92%	79.7%	**75%**
LTIP awards vesting	0%	0%	0%	100%	100%	100%	100%	100%	20.33%	**23.93%**

Notes:
[1] The total includes the 2014 and 2015 LTIP awards which were granted and vested a year apart.
[2] FY21 remuneration has been restated to reflect actual share price on vesting of the 2018 LTIP award.

Percentage change in remuneration levels

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

	% Change from FY21 to FY22			% Change from FY20 to FY21		
	Salary	Benefits	Annual Bonus	Salary	Benefits	Annual Bonus
D Bower	**15%**	**2%**	**8%**	0%	(6%)	(16%)
R Clemmow [1]	**n/a**	**n/a**	**n/a**	n/a	n/a	n/a
R Harpin	**2%**	**(2%)**	**(4%)**	1%	(19%)	(13%)
T Rusin	**6%**	**19%**	**(13%)**	1%	(6%)	(10%)
T Breen [2]	**n/a**	**n/a**	**n/a**	n/a	n/a	n/a
K Cliffe	**16%**	**n/a**	**n/a**	13%	n/a	n/a
S David	**13%**	**n/a**	**n/a**	(3%)	n/a	n/a
R Donnelly [3]	**n/a**	**n/a**	**n/a**	n/a	n/a	n/a
E Fitzmaurice	**13%**	**n/a**	**n/a**	5%	n/a	n/a
O Grémillon	**13%**	**n/a**	**n/a**	5%	n/a	n/a
R McMillan	**13%**	**n/a**	**n/a**	5%	n/a	n/a
Average of other HomeServe plc employees	**5%**	**21%**	**(39%)**	5%	2%	34%

1 Ross Clemmow joined the Board on 22 March 2021
2 Tommy Breen joined the Board on 27 January 2021
3 Roisin Donnelly joined the Board on 25 March 2021

CEO pay ratio

The table below compares the Chief Executive's total remuneration against that for the lower quartile, median and upper quartile UK employees (calculated on a full-time equivalent basis).

Year	Method	25th Percentile pay ratio	Median pay ratio	75th percentile pay ratio
FY22	**Option B**	**62:1**	**37:1**	**33:1**
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 has chosen option B, using the most recent gender pay gap information to determine the relevant employee at each of the 25th, 50th and 75th percentiles. This option has been chosen, as the data is considered to be the most accurate and comprehensive data available and will be repeatable on a sustained basis. For example, therefore, gender pay gap data at 1 April 2021 has been used to identify the relevant employees for FY22. Actual pay and benefits data received by the relevant employees for FY22 has then been used for the comparison to the Chief Executive's pay and calculate the respective pay ratios. Where appropriate an estimate has been used for FY22 bonus pay-out.

The total pay and benefits figures and the salary component of total pay and benefits for this year is set out below.

Pay data FY22	Base Salary	Total Pay & benefits
CEO remuneration	**£596,884**	**£1,467,623**
25th percentile employee	£21,559	£23,509
50th percentile employee	£32,500	£39,556
75th percentile employee	£37,425	£44,773

Directors' remuneration report continued

Annual report on remuneration continued

This year, our CEO pay ratio has reduced to 37:1. Whilst for the CEO remuneration variable pay is broadly similar (annual bonus 75%, LTIP 23.93% versus last year 79.7% and 20.33% respectively), the total pay and benefits received by the selected employees has increased versus last year.

Total pay and benefits comparing FY22 relevant employees with FY21 relevant employees shows increases of 2%, 29% and 21% at the 25th, 50th and 75th percentiles respectively. There have been no significant changes to reward arrangements to explain these increases and the change is therefore attributed to the reward received by the selected employees using Option B methodology.

The employees identified are reasonably representative of the nature of our workforce being identified from customer support, business support and field engineer areas.

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:

Pay data FY22	FY21 £m	FY22 £m	% change
Pay (£m)	389.1	**414.1**	6%
Dividends (£m)	80.5	**89.3**	11%
Tax (£m)	15.4	**41.7**	171%
Retained profits (£m)	31.1	**132.8**	327%

Application of the remuneration policy to be implemented for FY23

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, although the Committee has the ability to take a different approach if circumstances require. The explanation for the salary decisions for FY23 is in the Annual Statement of the Chair of the Remuneration Committee on page 94.

The salaries for the Executive Directors from 1 July 2022 will be as follows:

	2022 £000
D Bower	**£463,500**
R Clemmow	**£412,000**
R Harpin	**£617,819**
T Rusin	**$780,000**

As explained on page 94, Tom Rusin's salary is not increasing for FY23 as he received a special salary increase during FY22.

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 last reviewed during FY21, as explained in last year's report. There are no changes to the fee levels from July 2022.

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

	1 July 2021	**1 July 2022**
Chairman's fees	£350,000	**£350,000**
Non-Executive Directors' base fee	£65,000	**£65,000**
Senior Independent Director additional fee	£12,000	**£12,000**
Chair of Remuneration, Audit & Risk or People Committee	£12,000	**£12,000**

Annual bonus performance targets FY23

The annual bonus plan for FY23 will operate in line with the new Directors' remuneration policy. The maximum bonus opportunity for each Director will be 150% of basic salary, with half of this amount payable for on-target performance. One-third of any bonus must be invested in HomeServe shares, to be held for a minimum of three years.

The bonus measures will be as follows for Richard Harpin and David Bower:

Financial measures (60% of bonus)	Non financial measures (20% of bonus)	ESG (10% of bonus)	Personal objectives (10% of bonus)
• Profit before tax	• Customer growth (5%) • Trades growth (Checkatrade) (5%) • Reduction in customer dissatisfaction (10%)	• Environment strategy	• Up to three personal strategic objectives

The bonus measures will be as follows for Ross Clemmow and Tom Rusin:

Financial measures (60% of bonus)	Non financial measures (20% of bonus)	ESG (10% of bonus)	Personal objectives (10% of bonus)
• Group Profit before tax (30%) • Divisional Profit before tax (30%)	• Divisional Customer growth (10%) • Reduction in Divisional Customer dissatisfaction (10%)	• Environment strategy	• Up to three personal strategic objectives

The Committee considers the forward-looking performance targets to be commercially sensitive and 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.

Directors' remuneration report continued

Annual report on remuneration continued

Long-term incentives

Subject to the approval of the new Remuneration Policy, Performance Awards of 250% of salary will be made to the Executive Directors. An additional Performance Award equating to 100% of salary will be made to Tom Rusin. Further details are provided on page 93.

Performance criteria

The performance targets to be applied to the awards granted in FY23 are as follows for all standard awards:

- EPS growth (33.3%)
- Relative TSR (33.3%)
- ROIC (33.3%).

The additional award for Tom Rusin will be based on profit growth (50%) and ROIC (50%) for the US Membership division.

Due to the ongoing discussions with Brookfield, the detailed targets are still under consideration and will be confirmed if and when awards are granted.

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 last year's Annual General Meeting held on 16 July 2021, the following votes from shareholders were received in respect of the Remuneration report. Also shown are the votes received when the policy was last considered in 2020.

	Remuneration report (2021 AGM)		Remuneration policy (2020 AGM)	
	Total number of votes	% of votes cast	Total number of votes	% of votes cast
For	225,955,951	90.3	226,075,370	95.7
Against	24,176,835	9.7	10,179,917	4.3
Total votes cast (for and against excluding withheld votes)	250,132,786	100.0	236,255,287	100.0
Votes withheld	4,668,300		5,760,270	
Total votes (including withheld votes)	**254,801,086**		**242,015,557**	

By Order of the Board

Katrina Cliffe
Chair of the Remuneration Committee
24 May 2022