

## **HomeServe plc**

### **Terms of Reference – Remuneration Committee**

#### **1. Purpose**

The UK Corporate Governance Code (the Code) states that:

A formal and transparent procedure for developing policy on executive remuneration and determining director and senior management remuneration should be established.

The purpose of these terms is to ensure compliance with the principles of the Combined Code based on guidance produced by the Chartered Governance Institute.

References to “the Committee” shall mean the Remuneration Committee. References to “the Board” shall mean the Board of Directors.

#### **2. Membership**

- 2.1. Members of the Committee shall be appointed by the Board in consultation with the Chairman of the Committee, on the recommendation of the Nomination Committee. The Committee shall be made up of at least three members, all of whom shall be independent non-executive directors. The Chairman of the Board may also serve on the Committee as an additional member if he or she was considered independent on appointment.
- 2.2. Only members of the Committee have the right to attend Committee meetings. However, other individuals such as the Chairman, Chief Executive and external advisers may be invited to attend for all or part of any meeting as and when appropriate.
- 2.3. The Board shall appoint the Committee Chairman who shall be an independent non-executive director who should have served on a remuneration committee for at least 12 months prior to appointment as Chairman of the Committee. In the absence of the Committee Chairman and/or an appointed deputy, the remaining members present shall elect one of themselves to chair the meeting. The Chairman of the Board shall not be Chairman of the Committee.

#### **3. Secretary**

- 3.1. The Company Secretary or their nominee shall act as the Secretary of the Committee.

#### **4. Quorum**

- 4.1. The quorum necessary for the transaction of business shall be two. A duly convened meeting of the Committee at which a quorum is present shall be competent to exercise all or any of the authorities, powers and discretions vested in or exercisable by the Committee.

#### **5. Meetings**

- 5.1. The Committee shall meet at least three times a year and at such other times as the Chairman of the Committee shall require.

## **6. Notice of Meetings**

- 6.1. Meetings of the Committee shall be summoned by the Secretary of the Committee at the request of any of its members.
- 6.2. Unless otherwise agreed, notice of each meeting confirming the venue, time and date together with an agenda of items to be discussed, shall be forwarded to each member of the Committee, any other person required to attend and all other non-executive directors, no later than 5 working days before the date of the meeting. Supporting papers shall be sent to Committee members and to other attendees as appropriate, at the same time.

## **7. Minutes of Meetings**

- 7.1. The Secretary shall minute the proceedings and resolutions of all Committee meetings, including the names of those present and in attendance.
- 7.2. Minutes of Committee meetings shall be circulated promptly to all members of the Committee and, once agreed, to all members of the Board, unless it would be inappropriate to do so.

## **8. Engagement with Shareholders**

- 8.1. The Chairman of the Committee shall attend the Annual General Meeting prepared to respond to any shareholder questions on the Committee's activities.
- 8.2. The Chairman of the Committee should seek engagement with shareholders on significant matters related to the Committee's areas of responsibility.

## **9. Duties**

The Committee should carry out the duties below for the Company, major subsidiary undertakings and the Group as a whole as appropriate.

The Committee shall:

- 9.1. Have delegated authority to determine, in accordance with the Principles and Provisions of the Code, the policy for the remuneration of the following:
  - the company's Chairman
  - the executive directors
  - members of the Executive Committee
  - any employee of the Group with a basic salary in excess of £250,000 (or €250,000 or \$325,000) per annum
  - the Company Secretary.

The remuneration of non-executive directors shall be a matter for the Chairman and the executive members of the Board. No director or manager shall be involved in any decisions as to his own remuneration;

- 9.2. establish remuneration schemes that promote long-term shareholding by executive directors that support alignment with long-term shareholder interests, with share awards subject to a total vesting and holding period of at least five years, and a formal policy for post-employment shareholding requirements;
- 9.3. design remuneration policies and practices to support strategy and promote long-term sustainable success, with executive remuneration aligned to Company purpose and values, linked to the successful delivery of the Company's long-term strategy and that enable the use of discretion to override formulaic outcomes and to recover and/or withhold sums or share awards under appropriate specified circumstances;
- 9.4. in relation to the remuneration policy and practices for executives, consider the Code requirements for clarity, simplicity, risk mitigation, predictability, proportionality and alignment to culture;
- 9.5. in determining such policy, take into account all factors which it deems necessary including relevant legal and regulatory requirements, the provisions and recommendations of the Code and associated guidance. The objective of such policy shall be to attract, retain and motivate executive management of the quality required to run the Company successfully without paying more than is necessary, having regard to views of shareholders and other stakeholders;
- 9.6. review the ongoing appropriateness and relevance of the remuneration policy;
- 9.7. approve the design of, and determine targets for, any performance related pay schemes operated by the Company for the benefit of the individuals identified in 9.1 above and approve the total annual payments made under such schemes;
- 9.8. review the design of all share incentive plans for approval by the Board and shareholders. For any such plans, determine each year whether awards will be made, and if so, the overall amount of such awards, the individual awards to those identified in 9.1 above and the performance targets to be used;
- 9.9. determine the policy for, and scope of, pension arrangements for each executive director;
- 9.10. ensure that contractual terms on termination, and any payments made, are fair to the individual, and the company, that failure is not rewarded and that the duty to mitigate loss is fully recognised;
- 9.11. within the terms of the agreed policy and in consultation with the Chairman and/or Chief Executive as appropriate, determine the total individual package of the following including bonuses, incentive payments and share options or other share awards;
  - the company's Chairman
  - the executive directors
  - members of the Executive Committee
  - the Company Secretary.

- 9.12. in determining such packages and arrangements, give due regard to any relevant legal requirements, the provisions and recommendations in the Code and the UK Listing Authority's Listing Rules and associated guidance;
- 9.13. approve the remuneration packages for any employee of the Group with a basic salary in excess of £250,000 (or €250,000 or \$325,000) per annum on appointment, on termination or where significant changes are proposed;
- 9.14. review workforce remuneration and remuneration trends across the Company;
- 9.15. oversee any major changes in employee benefits structures throughout the company or group;
- 9.16. be exclusively responsible for establishing the selection criteria, selecting, appointing and setting the terms of reference for any remuneration consultants who advise the committee; and
- 9.17. to obtain reliable, up-to-date information about remuneration in other companies. The Committee shall have full authority to commission any reports or surveys which it deems necessary to help it fulfil its obligations but should avoid designing pay structures based solely on market benchmarking or the advice of remuneration consultants

## **10. Reporting Responsibilities**

- 10.1. The Committee Chairman shall report formally to the Board on its proceedings after each meeting on all matters within its duties and responsibilities.
- 10.2. The Committee shall make whatever recommendations to the Board it deems appropriate on any area within its remit where action or improvement is needed.
- 10.3. The Committee shall provide a description of its work in the Annual Report in line with the requirements of the Code.
- 10.4. The Committee shall also ensure that provisions regarding disclosure of information as set out in the relevant reporting regulations and the Code are fulfilled, and that a report on the directors' remuneration policy and practices is included in the Annual Report and put to shareholders for approval at the AGM as necessary.
- 10.5. If the Committee has appointed remuneration consultants, the consultant should be identified in the Annual Report alongside a statement about any other connection it has with the Company or individual directors.

## **11. Other matters**

The Committee shall

- 11.1. have access to sufficient resources in order to carry out its duties;
- 11.2. be provided with appropriate training;

- 11.3. give due consideration to laws and regulations, the provisions for the Code and published guidelines or recommendations regarding the remuneration of company directors and the formation and operation of share incentive plans, the requirements of the FCA's Listing Rules, Prospectus Rules, Disclosure Guidance and Transparency Rules sourcebook and any other applicable rules, as appropriate
- 11.4. arrange for periodic reviews of its own performance and, at least annually, review its constitution and terms of reference to ensure it is operating at maximum effectiveness and recommend any changes it considers necessary to the Board for approval.

## **12. Authority**

- 12.1. The Committee is authorised by the Board to seek any information it requires from any employee of the company in order to perform its duties.
- 12.2. In connection with its duties the Committee is authorised by the Board to obtain, at the company's expense, any outside legal or other professional advice.