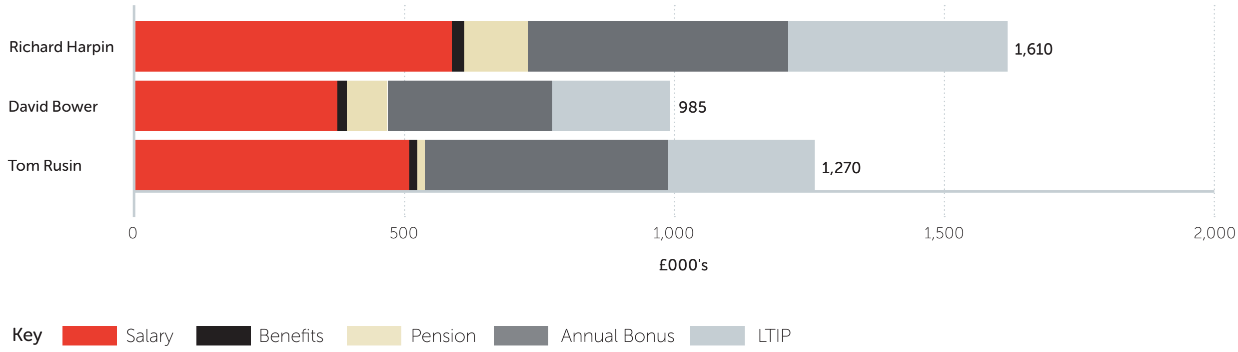
Remuneration at a glance

Single Total Remuneration Figure (£000)



Annual Bonus Outcome

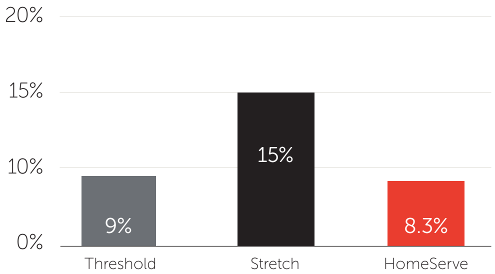
		Weighting	Maximum	Actual	% Payable
Financial measures	Adjusted Group profit before tax	40%	£184.0m	£191.3m	100%
Non financial measures	Customer growth	15%	8,163k	8,366k	100%
	Trades growth (Checkatrade)	5%	43.0k	43.6k	100%
	No. of leads (Habitissimo)	5%	2.1m	2.0m	94%
	Customer dissatisfaction (measured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

FY21
79.7% [1]
payout

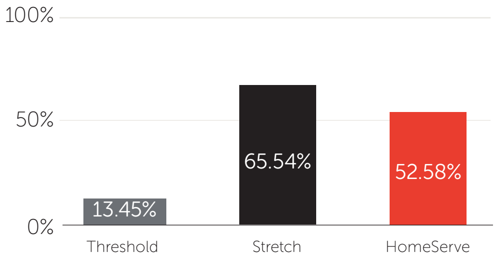
[1] Payout reduced to 79.7%. See page 93

LTIP Outcome

Adjusted earnings per share (75% weighting)



Relative TSR (25% weighting)



20.33%
vesting

Annual statement

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

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

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

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

FY21 in review

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

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

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

Annual statement
Continued

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

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

FY22 – looking forward

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Katrina Cliffe
Chairman of the Remuneration Committee
18 May 2021

Annual statement
Continued

UK Corporate Governance Code

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

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

- **Clarity:** The current Directors' remuneration policy is set out on pages 97 to 104. Committee decisions around the implementation of the policy are set out in each year's Directors' remuneration report. When consulting with major shareholders on executive remuneration, or engaging with the workforce on such matters, the Committee aims for full transparency surrounding its proposals and the rationale for making any changes. As an example, this approach was taken during the consultation exercise with major shareholders conducted ahead of the renewal of the remuneration policy in 2020 and the recent engagement with shareholders on the Committee's proposals for FY22.

- **Simplicity:** The Committee is keen to ensure that the remuneration structures in place for Executive Directors (and for other senior leaders within the business) are not overly complex and can be easily understood both internally and externally. While the inclusion of the Matching Share scheme for the Directors means that they effectively participate in three incentive arrangements, the scheme is an integral part of HomeServe's philosophy of ensuring a focus on long-term, equity-based remuneration. It has operated successfully for many years and its structure is well understood by participants.

- **Risk:** The Committee is satisfied that the Directors' remuneration policy is proportionate and does not lead to excessive risks, either in terms of the behaviour it promotes or the potential for the generation of outsize rewards which are not tied to performance. The policy has a strong performance focus, with the Committee seeking to ensure that incentive targets are challenging but realistic and do not encourage undue risk-taking. The Committee regularly considers formal risk reviews of the remuneration policy.

- **Predictability:** A range of possible values of rewards to individual Executive Directors under the current Directors' remuneration policy was included in last year's Annual Report & Accounts. An updated range is included in this year's report on page 102. While the final value of Directors' remuneration will depend upon a variety of factors, including the extent to which performance targets are met and HomeServe's share price, these "scenario charts" provide indicative values of reward for different performance outcomes.

- **Proportionality:** Incentives for Directors are based on the achievement of pre-set performance targets linked to HomeServe's strategic priorities and business plan, with both a financial and non-financial focus. Bonus payouts and the vesting of Performance and Matching Share awards depend on genuinely challenging targets being met, with no possibility of rewards for poor performance.

- **Alignment to culture:** HomeServe is an organisation focused on driving long-term shareholder value, and this is recognised at Executive Director level by a remuneration policy which is heavily weighted towards performance and payment in equity. Executive Directors are encouraged to invest their cash bonuses into shares and gain the potential benefit of Matching Shares, subject to three-year performance targets being met. Further, the business prides itself on a culture of excellent customer service, which is reflected in the use of performance metrics for the annual bonus scheme.

Directors' remuneration policy

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

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

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

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

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

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

Summary of components of Executive Directors' remuneration

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

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

Directors' remuneration policy
Continued

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

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

Performance measures

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

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

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

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

Directors' remuneration policy

Continued

Annual Bonus

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

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

LTIP

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

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

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

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

Clawback

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

Shareholding guidelines

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

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

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

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

How employees' pay is taken into account

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

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

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

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

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

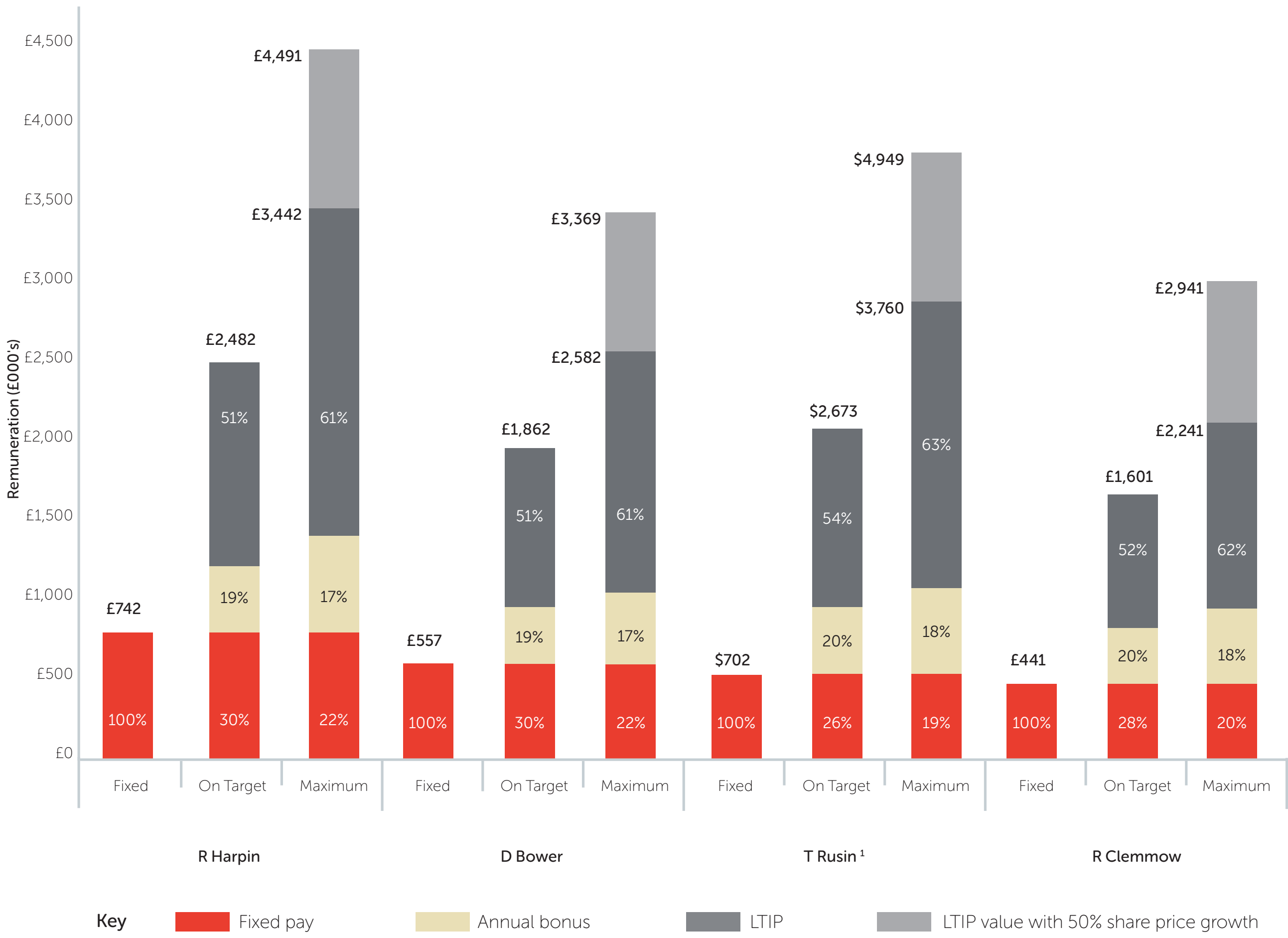
How shareholders' views are taken into account

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

Directors' remuneration policy
Continued

Remuneration scenarios for Executive Directors

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



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

Assumptions

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

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

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

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

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

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

Dates of current contracts are summarised in the table below:

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

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

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

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

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

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

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

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

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

Recruitment Policy

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

Directors' remuneration policy

Continued

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

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

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

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

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

Non-Executive Directors' letters of appointment

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

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

Details of their current three year appointments are as follows:

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

Outside Appointments

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

Annual report on remuneration

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

Remuneration Committee Members

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

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

Responsibilities

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

The primary responsibilities of the Committee include:

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

Annual report on remuneration
Continued

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

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

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

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

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

Advisers

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

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

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

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

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

Remuneration for the year under review (Audited)

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

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

Annual report on remuneration
Continued

Details of variable pay earned in the year (Audited)

Annual Bonus

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

Financial and non financial bonus targets

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

Personal bonus targets

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

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

The following bonuses were payable:

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

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

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

Long-term Incentive Plan

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

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

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

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

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

Annual report on remuneration
Continued

Summary of outstanding awards (Audited)

LTIP

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

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

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

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

Further details on LTIP awards granted in the year

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

Performance share awards

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

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

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

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

Matching share awards

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

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

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

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

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

Annual report on remuneration
Continued

Further details on awards vested in the year

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

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

One Plan Matching Shares (Share Incentive Plan)

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

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

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

Shareholding Guidelines (Audited)

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

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

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

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

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

Directors' pensions (Audited)

The following contributions were made:

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

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

Ross Clemmow

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

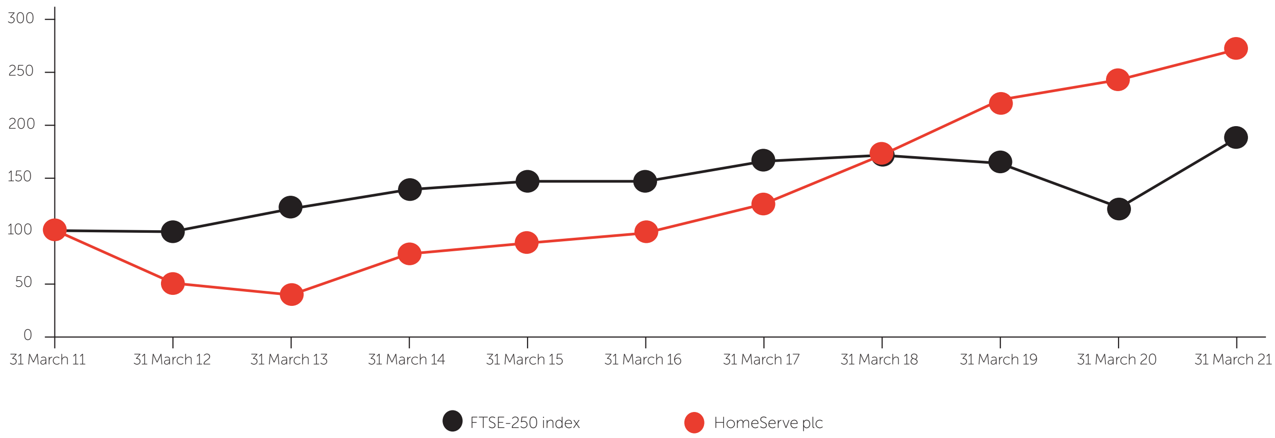
- Base salary of £400,000 per annum
- Maximum annual bonus of 100% of salary
- Annual LTIP Performance Share Award of 150% of salary and eligibility to participate in the Matching Share element of the LTIP
- Car allowance of £14,000
- Pension contributions of 6% (in line with the rate for the wider workforce)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

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

Annual report on remuneration
Continued

Performance graph

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



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

Chief Executive's remuneration

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

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

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

Percentage change in remuneration levels

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

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

CEO pay ratio

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

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

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

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

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

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

Annual report on remuneration
Continued

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

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

Relative importance of spend on pay

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

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

Application of the remuneration policy for FY21

Basic salary

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

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

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

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

Fees for the Chairman and Non-Executive Directors

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

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

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

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

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

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

Annual bonus performance targets

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

The bonus measures will be as follows:

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

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

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

Annual report on remuneration
Continued

Long-term incentives

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

Performance criteria

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

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

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

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

Holding period for vested shares

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

Shareholder voting at the 2020 Annual General Meeting

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

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

By Order of the Board

Katrina Cliffe
Chairman of the Remuneration Committee
18 May 2021