

Principal risks and uncertainties

Risk management at HomeServe forms a significant part of the overall governance structure. The overall risk policy and process is set at Group level with the implementation and ownership being adopted by our local businesses.

HomeServe’s framework includes risk appetite, materiality scoring matrices and key risk indicators. Each business is expected to adhere to the Group risk framework and to report regularly on its risk registers and key risk indicators but, if appropriate, the Group framework may be customised to local requirements as long as minimum standards are met. It is designed to support the Group, and its individual businesses, in making well-informed decisions as well as providing reasonable levels of assurance (total assurance is not attainable) that risks are being correctly identified and are then subject to robust management. A mechanism exists to extend the Group’s risk framework to any significant new business that is acquired or established immediately upon acquisition or start-up.

The Board formally reviews and satisfies itself on the effectiveness of the risk management framework by delegation to its Audit and Risk Committee. The Group risk function reports to the Audit and Risk Committee three times a year to enable it to do so.

HomeServe’s risk management process

HomeServe’s individual businesses consider both operational and strategic risks in the risk management process. Strategic risks consist of identifying both the inherent external and internal risks the organisation faces, with operational risks representing the potential inadequacies in the internal governance and management processes in place.

The key components of HomeServe’s risk management process are:

- HomeServe’s purpose, vision and values, which facilitate its strategy and inform business objectives

- Principal risks and uncertainties facing the Group are identified by the Executive Directors and where applicable implemented as Group Enterprise Risks (GERs) across the local businesses. Group-wide risks and mitigation processes are regularly reviewed by the Group Audit and Risk Committee
- Risks are consistently identified, assessed, prioritised, mitigated, controlled, monitored and reported through local Risk Committees and at a Group level to the Executive Directors and the Group Audit and Risk Committee
- Oversight, communication and risk management support is provided to local businesses by the Group risk function, particularly with regard to risks likely to have more significant impact on the Group’s overall objectives.



Our tolerance to risk

The Group’s risk appetite is subject to an annual review of its definition, content and criteria for assessment scores. The Board’s assessment of risk appetite is guided by HomeServe’s vision to become the world’s most trusted provider of home repairs and improvements, and by its purpose to make home repairs and improvements easy.

HomeServe’s risk appetite is comparatively low. This recognises; firstly, its status as a plc which requires strong governance and reputation and, secondly, its regulated status in certain markets which requires compliance with local laws, rules and guidance.

Our risk assessment

Assessment of risk should look at what could go wrong and not focus on whether the risk has been entirely mitigated.

HomeServe’s assessment of risk is approached from a top down and a bottom up perspective. Group Enterprise Risks (GERs), which are those risks that directly link to our business model and strategy, are identified through our Executive Directors.

At a local level, each business identifies strategic and operational risks which are captured on detailed risk registers.

All risks are assessed in respect of likelihood and impact based on the materiality matrix included in the Group risk framework. Risks are then scored on an inherent and residual basis and rated as red, amber or green. A risk, once identified, can be managed within HomeServe’s risk appetite through controls, whether manual or automatic and the effectiveness of controls will manage the impact and likelihood of a risk crystallising. Consideration is given to whether risks are within or outside appetite and particular attention is given to the controls that are in place and the actions being taken to mitigate the risks. Incidents are recorded and reported on at the relevant committees.

Risk management governance

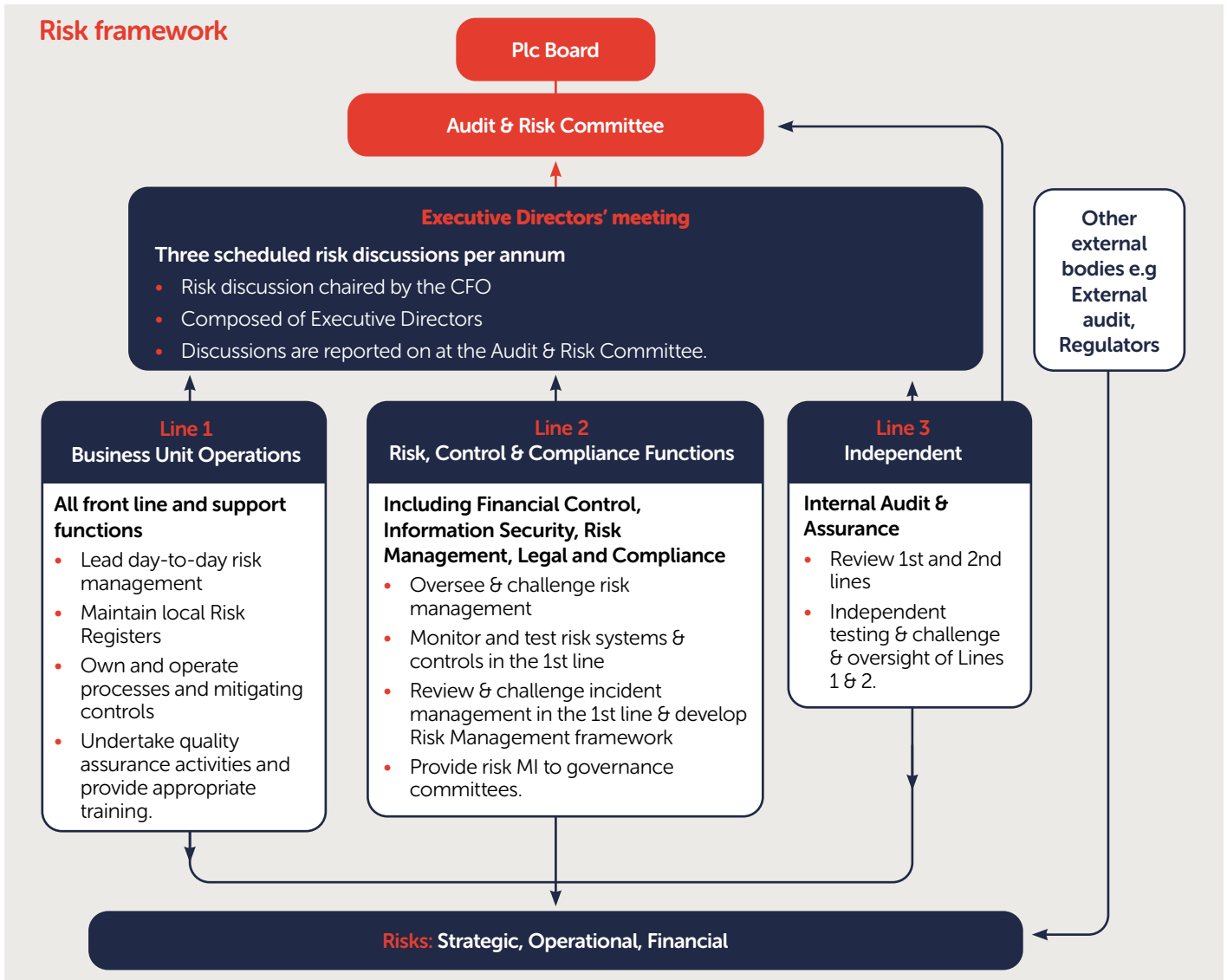
Risk registers are reviewed at local committees and boards across the Group. The Executive Directors and the Audit & Risk Committee having regular oversight of both the Group Enterprise Risks and the principal risks identified by each business.

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

The specific responsibilities and activity carried out by local risk teams and the Group risk function are summarised by the “three lines of defence” framework set out opposite. This is widely recognised as best practice across multiple industry sectors.

Using the approach set out opposite, the Board has assessed the principal risks (“Group Enterprise Risks”) faced by the Group and is satisfied that appropriate risk mitigation plans are in place and are being implemented.

Risk framework



Changes in FY22

Covid-19

Although the continuing public health response to Covid-19 has begun to shift from treatment as a pandemic to being endemic across most of the territories in which the Group operates, it remains an area of focus. Due to differences by country in the specific approach of national governments, and sub-national public bodies, the risk and response to Covid-19 continues to be managed locally with consideration of the specific risk environment for each business. Any impact seen is then reported to both the Executive Directors and the Audit and Risk Committee.

Climate risk

Governments and corporates globally are facing up to the challenge of climate change. Climate change is both a risk and opportunity for HomeServe.

The expected increase in the frequency and severity of severe weather such as storms and floods could lead to a range of challenges for our operations and emerging regulation could impact HomeServe in a number of ways, including increased operating costs as a result of higher energy, fuel and parts. In addition, the HVAC businesses could face

a shortage of skilled engineers as low carbon technologies are deployed and replace conventional heating technologies. More details of the risks and opportunities identified by HomeServe can be found in the TCFD disclosure on page 29.

HomeServe are working to understand the local impacts of extreme weather events and to increase the flexibility and capacity of its employed and sub-contractor network. Additionally, HomeServe have set emissions targets and are working on plans to deliver the targets, as well as a wider decarbonisation strategy. This will include HomeServe's HVAC M&A strategy, which is targeting the addition of specific capabilities which will enable HomeServe to address both market and local regulatory changes (such as heat pump installers).

Critical risks

In the 2021 Annual Report & Accounts, HomeServe identified a number of risks as critical risks whereby failures in any one of the business units would result in a change in the risk environment at a Group level. Local businesses are required to ensure that risks designated by the Group to be 'critical' risks are actively managed. These are risks where compliance with a minimum level of control is considered to be non-negotiable (an example of a 'critical' risk is

health & safety). Best practice in respect of identifying and mitigating 'critical' risks is shared across the Group.

To further strengthen the overall control framework, during FY22 these critical risks were formally recognised as Group Enterprise Risks and, as such, data privacy and health and safety are now included below as Group Enterprise Risks.


Group Enterprise Risks

The following table sets out what the Board believes to be the principal risks and uncertainties facing the Group, the mitigating actions for each and, where applicable, updates on any change in the profile of each risk during the past year. All risks carry equal importance and weighting for the Board, however additional focus and priority may be given to specific risks for a period of time in certain circumstances, for example, following a material acquisition or to implement plans to reduce any risk which exceeds the appetite threshold. The principal risks and uncertainties should be read in conjunction with the Operating review and the Financial review. Additional risks and uncertainties of which HomeServe is not currently aware or are believed not to be significant may also adversely affect strategy, business performance or financial condition in the future.






Principal risks and uncertainties continued





Strategic risks

Competition 		
<p>Overview</p> <p>In any of HomeServe's markets, a successful new entrant or an existing competitor adapting more quickly to changing customer demands and needs could adversely impact its business and its financial results. This could result in fewer customers, lower retention rates, revenue and profitability.</p> <p>Competitors with active M&A programmes could also show interest in HomeServe's targets, leading to missed opportunities or over-paying.</p> <p>Competitive threats today include, but are not limited to;</p> <ul style="list-style-type: none"> • Utilities running Membership programmes in-house • Adjacent products, for example, Whole Home Warranty • Existing competitors moving into other geographies • New entrants, for example, Amazon or Google investing heavily to enter the home services space with new products or technologies • Incumbent competitors to Home Experts in the UK, for example, Rated People, MyBuilder. 	<p>Mitigations</p> <p>HomeServe demonstrates to utilities that they can benefit more by partnering with HomeServe due to its long-term investment horizon.</p> <p>Regular market reviews in each business identify new entrants and increases in competitor activity, for example, aggressive pricing initiatives.</p> <p>Agile product development responds to changing consumer needs. Shared learning between its markets, analysing consumer trends and developing leading products and services.</p> <p>HomeServe believes it has the winning Home Experts model in Directory Extra which, alongside Checkatrade, Habitissimo is now implementing. Continued learning and idea-sharing happens between the Home Experts businesses.</p>	<p>FY22 update</p> <p>During the year American Water Works Company, Inc. ("American Water") reached an agreement to sell its Homeowner Services Group ("HSG") to funds advised by Apax Partners LLP. HSG has historically been a key competitor of HomeServe's Membership business in North America. Whilst it could be anticipated that HSG may be more aggressive under its new owners, HomeServe remains the clear market leader in the North American home assistance market. Furthermore, HomeServe's differentiated solutions for utilities and high levels of service for homeowners continues to be a source of competitive advantage.</p>

Information security & cyber resilience 		
<p>Overview</p> <p>In line with other businesses, HomeServe is subject to the increased prevalence and sophistication of cyber-attacks, which could result in unauthorised access to customer and other data or cause business disruption to services.</p> <p>A successful cyber-attack might have a significant impact on reputation, reducing the trust that customers place in HomeServe and could lead to legal liability, regulatory action and increased costs to rectify. A lapse in internal controls and a subsequent data breach or loss would have a similar impact. Total customer numbers and policy retention rates may reduce and partners may terminate affinity relationships if they perceive customer data to be at risk.</p>	<p>Mitigations</p> <p>HomeServe has a number of defensive and proactive practices across the Group to mitigate this risk. There is a detailed information security policy, which is communicated across the Group and training is provided as required. Regular penetration testing is in place to assess defences and HomeServe continues to invest in IT security, ensuring secure configurations and processes, access controls, appropriate security tooling and effective communication of policies and procedures to all employees.</p>	<p>FY22 update</p> <p>The Group's businesses continued to invest in security capabilities as part of strategic activities in response to evolving threats, with a focus on ensuring any new solutions support its continued hybrid working arrangements. During the year, a business in Spain that was acquired in FY21 experienced a ransomware attack. This was contained within that business, demonstrating the importance of the Group's commitment to, where necessary, increasing the security of acquisitions prior to integrating operations with other Group businesses. In addition, wider capabilities and relationships across the Group were leveraged to help respond and recover, as well as accelerate delivery of security improvements.</p>

Data privacy 		
<p>Overview</p> <p>In the operation of its businesses HomeServe collects customer, employee, commercial and other data. Without appropriate mitigating controls there is a risk that such data could be inappropriately collated, processed, stored or disclosed, or indeed lost or compromised.</p> <p>This could result in business disruption, reputational damage and financial loss as well as regulatory action resulting in additional costs, loss of customers and potential loss of partners.</p>	<p>Mitigations</p> <p>HomeServe utilises several mitigating controls to manage the data privacy risk. Expertise within the local businesses is supported by a detailed data protection framework designed to promote best practice for the processing of personal data. In addition, oversight and support is provided through a centralised Group function. The Group function continues to support new acquisitions in the implementation of the framework. Oversight is supported through monitoring controls, key risk indicators, governance committees and the audit function.</p>	<p>FY22 update</p> <p>Over the last year, the continued focus on the management of data has resulted in an overall reduction in the risk exposure across the Group. As such, all businesses are currently operating within the Group's appetite for this risk.</p>

Key sources of value	
	Partnerships
	Capacity for innovation
	Customer obsession
	Trades network management
	Financial resources and expertise

Risk score movement from the prior year	
	No change
	Increased
	Reduced
	New

Strategic risks

Climate risk

<p>Overview Governments and corporates globally are facing up to the challenge of climate change. Climate change is both a risk and opportunity for HomeServe.</p> <p>The expected increase in the frequency and severity of severe weather such as storms and floods could lead to a range of challenges for our operations and emerging regulation could impact HomeServe in a number of ways, including increased operating costs as a result of higher energy, fuel and parts. In addition, the HVAC businesses could face a shortage of skilled engineers as low carbon technologies are deployed and replace conventional heating technologies. More details of the risks and opportunities identified by HomeServe can be found in the TCFD disclosure on page 29 of the Annual Report & Accounts.</p>	<p>Mitigations HomeServe are working to understand the local impacts of extreme weather events and to increase the flexibility and capacity of its employed and sub-contractor network.</p> <p>All of HomeServe's international businesses maintain (and regularly test) business continuity plans.</p> <p>HomeServe have set emissions targets and are working on a decarbonisation strategy.</p> <p>HomeServe's HVAC M&A strategy is targeting the addition of specific capabilities which will enable HomeServe to address both market and local regulatory changes (such as heat pump installers).</p> <p>HomeServe are engaging with suppliers, installers and partners to understand the projected market, including which technologies are most likely to be adopted. In addition, HomeServe are working, through the HomeServe Foundation, to increase apprenticeships in relevant trades.</p>	<p>FY22 update HomeServe have set Group wide targets for emissions and are working on plans to deliver the targets.</p> <p>HomeServe have identified high-level risks and opportunities, and these have been shared with local businesses. Local businesses are considering how these impact on them and what actions are needed to mitigate the risks.</p> <p>To monitor and measure performance against the decarbonisation journey, an Environment Management System is being developed.</p>
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M&A strategy

<p>Overview HomeServe has an active M&A strategy focused on two primary areas; Membership policy books and a buy and build strategy to grow its HVAC footprint.</p> <p>There is a risk HomeServe could overpay for transactions or underestimate the time and resource required to integrate new businesses, potentially leading to lower than anticipated cash inflows and revenue, increased costs, reduced profitability and an increased likelihood of impairment.</p> <p>By contrast, a successful M&A strategy should diversify risk by, for example, introducing new partners and channels, increasing profitability and should lead to increases in KPIs such as customers and policies.</p>	<p>Mitigations</p> <ul style="list-style-type: none"> Strict criteria when building a prospects pipeline. Independent advisers engaged in due diligence processes. Strong track record and experience of acquiring and growing policy books. Local management expertise with oversight from central plc function. Clear investment hurdles and completion of post-investment reviews. All investments require local and, where applicable, plc Board approval. 	<p>FY22 update There has been no change to the underlying risk of HVAC M&A, with all acquisitions continuing to be appraised by dedicated M&A teams, and transactions approved by local and/or plc Board. Furthermore, during the year the plc Board approved a formal set of target investment guidelines for HVAC M&A across the Group.</p>
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Operational risks

Digital transformation

<p>Overview As distinct from technology investment (below) digital transformation relates principally to interactions with customers (be they homeowners or trades), ensuring HomeServe offers a multi-channel, multi-media approach to interact with them and that it does so in an efficient and cost-effective manner.</p> <p>If HomeServe is not flexible enough to respond to changing needs, customers may explore competitor products and choose not to renew. There is also a reputational risk as complaints logged via social media can quickly escalate if not dealt with in an appropriate and timely manner.</p>	<p>Mitigations HomeServe continues to review and respond to customer comments and needs and customers are offered a number of channels through which they can engage with HomeServe: telephone, website, digital live chat, paper, email and social media.</p>	<p>FY22 update The use of automation across the Membership business to enhance the service levels given to customers continues to be pursued across the Group. In particular natural language call automation now accounts for a sizeable proportion of first notification of loss (FNOL) calls in both North America and the UK.</p>
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Principal risks and uncertainties continued

Operational risks

Regulation



Overview

In its Membership businesses, HomeServe is subject to regulatory requirements relating to, for example, product design, marketing materials, sales processes and data protection.

HomeServe believes that regulation has a positive impact and encourages a culture that promotes customers' interests and will improve HomeServe's prospects over both the short and long-term.

Like many companies HomeServe is also subject to wider regulation concerning, for example, anti-corruption, anti-fraud and bribery and modern slavery. Specific policies can be found at www.homeserveplc.com/who-we-are/governance/policies

Failure to comply with regulatory requirements in any of its countries could result in the suspension, either temporarily or permanently, of certain activities.

Much regulation is intended to protect customers and failure to adhere to the high expectations customers have of HomeServe could lead to reduced retention and higher customer losses. In addition, legislative changes relating to partners may change their obligations with regard to the infrastructure they currently manage and hence the products and services HomeServe can offer to customers. It is possible such legislative changes could reduce, or even remove, the need for some of HomeServe's products and services.

Mitigations

Compliance with local regulation as a minimum to ensure products are designed, marketed and sold in accordance with all relevant legal and regulatory requirements; and that the terms and conditions are appropriate and meet the needs of customers.

Best practice shared across the Group.

Regulatory specialists, compliance teams and Non- Executive Directors in each business. HomeServe maintains regular dialogue with the FCA in the UK. In North America, there is regular contact with the Attorneys General.

FY22 update

In the UK, in line with new FCA requirements across the general insurance industry, the Membership business implemented changes to enable customers to opt-out of auto-renewal online, in addition to the telephony and postal channels already available to them.

In France, the Membership business was focussed on implementing changes to certain of its telephony sales processes to support compliance with new government regulations which took effect at the beginning of April 2022.

Underwriting capacity & concentration



Overview

In Membership, HomeServe markets and administers policies that are underwritten by independent third-party insurers. HomeServe acts as an insurance intermediary and does not take on any material insurance risk.

These arrangements are a core part of the Membership model and help protect HomeServe from short-term risk, for example, of rising claims costs or frequencies.

Seeking new underwriters and obtaining relevant regulatory approvals may take time, leading to business disruption.

Lack of suitable underwriters could force HomeServe to underwrite policies in-house, exposing it to material insurance risk.

A material change in the operating model would also drive a change in accounting policy that could affect short-term profitability. Customer numbers and retention rates may fall if customers experience reduced service levels or are not covered throughout any period of disruption.

Mitigations

With the exception of the UK, at least two underwriters share the policy books in each country.






In the UK, HomeServe maintains relationships with a number of other underwriters who are willing and able to underwrite the business.





Regular (at least every 6 months) reviews with all underwriters to ensure that current product performance and trends are understood.

FY22 update




Each of HomeServe's underwriting relationships remain strong, with regular engagement during FY22, and the financial position of each of the underwriting partners continues to be very solid.



In the normal course of business, the regular data sharing and review of actuarial performance with underwriters continues to support the underwriting of risks. This is despite pockets of higher product usage (associated with higher levels of home working) and higher average job cost (associated with a more inflationary macro-economic environment).

Key sources of value	
	Partnerships
	Capacity for innovation
	Customer obsession
	Trades network management
	Financial resources and expertise

Risk score movement from the prior year	
	No change
	Increased
	Reduced
	New

Operational risks

Technology investment   		
<p>Overview As distinct from digital transformation (above), this risk principally relates to investment in the key systems the Group relies on to manage its daily operations.</p> <p>Appropriate and timely maintenance and investment is required to ensure systems continue to meet the changing needs of the business and its customers.</p> <p>Failure in back-office systems may lead to business interruption, and lack of investment to provide timely and appropriate data could jeopardise the ability to analyse performance indicators and react to any trends.</p> <p>Over-investment in any new initiatives could see investment outweigh future benefits and lead to impairment.</p>	<p>Mitigations All decisions are subject to the Group's strict investment criteria and hurdles. Major IT programmes are allocated specific governance structures and oversight with members of senior management sitting on the Programme Board.</p> <p>HomeServe engages a number of external advisers on large software projects to provide appropriate breadth and depth of experience and expertise to ensure there is no over-reliance on any one supplier and to support management in project delivery.</p>	<p>FY22 update In the UK, following the FY21 decision to fully impair the eServe CRM system, the business transferred sales activity back to the existing system, and all policies have been migrated back to the existing system. The business anticipates that the longer-term CRM solution will be a third-party, cloud-based offering learning from successful project implementations elsewhere in EMEA.</p> <p>In Spain, the business successfully migrated all customer policies to a Salesforce CRM system.</p> <p>In France, the business continued to extend the rollout of a third-party standardised enterprise resource planning (ERP) platform to businesses in its HVAC portfolio.</p>

Partner loss  		
<p>Overview Underpinning HomeServe's success in its chosen markets are close commercial relationships (affinity partner relationships) principally with utility companies, and municipal utility providers. The loss of multiple relationships could impact HomeServe's future customer and policy growth plans and retention rates. Growth plans, particularly in North America, focus on signing new partners to extend reach and provide new marketing opportunities to grow the business.</p> <p>HomeServe has benefitted from government policy changes in certain regions to form new partnerships, for example, liberalisation of energy markets in Spain. Any reversal, for example to re-nationalise utilities, could have an adverse impact. Albeit HomeServe does have strong experience working with public sector municipals in North America.</p> <p>With over 1,000 partners across the Group, it is inevitable that a few partners each year may choose not to renew a contract as priorities or commercial pressures change. In the UK and North America, where partner bases are more diversified, the impact is considered small. In France, the loss of, for example, Veolia would have a bigger impact similar to that of Endesa in Spain where the back book is now in run-off. Any partner loss or failure to sign new partners could impact households, customers and also retention rates.</p>	<p>Mitigations A portfolio of partners in each business diversifies risk.</p> <p>Partners signed on long-term contracts with beneficial financial terms for each party.</p> <p>HomeServe seeks to renew contracts early, ahead of any expiration date.</p> <p>Regular dialogue with all partners, particularly in markets with more concentrated partner relationships, for example, France.</p>	<p>FY22 update In North America, HomeServe continued to sign new partners at the rate of around two per week. During the year the business exited a relationship with a partner with which it had built a customer book of c.0.1m, however the business does not see any wider in-sourcing trend in the North American market.</p> <p>In the UK, the business renewed relationships with four water partners accounting for 5m households during the year. Notwithstanding the contraction in the number of retail energy suppliers caused by high wholesale prices, the household coverage the business has via its energy relationships increased during the year.</p> <p>In Japan, further partnership agreements were signed with electric utilities, meaning HomeServe now has access to around 14m households in that territory.</p>

Principal risks and uncertainties continued

Operational risks

People



Overview

HomeServe's ability to meet growth expectations and compete effectively is, in part, dependent on the skills, experience and performance of its personnel.

Retention of people in established businesses is key, as is recruitment of talented people in growth businesses, for example, Home Experts.

The inability to attract, motivate or retain key talent could impact overall business performance.

HomeServe has several growth opportunities and ensuring appropriate bandwidth at the top of the organisation is key to maintaining effective control and oversight.

Gender Pay disclosures in the UK, and reviews such as that previously undertaken by Hampton Alexander, also play an increasing role in informing HomeServe's People agenda. This ensures HomeServe have the appropriate diversity of people, experience and ideas to move the business forward.

Mitigations

Employment policies, remuneration and benefits packages and long-term incentives are regularly reviewed and designed to be competitive with other companies. Employee surveys, performance reviews and regular communication of business activities are used to understand and respond to employee views and needs.

Processes exist to identify high performing individuals and ensure that they have fulfilling careers, and HomeServe is managing succession planning effectively.

FY22 update

HomeServe employed an average of c.8,600 people globally through FY22. 78% of those people completed the Global People Survey, returning an engagement score of 75%, down 3 percentage points on the prior year but remaining higher than the pre-pandemic level.

Labour markets in each of the territories that the Group's businesses operate in have been tighter, as the impact of Covid-19 has begun to move to its endemic phase. Across the Group this has been seen in slightly higher rates of attrition, alongside some pockets of slightly longer lead times in recruitment.

Failure to deliver strategic growth

Overview

HomeServe has several opportunities to develop its businesses. There is a risk that it fails to determine where to focus energy, time and resources and, as a result, misses opportunities or does not deliver strategic growth targets or achieve the expected or desired outcomes.

Mitigations

The leadership of each of HomeServe's three divisions have clarified the combination of assets and competencies that leads to repeatable strong operational and financial performance, and that drives each division towards its overarching strategic objectives, in the form of a flywheel. Additionally, the key behaviours required across the businesses to deliver those objectives are codified, acting as a mission statement for all employees.

All new business opportunities are then assessed against this framework, and immediately de-selected if they are not instrumental to turning the flywheel.

In the Home Experts division in particular, the key value driver across the three different platforms has been distilled – thereby helping to guide both assessment of strategic opportunities and operational priorities.

FY22 update

As the least mature of the Group's three divisions, resource is focused on managing this risk at Home Experts. A quarterly forum has met during the year, convening the leaders of each platform, to share experience from local markets. This has helped each business further refine its approach to key strategic decisions.

HVAC integration



Overview

The higher volume of HVAC acquisitions requires disciplined and often standardised processes to ensure successful integration into HomeServe, creating strong links to the Membership business and achieving synergies with, for example, the engineer network.

Failure to integrate acquisitions quickly and effectively could result in failure to deliver synergies, and increase costs, resulting in failure to achieve predicted revenues and potentially lead to impairment.

Mitigations

Integration plans form part of all business case approvals.






Post-investment reviews provide learning for future acquisitions.





Dedicated teams and resources and retention of key management personnel in the acquired businesses.

FY22 update


A total of 20 HVAC acquisitions were made in FY22 across the US, France, Spain, the UK, Belgium and Germany.

In both the US and France, a number of portfolio businesses have begun operating on standardised ERP platforms, with expected rollout to all portfolio businesses in time.


Key sources of value	
	Partnerships
	Capacity for innovation
	Customer obsession
	Trades network management
	Financial resources and expertise

Risk score movement from the prior year	
	No change
	Increased
	Reduced
	New

Operational risks

Health and safety 		
<p>Overview In common with other organisations, HomeServe has an obligation to provide a safe working environment for its colleagues, customers and stakeholders. With HomeServe's continued growth, through recent M&A, health and safety has been added as a new risk to mitigate the potential increase in risk exposure due to the rise in the number of HVAC engineers.</p> <p>An overarching health and safety policy at the Group level provides support to health and safety leads in each of the Group businesses who are responsible for ensuring compliance with industry regulations, as well as prevailing standards specific to each territory.</p> <p>Non-compliance with these standards would naturally lead to personal injury, substantial fines and penalties, and reputational damage.</p>	<p>Mitigations A governance structure is in place, with health and safety matters being subject to oversight of the Audit and Risk Committee and, where applicable, the plc Board.</p> <p>Strategic Safety & Health Improvement Plans.</p> <p>Robust health and safety policies and standards at the Group level, with compliance required by individual businesses.</p> <p>Health and safety leads appointed in all jurisdictions, who have responsibility for delivering and championing the health and safety policy and framework locally and in any newly acquired businesses.</p> <p>Mandatory training in safe working practices.</p>	<p>FY22 update Support, oversight and reporting continues to be provided to the local health and safety leads within each of the businesses. This is against a backdrop whereby health and safety is being managed within appetite in each of the Group's businesses.</p>

Financial risks

Financial 		
<p>Overview</p> <p>Interest rate risk Fluctuations in interest rates could lead to HomeServe being exposed to higher interest costs on its underlying debt obligations.</p> <p>Credit risk There is a risk that customers do not pay monies owed, thereby meaning lower amounts of cash are recovered relative to expected receivables.</p> <p>Liquidity risk There is a risk that short-term and long-term funding necessary to meet business needs and take advantage of strategic priorities becomes unavailable.</p> <p>Financial misstatement risk There is a risk of financial misstatement, whereby material errors in financial reporting mean that accounts prepared by HomeServe do not give a true and fair view of the state of the Group's affairs – furthermore exposing HomeServe to possible reputational damage.</p>	<p>Mitigations</p> <p>Interest rate risk HomeServe's policy is to manage interest cost using a mix of fixed and variable rate borrowings. Where necessary, this is achieved by entering into interest rate swaps for certain periods, in which HomeServe agrees to exchange, at specified intervals, the difference between fixed and variable rate interest amounts calculated by reference to an agreed notional principal amount. These swaps are designed to economically hedge underlying debt obligations.</p> <p>Credit risk The risk associated with cash and cash equivalents is managed by only depositing funds with reputable and creditworthy banking institutions. The risk of a policyholder defaulting is mitigated as any policy cover will cease as and when any premium fails to be paid.</p> <p>Liquidity risk HomeServe manages liquidity risk by maintaining adequate reserves and banking facilities, and continuously monitoring forecast and actual cash flows.</p> <p>Financial misstatement risk HomeServe manages the risk of financial misstatement by ensuring that businesses comply with a toolkit that sets out the minimum standards on financial control. The financial results for each business are subject to reviews on a monthly basis from local management, Group finance and the plc Board.</p>	<p>FY22 update During FY22 HomeServe arranged an additional £30m of funding for six years via the US private placement market with a fixed interest rate of 2.47%.</p>