GROUP PERFORMANCE HIGHLIGHTS

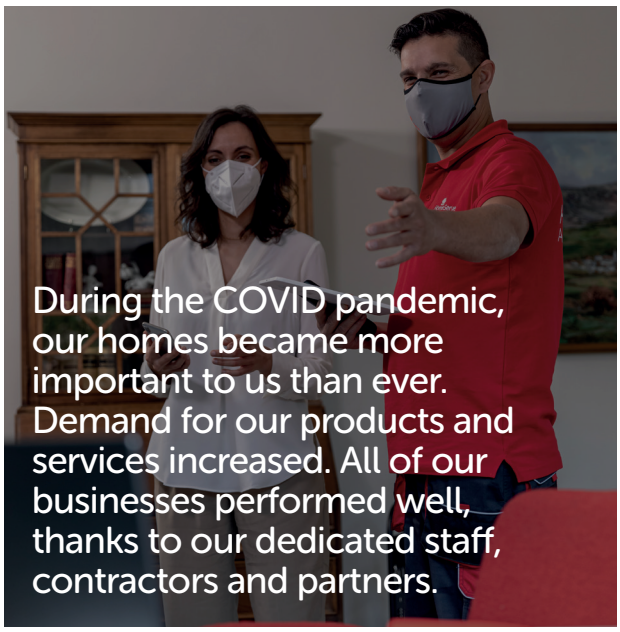
Revenue
£1,304.7m
↑15% from £1,132.3m

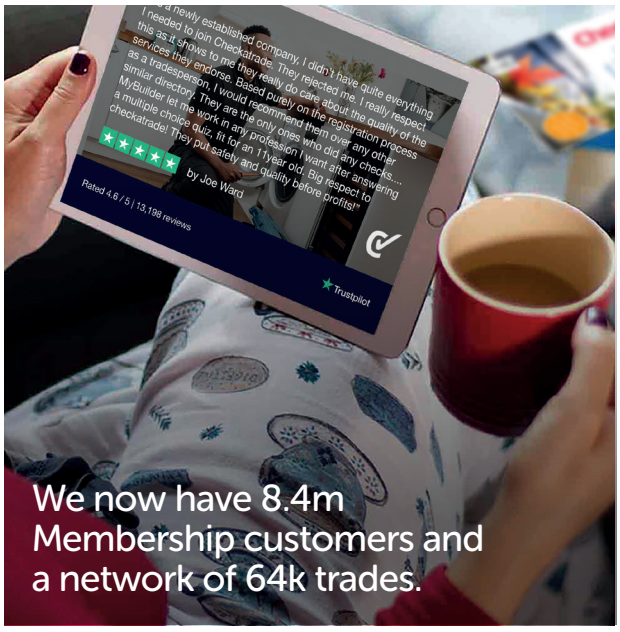
Statutory operating profit
£71.8m*
↓55% from £158.6m

Basic earnings per share
9.3p*
↓71% from 31.7p

Ordinary dividend per share
26.0p
↑10% from 23.6p

* Exceptional charge of £92.4m, mainly reflecting decision to fully impair UK eServe system investment.





CONTENTS

HomeServe uses a number of alternative performance measures (APMs) to assess the performance of the Group and its individual segments. These are used in headline financial results and throughout the Strategic report. APMs are non-GAAP measures which address profitability, leverage and liquidity and together with operational Key performance indicators give an indication of the current health and future prospects of the Group. Definitions of APMs and the rationale for their usage are included in the Glossary at the end of this report with reconciliations, where applicable, back to the equivalent statutory measure. The key APMs used in the strategic report are adjusted operating profit and adjusted profit before tax.

At a glance

Our purpose is to make home repairs and improvements easy, and our vision is to be the world's largest, most trusted provider of home repairs and improvements.

Although our operations are highly federated to respond to the needs of the geographies they serve, we share innovation and best practice across the Group. Membership and HVAC are managed closely together because of the many links between them. By offering Membership, HVAC and Home Experts, we can work towards our ambition of doing every job, in every home. We are creating a large network of skilled trades, and are committed to helping our trades make a good living, whether they are self-employed or part of our workforce. We make home repairs and improvements easy, for homeowners and trades.

Membership

See page 12

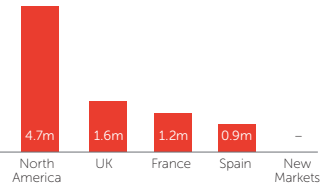
For homeowners, the peace of mind of a policy, of knowing they have one number to call if they need assistance with plumbing, heating, electrics, locks, glazing, pest control and technology.

Our Membership business proved resilient during lockdown, and customer service levels remained high. We continued to grow our global customer base, particularly in North America.

Customers

8.4m

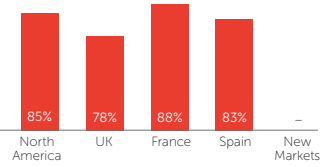
↑1% from 8.3m



Retention rate

83%

↑1ppt from 82%



HVAC (Heating, Ventilation and Air Conditioning)

See page 12

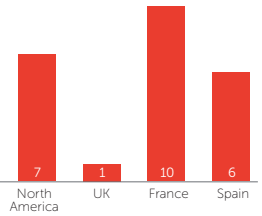
The capability to install and replace units, as well as service and repair them, so that we can provide a complete service to homeowners.

Every home has some form of heating and/or an air conditioning unit. We are creating an HVAC installations capability in all of our established Membership markets through our buy-and-build strategy, which will enable us to sell more policies and operate more efficiently.

Acquisitions

24

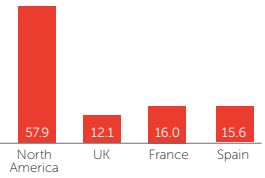
↑ from 15



Installations revenue £m

£101.6m

↑26% from £80.9m



Home Experts

See page 12

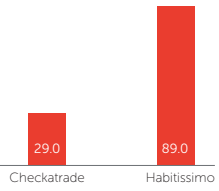
An online marketplace to help homeowners find local trades (tradespeople) on demand, to help with a broad range of home repairs and improvements, from landscape gardening to carpet cleaning.

The pandemic accelerated the consumer demand to find trades online. This benefited our Home Experts businesses, which saw record levels of consumer engagement.

Web visits

118.0m

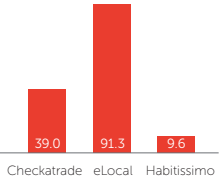
↑6% from 110.9m



Revenue £m

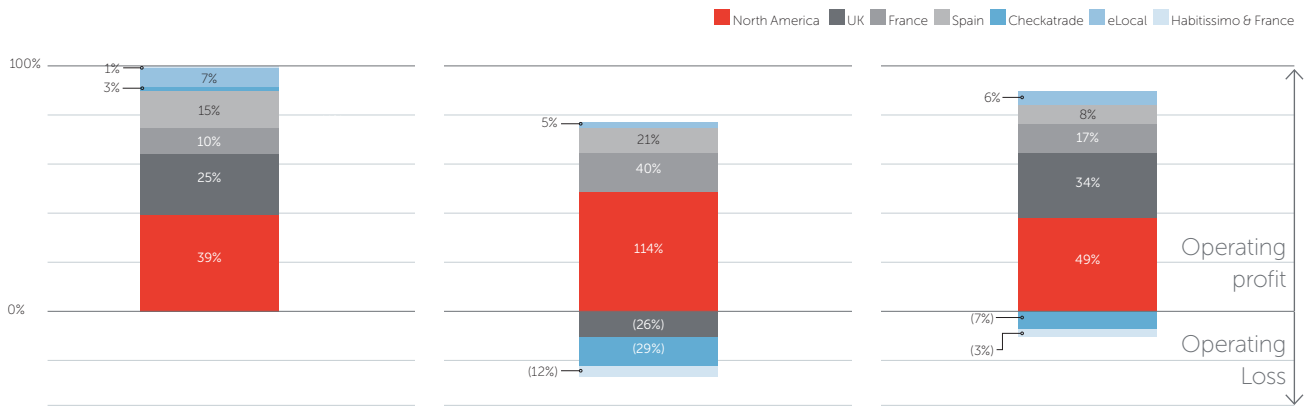
£139.8m

↑95% from £71.8m [1]



In FY21, we have made significant progress on doing business responsibly, setting new environmental targets and supporting our workforce and contractor networks in tough times during the pandemic. See page 20.

[1] eLocal FY20 revenue (£22.1m) reflected only four months trading contribution to the Home Experts total.



Revenue

£1,304.7m

↑15% from £1,132.3m

Statutory operating profit/(loss)

£71.8m

↓55% from £158.6m

Adjusted operating profit

£214.3m

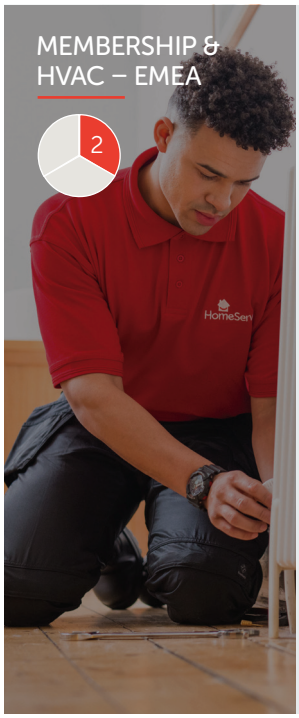
↑6% from £201.7m

We run our Membership & HVAC businesses by geography with established operations in North America, UK, France and Spain, an early stage joint venture in Japan and expansion underway into Belgium and Portugal. In March 2021, we arranged our businesses into three different divisions which are at different stages of development. Each division reports to one of our Executive Directors, to ensure that each gets the focus and attention it deserves. Tom Rusin runs Membership & HVAC – North America; Ross Clemmow is responsible for Membership & HVAC – EMEA; and Richard Harpin oversees Home Experts.

See page 71 for executive biographies.

Proven track record in an under-penetrated market; strongest near-term growth potential

Our largest and fastest growing Membership business is driving the Group's near term growth and has potential to keep expanding. North America also has the Group's most established HVAC business and in FY21 acquired a further 7 businesses to support our buy-and-build strategy. See page 14



Established, cash-generative businesses in the UK, France and Spain with routes to future growth; new market in Japan

The **UK** is our most established Membership business. Although customer numbers are currently declining, we have opportunities to grow by opening up new channels such as energy partnerships and direct to consumer, and by harnessing technology like intelligent call routing to revolutionise customer service. See page 15.

France is a well-established Membership business with the highest customer retention rates and operating margins in the Group. FY21 saw the most new customers ever, thanks to strong partnerships with large water companies and new relationships with online aggregators. We will expand from France into Belgium in FY22, in partnership with Eneco Belgium. See page 15.

In **Spain**, since the end of our partnership with Endesa in 2018, our business has diversified successfully. We still service the Membership customers we recruited with Endesa, and also have growing HVAC and Claims businesses, the latter servicing a growing number of B2B bancassurer partners. We plan to expand from Spain into Portugal in FY22. See page 15.

In **Japan**, our joint venture with Mitsubishi Corporation is making good progress, with our first two utility partnerships and over 17,000 customers now in place. See page 15.

Our most exciting medium to long-term growth opportunity

We are investing to build an innovative business model, through Checkatrade in the UK, Habitissimo in Spain and eLocal in North America.

Our Home Experts businesses are expected to deliver their first combined profit in FY22.

See page 16.

Chairman's statement


JM BARRY GIBSON

"Throughout my career, I have always stuck to the simple principle that if we look after our people, our people will look after our customers. Never has this been more important than during the COVID pandemic."

This statement marks the end of my tenure as Chairman of HomeServe, so I want to start my review by paying tribute to the talented people I have had the privilege to work with during my 17 years on the Board. HomeServe is a company with big ambitions that attracts great people – not least because of the force of nature that is Richard Harpin, our exceptionally talented Founder and Chief Executive. I have thoroughly enjoyed working with Richard, the Board and everyone at HomeServe, and am reminded every day that our core values of courage, persistence and integrity really do permeate our business.

HomeServe has done the right thing by our people throughout this pandemic-dominated year, ensuring that our office-based staff were able to work from home comfortably and productively, that our engineers were safe and well-supported as they visited customers' houses, not furloughing anyone or making people redundant as a result of the pandemic. We used our in-house engineering capacity well in the UK while we were only allowed to do emergency jobs, and are very proud of the 3,000 free emergency jobs we did for key workers. Our care for our people paid dividends. As at March 2021, employee engagement exceeded pre-pandemic levels.

People strategy has been a key topic for the Board this year – making sure we have the right people in all of our key seats. It is a pleasure to welcome to the Board Ross Clemmow in the new role of CEO, EMEA, and also new Non-Executive Director Roisin Donnelly, who brings 30 years of marketing and advisory experience. We ended the year one appointment away from reaching the Hampton Alexander target of one third female Board representation, and will continue to work towards this target this year.

The Board agenda this year has been well balanced between overseeing the operational resilience of our business, and planning for the future. Our operating results speak for themselves, notwithstanding the impact on the statutory results (FY21 statutory PBT: £47.2m FY20: £137.9m) of exceptional charges. We were delighted to deliver a 6% uplift to £191.3m in adjusted profit before tax, the profit measure we use to manage the business. Strategically, the Board focused on four key topics. We remain wholeheartedly convinced by our growth prospects in North America and encouraged by the progress being made at Checkatrade to build a market-leading online platform to match consumers with trades. In the UK, we took the difficult decision to fully impair our investment in the eServe customer relationship management system, and in the coming years the Board will support the UK business as it embraces digitisation and automation and refreshes its customer base. The Board also spent considerable time on international business development. With the exception of our high potential joint venture with Mitsubishi Corporation in Japan, we decided to adopt a "near neighbour" strategy, to make the most of our existing infrastructure and minimise risk, and focus on adjacent territories such as Canada, Belgium and Portugal.

Given the resilience of our business in FY21 and strong prospects for future growth, the Board proposes a final dividend of 19.8p to take the total dividend for the year to 26.0p. This represents an increase of 10%, significantly ahead of FY21 growth in adjusted earnings per share.

To fulfil our purpose to make home repairs and improvements easy, our strategy, in a nutshell, is to match customers' needs with trades, to generate repeat and recurring income. In order to assure the long-term sustainability of our business, we must do this responsibly, not least because of the deep emotional attachment we all have to our homes.

The last topic I want to highlight is our progress this year on articulating our responsible business approach, which is based around four key pillars.

In the course of the year, we have done the right thing for our customers, our people and our communities, put more formal responsible business policies in place and for the first time, committed to a carbon reduction pathway of 1.5 degrees by 2030 in respect of our Scope 1 & 2 emissions, a 42% reduction on our 2020 baseline.

With operational resilience proven and future prospects strong, I am delighted to be handing over the Chairmanship of this great company to Tommy Breen. I do so in the certain knowledge that I am leaving HomeServe and all of its stakeholders in good hands. It remains for me to say a very sincere thank you to everyone who has supported me in my time with the company, and to wish you all the very best for the future.

JM Barry Gibson
Chairman
18 May 2021

Our Chairman designate

I want to start by acknowledging the importance of the contribution Barry has made to HomeServe in his 17 years on the Board. HomeServe is built on strong foundations and has an exciting future ahead of it. Barry's influence and oversight have been significant in getting us to where we are today.

I am excited and honoured to be taking over as Chairman at a time of opportunity for significant development of the business in the coming years.

Since joining the Board in January, I have spent the time meeting (albeit virtually) many of the senior team and getting to understand the business. I am hugely impressed with the entrepreneurial culture, drive and ambition emanating from Richard and percolating throughout the Group.

I am looking forward to working with Richard and all of the Board on behalf of all of our stakeholders, to continue the great HomeServe growth story.

Tommy Breen
Chairman designate

Chief Executive's review


RICHARD HARPIN

"In the last year, we have all been working, learning, exercising and socialising from home, and our homes have become more important to us than ever. HomeServe's purpose is to make home repairs and improvements easy, whether it be fixing wear and tear or helping us transform our homes and gardens. We have seen more demand than ever for our services."

This has been an extraordinary year, with our entire financial year playing out under the shadow of the COVID pandemic. Throughout, we have remained focused on doing the right thing for our people and our customers, and this has paid dividends. It is great to report that we have grown our revenue by 15% and, notwithstanding the impact on the statutory result of exceptional charges (FY21 statutory PBT: £47.2m, FY20: £137.9m), adjusted PBT rose by 6%. This demonstrates the power of our business model and the dedication of our people: I am grateful to every single one of them. We have also made significant progress strategically this year, which sets us up well for continued strong growth.

One of the most difficult decisions we took this year was to halt the implementation of eServe, the UK CRM solution we procured in 2013. This drove an exceptional charge of £84.8m, which reduced statutory profit before tax to £47.2m (FY20: £137.9m). eServe was highly configured to our business and became costly and inflexible to implement, with further configuration issues emerging as implementation progressed. It will be replaced by a more flexible, cloud-based solution. Current planning suggests this will be a Salesforce solution, similar to those implemented successfully in France and planned for implementation in North America. As ever at HomeServe, we will look very carefully at what we can learn from this experience. We now have the opportunity to move forward and standardise on an industry leading solution.

The right people in the right roles

As of March 2021 we have been operating in three divisions, each with different financial profiles: Membership & HVAC (Heating, Ventilation and Air Conditioning) – North America; Membership & HVAC – EMEA; and Home Experts. To ensure that each gets the focus it deserves, they are each run by one of our Executive Directors, with our fourth Executive Director, CFO David Bower, focusing on Group-wide considerations. The key areas of focus for each division are as follows.

Membership & HVAC – North America

Tom Rusin is focused on delivering our medium-term growth targets and developing our North American partnerships, product suite and service capability to keep growing beyond our $230m adjusted operating profit milestone. Tom has global product line responsibility for Membership.

Membership & HVAC – EMEA

Ross Clemmow joined us in March 2021, and brings online retail, digital and private equity transformation experience to our executive team. He is focused on adding value to our established businesses in France, Spain and the UK, and on developing new routes to growth, including through expansion into adjacent markets in Europe. He also has responsibility for our joint venture in Japan. Ross has global product responsibility for HVAC, where we now have a global portfolio of 46 businesses and installation revenue of £101.6m. There are significant opportunities to develop HVAC as a new channel for policy sales and realise efficiencies as we build a global HVAC infrastructure.

Home Experts

I work directly with the leaders of our Home Experts businesses in the UK, North America and Spain to build a market-leading model to match consumers with trades online, and to share expertise across our businesses.

Membership & HVAC – North America

Our North American business had a great year, despite much reduced marketing volumes in the first few months of the pandemic. We achieved 7% predominantly organic customer growth to 4.7m, 85% retention (an increase of two percentage points), 22% revenue growth of which 9 percentage points were organic, 27% growth in adjusted operating profit to $137.9m and a percentage point improvement in margin to 21%. We were delighted to sign new partner agreements which cover 6m new households, a 59% increase on gross new household adds in FY20, despite the interruption in utility partner conversations early in the pandemic. We made good decisions to withdraw from relationships where marketing returns had started to decline, and instead to market direct. We ended the year with access to 66m households (a net 2m increase), with our pipeline of potential new partners at its strongest ever. Our HVAC business had an outstanding year, with installations revenue growth of 43% to $76.0m. We are making excellent progress towards our previously announced $230m operating profit target, and are starting to look beyond our medium-term targets to the long-term continued growth potential of our business in North America.

Membership & HVAC – EMEA

All of our European businesses display attractive characteristics: loyal, recurring customers with high retention rates; strong and stable cash generation and several opportunities for growth through new partners, new channels and new markets.

The UK is HomeServe's most established market. The UK business continues to deliver attractive returns and provides a high quality service to a smaller number of loyal customers that value and use our products. Under the new leadership of John Kitzie, previously CEO of our North American business, we have developed plans to take the UK business forward and return it to a growth trajectory.

With this new transformation programme, we have started the process of reversing the long-term customer decline which drove a 10% fall in adjusted operating profit to £72.5m. John is one of our very best operational leaders, and brings with him significant experience of the operational processes and technology that have created a strong platform for growth in North America. John's initial focus will be to bring these operational best practices to the UK. As an example, we are making rapid progress in claims automation and in driving efficiency in our field-based service operations.

Alongside the implementation of operational best practices, our UK team is developing opportunities to return to top line growth through digitisation, improved marketing and new partnerships. We will also implement the successful HVAC buy-and-build strategy already in progress in North America, France and Spain.

In France, we added 0.2m gross new customers, our highest ever level and a 10% year-on-year increase, to end the year at 1.2m customers in total. Investment in growth opportunities including a renewed partnership with Veolia and accelerated customer acquisition via digital channels meant that adjusted operating profit grew relatively modestly, up 2% to €39.8m. Our French business is characterised by strong working relationships with long-term and newer affinity partners and excellent IT implementations, with our legacy customer management system now replaced with Salesforce. The HVAC buy-and-build strategy is performing well in France and marketing activity with Eneco Belgium will scale up as the COVID pandemic subsides. In its 20th anniversary year, it is great to see our French business continue to grow.

In Spain, performance improved in the second half in Claims, after Claims turnover suffered early in the pandemic just as we boosted our resources in anticipation of higher volumes. The first half effect of this investment drove a 14% fall in full year adjusted operating profit to €19.8m. Mesos is proving to be a successful acquisition in the Claims space and gives us service capability in Portugal. HVAC is performing well and in Membership, discussions are ongoing with a range of energy companies to develop new Membership propositions.

Our joint venture with Mitsubishi Corporation in Japan continues to progress well, with two partnerships giving us access to c.7m households and the partner pipeline strong. We have over 17,000 customers, are seeing good take-up on marketing campaigns and early indications suggest a very strong retention rate. It is still early days, but prospects for the Japanese market look good and we are happy to continue to invest at current levels to realise this potential.

Home Experts

During the COVID pandemic, consumers spent more time and money than ever around their homes. British homeowners spent an average of £2,608 on home improvements in 2020, an increase of 15%, according to Checkatrade research. We continued to develop our Home Experts platforms at pace to match more homeowners with trades (tradespeople) online.

Checkatrade continued to strengthen its leadership position in the UK with the highly successful 'Julius Caesar' television advertising campaign. Consumer visits to the website grew a market-leading 23% to 29m and the number of contacts (telephone calls and quote requests) between consumers and trades grow strongly to 8.1m. On the supply side, the number of trades grew 11% to 44,000 paying trades. Our decision to support our trades with deep discounts in the first three months of the pandemic helped keep trades on the platform when they were not working or earning. A key area of focus at Checkatrade is to improve the distribution

Chief Executive's review
Continued

of contacts, so that as many trades as possible see value from their subscription. These systematic enhancements are expected to drive an acceleration in trades acquisition and retention in FY22, as Checkatrade's predominantly subscription-based model moves towards profitability in FY23 and substantial growth beyond.

eLocal had a very successful first full year as part of HomeServe, delivering a 32% increase in monetised calls on a like-for-like basis, to 3.6m, a first full year of revenue of $119m and an adjusted operating profit contribution of c.$18m. eLocal has a proven model and strong potential for growth in the under-penetrated US market.

At Habitissimo, the transition of the business model continues, with the launch of Directory Extra expected to stimulate more matches for Habitissimo's 89m website visits.

Doing business responsibly

For most of us, our home is a refuge. Because we work in people's homes, doing business responsibly is crucial to our continued success. The resilience of our business model depends above all on the dedication of our people and the service they provide to our customers.

I have always been impressed by the courage, persistence and integrity our people show every day in the service of our customers, and this year we matched this everyday reality with increased prominence for responsible business initiatives on our Board agenda. We created a Corporate Responsibility Committee in January 2021 and agreed four key areas of focus:

- Delivering for our customers
- Building the workforce of the future, treating our people responsibly and embracing diversity
- Using our skills to support the communities we touch
- Participating in the transition to a lower carbon future.

We are now committed to a carbon reduction pathway of 1.5 degrees by 2030 in respect of our Scope 1 & 2 emissions, a 42% reduction from our 2020 baseline. Opportunities are emerging to help homeowners participate in the green revolution and support decarbonisation, for example through alternative heat sources and the installation of electric vehicle charging points. I was particularly pleased with the launch of the HomeServe Foundation in the UK this year, to champion the recruitment and training of more apprentices for our industry. We see doing business responsibly as a differentiator and an opportunity, and I am looking forward to seeing it continue to deliver benefits.

A tribute to Barry Gibson, and welcome to Tommy Breen

Tommy Breen takes over as Chairman from Barry Gibson on 19 May 2021. Barry has been on the HomeServe Board since the demerger from South Staffs Water in 2004, and has chaired the Board with dedication and skill since 2010. He has always championed putting the customer at the heart of everything we do, and focuses above all else on people. Barry created the Board People Committee and championed talent recruitment and development, diversity and inclusion. I want to express my sincere thanks to Barry, who helped steer HomeServe from a market capitalisation of £300m to close to £4 billion. It was a fitting tribute to Barry's achievements that he was the 2021 FTSE All Share winner at this year's Non-Executive Director Awards.

In Tommy Breen, we have found a worthy successor to Barry. Tommy is an experienced non-executive director and until 2017 was Chief Executive of DCC plc, where he spent a highly successful 30 year career. A chartered accountant by training, Tommy brings to HomeServe an extensive track record of delivering sustainable growth in a diverse, international business, both organically and by acquisition. Tommy started adding value to our Board as soon as he joined in January 2021, and I am very much looking forward to working with him.

Conclusion

HomeServe makes home repairs and improvements easy by matching customers' needs with trades (tradespeople), to generate repeat and recurring income. Our continued progress towards our ambition of doing every job, in every home takes me back to where I started this review – to our people. Our March 2021 employee survey shows engagement ahead of pre-pandemic levels, with each of our businesses currently certified as a Great Place to Work. The dedication shown by our people to our customers and our business during the pandemic has been extraordinary. I am very proud of what we have all achieved in the last year, and we are now well placed to achieve significant growth in the coming year and beyond.

In FY22, we expect to see strong growth in our North American Membership & HVAC business and continued progress in Home Experts, particularly at Checkatrade. Our European Membership & HVAC businesses remain resilient and cash generative, each with routes to future growth. We are confident in the Group's prospects and expect to return to a trajectory of strong earnings growth in FY22.

Richard Harpin
Founder and Chief Executive
18 May 2021

Delivering for our customers

Our customers are at the heart of our business.

Market overview

FY21

As a result of the COVID pandemic, homeowners spent more time and money at home. Whether it be on DIY or tradespeople, spend on home repairs and improvements increased, both to combat wear and tear and to adapt our homes to home working. By way of illustration, consumer visits to the Checkatrade website increased 23% in the course of the financial year, to 29m.

Looking forward, the HomeServe Foundation's UK Domestic Skills Index predicts a home improvements boom in the next decade, driven in part by the green revolution. This will be accompanied by a skills shortage if action is not taken to recruit younger workers into the construction industry, an issue championed by the HomeServe Foundation's drive to encourage the recruitment of apprentices. Demand for high quality trades is set to increase.

See page 28 for more on the HomeServe Foundation.

Our target market: homeowners

Based on our experience worldwide over our three decades of trading, we have insight into the typical levels of consumer adoption of home assistance policies which enables us to segment homeowners into three groups.

- Want to avoid the disruption of dealing with a problem in their home
- Like to budget carefully and avoid unexpected repair bills
- Tend to be an older demographic; often on fixed incomes

HOMESERVE OFFER

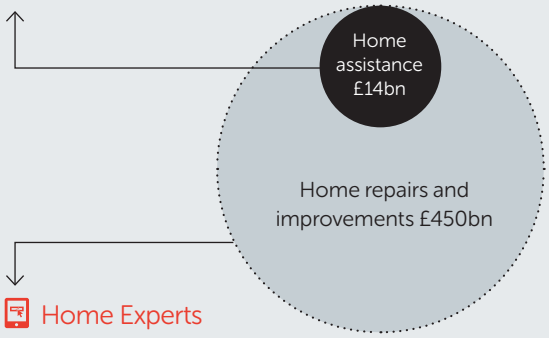
Membership HVAC

What's changing?
This segment constantly renews as homeowners' circumstances change. Many buy a policy when they retire, and only give it up when they move into sheltered accommodation. There may be a demographic shift in this segment as younger homeowners accustomed to subscriptions in other areas of their lives – Spotify, Netflix – consider buying a policy, having been targeted through direct marketing and social media.

MARKET SIZE [1]

Membership HVAC

This is our traditional market in the geographies where we are currently established, and essentially covers specialist home emergency cover for plumbing, heating and electricals. Membership was HomeServe's first business, which we have been operating since 1993. We are now adding to our HVAC installation capabilities in the UK, North America, France and Spain, to be able to replace equipment for customers as well as repair and service it.

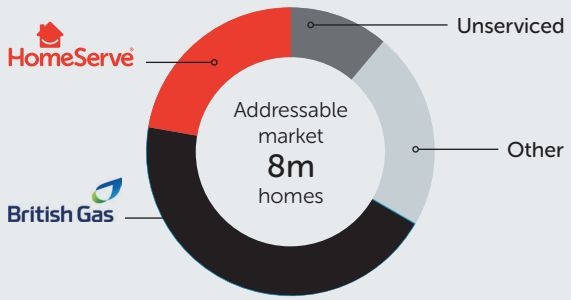


This is a much broader market, covering trades from plumbing to kitchen fitting, carpet cleaning to garden design. It is an expanding market, as more and more trades are invented to serve the needs of modern-day homeowners. Professional flat pack furniture assemblers and home WiFi gurus did not exist ten years ago! We expect it eventually to follow property, car purchases and travel, all of which are now over 60% online.

HOME ASSISTANCE MARKET PENETRATION

There is a marked difference in penetration between our most mature market, the UK, and our highest growth market in North America.

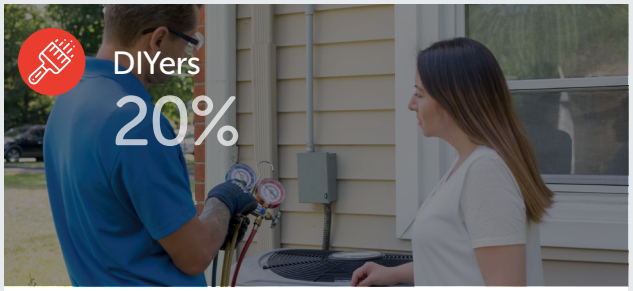
UK: 27m households



The UK market, where our traditional focus is on water, is nearing maturity. The UK is the only market where HomeServe has a bigger competitor, but the competitive dynamic is stable. There may be opportunities over time to buy small policy books or work with challenger energy companies as they disrupt the status quo.

See page 41.

[1] Market size estimates incorporate the UK, US, France and Spain and are based on national statistics where available, supplemented by HomeServe estimates.



- Have the knowledge, skills and motivation to carry out repair work themselves
- These homeowners may call on a third party for jobs requiring specialist skills, equipment or qualifications

HOMESERVE OFFER

HVAC Home Experts

What's changing?
In most countries, there are fewer confident DIYers and younger homeowners are less likely to live closer to the support network provided by their family.

- Find a trade when needed – by word of mouth, paper directories and increasingly online
- Finding a high quality trade, without hassle, is often just as important as financial considerations
- Typically appeals to a younger demographic whose instincts are to search online

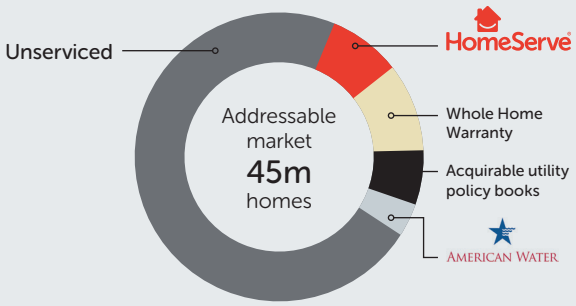
HOMESERVE OFFER

Home Experts

What's changing?
There is big growth potential when we look to where consumers in other industries spend their time and money today compared to what we see in home services. This segment is increasingly moving online, initially to "online word of mouth" like community Facebook groups, but eventually to platforms which match consumers and trades.

Our experience shows that with most affinity partners, maximum uptake amongst their customer base is around 30% worldwide. This defines our addressable market.

North America: 151m households



North America remains a significantly under-penetrated market. A key to growth is to sign more affinity partners to reach the over 50% of households who have yet to see a HomeServe offer from their utility. There are various whole home warranty providers including Frontdoor. HomeServe is building a total home warranty offer, differentiated by our strong customer service.

See page 39.

Competitive positioning

Competitive dynamics remain relatively stable. In Home Assistance, HomeServe remains the foremost company to partner with utility companies, which gives us a unique opportunity to grow market share. In HVAC, our buy-and-build strategy occasionally encounters competition from trade competitors and private equity, but acquisition pricing is largely stable. In Home Experts, we continue to develop our market-leading Directory Extra model, and are not aware of any traditional competitors changing their investment patterns. As at February 2021, Checkatrade, was used by 16% of the UK consumers who had work done on their home in the preceding 12 months – the same share as the next three largest platforms combined - with Checkatrade having grown its share by 4ppts. We continue to monitor activity from potential new competitors, including big tech companies.

HomeServe remains in a unique competitive position. We are best placed to serve all three homeowner segments, and there is significant potential to create synergies and economies of scale.

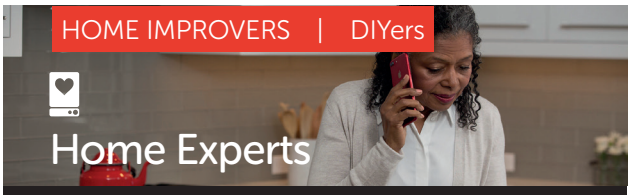
Business model and strategy

What we do

HomeServe's purpose is to make home repairs and improvements easy, and our vision is to be the world's largest and most trusted provider of home repairs and improvements.

We achieve this principally in three ways. To insurance-minded homeowners, we sell policies to cover a range of home emergencies via subscription-based Membership services. Our HVAC installation capabilities complete our service offering for homeowners who need replacement units. For people who prefer to deal with issues as they arise ('Home improvers'), or DIYers who need specialist help, we have online, on-demand Home Experts platforms that match homeowners with local trades.

In Membership, our established route to market is via partnerships with utility companies, for whom we are an important source of added value. Our data-rich marketing approach and careful product design help us to grow our customer base. Our customers stay with us because of the excellence of our customer service and the dedication of our people: we do business responsibly. Our local networks of employed and subcontracted trades ensure consistently high service standards whenever we visit a customer's home.



In Home Experts, trades (tradespeople) are our customers, and our job is to match them with consumers in their local area, who need their services. This provides our trades with an income stream and we also provide systems and processes to help them run their businesses more efficiently. We aim to support our trades at every stage of their career, from apprenticeships through building their career to maintaining their reputation.

ALL TYPES OF HOMEOWNER

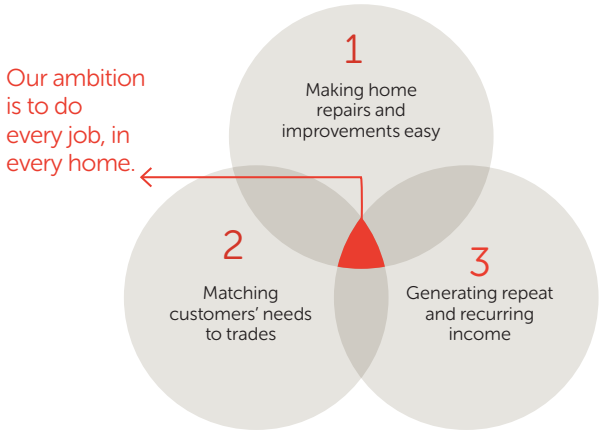
HVAC (Heating, Ventilation and Air Conditioning)

The answers to three questions sum up our business model.

1. What are we deeply passionate about?
We are deeply passionate about making home repairs and improvements easy, for homeowners and trades (tradespeople). This passion comes alive through our customer-centric culture and our deep understanding of customer needs, which has been years in the making and keeps evolving.

2. What can we be best in the world at?
We have the potential to be best in the world at matching customer needs with trades, as we develop our product line; invest in partnerships, marketing, technology and innovation; and create the world's largest trades network.

3. What drives our economic engine?
We understand the value of generating repeat and recurring income to create sustainable growth and resilience.



The strength of this business model **five key sources of value**, that are distinct to us.

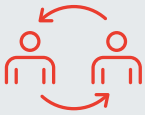
1. **Partnerships**: we have strong affinity partners who provide us with our primary route to market.
2. **Marketing**: our marketing expertise enables us to reach our homeowners and trades with the right product at the right price.
3. **Customer service**: our culture puts the customer at the heart of everything we do.
4. **Local networks**: we work with trades (tradespeople) to deliver great service to homeowners.
5. **Financial resources and expertise**: we are disciplined in the way we deploy capital and have clear processes in place to decide where we will and will not invest.

Executing well relies on deep knowledge of customer service and the commitment and expertise of our people. Our responsible business approach focuses above all on these two stakeholder groups.

See page 20 for Responsible business.

Our growth strategy

The best products to match customer needs to trades



We design our products to match customer needs to trades. Our expertise is focused on adapting to the needs of individual markets to create products that customers value and use; responding efficiently to market or regulatory change; and creating, developing, testing, launching and assessing the performance of our products in a speedy, streamlined fashion. Recent innovations include in Membership, a new offer for the installation and maintenance of domestic electric vehicle charging points, being trialled in America, and in Home Experts, the development of Directory Extra model.

See page 32 PRINCIPAL RISKS: 1 5 6 7 8 9

Attract and retain more customers, trades and partners

We reach our customers through data-rich marketing, optimised in Membership across a range of channels including direct mail, contact centres and online and in Home Experts direct and online, with sophisticated monitoring of campaign paybacks.

We retain our customers by putting them at the heart of everything we do. This shines through in the way our Membership contact centres operate to handle customer claims and enquiries, and also in the way our engineers behave in customers' homes. In Home Experts, we constantly adapt our model to help trades build their businesses and reputations. We engage the best people right across our business and provide them with the tools and technology they need to do a great job. We have internal measures for customer satisfaction in each of our businesses and we are proud of the external awards we win across the world.

We deploy our brands to best advantage. While the HomeServe brand is becoming increasingly well known, we also recognise the power of acquired brands such as Checkatrade and Cropp Metcalfe in their home marketplaces.

See page 32 PRINCIPAL RISKS: 2 6 7 10

Generate repeat and recurring revenues

Our business is predictable, sustainable and cash generative. Our revenue streams are largely subscription based and we invest in our people, our network, our brand, our partnerships and our technology systems and processes to generate growth. We have opportunities to grow organically and through acquisition in all of our markets and have a strong track record of successful acquisition and integration. We have stringent investment criteria which we apply to organic and acquisition opportunities.

See page 32 PRINCIPAL RISKS: 3 13

Invest in partnerships,marketing, technology and innovation

We have a strong track record of developing productive partnerships with firms whose skills and assets complement ours.

In Membership, our most established route to market is through long-term, exclusive partnerships with utilities, insurance companies and specialist service providers. We have a substantial network of over 1,000 utility partners, and considerable expertise in managing these partnerships for mutual benefit. Our utility partners earn commission on every policy we secure through them and benefit from our long-term approach to delivering value. HomeServe acts as an insurance intermediary, and does not take any material insurance risk. Our Membership products are underwritten by independent third party underwriters. We are investing in technology to automate and digitise our customer experience, and are working with our partners to build products for the green homes revolution.

In Home Experts, we work in partnership with trades – single traders, small and large firms – as well as specialists such as web developers.

See page 32 PRINCIPAL RISKS: 4 5 6 9 10

Develop the world's largest trades network

We rely on our local networks to deliver consistently high service in our customers' homes and we have many years of experience and expertise in managing these networks. We devote considerable time to recruiting and maintaining our networks and providing the infrastructure and technology required for them to operate efficiently. In our Membership business we optimise our mix of directly employed engineers and sub-contractors and in our Home Experts business we are focused on delivering rapid growth in the number of trades we work with to deliver on-demand repairs and improvements

See page 32 PRINCIPAL RISKS: 1 6 7 10

Our principal risks, and in particular our Group Enterprise risks, each impact elements of our business model, and thereby our growth strategy and future profitability. The impact of some but not all risks could lead to upside potential as well as downside threat. For example, market disruption in the digital world may also accelerate customer take-up; or in respect of partnerships, we may conceivably sign more partners than we expect in North America.

See page 20 for Responsible business.

PRINCIPAL RISKS:
1 Competition 2 Information security and cyber resilience 3 M&A strategy 4 Underwriting capacity and concentration 5 Regulation 6 Digital transformation 7 Technology investment 8 HVAC integration 9 Partner loss 10 People 11 International 12 Failure to deliver strategic growth 13 Financial

MEMBERSHIP & HVAC – NORTH AMERICA

Our Membership product line appeals to insurance-minded homeowners who are minded to buy policies to remove the hassle and cover the cost of household repairs.

We drive growth in our Membership businesses by:

- developing new partnerships to give us access to more homeowners
- marketing effectively to turn homeowners into customers
- adding value to our products to increase net income per customer, and
- providing excellent customer service to encourage our customers to stay with us.

We have significant opportunities to deploy new technology, systems and processes to provide state of the art customer service and increase the efficiency of our operations.

Developing the capability to install and replace heating, ventilation and air conditioning (HVAC) units completes the circle of service we provide for our Membership customers. It also gives us new opportunities to sell Membership policies and participate in the green revolution to promote new sources of domestic energy. Our strategy is to acquire and integrate high quality local businesses, work with their management teams and apply our marketing expertise to help them grow.

Targets

North America Membership & HVAC represents our biggest short to medium term growth opportunity.

	FY21	Medium to long-term target
Customers	**4.7m**	6m - 7m
Income per customer	**$108**	$120 - $125
Margin (policies)	**25%**	24% - 26%
HVAC profit	**$10m**	$30m - $45m
Adjusted operating profit	**$138m**	$230m

KEY PERFORMANCE INDICATORS:

Affinity partner households
Customers
Policies
Retention rate
Income per customer

PRINCIPAL RISKS:

(1) Competition (3) M&A strategy
(4) Underwriting capacity and concentration (5) Regulation
(6) Digital transformation (7) Technology investment
(8) HVAC integration (9) Partner loss (10) People (13) Financial

FY21 UPDATE

North American Membership and HVAC had a great year, despite much reduced marketing volumes in the first few months of the pandemic. We achieved 7% predominantly organic customer growth to 4.7m, 85% retention (an increase of two percentage points), 22% revenue growth of which 9 percentage points were organic, 27% growth in adjusted operating profits to $137.9m and a percentage point improvement in margin to 21%. We were delighted to sign new partner agreements which cover 6m new households, a 59% increase on gross new customer adds in FY20, despite the interruption in utility partner conversations early in the pandemic. We made a good decision to withdraw from relationships where marketing returns had peaked, and market direct instead. We ended the year with access to 66m households (a net 2m increase), with our pipeline of potential new partners is at its strongest ever. Our HVAC business had an outstanding year, with installations revenue growth of 43% to $76.0m. We are making excellent progress towards our previously announced $230m operating profit target, and are starting to look beyond our medium-term targets to the long-term continued growth potential of our business in North America.

MEMBERSHIP & HVAC – EMEA

HomeServe's European Membership businesses are more established than our North American business.

All of our European businesses display the attractive characteristics of good visibility and strong cash generation, and have routes to future growth.

We entered the Japanese market in a joint venture with Mitsubishi Corporation in February 2019. Mitsubishi Corporation is very successfully facilitating introductions to Japanese utility companies.

KEY PERFORMANCE INDICATORS:

- Affinity partner households
- Customers
- Policies
- Retention rate
- Income per customer

PRINCIPAL RISKS:

(1) Competition (3) M&A strategy
(4) Underwriting capacity and concentration (5) Regulation
(6) Digital transformation (7) Technology investment
(8) HVAC integration (9) Partner loss (10) People
(11) International (13) Financial

FY21 UPDATE

For the UK, this has been a transition year in which we started the process of reversing the long-term customer decline which drove a 10% fall in operating profits to £72.5m. John Kitzie, previously CEO of our North American business, transferred to become CEO of HomeServe UK in September 2020. John is looking at opportunities to return our UK business to top line growth through digitisation, direct marketing and developing our partnerships, and he will implement the successful buy-and-build HVAC strategy we are following in North America, France and Spain. John is also making rapid progress on claims automation and driving efficiency in our service operations. He has taken the decision to revert the minority of customers on this platform back to the existing Ensura CRM system, which is the proven system of record in North America. Following a period of decommissioning, eServe will be replaced by a flexible, cloud-based solution. Current planning suggests this will be a Salesforce solution, similar to those implemented successfully in France and planned for North America.

In France, we added 200k gross new customers, our highest ever level and a 10% year-on-year increase, to end the year at 1.2m. Investment in growth opportunities including a renewed partnership with Veolia and accelerated customer acquisition via digital channels meant that operating profit grew relatively modestly, up 2% to €39.8m. Our French business is characterised by strong working relationships with long-term and newer affinity partners and excellent IT implementations, with our legacy customer management system now replaced with Salesforce. The HVAC buy-and-build strategy is performing well in France and marketing activity with Eneco Belgium will scale up as the COVID pandemic subsides. In its 20th anniversary year, it is great to see our French business continue to grow.

In Spain, performance improved in the second half in Claims and HVAC, after Claims turnover suffered early in the pandemic just as we boosted our cost base in anticipation of higher volumes. This first half effect drove a 14% fall in full year operating profit to €19.8m. Looking forward, Mesos is proving to be a successful acquisition in the Claims space and gives us service capability in Portugal. HVAC is performing well and in Membership, discussions are ongoing with a range of energy companies to develop new Membership propositions.

Our joint venture with Mitsubishi Corporation in Japan continues to progress well, with two partnerships giving us access to 7m households and the partner pipeline strong. We have over 17,000 customers, are seeing good take-up on marketing campaigns and early indications suggest a very strong retention rate. It is still early days, but prospects for the Japanese market look good and we are happy to continue to invest at current levels to realise this potential.

HOME EXPERTS

Home Experts enables HomeServe to serve the home improvers customer segment: homeowners who go online to find a local trade to help them with home repairs and improvements.

We have three online platforms:

Checkatrade	the UK's leading online directory of checked and vetted trades
habitissimo	the market leader in Spain
eLocal.com	in the US, where we acquired a 79% stake in November 2019.

Each platform is currently pursuing its own growth path, and we are learning from each opportunity. Over time, we expect to move towards a single winning model – Directory Extra. Homeowners will be able to choose from a directory of checked and vetted trades for substantial home improvement projects such as fitting a new kitchen, or be automatically matched with a qualified trade, for example for smaller, time critical jobs such as mending a dishwasher.

We have a multi-year investment project under way to build out our network of trades and generate consumer demand through effective marketing, to help trades grow and manage their businesses.

The most advanced investment plan is at Checkatrade.

Targets for Checkatrade

	FY21	Medium to long-term target
Trades	**44,000**	150,000 - 200,000
Average revenue per trade	**£939**	£1,200 - £1,300
Margin	—	25% - 35%
Adjusted operating profit	**(£16m)**	£45m - £90m

KEY PERFORMANCE INDICATORS:

Trades
Web visits

PRINCIPAL RISKS:

(2) Information security and cyber resilience (6) Digital transformation (7) Technology investment (10) People (13) Financial

FY21 UPDATE

During the COVID pandemic, consumers spent more time and money than ever around their homes. We continued to develop our Home Experts platforms at pace to match more homeowners with trades (tradespeople) online.

Checkatrade continued to strengthen its leadership position in the UK with the highly successful "Julius Caesar" television advertising campaign. Consumer visits to the website grew a market-leading 23% to 29m and the number of contacts (telephone calls and quote requests) between consumers and trades almost doubled to 8.1m. On the supply side, the number of trades grew 11% to 44,000 paying trades. A key area of focus at Checkatrade is to improve the distribution of contacts, so that as many trades as possible see value from their subscription. These systematic enhancements are expected to drive an acceleration in trades acquisition and retention in FY22, as Checkatrade's subscription-based model moves towards profitability in FY23 and substantial growth beyond.

eLocal had a very successful first full year as part of HomeServe, delivering a 32% increase in monetised calls, to 3.6m, a first full year of revenue of £91.3m ($119.0m) and a profitable contribution of c.$18m. eLocal has a proven model and strong potential for growth in the under-penetrated US market.

At Habitissimo, the transition of the business model continues, with the launch of Directory Extra expected to stimulate more matches amongst Habitissimo's 89m website visits.

The Home Experts division is expected to achieve profitability in FY22.

Building the workforce of the future and treating our people responsibly

If we take care of our people, our people will take care of our customers and our business.

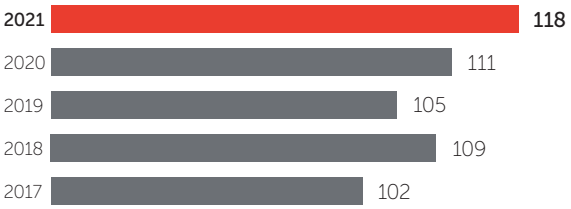
Key performance indicators

At HomeServe we measure progress against the key strategic initiatives of our global business lines by tracking eight Key performance indicators (KPI). Directors' remuneration is structured to support the Group's strategy and its financial and operational performance. As such, certain of the KPIs, of those listed below, form part of the performance measures to which Executive Directors' remuneration is linked. See page 97 'Directors' Remuneration Policy'. Definitions for each KPI are given below, See page 215 Glossary for more detail. In addition to the strategic initiative to which they correspond the KPI, and factors driving movements on the prior year, are discussed in more detail at the country level in the Operating review.

Affinity partner households

m

118 ↑6%



Tracks the growth in Membership's addressable market, delivered through existing and new partnerships with utilities and municipals.

Strategy

1 2 MEMBERSHIP & HVAC – NORTH AMERICA
MEMBERSHIP & HVAC – EMEA

Good growth driven by signing over 2 new partners a week in North America.

Customers

m

8.4 ↑1%

Tracks our success in converting our addressable market into revenue-generating customers by delivering great products and services.

Strategy

1 2 MEMBERSHIP & HVAC – NORTH AMERICA
MEMBERSHIP & HVAC – EMEA

Continued strong growth in North America with customers up from 4.4m to 4.7m, giving further confidence in the medium to long-term target of 6-7m customers in this territory. Offset by Spain where the Endesa book is in run-off and a reduction in the UK.

Policies

m

16.1 ↑1%

Illustrates our ability to grow our product line through customer focus and innovation and to market those policies to customers.

Strategy

1 2 MEMBERSHIP & HVAC – NORTH AMERICA
MEMBERSHIP & HVAC – EMEA

Existing customers are continuing to choose more products and benefit from increased cover. 10% increase in North America, partially offset by Spain where the Endesa book is in run off and a reduction in the UK.

Retention rate

%

83 ↑1ppt

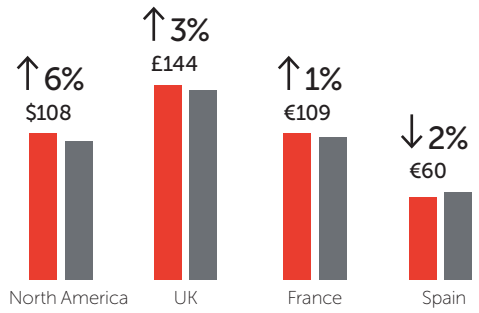
The percentage of policies which are renewed after 12 months for a further term. This reflects our ability to deliver fit-for-purpose products and great service to our customers.

Strategy

1 2 MEMBERSHIP & HVAC – NORTH AMERICA
MEMBERSHIP & HVAC – EMEA

Retention rate up by 1ppt, driven by increase in North America, with other territories broadly stable.

Income per customer



Measures our ability to design and market increasingly valuable products, and sell them efficiently. Due to currency difference, we track this measure at a geographic level.

Strategy

MEMBERSHIP & HVAC – NORTH AMERICA
MEMBERSHIP & HVAC – EMEA

Growth in all businesses apart from Spain.

Trades

k

64 ↓3%

The number of paying customers in our Home Experts business, being tradespeople. Tracks our progress in building the supply of a large online community of trades. For Checkatrade in particular this KPI measures progress to our stated long-term goal of 150-200k trades.

Strategy

HOME EXPERTS

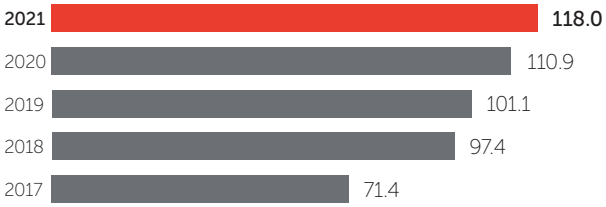
Total trades at Checkatrade grew 11% to 44k, whilst trades at Habitissimo fell by 4k to 20k.

*2020 included eLocal.

Web visits

m

118.0 ↑6%



Total web visits to our Home Experts platforms Checkatrade & Habitissimo. Tracks our success in driving consumer awareness of our online community of trades. This excludes eLocal, for which monetised calls is the key live metric.

Strategy

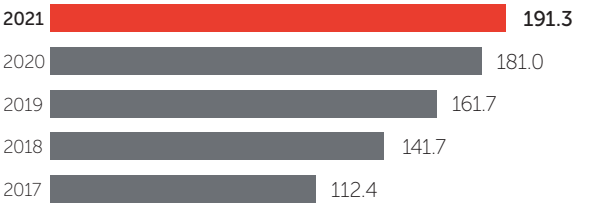
HOME EXPERTS

We continue to drive higher consumer awareness of the availability of local trades through our Home Experts businesses.

Adjusted profit before tax

£m

191.3 ↑6%



Our key profit measure by which we monitor business growth, efficiency and sustainability.

Strategy

MEMBERSHIP & HVAC – NORTH AMERICA
MEMBERSHIP & HVAC – EMEA
HOME EXPERTS

Robust profit growth, driven by strong performance in North America.

See page 210 Glossary for reconciliation back to equivalent statutory measure.

Responsible business

An introduction from the Chairman designate

The resilience of HomeServe's business model is based on doing business responsibly – and on the dedication of our people and the service they provide to our customers. This has never been more important than during the COVID pandemic. The last year only served to emphasise the significance of our homes and the emotional attachment we have to them. The fact that HomeServe works in people's homes means that doing business responsibly is crucial to our continued success.

While HomeServe has a strong culture of doing business responsibly, there has been a step change during the last financial year in Board-level focus, particularly on our environmental impact. We created a Corporate Responsibility Committee in January 2021, which I will chair going forward. Our Environmental Policy and targets have been approved, with implementation plans now being put in place. We have also formalised our Responsible Business Policy and updated and re-published our Code of Business Conduct. Much of our work so far has been to formalise and document what we already do, but by upping our game particularly around our environmental impact, we have shown everyone at HomeServe that this work is strategically important, and that we care.

We are at the early stages of a long journey, in which I look forward to participating.

Tommy Breen
Chairman designate

Our stakeholder engagement

During the COVID pandemic, we invested more than ever in our relationships with key stakeholders in order to maintain and grow the resources and relationships on which our business is based.

Homeowners

Homeowners are the key consumers of our services, and making home repairs and improvements easy for them is at the core of our business. It is essential that we remain abreast of their changing needs and requirements through market research and customer feedback. We want homeowners' interest in HomeServe to increase, and are working to build brand awareness to achieve this goal.

FY21 UPDATE

During the COVID pandemic, we responded quickly to maintain service levels and to adapt to local restrictions and requirements. We enabled all of our contact centre staff to work efficiently from home.

In the UK, we used spare engineer capacity while only emergency jobs were permitted to do over 3,000 emergency jobs free of charge for key workers. As a result of these actions, our high levels of customer satisfaction and retention have been preserved in our Membership businesses.

Affinity partners and the communities they serve

Affinity partnerships with utilities provide our most important marketing channels in Membership. We continue to expand our range of partnerships, but recognise the importance of maintaining our existing relationships, understanding the pressures and opportunities in the utilities sector and delivering excellent customer service to justify our partners' faith in us. We work with our partners to add value to the communities they serve.

FY21 UPDATE

During the COVID pandemic, we maintained our role in the supply chain, for example by continuing to pay to terms, to share our resilience with our partners.

Trades (tradespeople) including directly employed engineers and contractors

We want to make home repairs and improvements easy for trades as well as homeowners. For our business to grow, the network of trades we work with must expand – be they directly employed engineers, the sub-contractor network that powers our Membership business, or the trades who find work via Checkatrade, Habitissimo and eLocal. We are working to deliver value to our trades, wherever they sit in our network, and expect their influence on our business to increase as we grow.

Checkatrade engages with its members in a number of ways, for example via the Checkatrade Community – an online platform used exclusively by Checkatrade members. The platform was set up in 2019 and now has nearly 9,000 trades signed up, who are all given the opportunity to engage directly with Checkatrade representatives and offer their feedback and suggestions on existing products. Around 150 forum members have also applied to be involved in Checkatrade's Member Research Group, which allows the business to gain valuable feedback on new ideas and innovations before they launch to a mass audience.

FY21 UPDATE

During lockdown, our Board took the decision that none of our workforce should be furloughed or lose their jobs. In addition, we offered discounts to our Checkatrade members in the months where they were not allowed to work, to help them reduce their overheads and keep their businesses afloat. In this way, we preserved and grew our trades network.

FY21 UPDATE

Engagement particularly with government increased during the COVID pandemic, for example to define a safe working environment for trades. The HomeServe Foundation now regularly engages with the UK government to build apprenticeship opportunities as the economy emerges from the pandemic.

Our people, their representatives and the communities in which they live

We have a diverse international work force – technicians, contact centre teams, marketers, salespeople, accountants, lawyers and HR specialists to name but a few. We are investing more than ever in developing our people, focusing on key policy areas like diversity and inclusion and ensuring that our people's voices are heard as we deliver our plans for growth. We encourage our people to engage in the communities where they live and work, and support them when they do so.

FY21 UPDATE

We helped all of our office-based staff to work comfortably and safely from home, and kept our offices open for those who were unable to do so. As a result, productivity remained strong throughout the pandemic and our employee engagement scores remained high.

Financial community

We maintain a regular dialogue with current and prospective shareholders and the wider investment community to make sure they have sufficient information and contact to drive investment decisions. We invest time in our banking relationships and with our financial markets advisors.

Underwriters and other key suppliers

The firms who underwrite the short-term cost of our Membership repair network are key suppliers, protecting our business from short-term claims volatility and enabling us to always do the right thing for our customers. We will continue to manage these and other key supplier relationships carefully and review them regularly.

Regulators, government, opinion formers and influencers

We maintain active relationships with our regulators and will build our relationships with government, opinion formers and influencers as our business grows.

Our approach to responsible business has four pillars. We are developing measures and targets for each.

Delivering for our customers

Customer dissatisfaction

5.5%

Building the workforce of the future and treating our people responsibly

Employee engagement

78%

At HomeServe, the customer is at the heart of everything we do. Customer satisfaction drives retention and retention drives revenue, so strategy and responsible business are aligned.

Membership businesses

Customer centricity is about having great products and service, technology that supports and enhances the customer experience, effective customer feedback processes and decision making processes that take the impact on the customer into account. We take great care to work only with third parties and partners who share our passion for the customer and we monitor their performance to ensure they deliver to the same high standards we expect of ourselves.

The Group has adopted a customer governance framework with which each Membership business must comply. Each business is required to complete a detailed annual questionnaire on compliance with the framework, the results of which are reported to the Audit & Risk Committee. Each questionnaire is signed off by the business unit's CEO, with whom ultimate responsibility for customers rests.

North America Customer Promise, Chattanooga

UK Customer Promise, Nottingham

FY21 CASE STUDY

Product Management - HomeServe Spain

We have a full and robust process for managing products from design to in-life performance and revision, and through to retirement. This follows a "review and adapt" approach to assess whether products are meeting stakeholders' needs and focuses on three core elements: improved customer experience (great products and great customer service); value to our partners; and strong commercial performance.

We conducted a review of product value from a customer perspective with our partners in FY21. As a result, additional appliances are now included in one of our products and for another, restrictions on the age of products that are covered have been removed. In both instances these enhancements were made without additional cost to our customers. Furthermore, the review helped inform the training we provide to sales channels, improving consistency and customer experience.

Governance

Each business has a Board appointed committee, chaired by a Non-Executive Director, which is responsible for providing oversight and challenge on matters relating to culture, the customer and laws and regulations.

Each committee has developed a customer KPI dashboard to help assess the quality of service provided to customers and whether the business is meeting its Customer Promise. The metrics tracked vary from business to business but typically cover customer satisfaction; quality of service; product values; early cancellation rates; claims repudiation rates; and complaints.

Call recording and screening

Sales, claims and complaints calls, are wherever possible recorded and subject to formal call screening processes. Where a call is assessed as having failed to meet the expected standard of service, the customer is re-contacted and the agent is provided with formal feedback and coaching.

Compliance function

Each business has a compliance function which provides advice to operational management on customer and regulatory matters and undertakes monitoring activities.

Using our skills to support communities we touch

Volunteer days allowance where appropriate

2 per year

Participating in the transition to a lower carbon future

Target:
A carbon reduction pathway of 1.5 degrees by 2030 (Scope 1 and 2 emissions)

FY21 CASE STUDY

Customer First – HomeServe UK

Customer Feedback

Obtaining relevant and timely feedback from our customers is key to ensuring we deliver great service to our customers and continue to do so.

FY21 CASE STUDY

Customer Week – HomeServe France

For the last three years, HomeServe France has run an event dedicated to our customers – Customer Week. It is designed to let our customers see what goes on within our business, and for our team to meet our customers face to face. It is a wonderful way to create commitment.

In 2020, because of the COVID pandemic, we had to re-invent our event – 100% digitally and with 100% care!

Even though we could not have our customers participate in person, we involved them in the preparation for the event so that the voice of our customers could be heard clearly.

Measurement

Customer satisfaction surveys are used by each Membership business to assess the level of dissatisfaction with our quality of service at at least three touchpoints: sales, claims handling, engineer/contractor work at customers' homes. Dissatisfaction is considered to have occurred should a customer score the quality of our service at three or below out of ten. These scores are turned into a percentage. The customer dissatisfaction target is incorporated into senior executive and management bonus schemes.

FY21 CASE STUDY

Voice of the customer – HomeServe North America

During the year we broadened and enhanced the activities of the Voice of the Customer (VOTC) Committee. We now consider a broader set of customer centric metrics from a greater range of sources, which provides greater insight from the customers' viewpoint and allows us to better understand opportunities to improve the customer experience.

One of the early benefits of using the broader set of data has been identifying and addressing an issue with rejection of claims by contractors, which typically results in delays. Whilst the average level of such rejections has remained fairly constant, the increased size of our business means that the number has increased from the low hundreds to thousands. Details of contractors with concerning rejection rates were passed to our contractor management team, who worked with them to understand the reasons and improve performance, or alternatively, find other contractors in the area to take on more work or join our network.

Incentive schemes for front line staff

Incentive schemes for front line staff are designed to encourage the right behaviours, in particular the delivery of great customer service. Whilst such schemes do include commercial targets, quality of service is the primary driver and agents only receive payment if the quality threshold is exceeded.

HVAC and Home Experts

All businesses have a strong focus on the customer, but, with the exception of HVAC in the UK, have yet to fully implement formal governance processes which meet the principles of the customer and customer regulatory framework.

During the year, a customer and legal framework specifically for Home Experts businesses has been developed. This recognises the different regulatory environment in which these businesses operate but does follow the same core principles: commitment to great customer service; a customer promise articulating commitment to both members (trades) and consumers; compliance with laws and regulations; and formal oversight and challenge. The Home Experts businesses will be implementing the requirements of the framework over the next 12 months.

Building the workforce of the future and treating our people responsibly

We aim to build a workforce that is skilled, adaptable and future focused, to enable our business to grow. We know that if we take care of our people, our people will take care of our customers and our business.

We want to be an employer of choice in every market, town and city where we operate, from Walsall to Chattanooga, to enable us to attract, recruit and retain the best people. We build our businesses on strong foundations, championing human rights, equal opportunities, diversity and inclusion. We invest in learning and development for all, and support wellbeing, Health & Safety. We pay fairly.

Our culture is built on our core values: courage, persistence and integrity.

I lead with **Courage**

I believe in our strategy, keep things simple and strive for great results and continuous improvement.

I am decisive, speak my mind and confront challenges.

I value innovation, "failing fast" and learning from experiences.

I lead with **Persistence**

I work hard, do my best, take responsibility and am accountable for delivering results.

I am optimistic, have a "can do attitude", choose action and make things happen.

I am resilient when faced with setbacks, collaborate and find solutions.

I lead with **Integrity**

I am honest, act with integrity and seek the truth.

I value open communication and debate and listen respectfully to challenges and opinions.

I act with humility and openness and embrace diversity to build great teams.

Our people strategy is overseen at Board level by the People Committee, informed by the International People Forum, which is made up of employee representatives from across our businesses.

In FY21, we refreshed our people-related policy suite and our Code of Business Conduct which apply across the Group. The new Code sets out the standards of behaviour expected across all employees and workers and echoes the importance of acting in ways that support our values and purpose. The Code is underpinned by a number of policies and sets out clear guidance on matters such as conflicts of interest, the use of personal data, use of company property and equal opportunities.

The Code of Business Conduct and some of its supporting policies can be found at **www.homeserveplc.com/who-we-are/governance/policies**. They principally cover the following:

- Policies to uphold our reputation – financial crime and sanctions; bribery and corruption; fraud; money laundering
- Protecting our interests and assets – confidentiality and information security
- Protecting our people and environments – equal opportunities, inclusion and diversity, human rights, modern slavery
- Protecting our customers
- Health & Safety
- Whistleblowing.

FY21 highlights

Across the year HomeServe employs c.7,400 people globally, with about 41% of these being based in the UK, 28% in the US and 31% in Continental Europe. Over 6,600 people are employed in our Membership and HVAC businesses and around 800 in our Home Experts businesses - Checkatrade, Habitissimo and eLocal. We directly employ c.1,000 engineers.

Since March 2020 the majority of our employees have been working from home. We know that many of them are not used to working remotely and we took steps to help them cope with this dislocation and retain their sense of being part of a team, and connected with the HomeServe family and its purpose and values. We concentrated on business continuity, making it safe for essential staff, such as water and gas engineers, to keep working. We did so with strict protocols to protect everyone's physical and psychological safety, such as personal protective equipment, distancing regulations, and health checks.

Across our business we intensified employee support, including conducting employee pulse surveys, providing emergency paid leave, virtual doctor services and flexible working hours to support parents, and implementing well-being programmes. Employees can also access free counselling for professional help to manage anxiety and worry. We want to ensure that we retain a sense of community across our organisation and our employees have the right support in place, from HomeServe and from each other, to take care of themselves and their loved ones. We also enhanced our flexible working arrangements to support our people as they adjusted to working from home and delivering home schooling.

We continue to make important strides in delivering our people strategy. The business and the Board are focused on making HomeServe a great place to work, a place that reflects the composition of the communities in which we work and offers all our employees the opportunity to realise their full potential. Specifically, we are focused upon the four pillars of our People Strategy.

Building an inclusive culture, by valuing diversity at every stage of the employee lifecycle, and establishing a clear 'tone from the top' on the importance of equity in our decision making.

Continuing to evolve our employee engagement strategy, so that we can continue to understand the needs of our people and make HomeServe an even better place to work.

Further developing our internal capability so that we can create a rich talent pipeline that will fuel the future needs of our growth plans.

Creating a performance and reward environment that enables our most talented people to deliver to their greatest potential, whilst at the same time providing a fair share of our success.

Developing our Culture

HomeServe's core values of courage, persistence and integrity are embedded into The HomeServe Way, which defines how we operate. These values are continually communicated Group-wide and promoted by the Group's management teams to guide our employees in the way we do business, particularly as we expand into new geographies. A virtual Senior Leaders conference attended by over 300 people took place in January to communicate the importance of these values, behaviours and skills. These now play a decisive role in our hiring, promotion and recognition activity.

We are proud of our values-led, principles driven culture. It underpins our ability to innovate and adapt to change in all circumstances. We care about our people, and our people care about our business, which is shown in our employee engagement survey, where 82% stated that they were proud to work at HomeServe.

Employee engagement

Maintaining an engaged and valued workforce globally remains a key priority for HomeServe as we know that an engaged workforce leads to higher productivity levels and better outcomes for our customers. Employee engagement also impacts on our ability to attract and retain key talent and is therefore crucial in our recruitment strategy. 92% of our people told us that they believed that the company had taken the right measures to protect employees' health against the COVID pandemic in May 2020.

Employee engagement levels have been strong over the past 3 years with notable progress.

Survey	Global People Survey 2018	Global People Survey 2019	Pulse 2019	Global People Survey 2020	Pulse 2020	**Global People Survey 2021**
Global Employee engagement	71%	71%	68%	82%	76%	**78%**

In 2020 all of our main seven business units completed the additional submission of a culture audit which is combined with their Trust Index score from May 2020 to achieve certification as a Great Place to Work. This was the first year that all seven business units achieved certified status.

In our March 2021 survey, 88% of our people globally took the opportunity to share their feedback on topics such as career development, culture, working environment and reward. In this survey, 78% of our people globally told us that they think that HomeServe is a great place to work.

We are delighted with this result, which shows employee engagement significantly ahead of pre-pandemic levels.

Performance and reward

During FY21 we continued on our path to building a high performance culture.

Key to this has been the success of our new Annual Performance Plan for the Senior Leadership team. We believe that excellent standards of performance should be appropriately rewarded and alongside delivering on this core principle, the plan has created greater focus on key strategic activity in support of our growth ambitions.

Employee engagement remains a crucial underpin to our annual performance plans. Whilst not a bonus generating measure, an engagement target remains as part of the underlying rules of each plan, driving this into our culture and setting expectations for leaders to maintain high levels of engagement with employees.

We are committed to enabling all employees to share in the success of the company. To create greater opportunity for this at all levels, this year we undertook a review of our Global Share Incentive Plan, One Plan. In early 2021 we doubled the Company matching shares awarded through the plan, now providing an equal match for every share purchased by employees. The result has been an increase in take-up of One Plan across the Group from approximately 15% of eligible employees to 20%.

Learning and development

Our ambition is to make sure that everyone's career is supported by learning opportunities, which includes self-learning, attending conferences, peer-to-peer mentoring, coaching and structured programmes.

We believe that individuals who engage in their own personal development are more motivated, more self-aware, and fulfil their career aspirations.

All our employees are supported by their people leaders in regularly reviewing their personal development plans. The way we all learn is different, so we have a number of ways to support our people including self-directed learning solutions, webinars, bite-size sessions and on-the-job activities. We also support individuals in pursuing various professional qualifications from various awarding bodies.

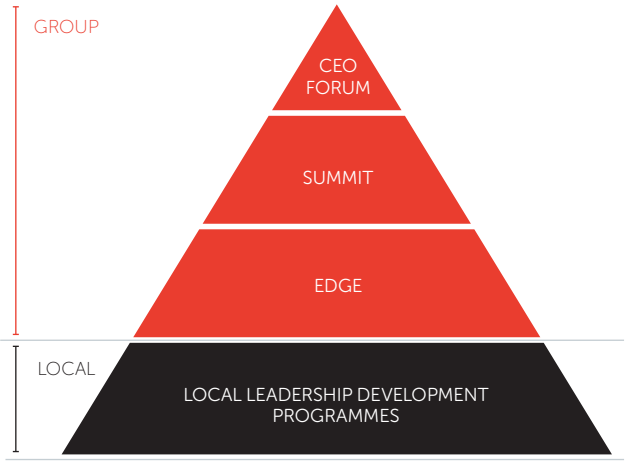
Talent Management

We are particularly focused on developing internal talent and are committed to achieving a target of 70% internal promotions for senior leadership roles. Our Group-wide talent programmes continue to add value to our talent pipeline, and they are now seen as prestigious and aspirational offerings for our emerging talent. Nominations for the programmes are made at the twice yearly talent reviews which involve a full review of the global talent measures to assess if we have the capacity, capability, and potential within our talent pools to meet our future needs.

Despite the impact of the pandemic we have continued to build on and evolve our suite of talent development programmes, which included the launch of the Summit programme.

In total, over 70 leaders have attended one of our flagship programmes this year, and whilst the delivery methodology has transferred online, the content and learning has remained focused on developing our most promising people to be ready to do more at the next level of leadership.

Group-wide talent programme



CEO FORUM: Leadership development for our highest potential leaders - successors to Group ExCo. 8 per Cohort.

SUMMIT: High potential Senior Leaders preparing for larger roles - successors to Market/BU ExCo. 16 per Cohort.

EDGE: Emerging mid-level leaders preparing for more responsibility within function - successors to Senior Leaders. 18 per Cohort.

LOCAL LEADERSHIP DEVELOPMENT PROGRAMMES: Leadership development for all people managers, customised to current priorities at business level - pipeline for mid level leaders.

Our most established talent programme, Edge, has been successful in helping to promote and retain our emerging talent, with 44% of graduates taking larger roles and over 90% of all delegates remaining at HomeServe. In addition the programme has 42% female representation, fuelling greater diversity for future internal appointments.

Diversity and inclusion

Making HomeServe an inclusive place to work will make us a stronger, better business. Our priority is to ensure that the diversity of our people reflects the societies in which we live and work.

We take a holistic approach: making sure people feel welcome and are treated fairly, regardless of their race, gender, gender identity, age, sexual orientation, religion or experience and recognising the importance of self-identification, given the broad circumstances under which discrimination can happen.

In recognition of these efforts HomeServe UK has become a signatory of the Race at Work charter, has been voted Best Place to Work for Women 2020, achieved accreditation to become a Disability Confident Committed employer and is now ranked in the Stonewall Workplace Equality Index.

In the last year, we have made good progress in our journey towards gender equality where we have been working towards 33% female representation on a combined basis across the Board, Executive Committee and their direct reports, which is in line with the targets of the Hampton Alexander Review.

Our performance in the 2020 Hampton Alexander Report was as follows. We missed the one third female target by one appointment, and will continue to work towards it in the next financial year.

Benchmark	Board	ExCo	ExCo & Directs
HomeServe 2020	22.2%	28.6%	30.4%
HomeServe 2019	22.2%	10.0%	26.2%
FTSE 250 2020	33.2%	21.7%	28.5%

As at 31 March 2021, the level of female representation amongst our Senior Leaders remained consistent at 32%, the highest level since the measure has been tracked.

	31 March 2021		31 March 2020	
	Female	**Male**	Female	Male
Board	**3 (25%)**	**9 (75%)**	2 (22%)	7 (78%)
ExCo	**3 (23%)**	**10 (77%)**	1 (10%)	9 (90%)
Senior Leaders	**58 (32%)**	**122 (68%)**	53 (32%)	111 (68%)
Total Workforce	**3,388 (47%)**	**3,745 (53%)**	3,004 (47%)	4,197 (53%)

Across the HomeServe Group, we are committed to building a fair, inclusive and diverse culture and we are confident that we reward jobs of equal value equitably and fairly. We were pleased to report an improvement in our mean Gender Pay Gap for April 2020 compared to 2019.

Entity	Mean Pay Gap **2020**	2019
HomeServe Membership	**20.0%**	21.10%
Checkatrade	**31.0%**	39.60%
HomeServe UK	**21.2%**	22.30%

A key driver of our pay gap continues to be the balance of women in our senior leadership roles, together with a low volume of females in our engineer and technical roles which is in line with national averages and which continues to 'feed' the higher graded coach and managerial roles in field operations.

We are continually seeking to address these issues and we continue to improve our gender balance, and relevant gender pay gaps, at various levels and in various countries throughout the business. While there is more to do on gender balance, our efforts are being recognised.

Our new approach to senior hiring is helping to remove unconscious bias in our recruitment process and by providing tools and guidance to hiring managers we are increasing the levels of diversity amongst potential candidates.

In addition, introducing a principles based approach to working from home during 2020 has encouraged the adoption of greater flexibility in work patterns and base locations which in turn is supporting greater diversity in our candidate pool.

We remain committed to providing successful mentoring schemes and development for women in leadership roles, with 50/50 nominations for our global talent programmes.

Furthermore, despite lower than usual attrition this year (largely as a result of COVID) we have been able to ensure that in HomeServe UK alone, almost 50% of our total management hires and promotions were female.

We are beginning to see a tangible positive effect which, combined with the new strategic approach we are developing to diversity and inclusion, we intend to continue to develop and anticipate further success.

Health & Safety

When it comes to Health & Safety (H&S), HomeServe's vision is to operate with minimum risk in all of its undertakings. HomeServe is committed to ensuring that there is a H&S culture in place, underpinned by robust systems and processes to identify risks and implement appropriate controls to manage them. The focus is on providing a safe working environment, safe practices, processes, and procedures for everyone associated with the company (employees and customers). The aim is to achieve continual improvement in H&S performance.

David Bower, Chief Financial Officer, is the Board Director responsible for H&S. Local HR and Operations Directors lead H&S matters in each business and are responsible for executing H&S policies. However, everyone is expected to play their part in H&S excellence and act responsibly with due regard for the safety of themselves, their colleagues and our customers. Any new businesses acquired are expected to apply the same focus to comply with the Group's policies.

H&S across the Group is an area of focus within the risk management process. The H&S risk environment is reported to the Executive Committee and Audit and Risk Committee three times a year as part of the wider risk update. The Board also receives a report on Health & Safety twice a year, highlighting key trends, issues, and achievements. The Board reserves the right to request additional information at other times of the year where required.

The Group Risk function works closely with H&S representatives across the Group and best practice is shared between the different territories on a quarterly basis. Performance reports are collated monthly across the Group.

As a result of the COVID pandemic the Group has seen a reduction in accident rates largely driven by lower numbers of vehicles on the roads and limited staff volumes in the offices. This may make like-for-like year-on-year comparisons challenging in the future.

The effects of the COVID pandemic continue to be a key area of focus for the Group and all businesses. Initially the Group's COVID response, including our approach to H&S, was co-ordinated through a global task force to manage the risks posed to HomeServe's customers, employees and business. While the initial focus was on helping staff to work effectively from home, focus now is on getting staff back to the office safely, as and when restrictions are lifted.

Our businesses are considering what the 'new normal' will look like, taking into account local requirements and guidelines as well as considering the potential for further waves and/or local restrictions. Premises have been adapted to reflect the requirements of social distancing and robust processes to protect both engineers and customers have been put in place. Focus on employee mental health as well as physical wellbeing has increased during the pandemic, and this is expected to continue.

	Accident frequency rates per 200k hours worked			Lost time injury rates
	FY19	FY20	**FY21**	Trend
HomeServe UK	7.39	5.59	**3.41**	↓
The business continues to see an improvement in key metrics. Lost time accidents mainly relate to manual handling so focus has been placed on training in this area.				
Checkatrade	10.96	5.77	**–**	↓
No accidents have been reported in FY21.				
HomeServe North America	2.08	3.44	**3.11**	↓
The business has seen a reduction in accident frequency rates and lost time injury rates. During the same period the proportion of HVAC activity increased, so focus has been on improving Health & Safety standards within locally branded businesses.				
eLocal	–	–	**–**	n/a
FY21 is the first year where eLocal have been included within the figures and have reported no accidents.				
HomeServe Spain	2.30	2.22	**1.06**	↓
The business has seen a reduction in key metrics and traffic accidents have reduced considerably as a result of travel restriction and introduction of working from home as a result of the COVID pandemic.				
Habitissimo	2.89	2.08	**–**	↓
No accidents have been reported in FY21.				
HomeServe France	5.93	5.16	**4.40**	↔
The business' Health & Safety metrics have remained relatively stable across FY21 as a reduction in accidents in Membership has been offset by increased activity in HVAC.				

Note: The Accident Frequency Rate and Lost Time Injury Rate are recommended measures provided by the UK Health & Safety Executive. The measures are also in line with US standards and are used across various boards in the US. The purpose is to allow for a consistent ratio regardless of the number of employees within a business. Accident Frequency Rate is the total number of reported incidents per 200,000 employee hours worked and is calculated using the total number of reportable incidents divided by total hours worked, multiplied by 200,000.

Using our skills to support communities we touch

At HomeServe we want to be good citizens of the communities where we operate, so that our people and partners are proud to be associated with us.

Our community activities are organised locally by each of our businesses, to leverage local knowledge and understanding of how best to contribute to our communities. Although managed locally, a uniting thought around all of our community endeavours is the importance to people of their homes. The skills of our people and trades enables us to help members of our communities in need with home repairs and improvements.

In **Spain**, we continued to help local communities through our HomeServe Responde programme, the main objective of which is to take care of the homes of those in the community most in need in as many ways as possible. This last year employee volunteers: repaired and renovated foster homes in the SOS Children Villages, donated furniture and the equipment necessary for safe and socially distanced living in a local charity care home, and donated €12,280 to the Madrid foodbank. Engineers at our HVAC company Sate offered free boiler repairs to the elderly throughout lockdown. And we continued to work with the Down Madrid foundation and the Spanish Cancer Association.

In **France**, we renewed our partnership with Habitat & Humanisme for the sixth year. Our engineers carried out six free repairs to social housing, and our people raised €4,748 through a variety of socially distanced events including, a sponsored kilometres challenge, and a Christmas jumper competition. The "BOOST!" programme ran for its third year, and funded 10 employee projects, the total investment of which amounted to €14,000. In response to the incredible efforts and sacrifices of healthcare staff during the COVID pandemic, we offered free repairs to all healthcare staff during May.

In **North America**, we offered much needed support to our local communities through our HomeServe Cares Foundation, which launched last year.

HomeServe Cares Foundation

Caring for People	Caring for Community	Caring for Vets	Caring for Good
206 caring for people jobs completed worth **$462,000**	**$247,700** in grant funding distributed to charities	**$38,000** in grant funding distributed to veteran groups	**76** organisations supported and **1,229** employee hours volunteered

In the **UK**, FY21 saw the launch of the HomeServe Foundation, a registered charity supported by us and other key partners. The Foundation's purpose is to make homes better and build better communities through three core pillars of activity:

- Apprenticeships: supporting and encouraging employers to employ and train more apprentices in the construction, home improvement and repair sector
- Communities: supporting vulnerable people to lead a healthy, safe, and long life in their own homes
- Environment: encouraging employers to adapt to deliver green initiatives, and promoting the benefits of developing a green home.

Throughout the year our UK employees ran a variety of virtual fundraising events, which raised £38,000 for our chosen team charities. This year we also became a Cornerstone Employer, partnering with The Careers and Enterprise Company, to support young people preparing for the world of work.

At **Checkatrade** we elected Samaritans as our company charity of the year, and set ourselves the challenge of raising £10,000 in a year. Half-way through and we have fundraised over £5,000 through step challenges, virtual group workouts, Christmas home decorating, and beard growing competitions. Of the money raised so far, Samaritans have said that Checkatrade has helped them answer 912 calls from people struggling to cope.

Relationships with contractors

Providing highly qualified contractors who deliver a great customer experience is at the heart of the HomeServe business model.

"The customer is at the heart of everything we do, so it's incumbent on us to get the best contractors to show up at their door," Sylvester Criscone, Senior Vice President of Contractor Management for HomeServe North America said. "It's why we do the vetting, it's why we track the quality of the jobs, monitor them in real time and communicate with the contractor about their performance. It's what distinguishes HomeServe from any other home warranty company out there today."

Because of this, only 10% of contractors in the plumbing, electrical and HVAC trades researched and vetted through a comprehensive multi-step process are accepted into HomeServe's network.

To start, a prospective network contractor must have a Better Business Bureau rating of A or better, along with proper licensing and insurance. They must employ uniformed technicians who pass both a background test and drug screening, operate branded, insured vehicles in good condition and be able to offer 24/7 emergency service.

A contractor who has passed this initial phase of recruitment will be interviewed by the HomeServe contractor recruiter to ensure that the contractor will be able to meet HomeServe's standards for service.

Once a contractor successfully passes through this vetting process, they must sign an agreement with HomeServe that establishes performance standards and a code of ethics before they can begin to accept jobs and service our customers.

A Regional Operations Manager (ROM) is assigned to a contractor and tracks their performance, with an emphasis on customer satisfaction metrics. ROMs are responsible for tracking performance, compliance and customer satisfaction and conduct onsite audit visits.

"Vetting our contractors is an area of focus for us," Criscone said. "We ensure that they are licensed and have proper insurance. We use a respected third-party administrator, who provides alerts when licenses and insurance policies are set to expire."

HomeServe contractor recruiters work through multiple channels to find contractors across the country, with particular emphasis on recruiting minority women, and veteran-owned contractors. HomeServe benefits the many small businesses who partner with the company.

"Our job volume gives contractors consistent and sustained business that helps them stay busy when their own volume of work may be slower," Criscone said. "It also gives them leads on additional work – when they go into a customer's home, there may be work that a customer needs doing unrelated to the policy or they become a trusted contractor the customer relies upon because of their policy work through HomeServe. It's truly a win-win relationship."

HomeServe's network contractors praise the company for supporting them in performing the necessary repairs and providing a great customer experience, in contrast with competitors.

"The nice thing is, HomeServe gives us the ability to go above and beyond for the customer and fix things right, which is not the case with a lot of warranty companies, which is why we refuse to work with a lot of them. HomeServe authorizes the repair that is best for the customer and they pay their contractors enough to fix things correctly, which is rare among warranty companies," Jason Parlier, owner of Johnco Plumbing in Phoenix, Arizona, said.

Contractors value their partnership with HomeServe, because the company puts the customer at the heart of what we do, allowing our network contractors to happily follow suit.

"One thing about HomeServe, they seem to cover a lot of the things that other companies won't cover. I've had nothing but great experiences with HomeServe. I think it's a great partnership. I love the organization and I'm glad I said yes," James Henderson, owner of Houdini Plumbing in Stafford, Texas, said.

FY21 CASE STUDY

In February, a once-in-a-decade polar vortex slammed the state of Texas, causing unusually bitter cold temperatures.

The record-low temperatures caused lengthy electricity blackouts across the region and impacted homeowners' plumbing. Many experienced frozen water pipes inside and outside their homes and, as temperatures moderated, those once frozen lines poured water into their homes.

Dallas-Fort Worth-area provider Crawford Services, a locally branded HVAC and plumbing company acquired by HomeServe in December 2019, saw a soaring number of calls because of frozen water lines. Despite the staff's own personal struggles – several technicians and their families took temporary shelter at the company's depot, which retained power – technicians prioritised emergency water and heating needs of customers.

The company was so busy and plumbing supplies so short that their sister company, Hays Plumbing, another locally branded company acquired by HomeServe in June 2020, made an emergency delivery of common plumbing supplies, making a 16-hour, more than 2,000-mile round trip from their location in the Phoenix, Arizona, area to Crawford's location in Texas.

"When we heard about the problems in Texas, our hearts went out to the people struggling down there. We heard about the need for plumbing supplies and we knew we could help. It was a long drive, but it was worth it to do our part," said Chris Hays, Hays Plumbing General Manager.

Together with the 24 out-of-state contractors who came to Texas to make repairs for our members, this is a great example of how we can rely on our service network to do the right thing for our customers.

Participating in the transition to a lower carbon future

Strategy

Governments and corporates globally are facing up to the challenge of climate change. The countries in which we operate have either signed up to Net Zero carbon emission targets, or are in process of doing so. This includes the UK and France, where Net Zero targets are enshrined in law. Within this context, the residential sector – and by consequence the market segments we serve – will be core to delivering this decarbonisation effort. We already see a strong policy focus, as well as growing demand and adoption by households of low carbon solutions and behaviours – from electric vehicles to renewable energy and smart home energy management.

We want to be the place our customers turn to for the solutions needed to make this change.

We aim to participate in and enable the Net Zero transition by:

- Making our own house greener - reducing the impact of our operations, supply chain and customer solutions through operational excellence, collaboration and innovation
- Helping our customers make their homes greener - reducing their environmental impact by offering attractive solutions.

Policy and Targets

During the year, the Board approved a Group Environment Policy and this is available on our website at: **www.homeserveplc.com/who-we-are/governance/policies**

The Board has agreed that we should set an ambitious science-based target, aligned with a 1.5°C trajectory, for our Scope 1 and 2 emissions. This target is a 42% reduction by FY30 from a FY20 baseline. We have identified a number of actions we will need to take to achieve this. These include:

- All offices procuring renewable electricity by 2030
- Implementing energy efficiency measures in our facilities (such upgrading cooling systems)
- Transitioning as much of our fleet to electric vehicles as possible.

We are in the process of working through these actions with our operating businesses and have already taken steps to reduce energy usage by installing automatic light sensors and replacing office and outside lighting with LED alternatives.

Risks and opportunities

Our climate related risks are described in our Principal risks and opportunities on page 33. Our expectation is that these will be further developed as we work through the requirements of the Task Force on Climate-related Financial Disclosures (TCFD).

We believe that the Net Zero transition will create multiple opportunities for us to support our customers improve their homes and adopt solutions that will create value for them as well as reduce their climate impact. We are currently developing and testing a number of products and services. These include the installation and maintenance of electric vehicle charging points and the installation of more energy efficient HVAC equipment.

Governance

The Board has ultimate responsibility for our Environmental Policy and performance. David Bower, CFO, is the nominated Director for activity on an operational basis. He is supported by the newly formed Group Corporate Responsibility Committee which is chaired by the Chairman of the Board and comprises representatives from our operating businesses and from a number of Group functions. The Committee reports regularly to the Board and in respect of risks, to the Audit & Risk Committee of the Board.

Greenhouse Gas Emissions

We have reported on all of the emission sources required under the Large and Medium-Sized Companies and Groups (Accounts and Reports) Regulation 2008 as amended in August 2013. The reporting boundary used for collation

Greenhouse Gas Emissions	Group		UK	
	Tonnes of CO_2e FY21	Tonnes of CO_2e FY20	Tonnes of CO_2e FY21	Tonnes of CO_2e FY20
Combustion of fuel and operation of facilities	**13,698**	12,028	**6,181**	7,207
Electricity, heat, steam and cooling purchased for own use (location-based)	**1,574**	2,402	**347**	909
Electricity, heat, steam and cooling purchased for own use (market-based)	**1,995**	2,817	**561**	1,340
Total (location-based)	**15,272**	14,430	**6,528**	8,116
Tonnes of CO_2e per employee	**2.05**	2.11	**2.13**	2.39

	Group		UK	
	KwH FY21	KwH FY20	KwH FY21	KwH FY20
Combustion of fuel and operation of facilities	**59,359,630**	49,873,203	**26,745,195**	29,793,806
Electricity, heat, steam and cooling purchased for own use	**5,256,707**	7,556,054	**1,489,254**	3,555,306
Total	**64,616,337**	57,429,257	**28,234,449**	33,349,112

of the data is consistent with that used for consolidation purposes in the financial statements. To calculate the disclosures, we have used the following sources; the GHG Protocol Corporate Accounting and Reporting Standard (revised edition), data gathered to fulfil our requirements under the CRC Energy Efficiency scheme, and emission factors from the UK Government's GHG Conversion Factors for Company Reporting 2014.

Both our FY20 and FY21 Scope 1 and 2 carbon footprints have been verified by The Carbon Trust to the ISO 14064-3 standard.

CARBON TRUST
Making business sense of climate change

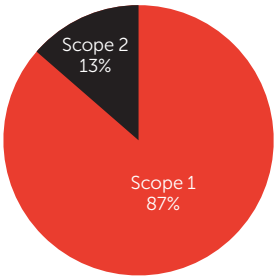
Moving forward

We are currently in the process of assessing and verifying our Scope 3 emissions and intend to be in a position to report on them next year.

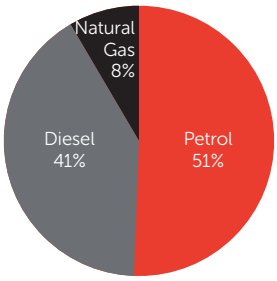
We are aware that the requirements of the Taskforce on Climate-related Financial Disclosures will apply to us from FY22 and we are actively working through the framework in order to report in accordance with it next year. We are also preparing to report to CDP for the first time in 2021.

Emissions Breakdown

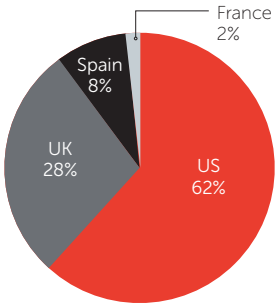
Scope 1 and 2 carbon footprint (market-based)



Scope 1 emissions broken down by source



Scope 2 emissions broken down by source (market-based)



FY21 CASE STUDY

Relationships with regulators – North America

Our North American business has a strong culture of compliance to ensure that we adhere to all applicable federal and state laws and regulations. As the business has expanded across the United States, so too has our understanding of the regulatory landscape. This is especially important since we now operate in 48 continental states with each having its own unique set of requirements. In addition to all the standard state licensing and registration requirements in each of the Departments of State and Insurance, our US based team keeps a close eye on legislative and regulatory activities that might impact consumers and our partnerships with investor owned and municipal utilities.

Within each state, the office of the attorney general has, among other duties, consumer protection oversight. Like other businesses operating nationally, HomeServe has joined trade associations that represent attorneys general to stay up to date on issues of common interest and to educate them and their staff on our business, and commitment to delivering on our customer promise. Over the last eight years, the company has had the opportunity to meet with many current and former attorneys general and their staff. These meetings have been instrumental in ensuring that our product propositions and communications across all channels incorporate the very best compliance practices. We believe that continuing to engage in dialogue with this important stakeholder group will ensure continued high levels of compliance and customer satisfaction, which are inextricably linked to the success of our business.

One key to our growth in North America is partnering with energy utilities to access larger numbers of households that could benefit from our products. Investor-owned utilities are regulated by state level public utility commissions (PUCs). Like the attorneys general, the public utility commissioners and staff also participate in their own national associations that provide industry participants like HomeServe a forum for engagement. The company has been increasing its focus on PUCs in recent years, starting by attending association events to learn, engaging former commissioners as advisors, and meeting with individual commissioners and staff to discuss our programs within their states. These initiatives combine to help PUCs understand how our programs benefit utilities, their customers, and the communities they serve. During FY21, the business expanded this focus by adding its first in-house regulatory counsel, the former chief of staff at the New Jersey Board of Public Utilities.

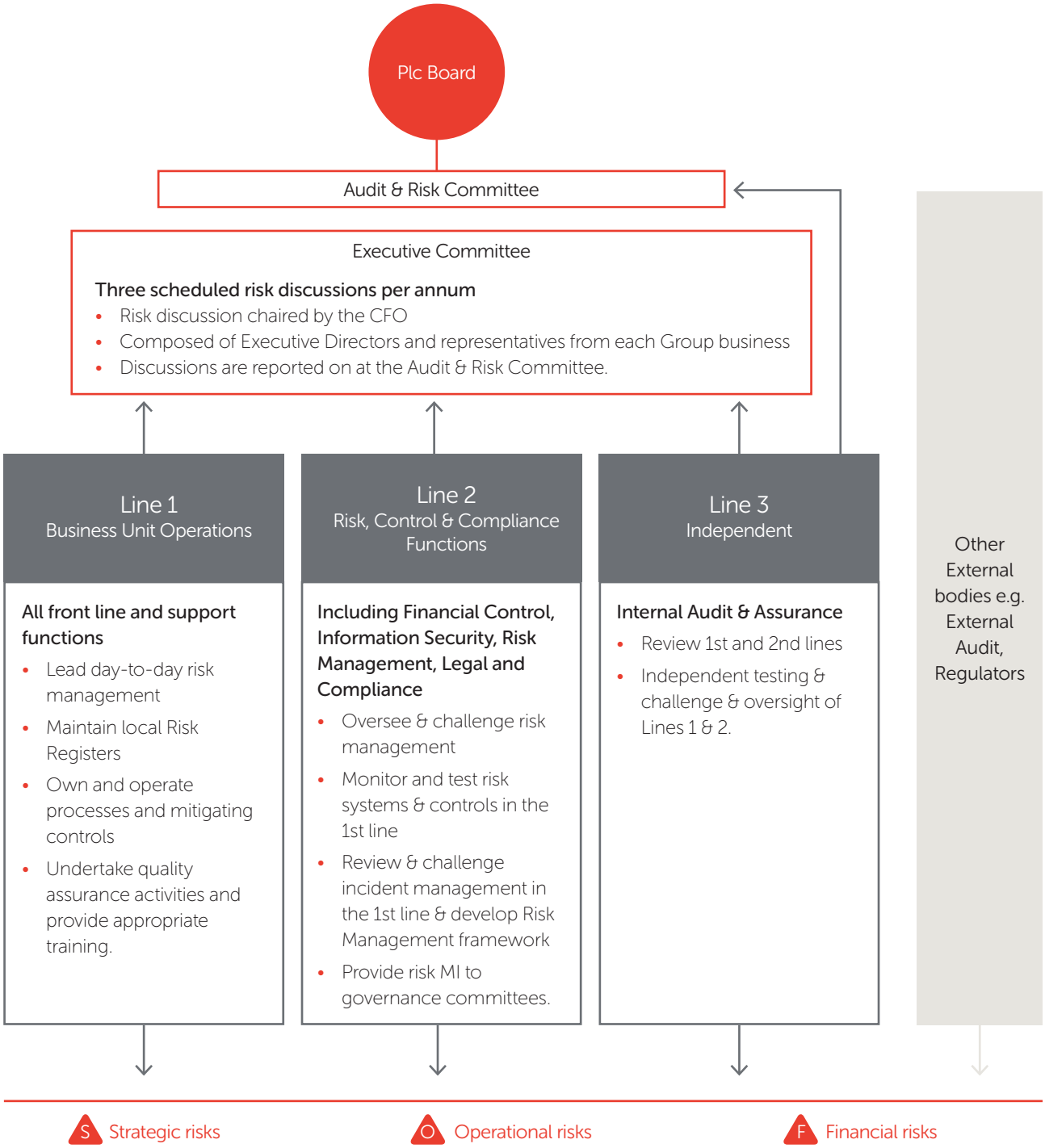
The energy utility landscape is continuing to evolve towards a more environmentally friendly future where decarbonisation, electrification and energy efficiency initiatives are more important than they have ever been. HomeServe has an opportunity to increase its value to these utilities as a partner in meeting their goals. This will make engaging and building relationships with state regulatory bodies more important and we are positioned to do so from a strong foundation.

Principal risk and uncertainties

Risk framework

HomeServe has a robust risk management framework which encompasses the Group's Risk Policy and overall risk appetite. The framework utilises the three lines of defence model which is recognised as best practice across the industry. It provides a disciplined and consistent approach across all of HomeServe, ensuring a structured response at all levels throughout the Group and across all businesses and geographies.

This structured approach is aimed not only at monitoring and mitigating identified risks but also aims to capture and escalate emerging risks and opportunities. The effectiveness of this approach was demonstrated in HomeServe's response to the pandemic, with a rapid move to home working for all office based staff and initiatives in the field to ensure a safe continuity of service for HomeServe's customers.



Changes in FY21

Group Enterprise Risks ("GERs") are considered to represent the most significant threats to HomeServe's ongoing strategy and operations. Risk registers continue to be maintained at a local level in every business and are formally reviewed by the Audit & Risk Committee at each of its meetings together with GERs.

During the prior year, and for the first time, Sustainability was reported separately as a GER. This reflected the growing focus on the potential risks and opportunities of climate change and other environmental considerations on HomeServe's business model. In FY21, there has been further attention given to this issue, part of which is detailed on page 30 of the Responsible business section. Environmental considerations are integral to the risk frameworks managed by each of the Group's businesses, and the focus of the Board on these matters was formalised during the year in the adoption of a Group Environment Policy. The Group notes that the requirements of the Taskforce on Climate-related Financial Disclosures (TCFD) will apply from FY22 and intends to use its disclosures under this framework to report its progress. As such, Sustainability is no longer reported separately as a GER.

During FY21 a new GER was introduced regarding the potential to fail to deliver the desired level of strategic growth. This risk is being mitigated by proactive planning on which opportunities to target resources and attention, thereby ensuring focus and that individual businesses pursue avenues for growth consistent with the appetite of the Group.

During FY21 the risk management framework was enhanced further as the Group identified a number of risks whereby failures in any one of the business units would result in a change in the risk environment at a Group level. As such, these risks are deemed critical to the success of the Group. For these critical risks, compliance with a minimum control level set at the Group-wide level is deemed non-negotiable. The Group risk team operate an approach for these risks that encourages the sharing of best practice across the Group to strengthen the overall control framework. The critical risks identified are detailed below:

- Health & Safety
- Data Protection
- Information Security
- Customer Culture and Regulation
- Financial Misstatement
- Corporate Governance.

Risk Appetite

In accordance with the Group's Risk Management Policy, 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 our vision to become the world's most trusted provider of home repairs and improvements and by our purpose to make home repairs and improvements easy. HomeServe's values reflect our commitment to our customers, our people, to innovation and integrity and being the best at what we do.

HomeServe's risk appetite is comparatively low, recognising firstly, our status as a plc which requires strong governance and reputation, together with delivering returns for our shareholders and, secondly, our regulated status which requires compliance with local laws, rules and guidance.

Risks are assessed at a local level on a gross basis using a matrix approach, to score likelihood and impact, and on a net basis after considering any mitigations which have been applied.

Brexit

Brexit has never featured as one of HomeServe's enterprise risks, but it continued to be monitored at a local and a Group level up until the end of the transition period on 31 December 2020. The Group notes the Trade and Cooperation Agreement reached between the UK and the EU at the end of 2020. Although the full range, scale and timing of outcomes of the UK leaving the EU continue to be somewhat uncertain, as expected, the impact on the underlying performance of the Group has, to date, been limited and is expected to remain so.

COVID pandemic

Through FY21, trading in the Group's Membership businesses remained very resilient against the backdrop of the COVID pandemic, with the Group retention rate increasing compared to FY20. The initial impact of stay-at-home restrictions on the Group's Home Experts businesses was more pronounced, with the core customer base – tradespeople providing largely non-emergency services – unable to access homes, and therefore work. However, whilst the Group's territories have subsequently seen further rolling stay-at-home restrictions since the initial lockdown measures of spring 2020, tradespeople have been able to access homes to perform non-emergency services. Coupled with this, consumer demand in the Group's Home Experts businesses returned very strongly through summer 2020 and onwards.

Nevertheless, uncertainty related to the future course of the pandemic, and indeed future public health crises, remains an area of focus. With respect to the current COVID pandemic, due to differences by country in impact and restrictions, the risk and response is being managed locally with consideration on the specific risk environment for each business. Any impact seen is then reported to both the Executive and Audit & Risk committees.

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 e.g. 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.

Strategy

1. MEMBERSHIP & HVAC – NORTH AMERICA
2. MEMBERSHIP & HVAC – EMEA
3. HOME EXPERTS

Strategy elements

- The best products to match customer needs to trades
- Generate repeat and recurring revenues
- Invest in partnerships, marketing, technology and innovation
- Attract and retain more customers, trades and partners
- Develop the world's largest trades network

Risks

- S Strategic risks
- O Operational risks
- F Financial risks

Movement

- ↑ Increased risk
- ↔ No change
- ↓ Reduced risk

Overview	Mitigations	FY21 update	Movement
1 Competition S			
In all of our business lines a successful new entrant or an existing competitor adapting more quickly to changing customer demands and needs could adversely impact our business and our financial results with lower customers, retention rates, revenue and profitability. Competitors with active M&A programmes could also show interest in HomeServe's targets, leading to missed opportunities or over-paying. Competitive threats today include, but are not limited to; • Utilities running Membership programmes in-house • Adjacent products e.g. Whole Home Warranty • Existing competitors moving into other geographies • New entrants e.g. Amazon or Google investing heavily to enter the home services space with new products or technologies • Incumbent competitors to Home Experts in the UK e.g. Rated People, MyBuilder	We demonstrate to utilities that they can benefit more by partnering with HomeServe due to our long-term investment horizon. Regular market reviews in each business identify new entrants and increases in competitor activity e.g. aggressive pricing initiatives. Agile product development responds to changing consumer needs. Shared learning between our markets, analysing consumer trends and developing leading products and services. We believe we have the winning Home Experts model in Directory Extra, which Habitissimo has recently followed Checkatrade in starting to implement. Continued learning and idea-sharing happens between our Home Experts businesses, which are liaising more frequently with our Membership businesses to develop the range of services that customers want and the best means of accessing them.	**The Group observes increased activity by Google, mainly in North America, in the Home Experts space.** **The impact of players like Google is already documented within the risk registers of our Home Experts businesses.**	↔ 1 2 3
2 Information security & cyber resilience S			
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. 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.	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 a secure configuration, access controls, data centre security and effective communication of policies and procedures to all employees.	**Cyber continues to be a key area of focus for the Group with emphasis on both maintaining and increasing the maturity and capabilities of our controls and countermeasures. A single team was created during FY20 to bring together those people with a primary cyber security responsibility, who had previously operated with a degree of independence within individual Group businesses.** **The continued arrangements at the time of writing whereby a substantial number of the Group's employees are working from home, and the likely permanence with which "hybrid" working arrangements are adopted in future has seen a number of the Group's businesses increase their scoring of this risk.**	↑ 1 2 3
3 M&A strategy S			
HomeServe has an active M&A strategy focused on two primary areas; Membership policy books and a buy-and-build strategy to grow the HVAC business line. 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. 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.	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.	**There has been increased HVAC M&A expenditure this year (see note 16) but no change to the underlying risk. All acquisitions continue to be appraised by dedicated M&A teams, and transactions approved by local and/or Group Board.** **After pausing at the initial onset of the pandemic in spring 2020, the Group's HVAC buy-and-build strategy recommenced during the summer of 2020. We note some increased competitive activity in this space, particularly from private equity purchasers, and retain an even keener focus on valuation multiples.**	↔ 1 2

Overview	Mitigations	FY21 update	Movement
4 Underwriting capacity & concentration			
The Membership business line markets and administers policies that are underwritten by independent third-party underwriters. 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 e.g. 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.	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 6 months) reviews with all underwriters to ensure that current product performance and trends are understood.	**All our underwriting relationships remain strong, with regular engagement during FY21.** **The two largest underwriters across the Group (Aviva and Amtrust) are in a strong financial position, and, as expected, all our underwriting relationships have remained strong during the pandemic.** **With the increased amount of time spent in homes across our Membership territories due to measures to control the pandemic, we continue to monitor the impact this is having on customer behaviour.**	
5 Regulation			
HomeServe is subject to regulatory requirements relating to e.g. 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 e.g. anti-corruption, anti-fraud and bribery, modern slavery etc. 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 for 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.	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.	**In the UK, the FCA published its final report analysing pricing practices across the general insurance industry. HomeServe is out of scope of the main remedy requiring pricing parity between returning and brand new customers.** **The FCA continues to be active in seeking optimal outcomes in the interests of consumers, and HomeServe maintains regular dialogue with the FCA to support these aims. One example was an exercise undertaken during the year to re-contact customers regarding disclosure of prior year prices on written communications, to ensure these were sufficiently prominent.** **There has been no material change in the regulatory environments in which our other businesses operate.**	
6 Digital transformation			
As distinct from technology investment (below) digital transformation relates principally to interactions with customers (be they homeowners or trades), ensuring we offer a multi-channel, multi-media approach to interact with them and that we do so in an efficient and cost-effective manner. 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.	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.	**In Home Experts, a chief technology officer has been recruited to develop requisite system enhancements across the Home Experts businesses.**	

Overview	Mitigations	FY21 update	Movement
7 Technology Investment			
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. Appropriate and timely maintenance and investment is required to ensure systems continue to meet the changing needs of the business and its customers. Home Experts, particularly Checkatrade, is well progressed with a programme of transformation to ready the business for its ambitious growth plans. 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. Over-investment in any new initiatives could see investment outweigh future benefits and lead to impairment.	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. 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.	In the UK, the eServe CRM system was fully impaired, incurring an exceptional charge of £84.8m. eServe was highly configured and became costly and inflexible to implement, with further configuration issues emerging as implementation progressed. As a result of this customisation, the system exhibited high operating costs and a high cost of change. During the second half of FY21 additional capability issues came to light as more policies were introduced onto the system, meaning that the duration of the parallel run period alongside the legacy system would need to be extended. Following an extensive review of system capability and robustness and the ongoing operational needs of the business, the difficult decision was taken to revert the minority of customers on this platform back to the existing Ensura CRM system, which is the proven system of record in North America. Following a period of decommissioning, eServe will be replaced by a flexible, cloud-based solution. Current planning suggests this will be a Salesforce solution, similar to those implemented successfully in France and which is planned for implementation in North America. In France, a Salesforce CRM system was implemented successfully, which included the migration of the entire 1m+ customer base in August 2020. At Checkatrade, new system enhancements to both trades vetting and billing went live during the year. The benefit of technology investments made in the recent past continue to be seen in enabling effective remote working practices for c.6,400 employees.	
8 HVAC Integration			
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 e.g. 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.	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. HVAC managed locally but with a central global team to coordinate and ensure consistent application of best practice.	A total of 24 HVAC acquisitions were made in FY21 across the US, France, Spain and the UK.	
9 Partner loss			
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. HomeServe has benefitted from government policy changes in certain regions to form new partnerships e.g. liberalisation of energy markets in Spain. Any reversal e.g. to re-nationalise utilities could have an adverse impact albeit HomeServe does have strong experience working with public sector municipals in North America. 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 e.g. 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.	A portfolio of partners in each business diversifies risk. Partners signed on long-term contracts with beneficial financial terms for each party. HomeServe seeks to renew contracts early, ahead of any expiration date. Regular dialogue with all partners, particularly in markets with more concentrated partner relationships e.g. France.	In North America we continued to sign new partners at the rate of 2-3 per week. During the year we exited relationships with some legacy partners to drive higher returns elsewhere from the marketing expenditure. In the UK, the relationship with Thames Water came to an end at the close of the year, however this relationship represented a modest proportion (<5%) of yearly new customer adds. Meanwhile, long term renewal agreements were signed with four existing partners. In Japan, a second partner relationship was signed with Tohoku Electric, meaning HomeServe now has access to around 7m households in that territory.	

Overview	Mitigations	FY21 update	Movement
10 People			
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 e.g. Home Experts. The inability to attract, motivate or retain key talent could impact overall business performance. HomeServe has a lot of 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 Hampton Alexander also play an increasing role in informing HomeServe's People agenda and ensuring we have the appropriate diversity of people, experience and ideas to move the business forward.	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.	HomeServe employs c.7,400 people globally. 88% of those people completed our Global People Survey, returning an engagement score of 78%, up 7 percentage points on pre-pandemic levels. Furthermore, FY21 saw all the Group's businesses attain 'Great Place to Work' accreditation. Tom Rusin, previously Global Membership CEO, is now focussing full-time on realising the substantial growth opportunities still ahead in North American Membership & HVAC, whilst a CEO EMEA, Ross Clemmow, has joined to lead the Membership & HVAC businesses outside of North America. There has been an increased focus across the Group to ensure the best people are in the right roles to deliver current and future growth plans. Annual and long-term performance plans have been reviewed and changes are being implemented to achieve clearer alignment between our KPIs and our reward strategy.	 
11 International			
HomeServe has enjoyed success with its Membership model in markets outside of the UK and intends to expand to other regions, with a renewed focus on those adjacent to our existing territories. HomeServe has enjoyed success in France, Spain and North America but has been unsuccessful in past attempts to enter Australia, Belgium and Germany. Failure to succeed could divert investment and management time incurring not only losses in the new country but also reduced performance (including, for example, loss of customers, lower profitability) in the core markets.	Strict criteria to identify attractive markets. Joint venture structure, such as that employed to enter Japan, diversifies risk and minimises investment. JV partner brings local market knowledge and contacts. HomeServe brings Membership model systems and process expertise.	Signed second utility partnership in Japan, with products seeing a good reception. During the year HomeServe narrowed focus for international development to "near neighbours". A partnership was signed with Eneco in Belgium, supported by the French business, and the acquisition of a claims handling business with operations in Portugal gives exposure to that market. Additionally, the Group decided not to proceed with entering other markets further afield.	 
12 Failure to deliver strategic growth			
HomeServe continues to have a number of 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.	Potential strategic ventures are all considered at a newly formed cross-functional committee, chaired by a senior executive and with relevant subject matter experts, to ensure they align with the Group's core competencies and value drivers. HomeServe seeks to drive the sharing of best practice across the Group and adopts a test and learn approach to new initiatives.	As a newly documented risk the individual businesses have considered their own level of risk. This is considered to be a greater risk in the Home Experts businesses which are by nature less mature in their role within the Group.	New this year 
13 Financial			
Key financial risks include the availability of short-term and long-term funding to meet business needs and take advantage of strategic priorities such as M&A opportunities, the risk of policyholders not paying monies owed, and fluctuations in interest rates and exchange rates. **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 designated to economically hedge underlying debt obligations. **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. **Liquidity risk** HomeServe manages liquidity risk by maintaining adequate reserves and banking facilities and continuously monitoring forecast and actual cash flows. **Foreign exchange risk** Short-term foreign exchange risk is mitigated with the natural hedging provided by the geographical spread of the businesses. While this will protect against some of the transaction exposure, HomeServe's reported results would still be impacted by the translation of non-UK operations.		In July 2020, HomeServe successfully raised an additional $250m and £54m via the US private placement market. The proceeds were used to clear headroom on the RCF. As at year end HomeServe had gross debt of £634m against its gross debt facilities of £1,036m, which combined with a cash balance of £171m gives a total headroom of £573m. Of the total debt facilities of £1,036m, only £26m is due within the next 12 months.	 

Operating review

Financial performance

£million	Revenue 2021	Revenue 2020	Statutory operating profit/(loss) 2021	Statutory operating profit/(loss) 2020	Adjusted operating profit/(loss) 2021	Adjusted operating profit/(loss) 2020
Membership & HVAC – North America	**506.4**	429.5	**82.2**	67.6	**105.0**	85.4
UK	**338.9**	372.9	**(18.5)**	62.8	**72.5**	81.0
France	**132.6**	111.8	**28.4**	26.9	**35.6**	33.8
Spain	**195.7**	154.1	**14.7**	19.6	**17.7**	20.1
New Markets	**—**	—	**(10.0)**	(0.9)	**(6.3)**	(4.7)
Membership & HVAC – EMEA	**667.2**	638.8	**14.6**	108.4	**119.5**	130.2
Home Experts	**139.8**	71.8	**(25.0)**	(17.4)	**(10.2)**	(13.9)
Inter-segment [1]	**(8.7)**	(7.8)	**—**	—	**—**	—
Group	**1,304.7**	1,132.3	**71.8**	158.6	**214.3**	201.7

Key performance indicators

Membership

A resilient operational performance saw the Membership retention rate increase on the prior year

Income per customer

	2021	2020
North America	**$108**	$102
UK	**£144**	£140
France	**€109**	€108
Spain	**€60**	€61
Group	**n/a**	n/a

Customer numbers (m)

	2021	2020
North America	**4.7**	4.4
UK	**1.6**	1.8
France	**1.2**	1.1
Spain	**0.9**	1.0
Group	**8.4**	8.3

Policy retention rate

	2021	2020
North America	**85%**	83%
UK	**78%**	78%
France	**88%**	89%
Spain	**83%**	83%
Group	**83%**	82%

Home Experts

Against a challenging backdrop, the Home Experts businesses grew consumer demand, with Checkatrade particularly notable.

Webs visits (m)

	2021	2020
Checkatrade	**29.0**	23.6
eLocal	**n/a**	n/a
Habitissimo	**89.0**	87.3
Group	**118.0**	110.9

Paying trades (tradespeople) (000)

	2021	2020
Checkatrade	**44**	39
eLocal	**n/a**	n/a
Habitissimo	**20**	24
Group	**64**	63

Contacts (m)

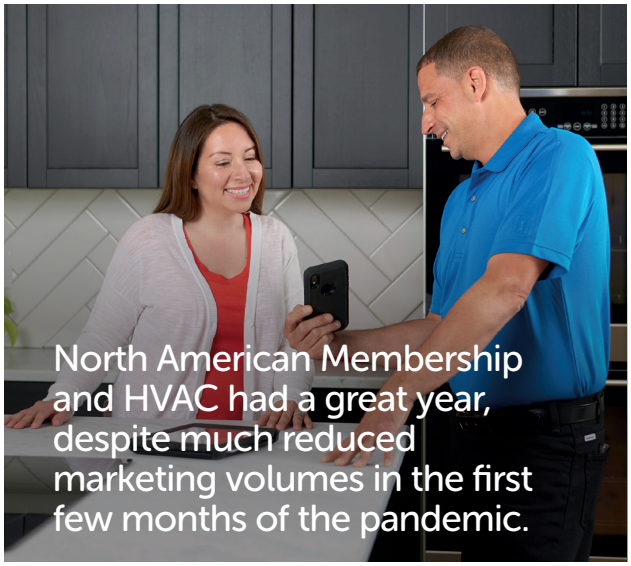
	2021	2020
Checkatrade [2]	**8.1**	n/a
eLocal [3]	**3.6**	2.7
Habitissimo	**n/a**	n/a
Group	**11.7**	n/a

[1] Inter-segment revenue includes transactions with other Group companies removed on consolidation and principally comprise royalty and other similar charges. [2] Checkatrade commenced capturing contacts partway through FY20, hence a comparative for FY20 is not available. [3] For eLocal, contacts represents the total number of monetised calls.

The net impact of changes in the Euro and USD exchange rates between FY20 and FY2 resulted in a £12.4m decrease in the reported revenue and a £3.3m decrease in adjusted operating profit.

HomeServe uses a number of alternative performance measures (APMs) to assess the performance of the Group and its individual segments. These are used in headline financial results and throughout the Strategic report. APMs are non-GAAP measures which address profitability, leverage and liquidity and together with operational Key performance indicators give an indication of the current health and future prospects of the Group. Definitions of APMs and the rationale for their usage are included in the Glossary at the end of this report with reconciliations, where applicable, back to the equivalent statutory measure. The key APMs used in the strategic report are adjusted operating profit and adjusted profit before tax.

MEMBERSHIP & HVAC – NORTH AMERICA



Customers
4.7m
↑7% from 4.4m

Income per customer
$108
↑6% from $102

Policies
8.2m
↑10% from 7.5m

Adjusted operating profit
$137.9m
↑27% from $108.6m

Retention rate
85%
↑2ppts from 83%

Affinity partner households
66m
↑3% from 64m

Financial performance

FY21 saw North America take further strides towards all of the medium term milestone targets set out at the June 2019 investor day, notably $230m of adjusted operating profit.

Total revenue growth of 22% was an extremely strong performance in the pandemic environment, and was underpinned by continued strong organic revenue growth of 9%. Net policy income rose 13%, with 10% growth in the number of policies seeing it break through the eight million mark, whilst income per customer grew by 6%.

$million	2021	2020	Change
Revenue			
Net policy income	**510.7**	451.2	13%
Repair network	**74.9**	39.5	90%
Membership	**585.6**	490.7	19%
HVAC installations	**76.0**	53.3	43%
Other	**4.2**	2.1	101%
Total revenue	**665.8**	546.1	22%
Adjusted operating costs	**(527.9)**	(437.5)	21%
Adjusted operating profit	**137.9**	108.6	27%
Adjusted operating margin	**21%**	20%	1ppt

£million	2021	2020	Change
Revenue			
Net policy income	**388.1**	354.9	9%
Repair network	**57.1**	30.6	87%
Membership	**445.2**	385.5	16%
HVAC installations	**57.9**	42.4	37%
Other	**3.3**	1.6	101%
Total revenue	**506.4**	429.5	18%
Adjusted operating costs	**(401.4)**	(344.1)	17%
Adjusted operating profit	**105.0**	85.4	23%
Adjusted operating margin	**21%**	20%	1ppt

Revenue from the repair network and HVAC installations both grew strongly. Repair network revenue largely derives from jobs completed for Membership policyholders by the directly employed engineers within North America's portfolio of HVAC businesses and, like HVAC installations revenue, benefited from FY21 acquisitions as well as a full year run rate from prior year acquisitions.

Adjusted operating margin rose by 1 percentage point, as good progress on leveraging the fixed cost base in Membership was partially offset by the dilutive impact of continued growth in HVAC.

Operational performance

North America is the Group's key driver of near term growth, based on the substantial opportunity to further penetrate a vast and early stage market, and the strong position HomeServe has today as market leader. FY21 saw further progress in capturing this growth opportunity.

Top line growth in North America continues to be driven by partnerships with water and energy utilities, with the development of existing partnerships just as material as the signing of new ones. The pipeline for signing new utilities is the strongest it has ever been, and the addition of 6m gross new households was 58% ahead of FY20. The total number of households to which the business has access rose to 66m. Net growth was 2m after three utilities, accounting for 4m households, were removed from the base as the partnerships were inactive.

In contrast to the tens of thousands of utilities and municipal providers responsible for water, the structure of the North American energy utility landscape is far more concentrated, with the top 10% of energy utilities together serving a combined 94m households. Energy efficiency and decarbonisation is increasingly top of mind for these utilities and their customers, and HomeServe recognises the potential to partner with utilities to add value for their customers in this area. The business saw good early traction during the second half as it launched an electric vehicle charging maintenance product with one of its largest energy partners. This product is already proving to be a differentiator in opening up utility conversations more quickly.

MEMBERSHIP & HVAC – NORTH AMERICA CONTINUED

Whilst adding new utility partnerships and new households drives the long-term potential size of the North American business, near term growth in customers, revenue and profit continues to be largely driven by existing partnerships. Some of North America's longest-standing partners continue to be a source of the best customer growth. This gives excellent opportunities to invest marketing dollars both with existing partners, and also in fresh new territories which have never previously seen a HomeServe type offer.

FY21 saw further good growth in customers, up 7%, with more than 6 percentage points of this driven organically. The slight slow down from the prior year (FY20: 9% customer growth) reflects the decision to reduce marketing spend during the first half given the onset of the COVID pandemic. This marketing spend was subsequently deployed in the second half, during which the sequential customer growth accelerated to 5% (first half of FY21: 2% customer growth) - the fastest since the second half of FY19 – as campaigns continued to see good take-up rates.

A base of highly satisfied customers who derive value from their membership and renew their policies continues to provide a solid foundation towards the Milestone 2 target of between 6-7m customers. Customer satisfaction improved on the prior year. Against a backdrop where pandemic restrictions have prompted renewed focus on homes, thereby highlighting the value of HomeServe's proposition, the importance of great customer service to HomeServe's model was seen in the materially higher retention rate, which rose by 2ppts to 85%.

The Group's HVAC buy-and-build strategy is most advanced in North America, and here too FY21 saw further progress towards the Milestone 2 target of HVAC contributing $30-45m of adjusted operating profit to the overall $230m target. There was a profitable in-year contribution from a further seven acquisitions, with North American HVAC operating profit now around $10m, and margins approaching the 10-15% range being targeted globally.

A significant element of recent historical capital expenditure has been to embed further automation and digitisation in Membership. This is now reducing and in some cases largely eliminating the need for human intervention in the claims process – bringing cost benefits whilst also driving a superior customer experience. Progress during the second half has given confidence on the role this programme will play as a component of the remaining bridge to the milestone targets for adjusted operating margin of 24-26%.

MEMBERSHIP & HVAC – EMEA

The EMEA business division encompasses the established Membership & HVAC businesses in the UK, France and Spain, HomeServe's share of the joint venture operation with Mitsubishi Corporation in Japan and expansion initiatives into adjacent territories in Europe.

£million	2021	2020	Change
Total revenue	**667.2**	638.8	4%
Adjusted operating costs	**(547.7)**	(508.6)	8%
Adjusted operating profit	**119.5**	130.2	(8%)

UK

Policies
4.4m
↓11% from 4.9m

Income per customer
£144
↑3% from £140

Retention rate
78%
unchanged from prior year

Affinity partner households
26m
unchanged from prior year

Financial performance

Net policy income declined by 6% as the UK business continued to focus on fair pricing outcomes for customers and marketed at lower levels than it has historically. The shift away from renewal discounts for early vintage customers is well established and drove a further reduction in the number of customers (down 10%), which was only partially offset by a 3% rise in income per customer.

£million	2021	2020	Change
Revenue			
Net policy income	**233.2**	249.4	(6%)
Repair network	**80.3**	89.5	(10%)
Membership	**313.5**	338.9	(7%)
HVAC installations	**12.1**	21.2	(43%)
Other	**13.3**	12.8	4%
Total revenue	**338.9**	372.9	(9%)
Adjusted operating costs	**(266.4)**	(291.9)	(9%)
Adjusted operating profit	**72.5**	81.0	(10%)
Adjusted operating margin	**21%**	22%	(1ppt)

The lower customer base also impacted repair revenue, as the UK directly employed engineer network completed a lower number of jobs (FY21: 0.8m, FY20: 0.9m) than the prior year. This was intensified in the first half as pandemic restrictions limited the range of jobs that the directly employed network was permitted to complete.

HVAC installations was the area most impacted by the pandemic in the UK. Revenue declined sharply year-on-year; installations are largely discretionary and non-emergency in nature meaning demand was heavily dampened by stay-at-home restrictions in the first half, and particularly the first quarter. Whilst installation volumes were down around 60% on the prior year in the first half, greater access to homes and a pivot to video survey technology in the second half resulted in a rebound such that installation volume during Q4 was higher year-on-year.

Adjusted operating costs fell in line with revenues, reflecting the elements of the cost base (partner commissions and marketing) that flex with customer acquisition and retention, leaving the adjusted operating margin broadly unchanged from the prior year.

MEMBERSHIP & HVAC – EMEA CONTINUED

UK continued

Operational performance

On a statutory basis the UK business recorded an exceptional charge of £87.8m, principally in relation to the full impairment of its eServe CRM system. eServe was highly configured and became costly and inflexible to implement, with further configuration issues emerging as implementation progressed. As a result of this customisation, the system exhibited high operating costs and a high cost of change. During the second half of FY21 additional capability issues came to light as more policies were introduced onto the system, meaning that the duration of the parallel run period alongside the legacy system would need to be extended. Following an extensive review of system capability and robustness and the ongoing operational needs of the business, the difficult decision was taken to revert the minority of customers on this platform back to the existing Ensura CRM system, which is the proven system of record in North America. Following a period of decommissioning, eServe will be replaced by a flexible, cloud-based solution. Current planning suggests this will be a Salesforce solution, similar to those implemented successfully in France and which is planned for implementation in North America.

The transformation of the UK business accelerated in the second half, with new management focused on embedding the operational processes and technology that have supported growth in North America. Key initiatives include implementation of a cloud-based integrated claims and field management application which enables real-time status updates and best-in-class route optimisation. Nearly all directly employed engineers were migrated onto this platform in the second half and migration of the contractor network is underway. Looking forward, a natural language call automation platform, which enables customers to claim and book an appointment all within the application, will be rolled out in FY22.

These transformational technologies significantly enhance customers' experience and will drive efficiency gains in the coming year.

Alongside the transformation of operational processes and technology, the UK team are developing several routes to growth including significant new energy partnerships and acquiring more customers through digital channels. The UK team has also started to execute the HVAC buy-and-build strategy successfully deployed in the US, France and Spain.

In energy, the UK business strengthened its relationship with E.On, a 'Big 6' energy player. E.On will commence a call transfer program with HomeServe in the first half of FY22, in addition to the digital program already in place. Last week, a partnership was signed with Shell Energy to offer HomeServe's home assistance products to their 1m customers. The UK business has been encouraged by early engagement and collaboration with other energy players in the UK market who seek to offer consumers a seamless, digitally-led way to manage their home assistance needs.

Water partnerships remain the largest customer acquisition channel and the UK business remains focused on maximising these relationships. In the second half, long-term renewal agreements were secured with five water utility partners. Periodically, management focus and marketing spend is reviewed and re-deployed into more attractive acquisition opportunities, as was the case with Thames Water, where the partnership expired on 31 March 2021. HomeServe retains exclusive renewal rights on the 0.1m customer book built through the Thames partnership.

Digital customer acquisition accelerated in FY21 in all branded channels – water, energy and HomeServe directly owned digital channels – helped by a redesigned, simplified website with improved conversion. Web traffic significantly increased as the improved conversion resulted in more effective paid marketing. High quality optimised content also helped to drive growth in organic search traffic. In total, acquisition through digital channels increased by 33% year-on-year, with digital accounting for a quarter of gross new customer additions. The digital channel remains a key focus area for further improvements in FY22 and beyond.

Within HVAC, the legacy installation business has been re-structured and improved. Alongside this, the UK joined the other HomeServe territories in deploying an HVAC buy-and-build strategy. North America, France and Spain developed a successful model focussed on acquiring smaller HVAC businesses founded on strong local reputations. The first UK acquisition as part of this strategy completed partway through the second half and made a profitable in-year contribution. Looking ahead, an attractive pipeline of other opportunities is now in place.

France

Policies
2.4m
↑3% from 2.4m

Affinity partner households
19m
↑4% from 18m

Retention rate
88%
↓1ppt from 89%

Income per customer
€109
↑1% from €108

Financial performance

France saw continued growth in FY21, surpassing the previous records attained in FY20 for the highest ever revenue and operating profit.

Net policy income increased by 5% to €126.6m, driven by further strong growth in customer numbers which rose 5% on the prior year. HVAC intsallations revenue increased 129% to €17.9m, with contribution from a further ten FY21 acquisitions and the annualisation of prior year acquisitions.

€million	2021	2020	Change
Revenue			
Net policy income	**126.6**	120.1	5%
Repair network	**0.3**	0.4	(14%)
Membership	**126.9**	120.5	5%
HVAC installations	**17.9**	7.8	129%
Other	**3.7**	0.1	n/a
Total revenue	**148.5**	128.4	16%
Adjusted operating costs	**(108.7)**	(89.4)	22%
Adjusted operating profit	**39.8**	39.0	2%
Adjusted operating margin	**27%**	30%	(3ppts)

£million	2021	2020	Change
Revenue			
Net policy income	**113.0**	104.5	8%
Repair network	**0.3**	0.4	(23%)
Membership	**113.3**	104.9	8%
HVAC installations	**16.0**	6.8	135%
Other	**3.3**	0.1	n/a
Total revenue	**132.6**	111.8	19%
Adjusted operating costs	**(97.0)**	(78.0)	24%
Adjusted operating profit	**35.6**	33.8	5%
Adjusted operating margin	**27%**	30%	(3ppts)

The adjusted operating margin of 27% (FY20: 30%) is indicative of the targeted level over the medium term and reflects the investment in the growth opportunities open to the French business including a renewed partnership with Veolia and accelerated customer acquisition via digital channels.

Operational performance

Gross customer additions of 0.2m were the best ever in the 20 year history of the French business, up by 10% on the prior year and helping drive the period end total customer number to 1.2m. This was underpinned by continued acquisition through the long-standing relationship with Veolia (where customer additions grew 13% on the prior year) and also developing activity in newer channels such as through online aggregators in the home moving process like Papernest (where customer acquisition almost trebled compared to the prior year). The French business recognises the opportunity to drive further customer growth through non-utility channels, and was pleased to extend the partnership with Papernest by a further two years during the year, as well as launch partnerships with three new energy retailers.

During the year the French business invested in its IT capabilities in order to provide a robust platform for further profitable growth. The legacy policy management and customer service systems used in Membership were replaced by a cloud-based Salesforce CRM system, and in the second half the first HVAC business was successfully migrated to a Salesforce system which will, amongst other benefits, aid policy upsell initiatives. More businesses in the HVAC portfolio will migrate to this operating platform through FY22.

The buy-and-build strategy continued in HVAC with ten acquisitions completed during the year. The migration of these HVAC businesses to a common operating system will, over time, maximise the cross-selling opportunity between installations and Membership cover, and the additional policies from the ten in-year acquisitions now means the French HVAC portfolio has in excess of 50,000 policies.

Reflecting the Group's decision to focus its international expansion efforts in Membership on adjacent territories, the French business signed a new five year affinity partnership with Eneco Belgium N.V., the third largest energy provider in Belgium, at the beginning of the second half. A Belgium-based managing director is now in role and has joined the management team of the wider French business, as marketing activity begins to scale up in step with the easing of pandemic restrictions.

Customer satisfaction drives the recurring revenue model in Membership and the French business was delighted to receive high profile awards in recognition of the customer-centric culture. The French team were awarded Élu Service Client de l'année for the fifth consecutive year, and also won the Gold Trophy at the CX Awards.

MEMBERSHIP & HVAC – EMEA CONTINUED

Spain

Policies
1.1m
↓4% from 1.1m

Income per customer
€60
↓2% from €61

Retention rate
83%
unchanged from prior year

Financial performance

Total revenue in Spain grew by 24% to €219.0m, as expansion in Claims and HVAC operations continued. Revenue growth in the Claims business (captured in the Repair network line) was driven by the contribution of a first half acquisition (Mesos) and continued growth in job volumes in the existing business. Meanwhile HVAC installations revenue grew strongly driven by contribution from FY21 acquisitions as well as a full year's benefit from prior year M&A. As expected, net policy income declined by 3% as the Endesa back book continues to run off.

€million	2021	2020	Change
Revenue			
Net policy income	**54.8**	56.3	(3%)
Repair network	**146.8**	108.2	36%
Membership	**201.6**	164.5	23%
HVAC installations	**17.4**	12.1	44%
Total revenue	**219.0**	176.6	24%
Adjusted operating costs	**(199.2)**	(153.5)	30%
Adjusted operating profit	**19.8**	23.1	(14%)
Adjusted operating margin	**9%**	13%	(4ppts)

£million	2021	2020	Change
Revenue			
Net policy income	**48.9**	49.2	(1%)
Repair network	**131.2**	94.4	39%
Membership	**180.1**	143.6	25%
HVAC installations	**15.6**	10.5	49%
Total revenue	**195.7**	154.1	27%
Adjusted operating costs	**(178.0)**	(134.0)	33%
Adjusted operating profit	**17.7**	20.1	(12%)
Adjusted operating margin	**9%**	13%	(4ppts)

Adjusted operating costs rose by 30% as direct costs in both the Claims and HVAC businesses grew in line with revenue. Operating margins in the second half were broadly in line with the prior year, though this was offset by the first half impact of largely fixed employment costs in the Claims business being covered by lower than expected job volumes in the initial stages of the pandemic.

Operational performance

The Claims business saw a noticeable impact from the pandemic but responded robustly to close out the year well. Strict stay-at-home measures in the April-June quarter of calendar year 2020 meant a significant volume of jobs could not be completed, with completed job volumes running at less than 50% of expected levels. The business supported its people through this period and retained headcount levels and activity returned to more normal levels during subsequent lockdowns. Mesos, the claims handling business acquired during the first half, continues to be integrated and made a good profitable in-year contribution of €2.2m. Mesos expands the service capabilities of the Claims business, diversifies the customer base and also provides entry into the adjacent territory of Portugal.

In Membership, gross customer wins of 65k rose by 84% on the prior year, with particularly good growth in acquisition through the retail energy channel. Though this was more than offset by churn in the customer base, good progress was made during the second half in advancing engagement with potential future partners, particularly in the retail energy space, giving a firm base for continued growth in customer acquisition in FY22.

In HVAC, Spain made a further four acquisitions during the second half, bringing the total to six for the full year. The HVAC buy-and-build strategy prioritises well-run businesses with strong local reputations, and the six acquisitions enabled entry into new territories of strategic importance, including the Madrid urban area. An exciting pipeline of opportunities remain of both new "hub" acquisitions, as well as smaller bolt-ons.

New Markets

Of the £6.3m operating loss in New Markets in FY21, two thirds was driven by continuing investment in the joint venture with Mitsubishi Corporation in Japan, and one third by costs associated with prospecting activity for new Membership territories, which has now concluded.

£million	2021	2020	Change
Adjusted operating loss	**(6.3)**	(4.7)	34%

After two years of the Japanese joint venture with Mitsubishi Corporation, there has been good progress. A number of marketing campaigns have been executed with the customer base of the first utility partner, Chugoku Electric. Take-up rates on these campaigns have performed well, with payback on the marketing spend towards the shorter end of the 18-36 month range observed across the established Membership territories.

HomeServe Japan now has over 17,000 customers, and is focused on increasing marketing activity to accelerate customer growth. Early data on retention rates of the first policies coming up for renewal are very promising.

Towards the end of the year Tohoku Electric Power became the second utility partner signing for HomeServe Japan, adding a further 3.9m households to the 2.9m covered by Chugoku, and the pipeline of further opportunities is attractive.

HOME EXPERTS

Home Experts comprises the group's online platform businesses, being Checkatrade in the UK, eLocal in North America and the group's interests in other geographies. This division is expected to achieve profitability in FY22.

£million	2021	2020	Change
Revenue			
Checkatrade	**38.9**	38.5	1%
eLocal	**91.3**	22.1	313%
Habitissimo	**9.6**	11.1	(14%)
France	**—**	0.1	(93%)
Total revenue	**139.8**	71.8	95%
Adjusted operating costs	**(150.0)**	(85.7)	75%
Adjusted operating loss	**(10.2)**	(13.9)	(28%)

HOME EXPERTS CONTINUED

Paying trades
44k
↑11% from 39k

Average revenue per trade
£939
↓8% from £1,023

Contacts
8.1m
from n/a

Web visits
29.0m
↑23% from 23.6m

Financial performance

At Checkatrade, the key dynamic impacting the top line was the support given to the trades base at the onset of the first UK national lockdown. Trades had the option of either a 50% discount or zero-cost "affiliate" membership for the first three months of the financial year. 80% of the trades base opted for the half-price discount, with 20% taking the affiliate membership option, measures costing around £5m of revenue. This saw average revenue per trade decline 8% on the prior year. However the higher number of trades offset this to leave total revenue broadly flat.

£million	2021	2020	Change
Total revenue	**38.9**	38.5	1%
Adjusted operating costs	**(54.9)**	(48.9)	12%
Adjusted operating loss	**(16.0)**	(10.4)	54%

Alongside a slightly higher depreciation charge as new technology systems went live, the revenue impact of the pandemic subscription relief was the big driver of the higher adjusted operating loss for Checkatrade.

Operational performance

Despite the challenging backdrop caused by the pandemic, FY21 saw Checkatrade make substantive progress in readiness to achieve the scale set out in its milestone targets.

In a year which saw significantly reduced access to consumers' homes due to lockdown restrictions, Checkatrade grew the base of paying trades by 11% - a very pleasing result. Furthermore, the second half saw a pick-up in the sequential half-on-half growth rate in trades, setting the business up strongly as it entered FY22.

The key headwind to faster growth in the trades base over the last couple of years has been member churn, particularly among newer members. FY21 saw continued efforts to tackle this. The introduction of 'request a quote' and additional search functionality has delivered a more even distribution of consumer contacts amongst trades. The 'request a quote' function, where the consumer wishes Checkatrade to find them a trade, was introduced at the end of the first half and now accounts for a significant proportion of total contacts on the platform. The business is focussed on moving trades growth materially above the 11% delivered in FY21 through strong acquisition and improvements in early life retention.

On the consumer side, FY21 saw Checkatrade strengthen its position as the clear market leader among UK consumers searching for a trade online. Of those consumers searching for a trade through both online and offline channels in the 12 months ending February 2021, 16% did so with Checkatrade – significantly ahead of the second online player in the market at 6% and meaning Checkatrade gained share over that time period (+4ppts v. February 2020). This provided an optimal platform for Checkatrade to further assert its brand leadership during the second half as it executed its "Julius Caesar" themed advertising campaign across TV, radio and social media. Results from the first leg of the campaign were very strong, driving an increase of 6ppts in spontaneous brand awareness to 57% of consumers – again significantly ahead of the nearest competitor.

Checkatrade is clear on its roadmap to drive top line growth and, as the FY23 profitability target comes further into view, it is also focussed on driving this growth profitably. The June 2019 investor day set out how technology investment would be key to this, and FY21 saw the successful execution of two major technology programmes. Firstly, vetting automation has markedly reduced the levels of human intervention and time needed for a trade to proceed through the 12 different checks required to gain 'recommended, vetted and monitored' (RVM) status on the platform down to just three days as at March 2021 (March 2019: 14 days). Secondly, a new billing engine went live at Checkatrade in March. All new trades joining the platform now do so onto this billing engine, whilst existing members will be migrated during FY22. The billing engine will ensure the business scales in an efficient manner, delivering cost savings as well as revenue optimisation by providing a platform for automating new product initiatives.

In summary, FY21 saw further real progress by Checkatrade as it seeks to become the reference point in the UK for sourcing qualified and vetted tradespeople online, and the model for the Group's Home Experts' marketplaces.

Monetised calls[1]

3.6m

↑32% from 2.7m

Financial performance

At eLocal, where the different model means calls rather than subscriptions are the key monetisable unit, a 32% increase in leads drove a similar level of revenue growth compared to the prior 12 months of FY20. HomeServe acquired its 79% stake in eLocal in November 2019, meaning only four months' contribution to the FY20 comparative number.

£million	2021	2020	Change
Total revenue	**91.3**	22.1	313%
Adjusted operating costs	**(78.1)**	(20.3)	284%
Adjusted operating profit	**13.2**	1.8	634%

eLocal saw a strong adjusted operating profit performance for the year of c.$18m equivalent.

Operational performance

Despite the impact of the pandemic, eLocal maintained its impressive growth momentum in its first full 12 months of HomeServe majority ownership. Stay-at-home restrictions across the US during the April-June 2020 calendar year quarter impacted consumer demand, particularly in categories such as locksmiths, however the easing of restrictions during Q2 saw consumer demand recover quickly, indeed to record levels, during the summer months.

Monetised calls, the number of consumer telephone calls which eLocal can sell to trades, grew by 32% across the year, broadly in line with revenue growth had eLocal been majority owned by HomeServe throughout FY20.

eLocal continues to see strong growth prospects ahead based on driving penetration in its existing categories, as well as entering new ones.

Other - Habitissimo and France

£million	2021	2020	Change
Total revenue	**9.6**	11.2	(15%)
Adjusted operating costs	**(17.0)**	(16.5)	3%
Adjusted operating loss	**(7.4)**	(5.3)	41%

habitissimo

Trades

20k

↓18% from 24k

Web visits

89.0m

↑2% from 87.3m

Financial performance

Habitissimo saw a larger and more sustained impact from the pandemic, particularly in its Latin American markets of Brazil, Mexico and Chile, resulting in a 15% decline in revenue on the prior year. Adjusted operating costs flexed down slightly, however the top line impact still drove a higher adjusted operating loss than the prior year.

Operational performance

FY21 saw Habitissimo further sharpen its focus on its key markets, whilst launching the Directory Extra model.

The second half launch of the Directory Extra model, meant a pause in new trades joining the platform and a conversion of existing trades to an automatic model of purchasing contacts (calls and quote requests).

Habitissimo's exposure to the Latin American markets of Brazil, Mexico and Chile meant it saw the most pronounced impact from the COVID pandemic of the Home Experts businesses. The greater focus on its European markets saw Habitissimo purchase an online platform player in Italy during the second half, and Habitissimo will now be the market leader in Italy on a combined basis.

France

Home Experts activities in France relate to Maison.fr, in which HomeServe retains a 20% stake following the sale of 80% of the test operation in Lyon to the Maison.fr management team during the first half.

[1] FY20 comparative for monetised calls represents full 12 months.

Financial review

"Adjusted profit before tax rose by 6% to £191.3m, with continued strong growth in North America, good profit growth in France and the narrowing of losses in Home Experts more than offsetting lower profits in the UK and Spain."

The financial statements have been prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006 and international Financial Reporting Standards (EC) No 1606/2002 as it applies in the European Union.

Group statutory results

The headline statutory financial results for the Group are presented below.

£million	2021	2020
Total revenue	**1,304.7**	1,132.3
Operating profit	**71.8**	158.6
Net finance costs	**(24.6)**	(20.7)
Adjusted profit before tax	**191.3**	181.0
Amortisation of acquisition intangibles	**(45.0)**	(35.5)
Certain transaction related costs	**(6.7)**	—
Exceptional items	**(92.4)**	(7.6)
Statutory profit before tax	**47.2**	137.9
Tax	**(15.4)**	(32.1)
Profit for the year	**31.8**	105.8
Attributable to:		
Equity holders of the parent	**31.1**	106.0
Non-controlling interests	**0.7**	(0.2)
	31.8	105.8

Profit before tax

Adjusted profit before tax rose by 6% to £191.3m, with continued strong growth in North America, good profit growth in France and the narrowing of losses in Home Experts more than offsetting lower profits in the UK and Spain.

Statutory profit before tax is reported after the amortisation of acquisition intangibles, exceptional items and certain transaction related costs. On this basis profit before tax was £47.2m, as underlying profit growth was significantly offset by exceptional charges of £92.4m, mainly in relation to the full impairment of the eServe CRM system in the UK (see below).

Net finance costs

Net finance costs rose to £24.6m (FY20: £20.7m) due to the higher average net debt balance year-on-year combined with the unwinding of interest on contingent consideration in relation to previous M&A activity.

Amortisation of acquisition intangibles

Acquisition amortisation relates to customer and other contracts held by businesses, which were acquired by HomeServe as part of business combinations and asset purchases.

The amortisation of acquisition intangibles of £45.0m (FY20: £35.5m) increased principally due to charges relating to prior year M&A activity.

Amortisation of acquisition intangibles is excluded from the adjusted performance measures reported by the Group in each specific reporting period, ensuring that these measures only reflect the revenue attributable to, and costs incurred by, the Group in managing and operating its businesses and assets at that time in each reporting period.

Certain transaction related costs

Certain transaction related costs of £6.7m (FY20: nil) were incurred mainly in respect of put options associated with the remaining c.21% of eLocal which the Group does not currently own.

Exceptional items

The Group incurred net exceptional charges of £92.4m during the year (FY20: net charge of £7.6m), of which £84.8m was due to the full impairment of the UK's 'eServe' CRM system and related exceptional provisions on onerous contracts. eServe was highly configured and became costly and inflexible to implement, with further configuration issues emerging as implementation progressed. As a result of this customisation, the system exhibited high operating costs and a high cost of change. During the second half of FY21 additional capability issues came to light as more policies were introduced onto the system, meaning that the duration of the parallel run period alongside the legacy system would need to be extended. Following an extensive review of system capability and robustness and the ongoing operational needs of the business, the difficult decision was taken to revert the minority of customers on this platform back to the existing Ensura CRM system, which is the proven system of record in North America. Following a period of decommissioning, eServe will be replaced by a flexible, cloud-based solution. Current planning suggests this will be a Salesforce solution, similar to those implemented successfully in France and which is planned for implementation in North America. An additional impairment charge of £2.1m was also recorded in relation to other intangible software assets in the UK, bringing their carrying values to nil.

During the year the Group reviewed international development opportunities in Membership & HVAC and considered where capital allocated to this activity would create the most value for shareholders. This saw the Group adopt a 'near neighbour' strategy, focussing on territories adjacent to the existing businesses. As a result, the central International Business Development team was streamlined, resulting in an exceptional charge of £3.7m. This refocusing exercise also saw additional redundancy charges of £1.8m, as the Group sought to align some corporate functions more closely with the federated businesses.

A reconciliation between adjusted and statutory amounts is included with the Glossary at the end of this announcement along with further commentary on HomeServe's use of adjusted items as an Alternative Performance Measure.

Tax strategy

The Group has continued to operate within the tax strategy approved by the Board in May 2020. The tax strategy is subject to annual review and reflects HomeServe's status as a plc, and the regulated nature of its business which requires strong governance and consideration of reputation as well as compliance with local laws, regulations and guidance. The UK elements of the tax strategy document are publicly available on the HomeServe plc website as required by UK legislation.

The Group tax strategy covers how HomeServe:

i. applies tax governance on an ongoing basis and maintains strong internal controls in order to substantially reduce tax risk;

ii. will not engage in artificial transactions the sole purpose of which is to reduce tax;

iii. holds a strategic aim to retain its low tax risk rating as determined by the UK Tax Authority's Business Risk Review process; and

iv. works with all tax authorities in an open, honest and transparent manner.

Tax charge and effective tax rate

The Group's tax charge in the financial year was £15.4m (FY20: £32.1m). The pre-exceptional effective tax rate for the year ended 31 March 2021 was 24% (FY20: 23%). The post-exceptional effective tax rate for the same period was 33% (FY20: 24%).

UK corporation tax is calculated at 19% (FY20: 19%) of the estimated assessable profit for the year. In its 2021 Budget, the UK Government announced that the main UK corporate rate would be maintained at 19% until 31 March 2023, before being increased to 25% from 1 April 2023. This proposal is expected to be substantively enacted over the coming months whereby our UK deferred taxes will be re-measured accordingly. However, based on our current UK deferred tax position we have estimated that this UK tax rate increase will not give rise to a material effect.

The corporate income tax rates in the overseas countries in which the Group operates continue to be higher than the UK rate, which results in a Group effective rate higher than the headline UK rate. As the proportion of the Group's profits earned overseas continues to grow, the effective tax rate is expected to increase slightly.

Other comprehensive income

Included within other comprehensive income is £4.5m of remeasurements on defined benefit pension schemes and a £27.5m foreign exchange loss on translation.

At 31 March 2021 the fair value of the Group's investment held in a manufacturer of smart thermostat connected home technology was reassessed in light of the valuation indicated by the investee's latest equity funding round. The result of this reassessment increased the fair value of the Group's investment by £4.4m. This movement, net of the recognition of a £1.3m associated deferred tax liability, was recorded in the investment revaluation reserve.

Cash flow and financing

HomeServe's business model continues to be highly cash generative with free cash flow in FY21 of £135.0m (FY20: £93.4m).

£million	2021	2020
Adjusted operating profit	**214.3**	201.7
Exceptional items	**(92.4)**	(7.6)
Certain transaction related costs	**(5.1)**	—
Amortisation of acquisition intangibles	**(45.0)**	(35.5)
Operating profit	**71.8**	158.6
Impact of exceptional items	**92.2**	7.6
Impact of certain transaction related costs	**5.1**	—
Depreciation and amortisation	**123.5**	109.1
Non-cash items	**10.2**	9.2
Increase in working capital	**(25.1)**	(44.1)
Cash generated by operations	**277.7**	240.4
Net interest and associated borrowing costs	**(21.7)**	(18.5)
Repayment of lease principal	**(14.8)**	(12.4)
Taxation	**(35.1)**	(30.2)
Capital expenditure - ordinary	**(71.1)**	(79.0)
Capital expenditure - acquisitions of policy books	**—**	(6.9)
Free cash flow	**135.0**	93.4
Acquisition of subsidiaries	**(77.3)**	(140.6)
Disposal of subsidiary	**(3.9)**	—
Acquisition of non-controlling interest	**—**	(7.7)
Contribution to equity accounted investee	**(2.2)**	—
Proceeds on disposal of equity accounted investment	**—**	8.4
Equity dividends paid	**(80.5)**	(73.5)
Purchase of own shares	**—**	(3.0)
Proceeds on issue of share capital	**—**	0.1
Net movement in cash and bank borrowings	**(28.9)**	(122.9)
Impact of foreign exchange and other non-cash items	**23.1**	(11.5)
Net debt acquired	**(4.3)**	(11.8)
IFRS 16 lease liabilities acquired	**(4.0)**	(3.4)
Lease liabilities – adoption of IFRS 16	**—**	(52.6)
Movement in IFRS 16 lease liabilities	**9.4**	(2.1)
Opening net debt	**(509.0)**	(304.7)
Closing net debt	**(513.7)**	(509.0)

Working capital

Working capital absorption was £25.1m in FY21 (FY20: £44.1m) slightly lower than guided, reflecting the strengthening of sterling, with its impact on closing receivables in North America, as well as the timing benefit of partner payments around the year end.

Capital expenditure

Total capital expenditure of £71.1m (FY20: £85.9m) included £12.8m (FY20: £21.0m) of payments made to partners who undertake marketing activity to acquire customers on HomeServe's behalf. This activity continued to grow in France, but was more than offset by declines in North America and Spain.

The balance of £58.3m (FY20: £64.9m) principally comprised technology investments in customer and network management systems in Membership, and investments to underpin efficient trades growth at Checkatrade.

Acquisitions

M&A activity continued to support HomeServe's growth ambitions, incurring a cash outflow in the year of £77.3m (FY20: £140.6m). There were two material acquisitions in the year;

- Solusat Asistencia Técnica S.L., ("Solusat"), enhancing the scale and scope of HomeServe's HVAC capabilities in Spain
- Mesos Gestión y Servicios S.L., ("Mesos"), expanding the product range and customer base of the Spanish claims handling business, as well as bringing an entry into Portugal.

An additional 25 businesses were acquired for a net cash outflow of £41.0m as the Group continued the pursuit of its HVAC buy-and-build strategy in North America, France, Spain and the UK, and Home Experts completed an acquisition in North America to bring further technical capability and in Italy, to bring further scale in that market.

The total cash outflow on acquisitions of £77.3m consisted of £73.7m net cash outflow in the year, as well as £3.6m paid ondeferred and contingent consideration relating to previous business combinations (FY20: £6.4m).

HomeServe continues to identify and assess M&A opportunities in all of its businesses, including further HVAC investment as it expands its buy–and-build initiative. Policy book M&A remains a low risk approach to accelerating growth and HomeServe continues to attempt to unlock opportunities in all countries, particularly North America.

Purchase of own shares

During the year no shares were repurchased (FY20: 249,975 shares repurchased at a cost of £3.0m). No shares were transferred to individuals to satisfy awards (FY20: nil).

Earnings per share

Basic earnings per share for the year decreased by 71% to 9.3p from 31.7p due principally to the impact of the exceptional items discussed above. On an adjusted basis, earnings per share increased 3% from 41.3p to 42.7p. The weighted average number of shares increased from 334.2m to 335.8m principally due to new shares issued in fulfilment of share schemes that vested in the year.

Dividends

Given the Group's resilient performance, and the Board's confidence in HomeServe's future growth prospects, the Board is proposing to increase the final dividend to 19.8p per share (FY20: 17.8p) to be paid on 2 August 2021 to shareholders on the register on 2 July 2021.

Together with the interim dividend declared in November 2020 of 6.2p (November 2019: 5.8p), this represents a 10% increase in the total ordinary dividend payment for the year of 26.0p (FY20: 23.6p), which is 1.64x covered by the FY21 adjusted earnings per share (FY20: 1.75x).

Financing

In FY21 the Group continued to target net debt in the range of 1.0-2.0x adjusted EBITDA, measured at 31 March each year. With adjusted EBITDA of £292.8m and net debt of £513.7m, including c.£51m of lease liabilities at 31 March 2021, the Group was inside its target range at 1.8x. Due to the ordinary seasonality of the business, net debt is expected to increase at the next half year before declining, absent any future M&A.

During the year the Group raised an additional $250m and £54m via the US private placement market. The proceeds were used to clear headroom on the revolving credit facility (RCF).

As at year end, HomeServe had gross debt of £634m against its gross debt facilities of £1,036m, which combined with a cash balance of £171m gives a total headroom of £573m. With this headroom, and with only £26m of the facilities due within the next 12 months, the Group is well positioned to take advantage of compelling growth opportunities.

Net interest and borrowing costs paid increased to £21.7m (FY20: £18.5m) principally due to the higher average net debt figure year-on-year.

Foreign exchange impact

The impact of changes in the Euro and USD exchange rates between FY20 and FY21 resulted in a £12.4m decrease in the reported revenue and a £3.3m decrease in adjusted operating profit of the international businesses as summarised in the table below, largely as a result of an adverse movement in the US dollar/Sterling rate. The impact of foreign exchange on statutory operating profit was in line with this.

With an increasing proportion of HomeServe's profits generated overseas, the potential translation impact of foreign exchange movements on reported profits may have a larger impact. A ten cent movement in the FY21 average USD rate of 1.31 and the Euro rate of 1.12 would have had approximately a £9.1m and £5.9m impact respectively on full year adjusted operating profit.

With respect to HomeServe's joint venture in Japan, the impact of future movements in the Yen is not currently material.

Customers

HomeServe Membership's growth strategy aims for the business to provide its products to more homeowners. It does this by successfully marketing its products to end consumers and by delivering high standards of service. HomeServe's customer KPI measures its success in achieving this aim.

Under IFRS 15 a customer is defined as 'a party that has contracted with an entity to obtain goods or services'. In the Membership businesses where the Group acts as an intermediary selling contracts and insurance policies to end consumers, the 'IFRS 15 customer' is considered to be the underwriter with which the Group has contracted to sell policies. The Glossary at the end of this announcement provides further detail on customer definitions and the associated affect this has on revenue recognition.

Foreign exchange impact

		Average exchange rate			Effect on (£m)	
					Revenue	Adj. operating profit
		2021	2020	Change	2021	2021
North America[1]	$	**1.31**	1.27	3%	**(20.1)**	**(4.8)**
France	€	**1.12**	1.15	(3%)	**3.3**	**1.1**
Spain	€	**1.12**	1.15	(3%)	**4.2**	**0.5**
Home Experts[2]	€	**1.12**	1.15	(3%)	**0.2**	**(0.1)**
Total International					**(12.4)**	**(3.3)**

[1] North America comprises US dollar denominated earnings from Membership & HVAC – North America and eLocal.
[2] Home Experts is reported in GBP due to the different currencies used by the operating businesses within the segment. This table shows the impact of foreign exchange movements in the Euro for the results of Habitissimo.

Section 172(1) statement

Duty to promote the success of the Company

The purpose of this Strategic report is to inform members of the Company and help them assess how the directors have performed their duty under section 172.

This section 172(1) statement incorporates information from other areas of the Annual Report to avoid unnecessary duplication.

Statement

The Directors have had regard for the matters set out in section 172(1)(a) - (f) of the Companies Act 2006 (s172(1)) when performing their duty under section 172. The Directors consider that they have acted in good faith in the way that would be most likely to promote the success of the Company for the benefit of its members as a whole, while also having regard to the s172(1) matters referred to below.

It is acknowledged that it is not possible for all of the Board's decisions to result in a positive outcome for every stakeholder group. When making decisions, the Board considers the Company's purpose, vision and values, together with its strategic priorities and takes account of its role as a responsible corporate citizen. By doing this, the aim is to ensure that decisions are robust and sustainable.

Examples of matters discussed in the year by the Board and their impact on, amongst others, employees, customers and shareholders are included in the table below and discussed throughout the Strategic report and in the Governance section on pages 2 to 123.

The table below identifies where, in the Annual Report, information on the issues, factors and stakeholders the Board has considered in respect of Section 172(1).

THE BOARD HAS HAD REGARD TO THE FOLLOWING MATTERS:	WHERE YOU CAN FIND OUT MORE	
Long-term results – the likely consequences of any decision in the long-term **Example**: the Board reviewed the Group's strategy during the year and concluded that it remains appropriate to support the long-term success of the Company. Shorter-term expectations in respect of the strategy are approved as part of the budget process, against which performance is then monitored. Decisions taken during the year are made in the context of the strategy and with regard to the Group's capital allocation model.	STRATEGIC REPORT	
	Chairman's statement	4
	Chief Executive's review	6
	Market overview	10
	Business model and strategy	12
	Key performance indicators	18
	Principal risk and uncertainties	32
	Viability statement	54
	GOVERNANCE	
	Board leadership and company purpose	63
Our workforce – the interests of our employees **Example:** our people are critical to the success of our business and the Board has ultimate responsibility for ensuring the Group's decisions consider their interests. This has been particularly apparent over the last year in respect of our response to the COVID pandemic. We have been focused on the longer-term and none of our people has been made redundant as a result of the pandemic and we have not accessed any government assistance.	STRATEGIC REPORT	
	Business model and strategy	12
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	GOVERNANCE	
	Board leadership and company purpose	63
	Nomination Committee report	76
	People Committee report	79
Our business relationships – the importance of developing the Group's business relationships with suppliers, customers and others **Example:** managing these relationships is critical in ensuring the Group delivers on its strategy. These relationships were also tested by the COVID pandemic and steps taken to ensure that our Membership customers were supported if they were facing financial hardship. In addition, in respect of our trades (tradespeople), monthly subscriptions were suspended in the months when they were unable to work due to lockdown restrictions.	STRATEGIC REPORT	
	Market overview	10
	Business model and strategy	12
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	GOVERNANCE	
	Board leadership and company purpose	63

THE BOARD HAS HAD REGARD TO THE FOLLOWING MATTERS:	WHERE YOU CAN FIND OUT MORE	
The community and our environment – the impact of the Group's operations on the community and the environment **Example:** the Group seeks to have a positive impact on the communities in which it operates and reduce its impact on the environment. During the year we established a new Group Corporate Responsibility Committee to assist in providing some focus to our strategy. The Board approved an Environment Policy and targets and also a Responsible Business Policy. In response to the pandemic, free emergency jobs were offered to NHS workers in the UK during the first lockdown.	STRATEGIC REPORT Responsible business	 20
Our reputation – our desire to maintain our reputation for high standards of business conduct **Example:** during the year, the Group has reviewed its Code of Business Conduct and the Executive Committee and the People Committee have been closely involved in the development of the HomeServe Way.	STRATEGIC REPORT Chairman's statement Chief Executive's review Responsible business	 4 6 20
Our shareholders – the need to act fairly as between members of the Company **Example:** the Board seeks to ensure that communications are clear and its actions are in accordance with the Group's stated strategic aims to promote the long-term success of the Company. During the course of the pandemic, we have successfully adapted the way in which we engage with shareholders and as a result, have been able to engage with many more of our investors.	STRATEGIC REPORT Chairman's statement Responsible business GOVERNANCE Chairman's overview Board leadership and company purpose Directors' report	 4 20 58 63 119

Viability statement

In accordance with provision 31 of the UK Corporate Governance Code July 2018, the Directors have assessed the viability of the Group over a three-year period to 31 March 2024. The Directors believe that a three-year forward-looking period is appropriate as it is aligned to the timeframe that management focus upon, the performance period in respect of the long-term incentive scheme for senior management, and it is the period of assessment for recoverable values of cash generating units.

The Group has a formalised process of budgeting, reporting and review along with procedures to forecast its profitability, capital position, funding requirements and cash flows. These plans provide information to the Directors on a regular and timely basis and are used to ensure the adequacy of resources available for the Group to meet its business objectives, both on a short-term and strategic basis. The plans for the period commencing on 1 April 2021 were initially reviewed by the Executive Committee in February 2021 and subsequently approved by the Board in March 2021.

Through FY21, trading in the Membership and HVAC businesses remained very resilient against the backdrop of the COVID pandemic, with the Group retention rate increasing compared to FY20 and marketing activity resuming in early summer 2020 in all markets with take-up rates in line with the Directors' expectations.

The initial impact of stay-at-home restrictions on the Group's Home Experts businesses was more pronounced, with the core customer base - tradespeople providing largely non-emergency services - unable to access homes, and therefore work. However, whilst the Group's territories have subsequently seen further rolling stay-at-home restrictions since the initial lockdown measures of spring 2020, in all cases, tradespeople have been able to access homes to perform non-emergency services, which combined with strong consumer demand in the Group's Home Experts businesses since summer 2020 has seen these businesses return to good growth.

As such, though uncertainty related to the future course of the impact of the pandemic remains, which provides for a more cautious outlook, the operating environment for the Group's businesses has sufficiently stabilised such that the formal budgeting process for the period commencing 1 April 2021 proceeded without the need for further specific scenario modelling related to the pandemic.

In making this year's Viability statement, the Board also carried out a robust assessment of the principal risks facing the Group. The Principal Risk and Uncertainties set out the principal strategic, operational and financial risks which could threaten HomeServe's business model, future performance and growth plans and its liquidity or solvency. HomeServe has a robust risk management framework (See page 32 Principal risk and uncertainties) which addresses its risk appetite and Risk Policy and continues to review both emerging risks and opportunities.

One such evolving area, presenting both risks and opportunities, is that of climate change. National governments are increasingly considering the requirement to de-carbonise residential heating as part of their Net Zero commitments. This legislative agenda also brings opportunities however, as homeowners will require support and specialist technical skills - such as those offered by the UK Membership business – as they seek to transition to less carbon-intensive forms of residential heating.

All major risks are scored based on their potential impact and likelihood and are reviewed regularly by the Audit & Risk Committee.

Various severe but plausible stress tests have been performed both on individual and combined scenarios which modelled:

- the impact of the loss of a key partnership in the Membership business
- the impact of reduced customer focus across the Group
- market disruption from a new competitor, with particular reference to North America, the Group's largest current opportunity
- the impact of new or amended regulation and legislation
- the impact of losing a key underwriting relationship in the Membership business
- the impact of further national lockdowns resulting from the continuation of the pandemic, in line with existing arrangements whereby trades are still able to work in consumers' homes.

Going concern

Stress tests indicated that no single scenario would impact the viability of the Group over the next three years. As might be expected the impact increases if different risks were to materialise simultaneously or continue for longer. However, given the nature and relative diversification of the business in terms of both geography and the Group's Global business lines, it is considered unlikely that such scenarios in sufficient number would occur. In such scenarios HomeServe would also be able to take decisions to protect the profitability of the business over a three-year period by, for example:

- choosing to move where it allocates its resources
- choosing to reduce its investment of resources considered more discretionary in nature e.g. scaling back marketing investment to offset any reductions in income
- ensuring direct costs are flexed in line with operating volumes e.g. front line engineers and call centre staff
- choosing to reduce the size and scale of back office functions to match any reductions in income.

The Directors' assessment has been made with reference to a number of factors which both individually and collectively can help mitigate or reduce any threat to its ongoing viability. These include, for example:

- the geographical spread of HomeServe's operations
- a large and diverse portfolio of commercial partnerships
- high customer retention
- a strong financial position with over £570m of headroom in its debt facilities at 31 March 2021
- historic and ongoing compliance with all banking covenants
- a small, but increasing, contribution from other business lines with Home Experts and HVAC each growing revenues this financial year.

The business is geographically spread across the UK, Continental Europe, North America and has a developing presence in Japan. In each established territory, the business has long-term contractual relationships with utility businesses providing access to 118m households under Utility Partner brands. Retention rates are high across all established businesses, resulting in stable and recurring cash flows from a large, diverse base of 8.3m customers.

Considering the Group's current position, the principal risks and the Board's assessment of the Group's future, the Directors have a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over a period of at least three years to 31 March 2024.

The Group's business activities, together with the factors likely to affect its future development, performance and position are set out in the strategic report.

The Directors have reviewed the Group's budget, forecast and cash flows for 2022 and beyond, and concluded that they are in line with their expectations with regards to HomeServe's strategy and future growth plans. In addition, the Directors have reviewed the Group's position in respect of material uncertainties and have concluded that there are no items that would affect going concern or that should be separately disclosed.

The Directors have concluded that they have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. For this reason, they continue to adopt the going concern basis in preparing the financial statements.

David Bower
Chief Financial Officer
18 May 2021

Non-financial information statement

The Group seeks to comply with the Non-financial Reporting requirements as detailed in the Companies Act 2006. The below table, and information it refers to, is intended to help stakeholders understand our position on key non-financial matters.

Copies of policies referred to in the table can be accessed online:
www.homeserveplc.com/who-we-are/governance/policies

REQUIREMENT	OUR POLICIES	WHERE YOU CAN FIND OUT MORE
Anti-bribery and anti-corruption	Financial Crimes and Sanctions Whistleblowing	See page 24 Responsible business.
Employees	Code of Business Conduct	See page 24 Responsible business.
Environment	Group Environmental Policy	See page 30 Responsible business.
Human rights	HomeServe does not currently have a human rights policy but all businesses are expected to comply with key policies regarding e.g. employment rights and equal opportunities.	See page 24 Responsible business.
Social activities	Responsible Business Policy	See page 24 Responsible business.
Description of the principal risks and impact of business activity	n/a	See page 32 Principal risk and uncertainties.
Description of the business model	n/a	See page 12 Business model and strategy.
Non-financial Key performance indicators	n/a	See page 18 Key performance indicators.

STRATEGIC REPORT 2021
For and on behalf of the Board

RICHARD HARPIN
Founder and Chief Executive
18 May 2021