THG

Annual Report & Accounts

2021

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Key events in 2021

February

Regulatory approval to complete the acquisition of Dermstore LLC, the US #1 pure-play online retailer of prestige skincare and speciality beauty brands for a c.1.8x 12 months' forward revenue ($350m).

April

Announced commitment to further invest in 3.6m sq. ft. of fulfilment, manufacturing and personalisation capacity (including ICON Technology Campus) in the medium term at key locations globally to support THG's own-brands and Ingenuity clients.

£43m investment in UK best-in-class nutrition bar formulation and production capability, Brighter Foods.

May

Over $1bn capital raised to support the continuation of the Group's disciplined M&A strategy, alongside signed option and collaboration agreement with SoftBank Group Corp.

THG recognised as one of the "Best Companies" Top 25 Best Big Companies to Work for 2021.

June

Acquisition of US-based Bentley Laboratories, an innovative developer and manufacturer of prestige skincare and haircare products for $255m in cash.

August

Addition of Cult Beauty to the THG Beauty portfolio, the UK based online beauty retailer of prestige and emerging independent brands, for consideration of £275m (a c.2.0x FY 2022 sales multiple).

Opening of Manchester ICON Technology Campus, comprising operational and creative expertise.

September

Launch of THG's first automated warehouse, powered by AutoStore's proprietary Automated Storage Recovery System ("AS/RS") and THG's warehouse management system, Voyager.

October

Retail Week Awards winner,
Matt Moulding – Retail Leader of the Year.

December

Retail Risk Fraud Awards 2021,
Winner; THG Detect – Most Innovative Online/Supply Chain Solution.

All consideration amounts are on a cash free and debt free basis.

Any reference to revenue growth throughout this document is on a constant currency basis ("CCY") removing fluctuations arising from translation of foreign exchange by restating prior year numbers at current year exchange rates.

Chief Executive Officer's Statement

Dear Shareholder

2021 marked our first full year as a public company and I would like to begin by expressing my gratitude to all THG colleagues for their dedication and hard work in helping us achieve such strong growth in the year. We have scaled revenue and expanded our business model well ahead of targets given at the time of our IPO back in September 2020, and are well placed to manage the inflationary pressures and effects of the pandemic on global supply chains thanks to our investment in automation and vertical integration strategy.

The Group will continue to evolve and operate to the highest standards of corporate governance. In this regard following an international search initiated in October 2021, we are delighted that Charles Allen, Lord Allen of Kensington CBE, joined THG in March 2022 as independent Non-Executive Chair.

Charles has extensive boardroom experience across a range of sectors, and chaired many similar large, successful, dynamic companies, and his appointment will enable me to focus my attention on delivering the Group's plans for growth.

During the year we also announced a number of strategic options for 2022 and beyond, including our plans to step up to the Premium segment of the London Stock Exchange's Main Market and separate THG Beauty by way of a listing or strategic partnership. I will work closely with Charles and the Board to continually review these strategic options and we look forward to updating you on progress during 2022 as our plans take shape.

At the time of our IPO we reconfirmed THG's purpose to reinvent how brands connect to consumers globally– to be best in class at building, growing and accelerating brands in order to deliver long-term sustainable growth for our shareholders. We announced a meaningful financial and trading partnership with SoftBank in May 2021.

As part of the announcement, we set out our intention to commence a separation of THG's key business units and we are on track to complete this during H1 2022. The separation will simplify the corporate divisional structure and provide the Group with material optionality and the flexibility to enter into future strategic partnerships to generate value accretion for our stakeholders.

A pivotal year for online commerce

2021 was a pivotal year for online commerce globally, with changes evident right across our business and key markets as consumers and brands increasingly adopt digital ways of engaging. The pandemic has changed the way business is conducted and consumers behave, creating opportunities for THG to invest in support of our strategic growth ambitions.

2021 was a year of investment across our entire business in the following areas:

- Our infrastructure – completion of the state-of-the-art ICON Technology campus in Manchester.
- Our Ingenuity platform – expansion of our global distribution network including automation.
- Our global footprint - acquisition of Dermstore to accelerate US growth; and
- Our people – we welcomed over 3,000 employees to the Group.

E-commerce remains a winning channel with increased convenience due to enhanced delivery and fulfilment infrastructure, increased product and category range and deeper engagement with brands selling direct to consumer "D2C".

THG Beauty, the global number one pure play online prestige beauty retailer, saw significant growth over the year, active customers around the world rose by 2.3m to 9.2m. THG Nutrition, the world's largest online D2C sports nutrition brand, grew its active customers from 6.3m to 7.2m around the globe.

Demand in our large and high-growth consumer and technology markets remains strong and we have observed new and existing customer behaviour metrics consistent with the pre-pandemic environment, such as stable average order values and high customer repeat rates. Revenue from returning Lookfantastic and Myprotein customers represented c.80% of sales in FY 2021, with influencer-led digital marketing delivering high return on investment.

The performance and resilience of our Ingenuity infrastructure was also a highlight, with robust operational performance both through our websites and our global distribution network dispatching over one million units per day at peak periods, supporting a frictionless customer journey.

Financial performance

We were delighted to report significant revenue growth across all divisions during the important peak trading period and to have delivered record annual sales of £2.2bn (+38% revenue growth year-on-year). Organic growth was positive in both Beauty and Nutrition, despite challenging comparatives, with two-year organic growth in both divisions over 50%, ahead of medium-term guidance.

The Group delivered adjusted EBITDA of £161m, alongside a loss before tax of £(186)m. The loss was principally driven by adjusted items, which include the excess costs for transportation, delivery and fulfilment costs in relation to Covid-19, alongside the commissioning of new warehouses and non-recurring acquisition fees. Additionally, there has been an increase in both amortisation and administrative expenses driven by acquired intangibles and investment in additional headcount in FY 2021 ahead of future revenue growth, with an element of operating leverage anticipated in FY 2022.

We retain a focus on cost discipline whilst maintaining our strategy of investing for growth and continue to benefit from a healthy liquidity position with net cash excluding lease liabilities of £44m, cash on hand of over £530m and a £170m undrawn revolving credit facility.

Scaling D2C brands through strategic investment

To support our THG Nutrition portfolio of global, digital-first brands, we are committed to investing in and building best-in-class BRC AA Grade product innovation and manufacturing facilities. The acquisition of Brighter Foods reflects a continuation of this vertical integration strategy, further enhancing the Group's new product development and in-house manufacturing capabilities.

We have brought in-house decades of product know-how and innovative resource in the formulation and production of high-quality nutritional snack bars. Reducing lead times for new product development and retail launches, while ensuring product IP remains exclusive, supports Myprotein's position as the largest online D2C sports nutrition brand globally, whilst also delivering substantial cost synergies.

Within our Beauty division, we expanded our offering in the important US market with the acquisition of Dermstore, the leading US pure-play online prestige and professional skincare business. This was followed by the addition of Cult Beauty, the favoured partner for independent brands, into our global portfolio of destination beauty websites.

Alongside enhancing THG's relationships with its key global beauty partners, these acquisitions accelerate the implementation of our strategy to be the global digital partner of choice across the beauty industry. Our beauty retail proposition is highly complemented by best-in-class, in-house product innovation and manufacturing, with a high-quality portfolio of prestige own-brands.

Ingenuity and operational excellence

In recognition of the continuing trend towards digital commerce, we remain committed to invest in fulfilment capacity at key locations globally to support THG's own-brands and Ingenuity clients. This investment enhances the customer journey, in addition to accessing an extended addressable market through fulfilment-only solutions via an extended and more efficient global warehouse network.

We also made the bold decision to bring forward the opening of our automated warehouse at our Manchester ICON campus which dispatched its first order in September 2021.

Globalising a digital brand is incredibly complex and expensive with a high failure rate, which is why so few brand owners have ever done it successfully across multiple territories. The migration of websites trading substantial GMV is not without execution risk and the Group's experience in this regard has delivered meaningful improvements to the all-important customer experience. This positions Ingenuity as a partner of choice for brands looking to invest in and develop their digital and cross-border strategies.

Our Ingenuity operational infrastructure and technology platform is now powering an expansive list of global brands across a multitude of sectors, and the number of third-party websites on the platform has more than doubled during the year.

Sustainability

Our sustainability vision is to leave the world a better place than we found it. It will take real responsibility and commitment from every one of our people, suppliers and stakeholders, working in partnership to help us achieve our shared goals.

As a vertically-integrated business, we are acutely aware of the impact that big businesses can have on the environment, and the great responsibility and influence we hold with our people, communities and suppliers in the UK and internationally. Our sustainability goals reinforce the direction in which THG is travelling, providing a formal structure with targets underpinned by science, data and technology, and driven by our talented people all over the world. Integral to this, is our commitment to offset all our historical operational emissions by the end of 2025 (please refer to Sustainability section); and as part of this, we were pleased to have planted some 830,000 trees in 2021 through THG Eco.

We have always been fast-paced, agile and responsive to changes in our markets, and our sustainability strategy is no different – while we have our sights set on the year 2030 for the majority of our milestone targets, we will do our best to achieve more and work in partnership with others to accelerate the pace of positive change. We are committed to using our global scale and dedication to innovation, to act as a force for good.

THG in the community

In 2022, we will develop and publish a new Group-wide Social Impact strategy to define our approach to charitable giving and maximise THG's impact in our local and global communities.

Most recently, our HR teams have worked around the clock to provide physical and mental health support to our Ukrainian colleagues around the world and our security teams have helped to safely relocate some of our colleagues and their families who made the difficult decision to leave their homes in Ukraine. We are also continuing to support our Ukrainian colleagues here in the UK, including assisting those who are making arrangements for their loved ones to join them as soon as they are able to.

While the protection and safety of our colleagues has been our top priority, we know that urgent support is needed beyond our immediate network. We have been liaising with national and international partners to determine the best way we can help them provide practical support.

In March 2022, we confirmed that £1.2m in product donations will be made available from our warehouse in Poland to support those affected by the conflict and we are working with our local partners to distribute essential items such as food, clothing and hygiene products to the areas in greatest need.

We also continued to support charities helping people cope with the devastating impacts of Covid-19, including donating funds to charities in India helping to provide relief aid and vital oxygen facilities in struggling rural communities.

Our culture and people

Driven by ambition, innovation, collaboration and entrepreneurship, our culture and the people at THG are integral to the Group's success. From more than 95 nationalities, our colleagues bring a wealth of experience and talent, working together to deliver exceptional results right across the business.

This value recognition is reflected in our rapidly-evolving people proposition, with a dedicated diversity & inclusion committee leading on a dynamic strategy to identify areas of opportunity and drive positive cultural change through inclusive policies and practices. The enhancements of our wellbeing platform are a commitment to employee wellbeing and support, while our investment in new staff benefits is designed to show our people our appreciation for their outstanding contributions.

With the implementation of a new pension scheme to include an increased company contribution, the opportunity to purchase additional annual leave days, enhanced maternity and paternity packages, and our "salary sacrifice", Techscheme and Cycle to Work Scheme, our employee benefits reflect our investment in our people.

Named one of the UK's 25 Best Big Companies to Work For in 2021, THG fosters an environment built on the foundations of teamwork, diligence and excellence. I would like to thank all colleagues for their continued contributions to the Group and welcome all new starters to join us in achieving our ambitions.

Onwards

We are making long-term strategic decisions for THG as we recognise the enormous opportunity that that the structural shift to online e-commerce will bring. During 2021, we invested £1bn across infrastructure, technology and acquisitions to further develop the long-term growth prospects of the Group, and completed many transformational projects on a global scale.

The investment that we have made in our global manufacturing, fulfilment and distribution network provides capacity and capabilities to continue to build leading positions in our core markets across Technology, Beauty and Nutrition, supplemented by in-housing recycling infrastructure to support our target of recycling more plastic than we produce.

Our vision has not changed. THG Beauty and THG Nutrition are focused on becoming the undisputed digital leaders in their categories. THG Ingenuity aims to be the leading technology platform for the enterprise market, powering digital transformation for brands globally. Whilst we have made substantial progress and remain committed to executing our strategic growth plans, we are naturally disappointed that this has not translated into tangible shareholder returns. The management team, with our Board's full support, remains wholly focused on delivering our strategic growth plans in 2022 to drive shareholder value.

Matthew Moulding

Executive Director and Chief Executive Officer
20 April 2022

Our vision

For Beauty and Nutrition to become undisputed global digital leaders in their respective categories

For Ingenuity to become the *leading technology* platform for the enterprise market, powering digital transformation for brands

Our purpose

To reinvent how brands connect digitally to consumers

Our values

Leadership, innovation, decisiveness and ambition

Our purpose

"THG's purpose is to reinvent how brands connect digitally to consumers"

We are a global digital innovator revolutionising how brands connect to a worldwide consumer base

We are transforming how consumer brands go to market in the digital age. Through our proprietary platform Ingenuity, we are providing a simpler, integrated and frictionless retail experience for consumers and brand owners.

We are democratising online retail – overcoming its structural technology barriers by enabling brands and retailers to have direct relationships with consumers, improving accessibility.

In doing so, we are reinventing online retail for the better:

- For customers we create accessible, fast, education-rich, highly-engaging experiences.
- For brands we provide a best-in-class, unique end-to-end global route to market, transforming their growth potential, and enabling them to understand and focus on meeting the developing needs of their customers and what differentiates them.
- For our employees we provide invaluable skills as they join a disruptive, forward-looking digital business that is creating a digital talent bank in the UK.
- For society and the environment, our end-to-end vertical integration enables us to begin mitigating harmful impacts of consumer goods and build a more circular, sustainable model.

We enable a happier population, empowered to make healthier lifestyle choices

- Through our leading health, beauty and wellness brands, we help consumers build the knowledge to inform lifestyle choices and help people feel good about themselves.
- We are positively impacting society by supporting all forms of wellness, educating and inspiring the population to make healthier lifestyle choices. Our platform enhances this impact, delivering relevant products through the right channels for our global customer base.
- This is supported by building inclusive online communities, which bring people together, regardless of where they are from, with access to new products, brands and engaging content.

We aim to leave the world in a more sustainable position than we found it

- Using the visibility from our vertically integrated end-to-end model, we are working to build and integrate sustainability throughout our brands and supply chain – from packaging to consumer awareness and beyond.
- Starting with our own operations – as THG continues to grow, it is paramount that we reduce our impact on the environment and create and implement innovative, new sustainability practices.
- There are considerable steps to take, but we ultimately seek to deliver on our ambition through innovative solutions on societal and environmental issues.

We are an ambitious global business, but a champion of the community from which we have grown

- We greatly value our heritage as part of the community in the North West of England, with local world-class infrastructure, access to talent and global supply chains.
- We are committed to the role we play for social mobility in the UK, particularly in the North West, proactively delivering a positive impact for employment, developing talent and building the skills of tomorrow.
- At the same time, we have an international focus and ambition – and are proud to be exporting insight to all of our markets, as we build skills on a global scale.
- We are able to leverage our technology and operating infrastructure to deliver deep local relevance in the markets we operate in.

We will judge our success by:

- Being regarded by brands as the enterprise solution of choice for their D2C channels, powering e-commerce from a sustainable e-commerce platform.
- Continuing to deliver an immersive and highly engaging customer experience.
- Developing a technological talent bank in the UK that is a long-term asset to THG and the wider UK technology sector.

Our values

Leadership

We have the courage to do things differently, and in doing so we draw on our meritocratic culture to empower our people to lead with confidence and conviction. Regardless of background, age or experience, our people are given the opportunity to lead and succeed with us and we nurture their entrepreneurial spirit. Our value of leadership extends to the impact we have on the world – and we seek to use our best-in-class technology to be the leading sustainable e-commerce platform, and to bring our partners with us on that journey.

Innovation

We believe that the way consumers and brands connect is ever-changing and therefore it is critical to evolve and adapt, to challenge ourselves and others to think differently. We are pioneering innovators – who do not defer to the well-trodden path of least resistance – and we strive to be at the forefront of technological developments. We foster creativity, resilience and experimentation; and celebrate a diverse, inclusive culture to bring different perspectives together to solve problems.

Decisiveness

We believe that focused, evidence-based and timely decision-making drives success in a fast-moving sector. This is enabled by having accurate data at our fingertips and using this to continuously learn and improve our decision-making – balancing risk, opportunity and purpose. We encourage accountability for decisions made, which enables a fast-moving, high-growth business.

Ambition

We believe that dreaming big in terms of scale and quality drives our success. We are defined by our shared ambition, seeing opportunities where others see challenges, and we are not afraid to push the boundaries of what is possible as an organisation. We encourage our people to stretch goals and recognise that while endeavours will not always succeed, we see value in learning from our mistakes to adapt quickly, to achieve better outcomes for stakeholders.

Our vision

THG Beauty and THG Nutrition are focused on becoming the undisputed global digital leaders in their categories. We continue to invest in developing our beauty and nutrition brands and remain focused on delivering a best-in-class customer experience for our global customer base.

As well as powering THG's trading businesses, THG Ingenuity is focused on becoming the leading technology platform for the enterprise market, powering digital transformation for brands globally. We have a long-term focus on delivering this vision, through our innovative, proprietary digital ecosystem, that uniquely offers a single end-to-end solution to retailers and brands consisting of a combination of complex technology and real-world assets needed to successfully retail online.

Brands and retailers require a complex combination of technology and real-world assets to retail online globally, such as the e-commerce engine, digital marketing, localisation, payment solutions, fraud detection, data analytics, fulfilment, courier integrations, customer services, hosting and content.

Traditionally, brands and retailers have outsourced each function across a number of unconnected suppliers, resulting in significantly increased costs and higher execution risk. THG has built and operates each function in-house.

THG Ingenuity's vertically-integrated solution overcomes the structural challenges of increased costs and execution risks faced by brand owners and retailers outsourcing their digital services across multiple suppliers and provides a one-business, one-data view online, enabling both its own brands and third-party brands to achieve digital transformations.

Having built THG Ingenuity over the last 17 years and with tens of thousands of code updates released annually to drive continuous improvement, we are reinventing online retail for the better.

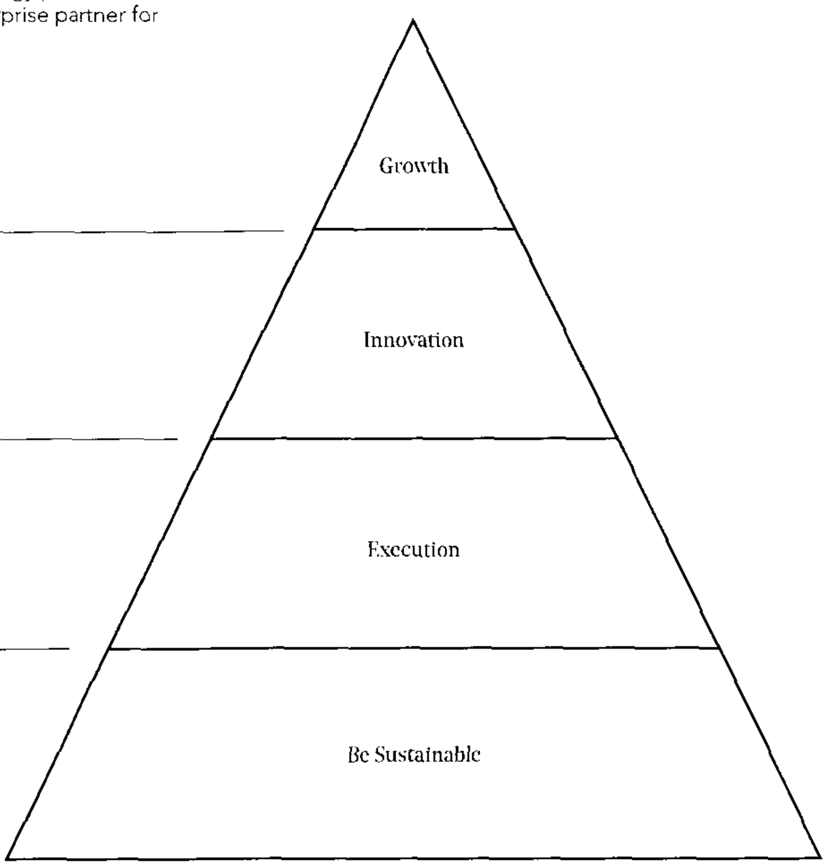
Our strategy

We are a digital-first consumer brands group, specialising in taking brands direct to consumers globally, via our proprietary technology platform ("Ingenuity").

We have built a portfolio of leading digital beauty and nutrition brands that are capitalising on the global growth opportunities we see in these categories, supported by the accelerating consumer shift to the e-commerce channel.

We also provide an end-to-end e-commerce solution ("Ingenuity Commerce") to brand owners – a global e-commerce solution in a box that enables some of the world's largest brands to sell their products direct to consumers globally. Our end-to-end solution removes the complexity and costs of integrating a myriad of suppliers and technology partners to build out a global D2C solution, instead providing brand owners with a single, proven and already-developed solution. We continue to invest in developing our technology platform as we look to become the go-to enterprise partner for brand digitalisation.

We specialise in building digital brands, as is demonstrated by the success of our own brands and the rapid online sales growth that they have achieved. In Nutrition, this includes the Myprotein brand family, which was the largest online sports nutrition brand globally in 2021. In Beauty, this includes Lookfantastic, which in 2021 was the largest online pure-play beauty retail platform globally. These brands continue to deliver outstanding growth rates as we grow their global customer bases through a network of fully-localised, direct-to-consumer websites, powered by the THG Ingenuity platform.



Dream big and look for opportunity where others see challenge.

Evolve and adapt, challenge ourselves and others to think differently.

Be decisive, be guided by data, balance risk and opportunity.

Advance and enhance the sustainability of the Group and our e-commerce platform.

Long-term strategic priorities

- To make Ingenuity Commerce the go-to enterprise partner for brand digitalisation.
- Continue to develop our beauty and nutrition brands, while delivering a best-in-class customer experience.
- Deliver engaging new products to the increasing global customer base across the beauty and nutrition categories.
- Be a champion of the community from which we have grown.
- Continue to empower our staff to boldly execute.
- To leave the world in a more sustainable position than we found it.
- Make sustainability 'business as usual' for THG and our customers by empowering the brands we work with to embed sustainability throughout their business model.

Strategic highlights

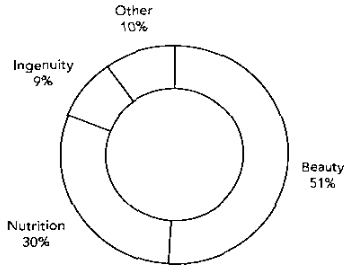
Strategy	Strategic objectives	2021 highlights
We are a digital innovator *revolutionising how* brands connect to consumers globally	To make Ingenuity Commerce the go to partner for brand *digitalisation*	Ingenuity Commerce revenue grew 135% in 2021 to £45.4m (2020: 160%), driven *by new client wins and an additional* 98 e-commerce websites on the platform)
We enable a happier population, empowered to make healthier lifestyle choices	To deliver engaging and new products to an ever-increasing global customer base across the beauty and nutrition categories that positively impact our customers' lives	Over 450 SKUs launched by our own beauty and nutrition brands in 2021
Act as a force for good and leave the world in a better place than we found it	To make sustainability "business as usual" for ourselves, our suppliers and our customers	2030 Sustainability Strategy published with THG and the Ingenuity platform reconfirming their carbon neutral status. 11% reduction in GHG Intensity from 2020 to 2021, and a 27% reduction in GHG Intensity between 2019 and 2021
To be a champion of the community from which we have grown	To support our community and have a positive impact on the environments *in which we operate*	We welcomed c.3,000 new employees to the group in 2021, in line with the prior year

Key Performance Indicators

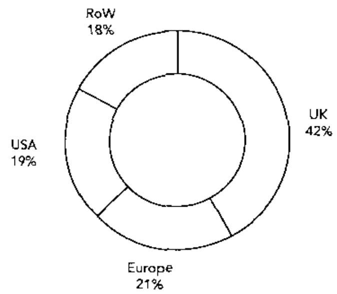
		2021	2020	2019
THG Beauty	Active customers (millions)	9.2	6.9	4.1
	Number of orders (millions)	17.1	13.1	8.3
	Average order value (£)	60	55	51
THG Nutrition	Active customers (millions)	7.2	6.3	4.3
	Number of orders (millions)	13.9	12.3	8.7
	Average order value (£)	46	47	48
THG Ingenuity	Number of websites	187	89	21
Sustainability	Scope 1 CO2e emissions (Tonnes)	2,309	1,945	
	Scope 2 CO2e emissions (Tonnes)	11,605	9,583	
	Female representation on Board and Senior Management (%)	26%	20%	
	Ethnic minority/BAME representation on Board and Senior Management	6%	6%	

Number of websites defined as website with a specific domain name/URL.
THG Beauty metrics exclude Glossybox beauty subscriptions.
Active customers is defined as customers who have purchased at least once within the period
Number of orders is defined as orders fulfilled within the period.
Average Order Value is defined as the average order value per customer order on a gross revenue basis, inclusive of any shipping revenue.

Divisional Revenue



Territory Revenue



THG / BEAUTY

#1 global online pure-play specialty retailer.

8 owned premium brands, in-house product innovation, range building, BRC A-grade manufacturing

Critical route to market for 1,300 prestige & luxury brands.

THG / NUTRITION

#1 global online D2C sports nutrition brand.

In-house brand development, content, marketing, product innovation, BRC AA-grade manufacturing

THG / ON DEMAND

Offering a selection of entertainment products and subscription services of clothing, gadgets and vinyl, with a particular focus on licensing arrangements with global publishing houses and personalisation.

THG / LUXURY

THG Luxury comprises of a collection of websites (Coggles, The Hut, MyBag, and Allsole) which retail over 200 fashion and lifestyle brands.

THG / EXPERIENCE

Three luxury event spaces. King Street Townhouse Hotel, Great John Street Hotel, and Hale Country Club & Spa, providing bespoke luxury spaces for hosting influencer and brand events

Technology

- Ecommerce Platform
- Data
- Fraud Screening THG DETECT
- Marketing Techniques
- Merchandising Tools
- Apps THG APPS

Digital Services

- Digital Consultancy
- Trading
- Data, Analytics & ML THG IQ
- Global CS THG ORBIT
- Translation THG FLUENTLY
- Content Production THG STUDIOS
- Advertising THG MEDIA
- Performance Marketing THG PRECISION
- Customer & Loyalty THG PERSONIFY
- Marketing Technology THG SOCIETY
- Personalisation / Print on Demand
- Partnerships

Fulfilment and Operations

- Global Data Centres CLOUD SERVICES
- Delivery & Courier Management THG DELIVERED
- Warehouse Management System VOYAGER
- Checkout / Payment
- Warehouse Automation FIR/ST
- Sustainability THG ECO
- Global Fulfillment
- Product Innovation / Manufacture THG LABS

THG / INGENUITY

THG Ingenuity Commerce

Revenue from delivery of end-to-end e-commerce solutions to 3rd parties.

Infrastructure Services

Revenues from single services provided to 3rd parties, along with pass-through revenues from services charged to Ingenuity Commerce clients at nil-margin as part of multi-service Commerce contracts.

Our business model

THG is a leading vertically-integrated, global e-commerce technology group and brand owner, powered by its proprietary technology platform, Ingenuity, through which it also provides end-to-end e-commerce solutions for local and global brands to reach a global e-commerce consumer base.

Against a backdrop of a large addressable market with structural growth, THG has scale, digital brand-building leadership, and a history of fast growth, high margins, consistent profitability and cash flows, as well as structural tailwinds supporting further growth.

The Group's fully vertically-integrated business model spans the entire customer journey:

- Development and manufacture of products at best-in-class in-house BRC AA/A grade manufacturing facilities;
- End-to-end brand building and content creation, delivered through a new state-of-the-art studio;
- Retailing of products through THG owned and operated websites, marketing and influencer platforms;
- Dedicated hosting infrastructure across 32 global data centre locations; and
- Delivery to a global customer base through THG's global payment, courier and warehouse network.

Across our direct-to-consumer brands we have continued to deliver leading customer unit economics, accompanied by exceptional sales growth:

- Over 16.4m active THG Beauty and THG Nutrition customers in 2021, +95% increase vs. FY19.
- Over 6.8m app downloads by year-end (FY 2020: 2.6m).
- Over 32,000 influencers globally.
- Consistently high Average Order Values ("AOV") in Nutrition (£46) and Beauty (£60).
- Consistently strong online repeat purchase rates.
- Returned product represents only c.2% of sales.

During 2021, THG's business was operated through four divisions:

1) THG Beauty – operating the world's #1 pure-play online specialty beauty retailer – Lookfantastic, a further nine other popular online beauty and haircare businesses and a portfolio of eight owned prestige brands addressing skincare, haircare and cosmetics.

2) THG Nutrition – operating Myprotein and its brand family – the leading D2C sport nutrition provider that offers products across several associated categories, including vegan, protein, vitamin, athleisure and healthy snacks.

3) THG Ingenuity – proprietary end-to-end platform that powers THG's own businesses and brands combining hosting, analytics, fraud detection, logistics and warehousing with digital brand management, including marketing, translation and global customer service, which enables 187 third-party client websites at 31 December 2021 (31 December 2020: 89) utilising the same platform solutions via Ingenuity Commerce.

4) Our remaining businesses (comprising THG OnDemand, THG Experience and THG Luxury). Further detail on each of these divisions is found in the remainder of this report (pages 61-65).

All of the Group's critical infrastructure is developed in-house, and we continue to invest in developing this infrastructure, for the benefit of THG's own brands and Ingenuity clients.

In-depth descriptions of these business units can be found on pages 21-65 of this Annual Report.

THG's ambitious growth trajectory and brand partnerships bring opportunities but also risks to the Group's operating model. The Board has set out on page 109 their assessment of principal risks and the steps taken to manage and mitigate such risks.

The need for Ingenuity

Consumer demand for digital commerce is here to stay and accelerating. Companies need an e-commerce platform that is flexible and scalable for today's anywhere and everywhere world, and this is what Ingenuity Commerce delivers to THG's customers regardless of size, industry or geography.

The fundamental advantage of the Ingenuity platform is that it makes the complex simple. This enables brand owners to focus on their go-to-market strategy, confident that THG's Ingenuity platform has the integrated capabilities to deliver with the resilience, speed and know-how, across all territories.

Ingenuity is a platform that has been built-out over the past 17 years to manage the costs, points of friction and complexities of globalising digital brands across a range of product verticals. Its credentials in this respect are clearly represented in the growth to leading positions of THG's beauty and nutrition brands.

As well as being a critical enabler of THG's global brand building and e-commerce activities, Ingenuity is rapidly becoming a partner of choice, powering the growth of some of the world's largest consumer brands. This has been achieved through continuous innovation, development and investment in proprietary technology, operating infrastructure and brand-building capabilities.

Ingenuity is unique in being both a peer-to-peer e-commerce retailer and a service provider to global cross-border e-commerce operations. The same technology that powers the growth and success of THG's own brands also drives the growth of Ingenuity's partners. As a result, any developments and enhancements made to THG's technology, operations, digital or data solutions automatically benefits Ingenuity's clients too.

Transforming processes from complex to simple requires deep expertise, and valuable experience – that THG has gained from the successful scaling of its own brands. The process of growing and scaling these brands and building a localised, successful, global D2C proposition requires significant know-how as well as financial investment, time and resource.

What is Ingenuity?

Ingenuity is the combination of complex e-commerce technologies, real-world physical assets and infrastructure, and importantly, brand-building capability.

Ingenuity infrastructure

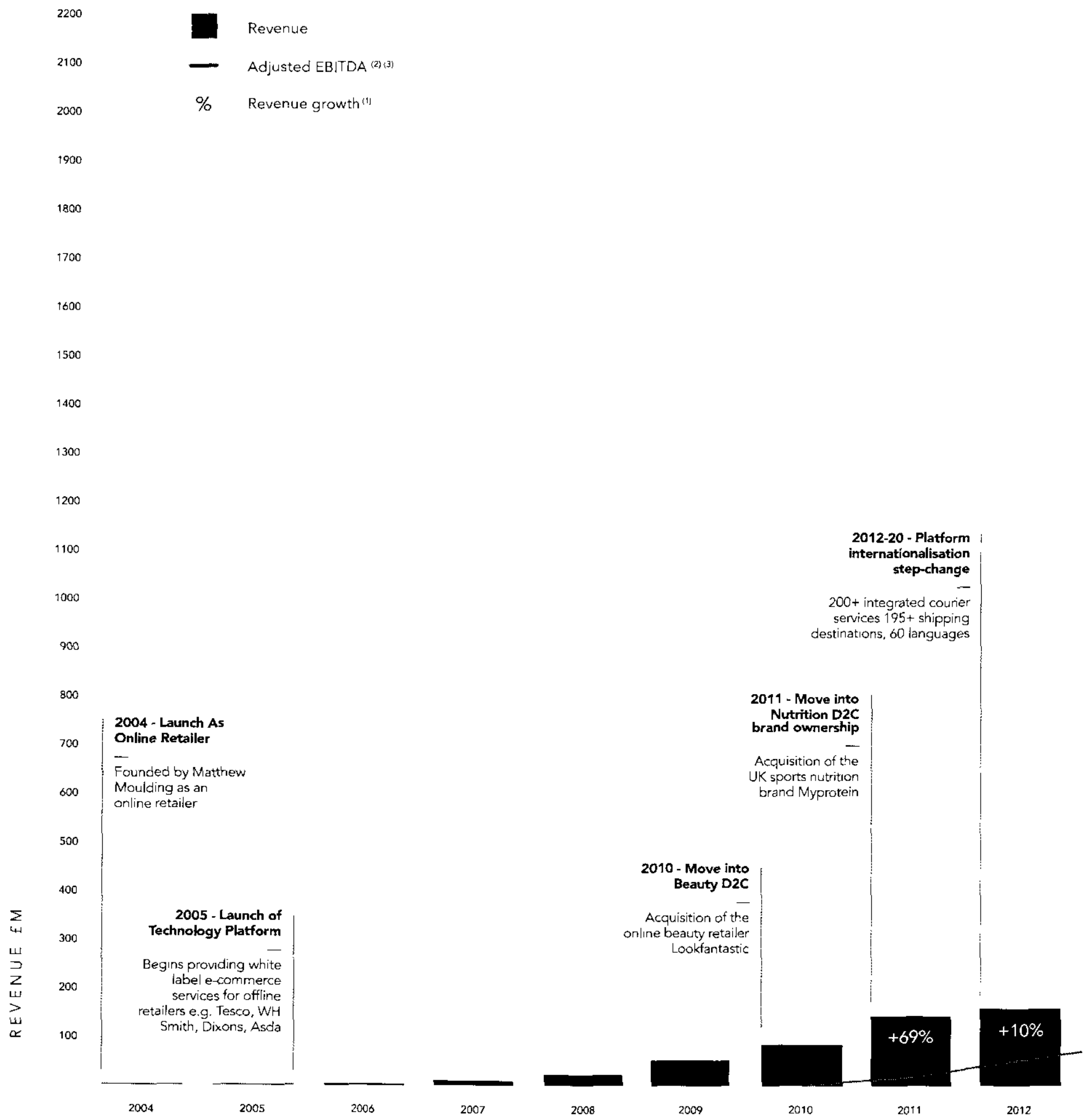
- Critical infrastructure in the Ingenuity stack, underpinning the Ingenuity Commerce offering.
- Third-party revenues ensure that the division is a profit centre not a cost centre, delivering key services to THG own brands (not charged) and Ingenuity clients at scale and with best-in-class know-how.
- Differentiated from Ingenuity Commerce as charged to third parties as a single service or short-term contract, rather than bundled with multiple elements of the Ingenuity stack on long-term contracts.
- Certain infrastructure services are also charged as a single service to third parties: Hosting; Translation; Manufacturing; THG Eco (encompassing plastic recycling, carbon offsetting and tree-planting). Within THG Eco, three businesses were acquired in the year in the plastic recycling and tree-planting sectors for a combined consideration of £17.2m (net of cash acquired).
- Certain infrastructure services (e.g. postage) can be delivered free of charge to the client, when bundled in a Commerce contract in order to ensure compelling pricing. Where costs are passed through to clients at nil THG margin, the pass-through revenues are captured in this division. As the Ingenuity pricing model matures all costs will be charged with a margin so reducing the growth of this pass through at nil margin revenue.
- 100% external client revenues. No THG own-brand or Commerce revenues are recognised in this division.

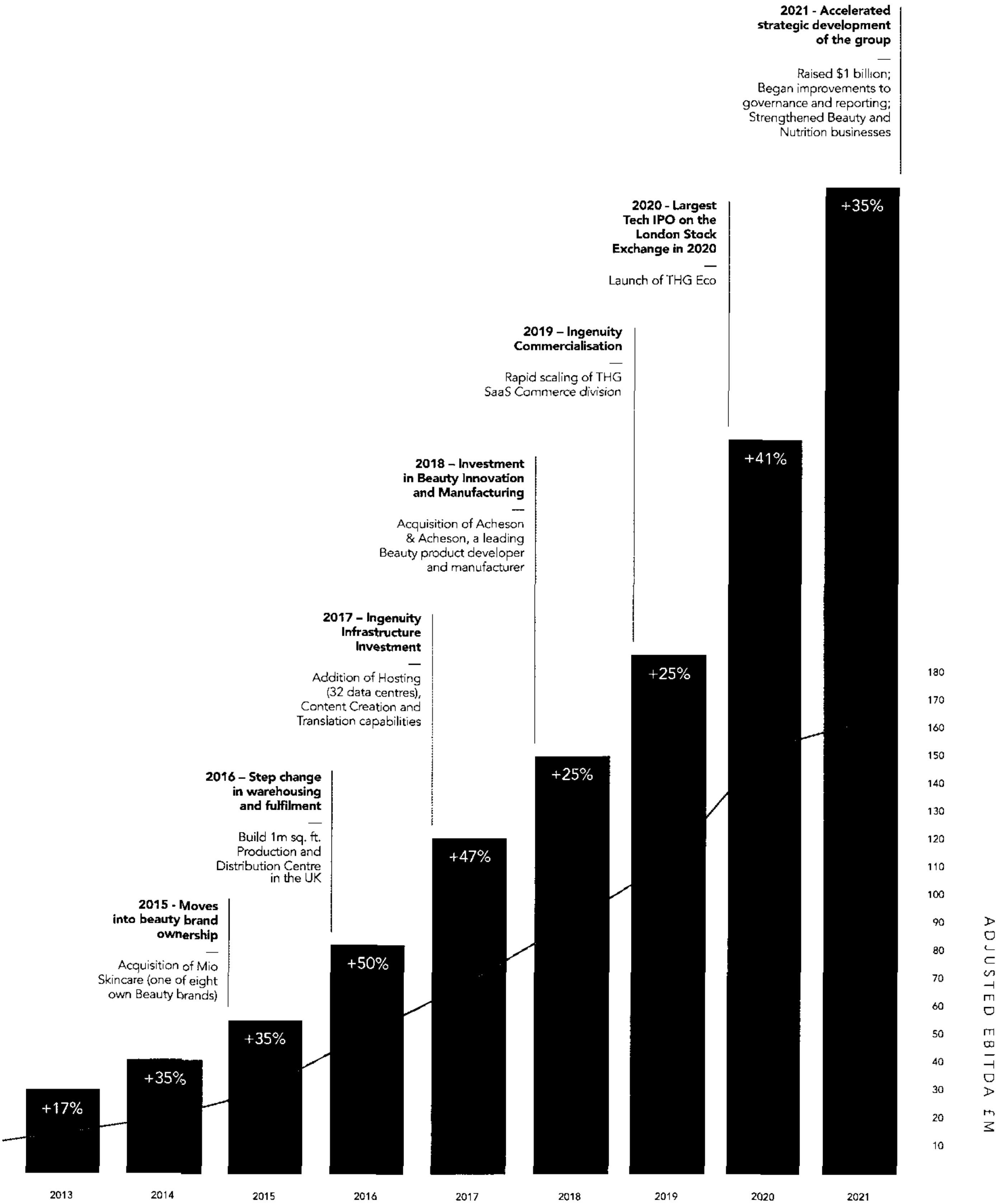
Ingenuity commerce

- End-to-end technology services charged to third parties for digital commerce solutions.
- Multi-year contracts (3-10 years), highly profitable and cash generative.
- Serving enterprise-scale brand owners and retailers across the broadest cross-section of consumer categories, across all major developed and developing geographies.
- The top 20 Ingenuity Commerce clients are powered by Ingenuity in one or more major markets (UK, US, China, Japan, Germany), with an average of three website locales per client.

Our journey to date

We have delivered consistent and profitable growth, powered by Ingenuity, our proprietary platform.





Source: Statutory accounts. Note: (1) Revenue growth and Adj. EBITDA margin calculated based on Group statutory accounts (2) FY18, FY19 and FY20 are on an IFRS 15 basis, prior years are pre-IFRS 15. (3) Defined as operating profit before depreciation, amortisation, share-based payments and exceptional and other items. Adjusted EBITDA in periods FY19 onwards include IFRS 16 adjustment, prior years are pre-IFRS 16.

THG Ingenuity is an end-to-end enterprise e-commerce platform that supports the entire consumer brand owner and retailer market both locally and globally.

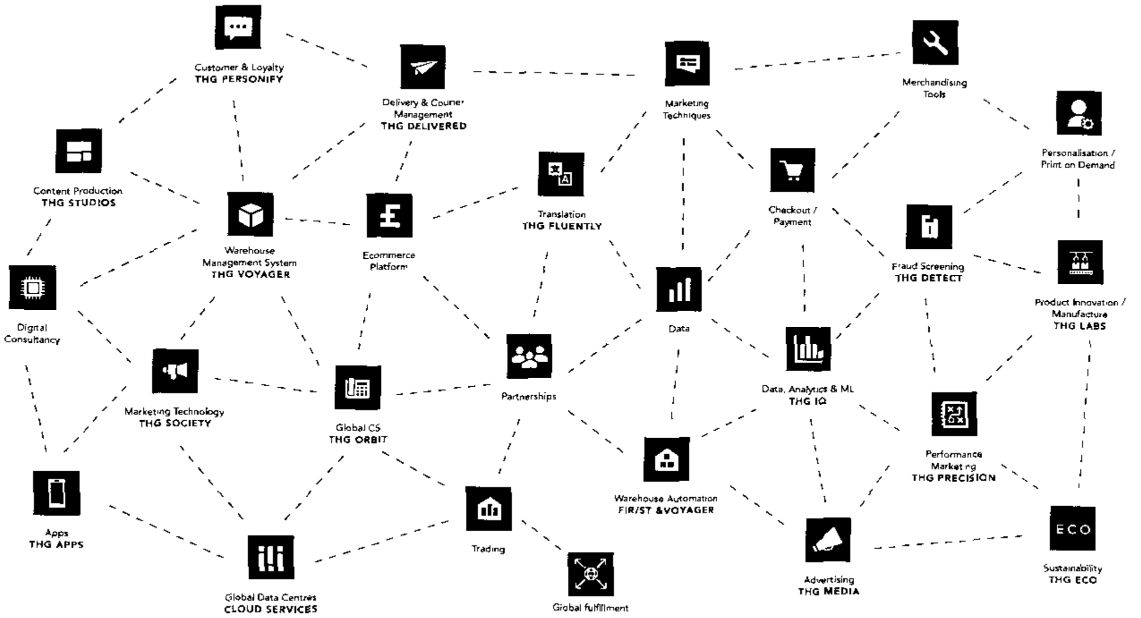
About THG Ingenuity

The THG Ingenuity platform has been developed since 2005 and commercialised since 2018, by brand owners for brand owners, and is the critical enabler of THG's brand building and e-commerce activities. This technology and know-how is now offered to third parties through THG Ingenuity. Success is defined by the international leadership positions of the Lookfantastic and Myprotein brands and the international growth delivered for third-party brands. The international sales growth of THG's brands has been driven by the unique localisation capabilities of the vertically-integrated Ingenuity platform, including localised content, currencies, payment options, marketing, promotional calendars, influencers, new product development, product catalogues, delivery and customer service. THG's brands are in effect the largest customers of this division; however no charges are currently made to THG's brands for internal services provided by Ingenuity.

THG Ingenuity also sells infrastructure services such as hosting, translation, content creation, manufacturing and other operational solutions on a standalone basis. They are also provided to enterprise customers as part of an end-to-end service offering "Ingenuity Commerce".

Our vision is for THG Ingenuity to become the platform of choice for the enterprise market, powering the digital transformation agenda of brands at a global level. THG's unique offering and end-to-end capabilities ensures the model captures a far greater share of the digital spend of its customers than its e-commerce platform peers.

Making the complex simple



It is evident that building a D2C proposition that can efficiently scale and is truly localised to its markets requires significant financial investment, time, resources and digital know-how. Primarily this is because current D2C models typically require working with an off-the-shelf SaaS platform at the core, before adding multiple third-party plug-ins, IT vendors and agencies to knit together an end-to-end offering. The complexity, cost and execution risk involved with this set-up is then further compounded by localisation requirements as brands begin to look outward for growth and more sites are launched in international markets.

THG Ingenuity is a proven platform that enables frictionless end-to-end digital commerce, with all the required components for global digital commerce integrated into a single, digital ecosystem, thus minimising the execution risk for the customer and leveraging a wealth of consumer data to inform growth strategy. Furthermore, THG's digital brand services span brand creation, product development, trading, digital marketing, data analytics, end-to-end content creation, translation and customer services, with all of these key services delivered in-house as part of a unified operating ecosystem. This combination of in-house proprietary technology and digital services offers brands a frictionless, turnkey platform to build out the brands' global online D2C operations through a single SaaS relationship, enabling them to rapidly scale across multiple countries through THG's technology, while also leveraging THG's operating model.

Delivering Coca-Cola's first full-portfolio D2C offering

Why THG Ingenuity:

- Offering a flexible and sophisticated platform to deliver a unique and enriched customer proposition across personalisation, bundling, gifting, product adjacencies and more.
- Improving accessibility of less well known brands within their portfolio, offering an owned 'marketplace' shopping experience.
- Delivering accelerated GMV through Ingenuity's unique Ecommerce model with laser focus on daily trade and marketing performance.
- Eradicating friction points with seamless integrated fulfilment and data support.

Service composition:

- Core Commerce platform inclusive of Checkout & Payments, and proprietary Fraud software.
- Proprietary CRM and Customer Service platform.
- Personalisation capability.
- E-commerce Trading and Data services.
- International Fulfilment including use of Ingenuity's proprietary Warehouse Management System and Order tracking software.

The partnership with Coca-Cola Europacific Partners marked their first full portfolio D2C offering, which launched in October 2020 across the UK

THG Ingenuity provided a flexible and sophisticated core commerce platform, to deliver a unique and iterative customer proposition, with product personalisation, product bundling, gifting, and the launch of product adjacencies across complementary brands.

The site has significantly improved accessibility of lesser-known brands within their portfolio, offering a marketplace shopping experience, and has delivered accelerated GMV through the support of Ingenuity's e-commerce teams.

Through the use of Ingenuity's fulfilment network, proprietary warehouse management system, order tracking software and CRM software, the solution has eradicated customer friction points, and supported the development of a new and engaged online customer base. In 2021, the Ingenuity platform handled over 1bn site visits and processed orders to customers across 195 territories.

"In the long term, this move will allow us to further optimise our range across all of our customer channels, strengthen consumer loyalty and help us to fulfil our potential as category leader."

STRATEGIC PROJECTS DIRECTOR

Brands choose Ingenuity as a long-term strategic partner

The Ingenuity platform is offered externally to a global enterprise customer base as an end-to-end SaaS offering. THG Ingenuity maximises the client's chance of success by providing an all-in-one commerce solution, supported by internal brand-building know-how, as demonstrated by THG's track record of building its own brands to global leadership positions.

The platform integrates:

- THG's advanced e-commerce software technology (including e-commerce platform, warehouse management system, marketing platform, influencer platform, courier platform, checkout, fraud engine, data platform, customer service platform).
- THG's global real-world infrastructure (including global warehousing across18 locations, c.200+ courier services, product manufacturing across eight facilities, plastic recycling across three facilities, 32 data centres).
- THG's digital brand building capabilities (website trading, marketing, influencers, customer service and end-to-end content creation).

Technology

Ecommerce Platform

Data

Fraud Screening
THG DETECT

Digital Services

Digital Consultancy

Trading

Data, Analytics & ML
THG IQ

Global CS
THG ORBIT

Translation
THG FLUENTLY

Content Production
THG STUDIOS

Fulfilment and Operations

Global Data Centres
CLOUD SERVICES

Delivery & Courier Management
THG DELIVERED

Warehouse Management System
THG VOYAGER

Checkout / Payment

THG's technology and operating ecosystems are supported by its end-to-end digital brand services ("THG Digital"). This includes THG Studios, a state-of-the-art creative studio, with the production facilities and in-house team to deliver projects at scale across everything from branding and strategy to creative campaigns, content production and packaging design. In 2021, despite relocating to our Manchester campus, the team delivered more than 330,000 digital content assets, as well as in-house website trading and digital marketing services sold to brand owners under recurring SaaS contracts.

Ingenuity also offers translation and localisation capabilities through THG Fluently, which consists of a network of over 6,000 linguists, with 35 million words translated for THG websites in 2021, an increase of 54% on 2020, enabling customers to fully access our brands' products and services. This localised content is complemented by award-winning international customer service capabilities, enabling customers to correspond with our brands in the language of their choice.

The platform also incorporates in-house digital marketing services, powered by THG's proprietary eCRM (customer relationship management) and marketing and influencer platforms "THG Society".

Marketing Techniques

Merchandising Tools

Apps
THG APPS

Advertising
THG MEDIA

Performance Marketing
THG PRECISION

Customer & Loyalty
THG PERSONIFY

Marketing Tech
THG SOCIETY

Personalisation / Print on Demand

Partnerships

Automated / Manual Warehousing
FIR/ST

Sustainability
THG ECO

Global Fulfillment

Product Innovation / Manufacture
THG LABS

Ingenuity Commerce revenue model

Ingenuity Commerce generated £45.4m revenue in 2021 (2020: £19.3m), with 62% of these being recurring revenue. We monetise Ingenuity Commerce principally through three sets of fees:

1. Technology fees

a. Non-recurring technology fees: These are charged on an upfront basis to cover the costs of the design and development of the website and additional international variants for clients. While these are non-recurring, they are incurred every time a client chooses to add new brands to Ingenuity, and when they wish to add new international website variants for existing brands. Therefore, despite being non-recurring, these technology fees may be generated from clients across a number of years.

b. Recurring SaaS licences: THG charges a monthly licence fee for access to Ingenuity platform components (e.g. e-commerce platform, warehouse management system, content management system, recommendation engine, A/B testing, marketing automation platform, courier platform, checkout, fraud engine, data platform).

b. Non-recurring integration fees are also charged on an upfront basis for integrating partners onto our platform across a range of services, but initially focused on payments. This enables Ingenuity Commerce customers to benefit from access to a sophisticated suite of technology and payment options that are suited to a global market and maintain pace with innovation. These fees can also include advertising campaigns. Whilst this is non-recurring by partner, we expect such fees to be received in future periods as our technology offering continues to evolve.

2. Brand-building fees

a. Recurring monthly brand-building fees: THG charges monthly fees for digital brand-building services including trading (THG will fully operate the websites on behalf of brand owners), marketing services (agency service fees for the management and deployment of digital marketing budgets on behalf of brand owners, which includes access to THG's influencer platform) and end-to-end digital content creation services.

b. Revenue share: THG receives a share of the revenue generated from each Ingenuity website. The percentage share varies by Ingenuity customer and is charged as a percentage of Gross Merchandise Value ("GMV"). This enables THG to participate in the upside it delivers for its brand partners in scaling their online D2C businesses.

c. Additional services: THG will charge for any additional services as part of overarching Ingenuity contracts (based on rate cards). Fees for additional services (e.g. translation, creative services) are charged, with a mark-up, as and when these are provided.

3. Infrastructure service fees

a. Fees for items including payments, customer services, warehousing, fulfilment and postage, are charged to clients. While variable with activity, these fees have a high degree of predictability given they are incurred on a repeat basis.

Case study: William Grant & Sons ("WG&S")

Delivering high-level strategic projects and driving execution with cross-functional teams for Clink*

Why THG Ingenuity:

- Strategic partner that will form a key part of the WG&S digital transformation and e-commerce journey.
- Leveraged our end-to-end capabilities, to scale internationally, capture customer data and provide an NPD platform.
- Help enable WG&S to become a more consumer-centric business.
- Strategic advisory supported a range of high-level topics based on WG&S requirements, enabling a clear roadmap for international expansion and a plan of action to elevate their customer acquisition.

Service composition:

- Following the launch, WG&S signed a strategic retainer with the Digital Strategy team to provide ongoing strategic support post-launch for Clink.
- Advisory services to help drive execution of key proposition initiatives by and creating implementation roadmap.
- Holistic D2C strategy focused on delivering a long-term international growth model. Ingenuity helped identify markets of interest and developed a rollout plan, leveraging THG's data insights, learnings and capabilities.
- Strategic Governance: Ingenuity involved in the Quarterly Business Review process to identify key strategic levers and initiatives for the upcoming quarter.

"THG Ingenuity's strategy consulting services have been valuable in helping shape the strategic direction for Clink and support driving the execution of key initiatives.

In particular, the strategy consulting team supported overall D2C Strategy (where to play and how to win), international expansion analysis and helped develop the holistic customer data acquisition strategy. The ongoing support has proved beneficial resource as part of the team."

E-COMMERCE DIRECTOR

Our growth is supported by a global infrastructure network

At the end of 2021, THG Ingenuity powered over 200 localised Group websites, supporting over 40 currencies and over 60 languages, in addition to supporting over 180 websites for third party brands

These websites benefit from millions of daily visitors during peak trade periods and are delivered to consumers through THG's 32 global data centres, ensuring optimised website performance in all territories. The platform also supports more than 50 payment options, ensuring local consumers can purchase products with the payment method of their choice. THG Ingenuity's operating assets include 18 warehouses and fulfilment sites across four continents, supported by Voyager, THG's proprietary warehouse management system ("WMS"), with over 200 integrated local courier services, ensuring express delivery services in all key territories globally.

Launch of first automated warehouse powered by Voyager and AutoStore

In September 2021, THG launched its first automated warehouse, powered by AutoStore's proprietary Automated Storage Recovery System ("AS/RS") and THG's warehouse management system, Voyager, fulfilling over 7.5m units from the Manchester-based warehouse by year end. The project marks the first warehouse jointly powered by Voyager and AutoStore, ahead of the future launch of FIR/ST.

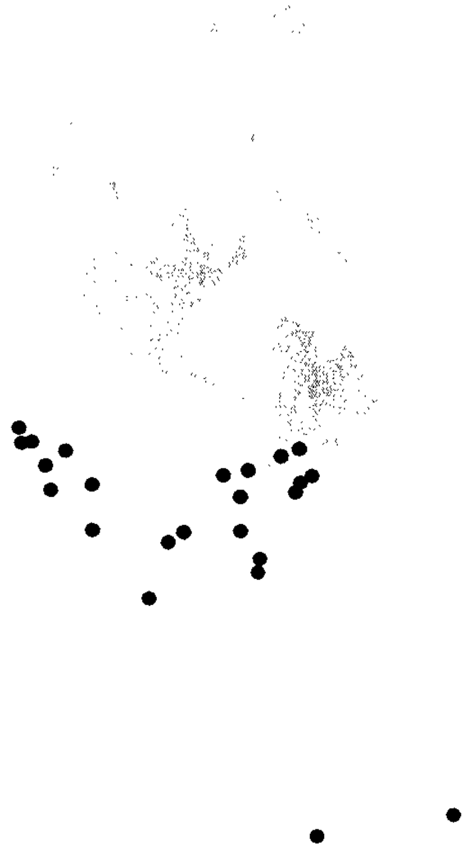
FIR/ST (Fulfilment Inventory Retrieval & Storage Technology) is a single, cross-border productised software solution formed through the integration of AutoStore's AS/RS and Voyager. Through FIR/ST, Ingenuity assumes ownership of project delivery and subsequent project management, removing an intermediary integrator layer, resulting in operational and cost efficiencies and ongoing optimisation for the end client.

As the WMS solution provider with a direct integration into AutoStore, Ingenuity's software engineers and data scientists will continually optimise the solution for the client, driving continued efficiencies. The benefits of this optimisation can be seen through the operating performance of THG's ICON warehouse, where variable labour cost per unit ("CPU") has reduced significantly in each month since launch.

Due to the ongoing savings versus a manual warehouse, ICON generates monthly recurring CPU savings, and is forecast to breakeven on the upfront capital expenditure ("capex") of commissioning the AutoStore solution within 24 months from the warehouse opening. In addition, these savings help mitigate some labour wage inflation seen currently due to the reduced labour intensity of the THG Voyager operating model.

The second Voyager/AutoStore warehouse will be located in New Jersey, providing significant cost efficiencies to the Group's US fulfilment business.

Global infrastructure network



MAP KEY:

- Production Site
- Fulfilment Site
- Content Production
- Office
- Luxury Hotel / Spa
- Hosting Locations

North America:

- Vancouver, Canada
- Toronto, Canada
- Montreal, Canada
- Washington, DC, USA
- New York City, USA
- Chicago, USA
- Los Angeles, USA
- Seattle, USA
- Miami, USA
- California, USA
- Phoenix, USA
- Salt Lake City, USA
- Nevada, USA
- Texas, USA
- Atlanta, USA
- Dallas, USA
- Kentucky, USA
- Indiana, USA
- San Jose, USA
- New Jersey, USA
- Orlando, USA
- Queretaro, Mexico

Europe:

- Oslo, Norway
- Paris, France
- Berlin, Germany
- Frankfurt, Germany
- Stockholm, Sweden
- Lviv, Ukraine
- Amsterdam, Netherlands
- Milan, Italy
- Wrocław, Poland

U.K:

- London, UK
- Luton, UK
- Manchester, UK
- Warrington, UK
- Newcastle, UK
- Hale, UK
- Frome, UK
- Guernsey (British Isles)
- Northwich, UK
- Tywyn, UK
- Blackpool, UK

Asia:

- Delhi, India
- Chennai, India
- Tokyo, Japan
- Seoul, South Korea
- Ningbo, China
- Hong Kong
- Singapore

South America:

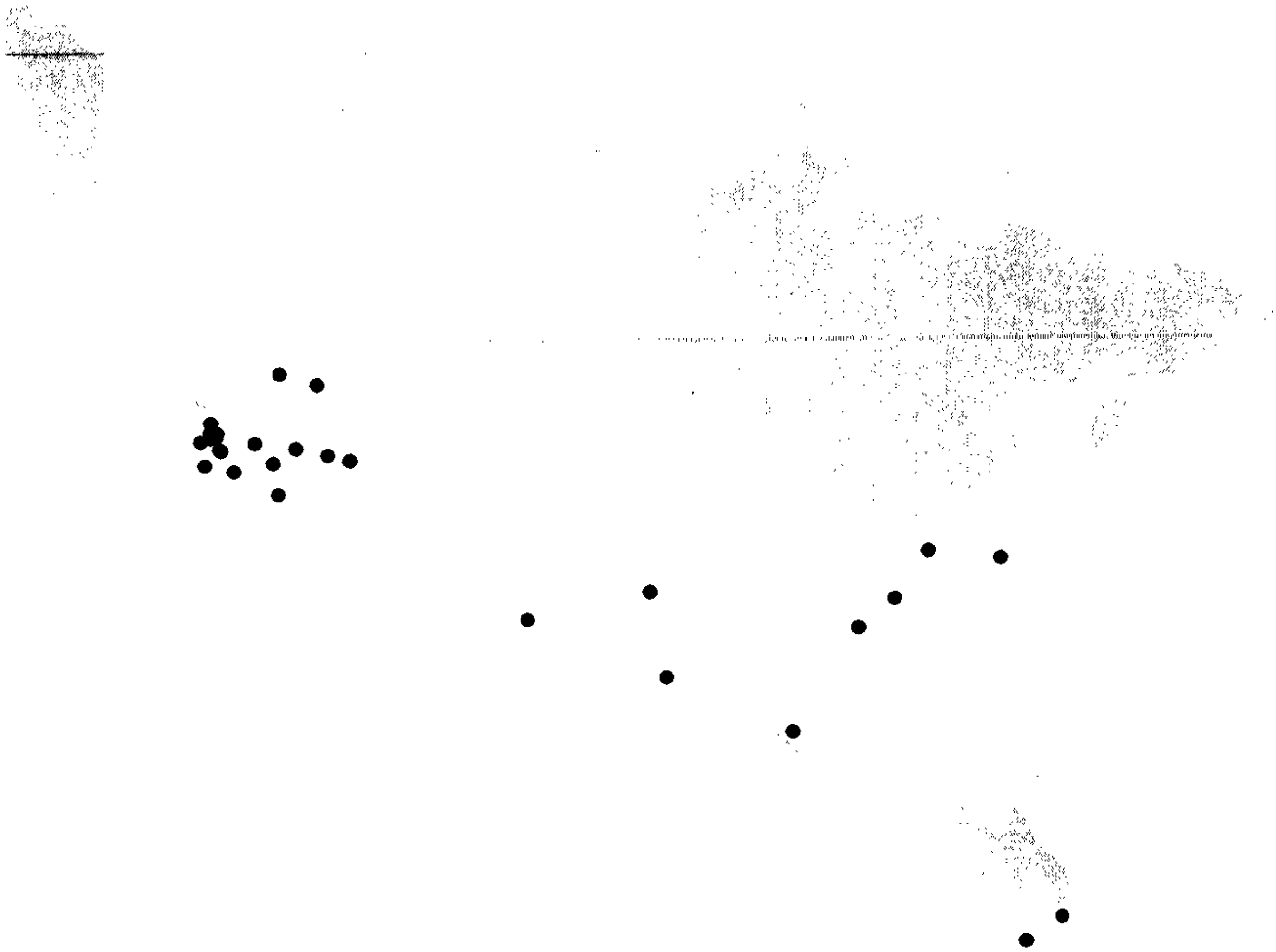
- São Paulo, Brazil
- Chile

Middle East:

- Dubai, UAE

Australasia:

- Sydney, Australia
- Melbourne, Australia



9
Production Facilities

18
Warehousing & Fulfilment Sites

32
Data Centres

50+
Local & Global Payment Methods

195
Shipping Destinations

200+
Courier Services intergrated

THG Ingenuity addressable market

The demand for outsourced, direct-to-consumer technology is increasing – as brand owners are developing their D2C strategies in response to the accelerated consumer shift to e-commerce and the associated benefits that the direct customer relationship offers.

The pandemic has driven an inflection point in e-commerce adoption, meaning that more shoppers are buying online across more categories than ever before. As retail channels become increasingly consolidated, the need for brand owners to develop their digital offerings will continue to increase in importance. Consumers are becoming increasingly comfortable buying online and are looking to take advantage of the greater variety, convenience and information offered by e-commerce, which drives growth broadly across geographies and product categories.

As a consequence, the global outsourced D2C technology market within fast moving consumer goods is forecast to grow to £114bn by 2023, and our track record in growing health and beauty brands makes this the most immediately addressable market, encompassing food and beverage in addition to household products.

This is also a category where brands are most likely to require support in shifting to a D2C business model, having historically sold via traditional grocery and beauty retailers.

Due to our increasing breadth, we believe that the revenue opportunity across other relevant industry sectors is considerable, which Ingenuity is able to address given the category-agnostic nature of the platform, evidenced by the diversity of clients we support today.

As our proposition has evolved, our addressable market has further expanded beyond the end-to-end services market.

Whilst the vast majority of our current clients have partnered with Ingenuity across our full end-to-end solution due to the convenience this offers, we see additional opportunities to deploy many of our products on a stand-alone basis.

These include but are not limited to:

- WMS.
- Delivery and courier services.
- Digital marketing services.
- Checkout.
- Martech.

We expect these markets to continue to grow, underpinned by multiple structural tailwinds.

THG Ingenuity Commerce FMCG adressable markets (2021)

Total outsourced D2C consumer spend

£76bn

in 2021

Expected to grow to

£114bn

in 2023 (+23% 2021-23 CAGR)

Core competencies addressable markets (2021)

>£1bn

Warehouse management solutions

>£15bn

Marketing technology

>£83bn

Digital marketing services

>£4bn

Payment gateways

 Note: Company estimates based on analysis of third party information

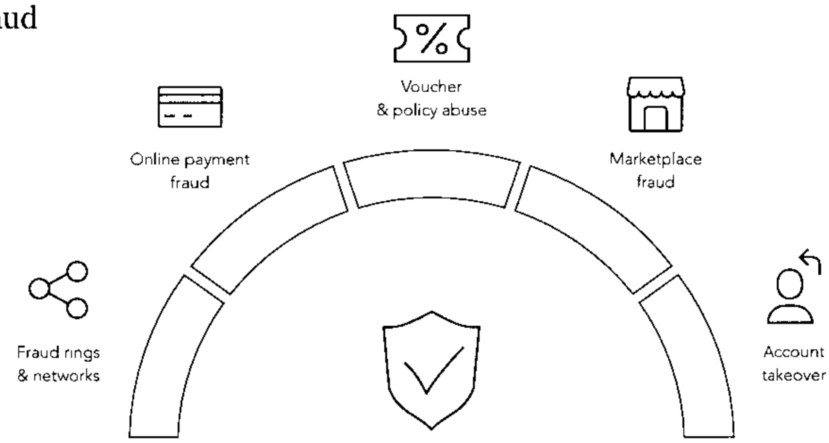
THG Detect

Following the launch of THG Detect, our in-house fraud detection and prevention platform, in 2020, we have delivered significant reduction in chargebacks and false positives for our brands, thereby minimising fraud risk while maximising revenue.

The re-platforming of Cult Beauty and Dermstore to Ingenuity demonstrate the tangible benefits of THG Detect, with both exhibiting significantly improved fraud operating metrics since acquisition, while removing the cost of licensing a third-party solution.

The success of THG Detect has been recognised by the fraud detection industry, with THG Detect winning the award for Most Innovative Online Retail Risk Management Solution at the 2021 and 2020 Retail Risk's Fraud Awards. This was also accompanied by individual awards for Raphael Lawson, THG's Fraud Director, and Kristy Edge, THG's Head of Fraud Operations at the same awards in 2021.

Types of fraud prevented



144% More peak orders processed per minute

37% Reduction in manual review rate

68% Reduction in fraud order held times

Looking forward

We continue to invest in further technology developments, real-world infrastructure, our digital talent base and partnerships, which benefit both our own brands and our Ingenuity Commerce customers alike.

Marketing

THG's marketing ecosystem is underpinned by fully-integrated real-time data feeds and an integrated single customer view, enabling optimised media spend across all brands and territories.

- THG Ingenuity has an integrated marketing ecosystem, fully operated by in-house teams, without reliance on external marketing agencies.

- THG's integrated offering avoids the execution risk and complexity of integrating disparate third-party providers, and enables marketing strategies to be optimised on a live basis through a single business data view.

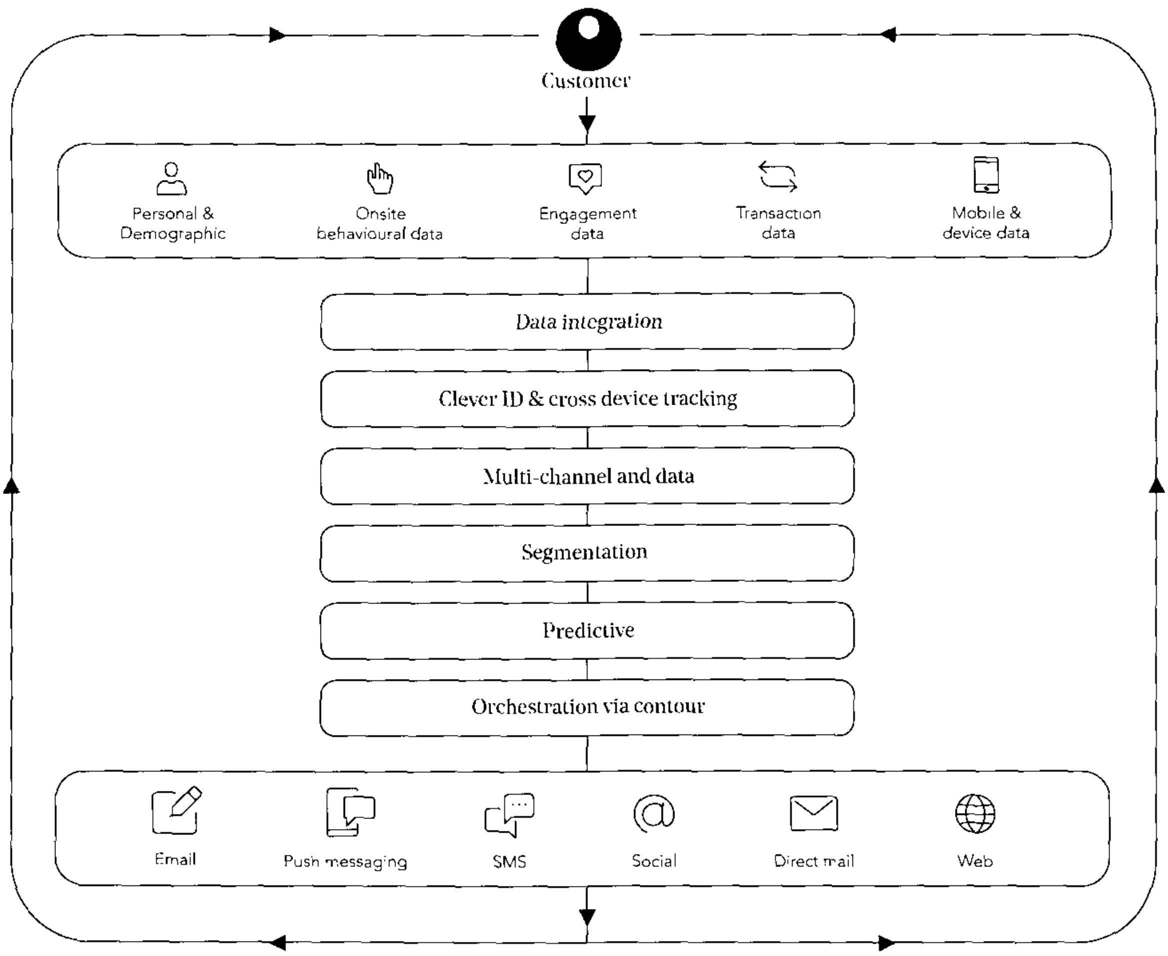
- Stable marketing costs as a % of sales across historical years due to active optimisation of customer acquisition costs and pivots between marketing channels.

- Over 16.4m active beauty and nutrition customers, accompanied by strong retention dynamics (c.80% of online sales from repeat customers), drives high Customer Lifetime Values.

- THG Ingenuity's digital content (delivered in-house by THG Studios), mobile apps (developed in-house by THG Ingenuity) and 32,000+ influencers (managed through THG Society, THG's in-house influencer solution) are used to drive customer engagement and retention, enabling THG to deliver scalable and cost-effective customer growth.

A 360° view enabling data-driven marketing that seamlessly addresses the needs of customers at every touchpoint of their journey

- A centralised hub for customer data.
- Data is pooled from multiple sources into a unified customer database.
- Designed to identify individual customers across all channels and devices.
- Intelligent connections between collected data points, creating a sophisticated customer profile.
- Connected to and feeding customer/lead acquisition platforms with data in real time.
- Data from visitor to delivery helps fuel acquisition and retention optimisation through the ecosystem.
- Profile used as a predictive model to determine how to reach and retain that customer.
- Customer profiles can be assembled from fragmentary data collected from mobile devices, transactions, websites, emails and so on.



Case study: THG apps

- THG apps launced late 2019 and have scaled throughout 2020 and 2021 to become an ever increasingly important part of our ecosystem.
- Exclusive campaigns, product launches, offers and functionality designed to give value to customers of our brands via the app experience.
- Curated content from THG studios, influencers, media partners, brands and our own digital magazines with dedicated sections within the apps help to give value add to app users and drive stickiness.

Customer shopping via the app on average:

- Spend more.
- Are more likely to repeat order.
- Have higher lifetime values.
- Return more frequently.

7%

of D2C sales in FY21
(excl. Cult Beauty and Dermstore)

Over 6.8m

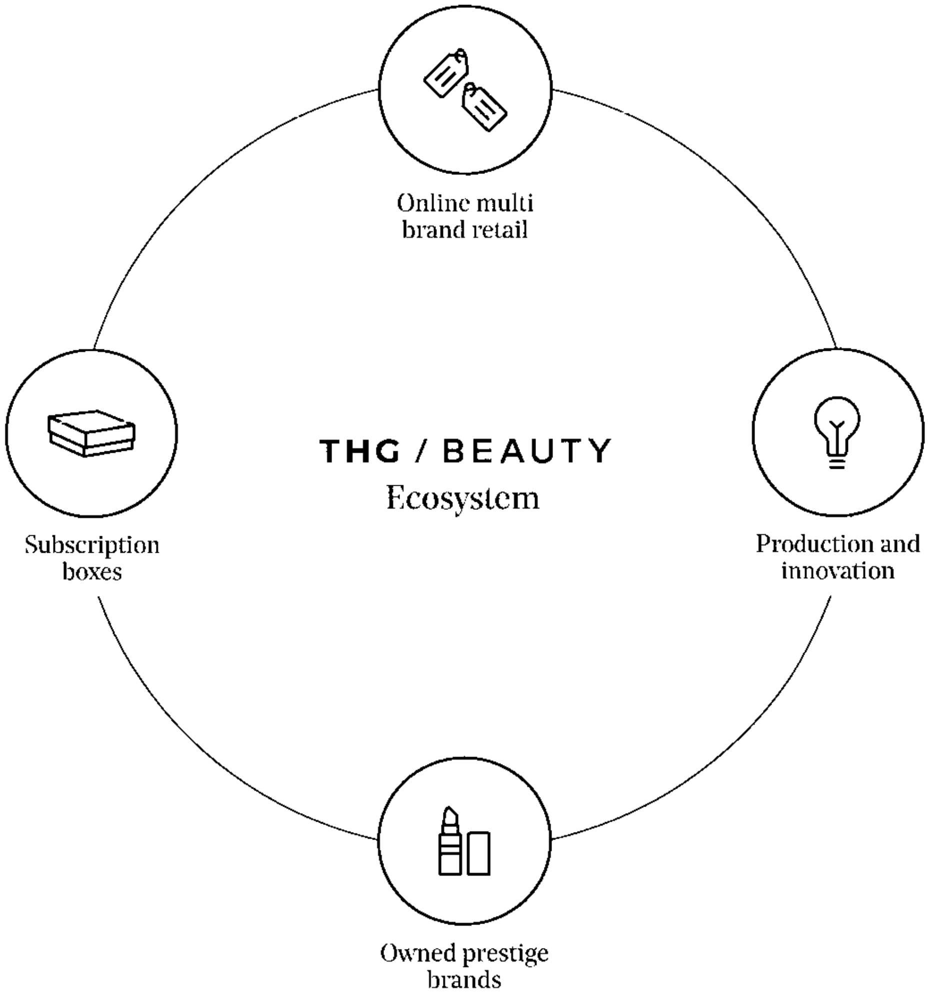
app downloads since launch

c.23%

day reduction between
Lookfantastic orders

+12%

higher AOVs for new
customers for Lookfantastic



THG Beauty, the largest pure-play online beauty retailer, brings together online multi-brand retail, subscription boxes, owned prestige brands along with production and innovation capability.

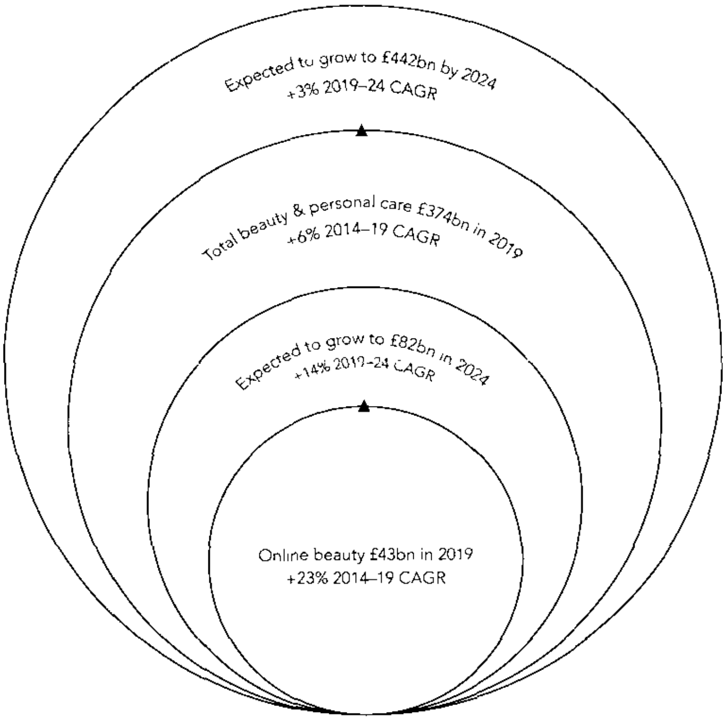
The THG Beauty ecosystem accelerates value creation from data, generates superior consumer engagement and provides deep relationships with our brand partners. THG Beauty spans the prestige beauty value chain from brand ownership, third-party brand retailing, subscription boxes to in-house product innovation and compliance. With its unique digital ecosystem and market-leading beauty retail platform, THG is the pre-eminent global digital beauty business and therefore a critical strategic partner for brands as they navigate the transition from offline to online.

In 2021, we augmented THG Beauty through the acquisitions of Cult Beauty, Dermstore and Bentley Laboratories, while continuing to deliver strong organic growth and develop future relationships with leading brand partners.

About THG Beauty

Division	Brands	Capabilities
THG Beauty Retail	DERMSTORE, cult BEAUTY, LOOKFANTASTIC, MY, BEAUTY EXPERT, SkinCareRx, MANKIND, HQhair, SkinStore	• Retailer of branded beauty through its wholly-owned global online retail banner channels. • A critical route to market for >1,300 brands. • Supported by a global network of beauty influencers. • 30+ localised websites powered by the Ingenuity platform, with localised pricing, promotions, content, marketing, influencers, customer service, couriers and payment options.
THG Beauty Brands	ILLAMASQUA, PerriconeMD, AMELIORATE, mio, ESPA, Christophe Robin, GROW GORGEOUS, eyeko	• Portfolio of eight prestige beauty brands, seeking to exploit the trend of digital channel shift across skincare, haircare and cosmetics. • Acquired brands have scaled rapidly and enjoy enhanced margins once introduced to the Ingenuity platform. • Vertically integrated, with full control over new product development.
Subscription Boxes	GLOSSYBOX, LOOKFANTASTIC	• Acting as a gateway into THG Beauty for consumers. • Subscription-based beauty boxes represent a global sampling opportunity for brands. • Monthly surveys generate thousands of behavioural consumer data points, providing valuable insights to THG and its brand partners.
Production Capabilities	THG / LABS	• Manufactures for a number of category-leading third-party brands. • In-house manufacturing of c.50% of THG's Beauty Brands. • BRC Grade A and FDA-approved manufacturing, complemented by an R&D team of 75+ employees.

The total addressable market for global beauty



Note: Company estimates based on analysis of third party information

About THG Beauty

THG Beauty operates leading pure-play sites such as Lookfantastic, Cult Beauty and Dermstore, offering more than 1,300 premium brands across the skincare, haircare, cosmetics and fragrance categories, into 195 territories, with leading positions in the UK, US and Europe.

THG's online multi-brand sites each have distinct positioning, enabling the specific engagement and targeting of customer segments and needs. Lookfantastic is the world's #1 online pure-play retailer for prestige beauty products, Cult Beauty is the first-to-market choice for independent brands, while Dermstore is the leading US online retailer for professional skincare brands. Given the selective online distribution of prestige beauty brands, THG has cultivated a highly loyal customer base complemented by continued strong new customer acquisition, with 9.2m Active Customers at the year end.

Leveraging its end-to-end technology platform, data insights, digital content, performance marketing and influencer networks and events, THG Beauty's fully-integrated digital model has enabled THG to create international demand for partner brands that have previously predominantly been sold in their country of origin only. This makes THG Beauty a key partner for brands spanning from small independents to large global players. THG expects these relationships to develop further, as the shift to online channels continues and our retail banners continues to expand internationally.

THG Beauty has two subscription box services – Lookfantastic Beauty Box, positioned as #3 in the UK and Glossybox, positioned as #1 in both the UK and Germany, based on subscription box usage, according to a leading management consultancy consumer survey. Both services have leading NPS scores and high conversion from purchase to favourite. THG's subscription boxes position THG as a leading authority in digital beauty education and discovery, while also acting as a highly effective customer acquisition channel for THG Beauty's retail sites, converting high-spending sampling customers to full size sales on our retail banners.

THG Beauty's portfolio of eight prestige brands are retailed through its own online multi-brand sites as well as D2C websites, subscription boxes and third-party channels, and address consumer needs across skincare, haircare and cosmetics. THG Beauty has a track record of successful brand acquisitions, having built a portfolio of disruptive brands that have been scaled both online and internationally through the THG Ingenuity platform. THG's beauty retail ecosystem creates a source of advantage when acquiring brands, with sales insights from the retail platform used to inform decisions on brand acquisition, and its beauty retail platforms significantly accelerate sales post-acquisition.

THG Beauty is also supporting brand partners with their new product development ("NPD")capabilities informed by market and brand trend insights from its global customer base. With in-house product development and manufacturing capabilities, we enable independent brands to scale, while reducing cost and complexity for larger brand partners. Through its integrated model, THG supports partners in building their brands with rich consumer insights from its retail business. THG is further able to support partners in driving brand awareness through its leading subscription boxes, personalised online content and global influencer network. THG collaborates with smaller brands to provide them with global distribution capabilities enabling them to rapidly scale their business.

Data insights captured via THG Beauty's growing international active customer base of 9.2m, who visit our retail destination sites in search of new beauty products and content, enable us to accelerate value creation for brand partners. By having live and exceptional insight into rapidly changing consumer behaviour, decision making is improved through the combination of market knowledge and integrated operations, which supports innovation, content generation and brand partnerships. This results in THG Beauty offering the most compelling beauty products and personalised content, keeping our beauty retail sites market-leading, and consistently improving on superior consumer experience.

In 2021, THG Beauty generated £1.1bn in revenue, an increase of 51.8% year-on-year on a constant currency basis, principally driven by the continued growth of Lookfantastic, alongside the contributions of businesses acquired during the year (Cult Beauty, Dermstore and Bentley Laboratories).

Due to THG's unique combination of proprietary technology, global infrastructure and digital brand-building expertise, THG Beauty represents a critical route-to-market for beauty brands seeking to grow, innovate and connect with global audiences. THG Beauty continually refreshes its brand portfolio to deliver unparalleled choice for its global customer base, with additions to Lookfantastic during 2021 including Obagi, Hourglass, Coola, Biotherm, Viktor & Rolf, and Kate Somerville. THG Beauty's revenue is diversified across a wide number of brands, with no single brand accounting for more than 10% of revenue in any year between 2016 and 2021.

THG's branded apps continue to be a source of strong new customer growth, offering greater convenience and enabling deeper customer engagement through bespoke promotions. App users typically exhibit enhanced average order values and repeat purchase metrics with 2.5m app downloads since 2020 launch, now accounting for over 6% of Lookfantastic sales. In May 2021, Lookfantastic launched its "Digital Magazine", which led to increased engagement with 30% of customers who received the digital magazine as a "gift with purchase" returning and making a further order within 60 days.

Strategic investment: Dermstore

Dermstore was acquired by THG in February 2021 for \$350m (on a cash free and debt-free basis).

Founded in 1999, Dermstore was established to provide online access to professional grade skincare in the US.

Through curated, expert-driven content and a focused product assortment from c.300 longstanding prestige and professional beauty brands, Dermstore's strong heritage and authority in professional skincare offers the opportunity for THG to expand the US distribution of its existing brands through access to Dermstore's US customer base. The THG Ingenuity platform also enables Dermstore's brands to expand internationally, in the same way that Lookfantastic has unlocked the international sales potential of its brand partners in international markets.

Since acquiring Dermstore in February 2021, THG has introduced its portfolio of eight owned beauty brands to Dermstore's loyal and rapidly-growing US customer base. THG continues to scale up its beauty box business through bringing new beauty box initiatives to the Dermstore customer base, as has proven to be highly successful for Lookfantastic, which will in turn unlock incremental marketing revenue.

The migration of websites is not without execution risk and the Group's experience in this regard has delivered meaningful improvements to customer experience, including a reduction in chargeback rates from 3% to 0.1% after re-platforming Dermstore.

Strategic investment: Bentley Laboratories

In June 2021, THG acquired Bentley Laboratories ("Bentley") for $255m (on a cash-free and debt-free basis), an innovative developer and manufacturer of prestige skincare and haircare products.

The acquisition enables THG to further enhance the services provided to partner brands via its in-house innovation and product development expertise ("THG Labs"), complementing its existing UK beauty manufacturing facilities.

THG was already an important customer of Bentley through the development and manufacturing of award-winning products for THG's prestige Perricone MD brand ("Perricone"), and the acquisition immediately allows THG to internalise the production of Perricone (and other THG brands) and to accelerate the programme of new product development.

Established in 2002 in New Jersey, Bentley has demonstrated fast and profitable growth, supported by longstanding relationships with more than 70 leading prestige beauty brands. Bentley operates a high-touch, end-to-end model focused on innovation, with the expertise and production capabilities to handle complex ingredients and formulations across a range of product categories. This expertise is highly valued by its customers, with over 700 new products launched since 2017. Bentley is differentiated by its end-to-end service, encompassing product design and development, formulation development, turnkey packaging solutions, international sourcing and product testing. Bentley is FDA OTC Licensed, ISO 9001:2015 certified and holds the USDA Organic Certification across the United States and Canada, supporting its focus on high quality and compliance standards.

The acquisition provides THG with industry-leading in-house skincare and haircare new product development and manufacturing capabilities in the US, which will be leveraged across THG's expanding own beauty brand portfolio as well as THG's partner brands to embed THG even more deeply as a strategic partner for clients. THG intends to build upon Bentley's success by supporting its next phase of growth and providing Bentley's existing brand partners with continued exceptional service, as well as access to THG's Ingenuity platform and digital brand-building capabilities.

Strategic investment: Cult Beauty

In August 2021, THG acquired Cult Beauty, a leading UK pure-play online prestige beauty retailer for £275m (on a cash-free and debt-free basis).

The acquisition strengthens THG's position in the UK market, with Cult Beauty ("Cult") retaining a very clear identity within THG Beauty due to its distinguished brand portfolio.

Founded in 2007, Cult is a favoured partner for independent brands, acting as an "incubator" for new brands with limited marketing and distribution capabilities, which has given Cult a "first to market" reputation. Through curated, expert-driven content and a focused product assortment, Cult has established itself as the UK authority for independent brands, being the authorised online retailer of c.300 prestige brands across skincare, haircare and cosmetics, including Charlotte Tilbury, Drunk Elephant and Huda Beauty. Around two-thirds of Cult's brands were not historically listed on other THG Beauty sites, thereby providing an opportunity to broaden consumer choice globally. With its strong heritage in emerging and independent skincare, Cult has a differentiated consumer base, with less than 50% of Cult's sales being international at acquisition, which represents a compelling opportunity to accelerate global growth through the Ingenuity platform.

Cult Beauty has been successfully migrated to the Ingenuity platform ahead of schedule, delivering immediate improvements including a 30% uplift in conversion rates, a 6% uplift in average order values, a 36% improvement in page load times and lower technology costs to serve. A highlight post re-platforming has been the success of the Cult Beauty Advent calendar which sold over 11,500 units in two hours with no website downtime.

The Cult Beauty acquisition also provides THG with a platform to drive further growth of THG's portfolio of eight owned beauty brands through access to Cult Beauty's loyal, discerning and rapidly-growing customer base. THG is also increasing the scale of its beauty box business through bringing new beauty box initiatives to the Cult Beauty customer base.

THG is building a disruptive portfolio of prestige beauty brands through acquisition, developed and manufactured in THG facilities, and retailed online through the THG Ingenuity platform, utilising its digital brand-building expertise.

THG has a compelling track record of profitably scaling D2C brands. THG acquired its first beauty brand in 2015, with the vision of building a disruptive portfolio of digital-first beauty brands, retailed through local D2C websites. The Group's beauty brands are being scaled internationally by leveraging the reach of THG's beauty retail platform, powered by the unique localisation capabilities of the Ingenuity platform. THG Ingenuity enables brands that were previously sold mainly in their country of origin to expand internationally at a rapid pace. By contrast, traditional beauty brands are typically constrained by store-based retail channels and limited geographical reach, providing reduced opportunities and less profitable routes to growth.

Our acquired beauty brands typically also enjoy significantly-enhanced margins once introduced to the Ingenuity platform, due to the substantial operating leverage it affords and due to the higher margin nature of D2C sales.

THG has been executing this own-brand beauty acquisition strategy for the past seven years, with over 50% of revenues across its existing portfolio of beauty brands now being generated from D2C sales and over 75% of revenues generated from outside of the UK.

The majority of THG's own beauty brands are also developed and manufactured in-house, through our FDA and BRC A-accredited state-of-the-art product innovation and manufacturing facilities. THG's fully vertically-integrated business model, with full control over NPD branding and design capabilities, has significantly reduced development timelines, with innovation informed by demand insights from THG's global beauty retail customer base.

Evolution continues across the brand portfolio as the product range of each brand is expanded. For ESPA, we developed a new "Active Nutrient" collection, which includes an expanded haircare range that is packed with high-performance ingredients to help balance the scalp and restore vitality.

For Christophe Robin, we released more than 30 SKUs, including innovative launches in the "Purifying" Range, such as the "Purifying Mask with Thermal Mud", which contains an innovative combination of selected natural ingredients. These include spirulina, which provides cleaning and purification of oily roots while also supporting the effectiveness of the scalp's barrier function.

For Grow Gorgeous, we launched a new "Booster" range which introduces care ingredients such as Vitamin C, AHA, CICA extract and Niacinamide into product formulas. We also launched new scalp tonics and hair serums that complement the traditional shampoo and conditioner.

Case Study:

Nature's Resonance by ESPA

Spa Concept

Sustainability

(more : trees)

Nature's Resonance by ESPA

Created exclusively for One&Only Resorts, Nature's Resonance by ESPA is built upon two pillars: eco-therapy and vibrational energy.

Everything on our planet and in our body works and communicates via vibrations. By tapping into the boundaries of our senses, the Nature's Resonance treatment series invites guests to re-tune their bodies by introducing "healing hertz", a method of influencing vibrational patterns, seeking balance and restoring harmony as found within nature.

Partnership with THG (more:trees)

Working in partnership with eco-tech platform (more:trees), for every Nature's Resonance treatment that is booked globally, trees are planted according to the length *of treatment.*

At select properties, guests who book a 90-minute treatment are invited to plant a seed at the resort in which they stay as an opportunity to give thanks and support the natural surroundings celebrated during Nature's Resonance.

Case Study:

Grow Gorgeous

On our way to a more sustainable future

The Grow Gorgeous SENSITIVE range (launched February 2021) is delivered with a more sustainable approach, with all Sensitive packaging being completely recyclable.

The Shampoo and Conditioner Duo tube sleeve and tube head are made from 90% sugarcane derived biopolymer, which means 62% of the plastic used in the new Sensitive range is manufactured from a renewable source. Sugarcane biopolymer provides a much lower carbon footprint than the conventional plastic, because *growing plants removes CO2 from the atmosphere* and keeps it stored throughout the entire product life. Biopolymer is fully recyclable at the end of life, and there is no difference in performance or appearance to the result. This is being rolled out across all Grow Gorgeous packaging, as well as the addition of vegan and leaping bunny certifications on pack.

Subscription Boxes

THG Beauty has two established subscription box services – Lookfantastic Beauty Box and Glossybox. Both services have leading NPS scores and high conversion rates from purchase to favourite. THG's subscription boxes position THG as a leading authority in digital beauty education and discovery. In 2021, the Group expanded its leading beauty box offering to Dermstore and Cult Beauty.

THG continues to broaden its subscription boxes offering through incremental product launches, such as advent calendars and one-off partnership boxes with brands such as Too Faced, Keratase and CeraVe, which complement the subscription business and leverage THG's longstanding relationships with beauty brands. Subscription boxes bring benefits to both THG Beauty and its brand partners – for THG Beauty, subscription boxes act as a marketing channel for its own beauty brands, providing identification of market trends, leading to highly-engaged customers giving continuous feedback and acting as an effective customer acquisition channel from converting high-spending sampling customers into retail banners customers.

Brand partners benefit from access to a large and valuable prestige audience through a recognised retail brand, providing brand partners the opportunity to test new products and formats on a target audience with added influencer and celebrity coverage through THG's marketing programmes.

Subscription boxes also enable brand partners' products to reach beauty consumers who are switching from traditional forms of retail and media. Beauty subscription therefore represents a strategically important channel, with THG acting as a key partner to beauty brands in the movement of marketing spend away from offline channels, such as magazines and TV, to online channels, such as subscription boxes, digital media and influencers.

Beauty brand innovation and product development

THG now has a substantial presence in the US Beauty market through the acquisition of the US retailers Skinstore in 2016, Perricone MD in 2020 and Dermstore in 2021. In addition, Glossybox and Christophe Robin, two European-based businesses, have dedicated US offices. THG's US presence was further enhanced through the acquisition of Bentley, an innovative developer and manufacturer of prestige skincare and haircare products in 2021. Given the scale of the US beauty market and the continued channel shift towards online sales, THG sees the US beauty market as a key opportunity for expansion of its beauty brands.

Finally, THG's innovation and manufacturing facilities produce c.48% of own-brand beauty products by revenue in-house, providing THG Beauty with a vertically-integrated model. These in-house facilities ensure THG has full control over new product development and significantly reduced product development timelines, with innovation informed by demand insights from THG's global beauty retail customer base. THG also manufactures for a number of third-party beauty brands, further deepening its relationships with the brands that it retails.

Looking forward

THG intends to become the undisputed global digital partner of choice across the beauty industry, powering channel shift from offline to online for its brand partners. THG is uniquely placed to deliver this shift due to its multi-faceted business model. THG engages with brands as a retailer, a technology partner, a brand owner and a product developer and manufacturer – the breadth of its relationships are unique in the beauty industry, confirming THG as the industry's digital strategic leader.

Myprotein is the largest online D2C sports nutrition brand globally, expanding into adjacent categories of the global wellness market through its family of sub-brands

MYPROTEIN MYVEGAN MYVITAMINS MP MYPRO exante

THG Nutrition comprises the Myprotein brand family, a combination of holistic wellbeing brands, and the weight management and healthy lifestyle brand, Exante. Myprotein addresses the core sports nutrition customer, while Myvitamins, Myvegan and MP Clothing target the growing adjacent markets of vitamins, vegan sports nutrition, healthy snacks, sports apparel and performance clothing respectively.

In 2021, THG Nutrition served more than 7m Active Customers globally. These disruptive digital brands continue to scale rapidly, powered by the unique localisation capabilities of the Ingenuity platform. THG Nutrition's vertically-integrated model lends itself to a fully-localised approach to brand development, operating over 50 websites supported by fully-localised content, product catalogues, trading, marketing, influencers, payment options, fulfilment and customer service. This combined technology and operating ecosystem, powered by the THG Ingenuity platform, has proven to be highly effective and has facilitated rapid international growth, with Myprotein holding leading market shares in the UK and Europe, while rapidly scaling its presence in Asia and North America. THG continues to invest further in technology and logistics infrastructure to better service international customers, while continuing to evolve its product range in line with local tastes, replicating the success seen in Asia in other growing markets.

Myprotein continues to evolve from a sports nutrition brand, into a holistic lifestyle and wellbeing brand, pushing into adjacent categories which have similar underlying needs, and fit with the Group's business model. The dedicated family of brands (Myvitamins, Myvegan, Myprotein Pro and MP Clothing), address a wide range of wellbeing needs: sports nutrition, healthy snacks, convenience and sports drinks, adult vitamins, minerals and supplements ("VMS"), sports apparel and, through Exante, weight management products and support. Each family brand is supported by individual brand building, product development, digital content, influencers, trading and marketing strategies, enabling broad-based growth across all categories of the global nutrition market.

During 2021, Myprotein launched Command, a new family brand, targeting the fast-growing nootropics market. This was followed by the launch of BeNu, offering "complete nutrition", with formulations that support the immune system, digestion and overall wellbeing. As with other family brand launches, Command and BeNu leverage Myprotein's brand equity and consumer trust, while being supported by an individual brand, promotion and product innovation strategy. This multi-category approach enables the Group to capture a much greater share of wallet over time – with Myprotein now addressing c.65% of households through its products, vs. c.20% through sports nutrition-only products. Myprotein products are manufactured to the highest production standards, with its lead facility being a BRC Grade AA production facility in Warrington, England. Over 80% of non-clothing products by revenue are manufactured in-house, through a network of seven manufacturing facilities in the UK, US and Europe. The breadth of in-house manufacturing has been expanded in recent years through the acquisition of Brighter Foods, a specialist developer of healthy snacking and nutrition bars, Claremont Ingredients, a flavour developer, and David Berryman, a fruit blender and drinks manufacturer. In addition to manufacturing for THG Nutrition's brands, these facilities also develop and manufacture products for a range of third parties. Through these facilities, Myprotein operates a vertically integrated model, utilising consumer data and feedback from its online customers to inform new product development decisions, enabling Myprotein to target local needs and bring relevant products to markets more rapidly. Alongside this, the Group's vertically-integrated D2C platform has economies of scale advantages and greater control over margins than competitors who outsource production, use third-party technology platforms and do not control their brand's route to market.

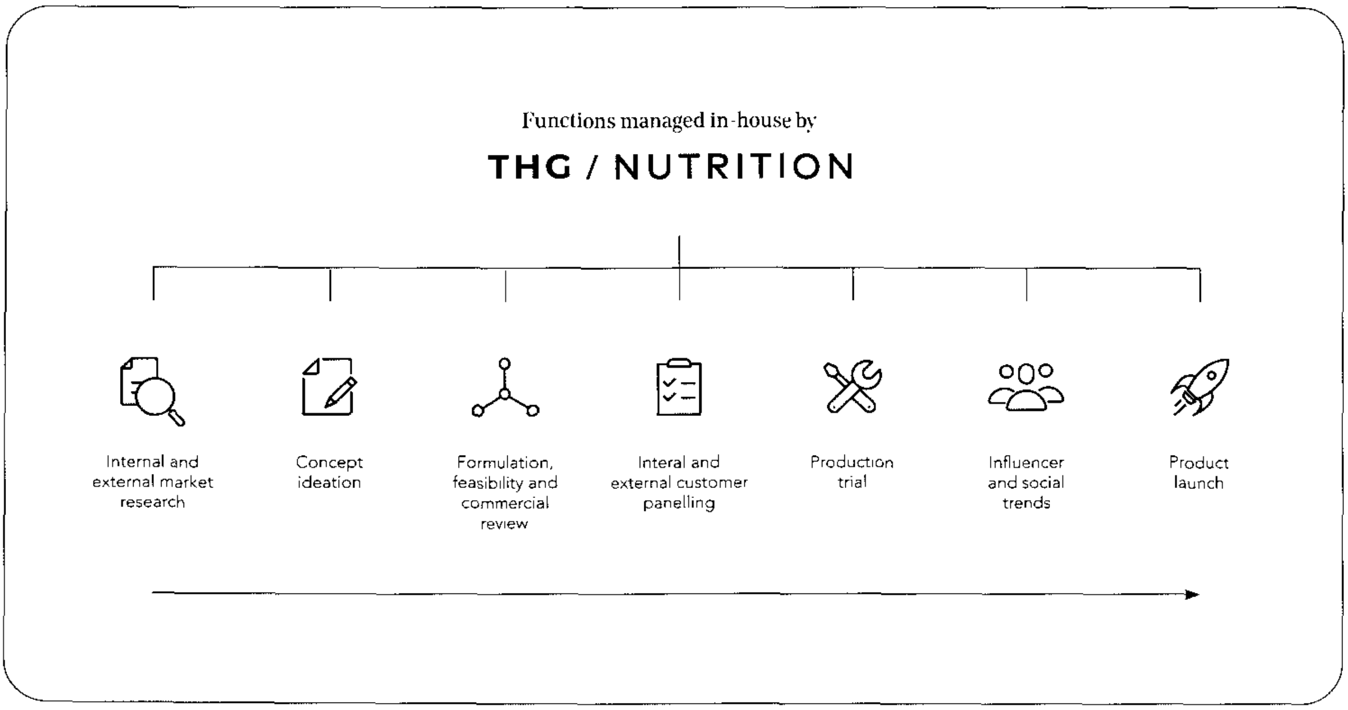
New product development

New product innovation decisions are informed by millions of daily demand insights from THG Nutrition's active customer base, providing instantaneous direct feedback from consumers to feed directly into new product development decisions.

In addition, through manufacturing products in-house we have been able to shorten our typical NPD timeline from c.12–15 months to c.6-9 months. Through our vertically-integrated business model, we are therefore able to bring highly-targeted products to consumers at regular intervals.

Innovation in our "Ready To Drink" ("RTD") products in 2021 included a range of vitamin-enhanced RTDs, BCAA energy RTDs and sparkling vegan protein RTDs, all manufactured in-house at David Berryman. These new products contributed to triple-digit growth in the THG Nutrition RTD category in 2021. Through Claremont, our in-house flavours business, we developed and improved over 20+ flavours across the existing product range in 2021. This in-house capability will enable us to continually develop and improve the flavours of our products, providing our products with unique flavours tailored to our customers' taste palates.

New product development initiatives have been accelerated since the acquisition of Brighter Foods, with over ten innovative new bars currently in development following the release of 2021's "Impact Bar".



Strategic investment: Brighter Foods

In April 2021, THG announced the acquisition of Brighter Foods, a specialist developer and manufacturer of best-in-class nutrition bars. The acquisition reflects a continuation of THG's strategy of vertical integration of its THG Nutrition division, resulting in over 80% of non-clothing products by revenue now manufactured in-house. This strategy has transformed the speed to market and level of product innovation across all THG Nutrition brands, while also providing for improved long-term margins.

Founded in 2014, Brighter Foods is a BRC AA-grade nutrition bar developer and manufacturer based in Tywyn, Wales. It develops and manufactures a complete range of bars and snacks for its Food and Beverage/ Nutrition customers, and is one of the UK's largest developers and manufacturers of pressed and cold formed bars, the largest bar format in the UK market. Customer orders are fulfilled either by using their extensive existing product library, or creating a new bespoke solution developed by the New Product Development team. The company's customer base includes a number of leading food and beverage groups.

The business also has its own broad range of packaging capabilities including cold and hot seal film, shelf-ready packaging, food service boxes, with continued focus on developing sustainable packaging options to meet customer demands.

The healthy snacks market is estimated to have a total global market size of £120bn. Expansion in this vertical represents a highly attractive opportunity for THG Nutrition due to Myprotein's leading brand equity in the sports nutrition market. New product development initiatives have been accelerated since the acquisition of Brighter Foods, with over ten innovative new bars currently in development.

The Impact Bar, Myprotein's innovative new flagship nutrition bar, was developed and manufactured in-house at Brighter Foods. The Impact Bar is a triple-layered chocolate bar, with high-protein, high-fibre and low-sugar content, and launched in seven flavours in October 2021. The bar represents a continuation of THG Nutrition's strategy of developing bars and snacks that combine the taste of traditional confectionary products and attractive nutritional content, thereby enabling consumers to indulge in snacking without compromising their nutritional goals.

Connecting with a global community

Myprotein has built a community around a brand that consumers want to be a part of. Its global social media presence, the "Myprotein App" and 'The Supplement' digital magazine, provide content to inspire and educate consumers on proteins, supplements and overall health and wellness, while increasing consumer engagement Over 1m copies of The Supplement have been circulated since January 2021. Over 3.3m consumers have downloaded THG Nutrition's apps since launch, contributing to 13% of Myprotein's online revenue as of December 2021.

The Supplement has also been used to raise awareness around mental health, with a dedicated self-care edition released in October 2021 to support "mental health month". This was supported with a large-scale, international campaign throughout mental health month, with additional content weaved into day-to-day communications. Through these channels, tools and resources are offered to support and educate audiences on this incredibly important issue.

In addition, THG Nutrition is committed to providing consumers with advice and education to make informed nutritional and fitness decisions – all provided for free to our global community. One major channel for this education content is our YouTube 'help content', where our qualified team of nutritionists and personal trainers provide easy to follow and engaging educational content. These videos received over 5.5m views in 2021, an increase of +43% on the prior year.

In addition to our own content, we are supported by an influencer network of over 10,000 nutrition influencers that provide regular relevant content in many languages. In addition to product promotion, influencers are an important channel in supporting the mental health and educational initiatives delivered through our own channels. The influencer network was supported by 15 localised events during 2021 as global lockdown restrictions eased.

Looking forward

THG Nutrition's future growth is underpinned by favourable structural trends, with the overall global nutrition market forecast to continue to grow, with an increasing proportion from online share.

THG Nutrition has historically delivered rapid growth through geographic expansion, product innovation and category extension, all powered by the Group's vertically integrated operating model. This D2C model enables the Myprotein brand family to evolve its product portfolio to capture highgrowth pockets and fill unmet needs across the global nutrition market.

This is evidenced by successful entry into the vegan and *plant-based categories, ready-to-drink products and* premium segments – all of which have driven market share gains and higher AOVs.

This expansion across product categories and regions enables THG Nutrition brands to address a global addressable market of c.£350bn across sports nutrition, vitamins & supplements, weight management, healthy snacks and sports apparel. Investments into in-house production and development capabilities during the last 18 months enables us to further accelerate our expansion into these adjacent categories. Through this innovation, the family of brands is continuously developed to increase household penetration and capture a greater share of health and wellness spend.

Emerging categories

£330bn

Adult VMS	Healthy Snacks	Weight Management	Sports Apparel	Sports Drinks
£67bn	£120bn	£14bn	£115bn	£15bn

Nucleus

£17bn

Sports Nutrition
£17bn

Note: Company estimates based on analysis of third party information.

The THG OnDemand division consists of the Zavvi, IWOOT and other D2C e-commerce sites, which offer a selection of entertainment products and subscription services of clothing, gadgets and vinyl, with a particular focus on licensing arrangements with global publishing houses and personalisation.

THG's expertise in these categories is a consequence of its heritage in powering entertainment websites for UK retailers before pivoting the model into a higher margin, licensing, subscription and personalisation-based revenue model.

In recent years, THG OnDemand has pivoted away from a focus on lower-margin entertainment products (such as video games) and towards higher margin licensed collectibles, granted by major entertainment publishers. These licences are complemented with an in-house product design team that produce bespoke collections, which are exclusive to THG. This model has been augmented further to incorporate individual personalisation of products ("Print on Demand"), further enhancing the range of exclusive products that THG can offer and acting as a compelling differentiator.

Whilst THG OnDemand is modest in the overall scale of the Group, the personalisation operational and technology know-how first developed in this division is now a key feature of Ingenuity contract wins. Ingenuity's personalisation capabilities enable clients to create personalised products unique to their D2C website, providing stand-out differentiation from other retail channels, enhanced customer satisfaction and improved margins from the value added to the final product. THG is uniquely placed to lead in this area of e-commerce due to its fully end-to-end model that includes in-house product manufacturing and fulfilment, enabling products to be personalised on demand in THG's manufacturing facilities.

With the ever-growing impact of social content creators and influencers on consumer product choices, THG is focused on becoming a global leader in connecting creators with brands.

As a result, we have invested heavily in our Experience division, enabling us to improve the quality and immersive nature of the events we host. THG operates three luxury event spaces (King Street Town House, Great John Street Hotel and Hale Country Club & Spa), which are used to host immersive influencer and brand partnership events, in addition to operating as standalone venues that service non-THG customers.

In parallel to the development of THG Experience, THG has developed a highly successful influencer marketing strategy, with influencers accounting for a rapidly-increasing share of THG's sales. THG's proprietary influencer platform uses data-driven methodologies and predictive modelling to deliver highly-impactful and cost-effective campaigns.

As of 2021, THG has relationships with over 32,000 influencers globally, who have helped drive the rapid international growth of THG's brands. This solution is offered to THG Ingenuity clients as an additional service offering as part of THG Society, enabling them to benefit from access to THG's market-leading influencer marketing solution. Through THG Experience, THG is able to partner with influencers on a deeper level, complementing conventional influencer campaigns with immersive brand events at its Experience properties.

Under THG Eco, the Company is developing practical solutions that will power the Group towards its sustainability targets. THG Eco is both underpinned by, and the driving force of, THG's sustainability strategy.

Despite making progress in improving THG's own operations, real impact needs collaborative, coordinated and collective action between governments, organisations and individuals. That is why THG is leveraging its global scale to accelerate change for others, taking the complexity out of managing sustainability, and supporting organisations to achieve their own goals via THG Eco's cost-effective, business-friendly solutions and services.

During 2021, the Company has been putting in place the building blocks to develop THG Eco into a purposeful and profitable proposition, helping third-party organisations to address specific concerns as part of their own sustainability strategies.

Net Zero

- An end-to-end decarbonisation solution, with services including carbon footprint measurement, setting of net zero targets, carbon offsetting and reporting.
- (more:trees), acquired by THG in March 2021, a consumer-facing tree planting platform, also sits under the NetZero solution, enabling organisations and individuals to plant trees in projects around the world.

ZeroWaste

- A waste reduction solution, focusing on plastics.
- THG acquired two plastic recycling companies in 2021, which will form key services within the *ZeroWaste solution.*
- THG's recycle:me initiative is part of THG's ZeroWaste solution, enabling customers to return hard-to-recycle plastic beauty packaging.

Performance

- An Environmental, Social and Governance (ESG) data management, performance and reporting solution, enabling the collection, input, organisation, management and reporting of ESG data.
- Transparent and accurate reporting and disclosure of an organisation's ESG activities are increasingly being demanded by regulators, investors and other stakeholders, and THG Eco will enable organisations to better manage their ESG data and make well-informed decisions and disclosures.

Chief Financial Officer review

Following an exceptional 2020 for THG, 2021 also saw a strong performance, delivering record annual revenue of £2.2bn, an increase of 35% (38% on a constant currency basis). The year achieved healthy organic sales growth across all divisions with two-year group organic growth of over 50%, robust delivery through the acquisitions integrated throughout the year along with new contract wins in Ingenuity Commerce.

	Year ended 31 December 2021			Year ended December 2020		
Consolidated Income Statement	Before Adjusted Items	Adjusted Items	Total	Before Adjusted Items	Adjusted Items	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Revenue	2,179,910	-	2,179,910	1,613,625	-	1,613,625
Cost of sales	(1,225,506)	-	(1,225,506)	(900,472)	-	(900,472)
Gross profit	954,404	-	954,404	713,153	-	713,153
Distribution costs	(386,928)	(43,012)	(429,940)	(295,020)	(55,240)	(350,260)
Administrative costs	(575,711)	(86,216)	(661,927)	(372,627)	(472,098)	(844,725)
Operating (loss) profit	(8,235)	(129,228)	(137,463)	45,506	(527,338)	(481,832)
Financial summary: Adjusted profit measures						
Gross profit (before depreciation and amortisation)	974,767	-	974,767	729,590	-	729,590
Distribution costs (before depreciation and amortisation)	(369,120)	(43,012)	(412,132)	(284,741)	(55,240)	(339,981)
Administrative costs (before depreciation and amortisation)	(444,371)	(86,216)	(530,587)	(294,049)	(472,098)	(766,147)
EBITDA	161,276	(129,228)	32,048	150,800	(527,338)	(376,538)
Depreciation	(70,478)	-	(70,478)	(48,055)	-	(48,055)
Amortisation	(99,033)	-	(99,033)	(57,239)	-	(57,239)
Operating (loss) profit	(8,235)	(129,228)	(137,463)	45,506	(527,338)	(481,832)

The table above shows financial results for gross profit, distribution costs and administrative costs before the impact of depreciation and amortisation, which are shown as separate lines below EBITDA. For statutory presentation, cost of sales includes charges of £20.4m (2020: £16.4m), while distribution *and administrative costs include £17.8m (2020: £10.3m) and £131.3m (2020: £78.6m) of charges respectively.*

Please note, a number of Alternative Performance Measures ("APMs") have been adopted to provide additional information on the trading performance of the Group. These measures are intended to supplement, rather than replace, the measures provided under IFRS and we believe provide readers with important additional information on the business. We have included a glossary on pages 279-281, which provides a comprehensive list of the APMs used, including an explanation of how they are calculated, why we use them and a reconciliation to the nearest statutory measure.

The financial year in review

Revenue

Group revenues increased 35% to £2,180m (2020: £1,614m) and 38% on a constant currency basis, culminating in two-year total sales growth of 95% (constant currency). All divisions delivered strong growth as the wider consumer shift to digital channels continued apace. THG Beauty performed particularly well with revenues of £1,118m, representing 51% (2020: 47%) of total revenue after delivering 49% year-on-year growth. In Beauty, strong organic sales growth was complemented by the acquisitions of Dermstore, Bentley and Cult Beauty. THG Nutrition sales grew 17% to £660m whilst THG Ingenuity revenues grew 42% year on year to £194m with the Ingenuity Commerce division growing 135%.

International sales accounted for 58% (2020: 61%) of total Group revenue, after very strong UK growth of 46% year on year driven by both organic growth and the contribution of acquisitions. The most significant acquisitions in the year were Dermstore in February, Bentley in June and Cult Beauty in August, which generated a combined £253m of revenue post acquisition. These acquisitions will each further enhance the THG Beauty offering and provide additional scale to our US Beauty operations, with North America now contributing 19% of group revenue. The D2C websites of these entities were successfully re-platformed to Ingenuity ahead of schedule.

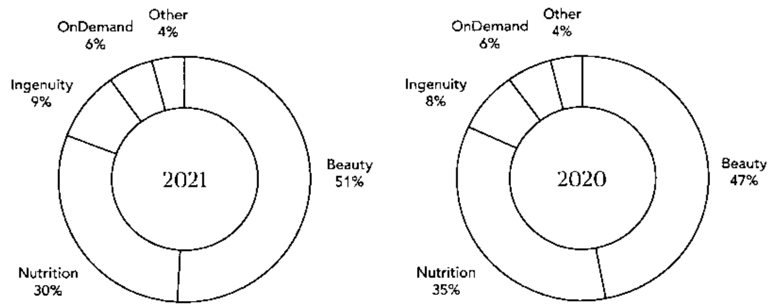
THG Beauty and THG Nutrition achieved double-digit organic growth in 2021 despite annualising very strong sales growth in 2020. This is reflected in organic growth of over 50% (before acquisitions) on a two-year basis, which is higher than the medium-term guidance of 20–25% per annum provided at IPO.

Approximately 60% of THG's D2C revenues are not in pounds sterling which drives currency conversion fluctuations in both revenue and EBITDA. As the pound has strengthened in 2021, we have seen an impact in our reported growth of c.290 basis points in the full year.

Ingenuity Commerce revenue of £45.4m (2020: £19.3m) includes recurring revenue of 62% (2020: 48%). Recurring revenue includes SaaS licence fees, monthly brand-building fees, infrastructure service fees, revenue share and a number of additional services such as translation and creative services.

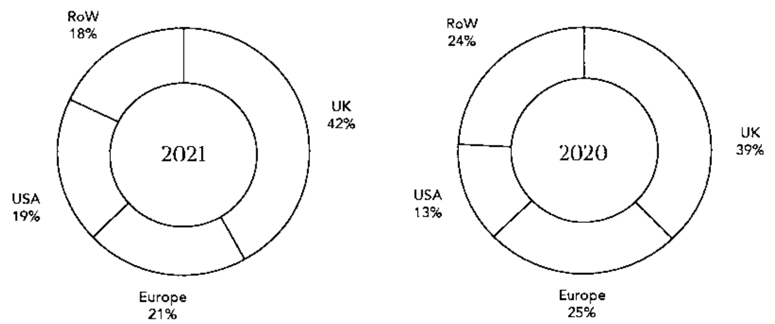
Non-recurring revenue of £17.2m (2020: £10.0m) includes one-time technology fees covering the costs of the design and development of the website and integration fees for bringing partners onto the Ingenuity platform across a range of services enabling Ingenuity Commerce customers to benefit from a sophisticated suite of technology options. Whilst these are non-recurring on a site-by-site basis, we consider that such fees will be received in future periods as clients expand and as our technology offering continues to evolve.

Revenue per division



Revenue per territory

Revenue by destination of customer was delivered as follows:



Gross profit

Gross profit increased to £954m from £713m with a margin of 43.8% (2020: 44.2%) on a statutory basis. Gross profit (before depreciation and amortisation) was £975m equating to a gross profit margin of 44.7%, which was 50bps lower year on year. This margin position was delivered despite the ongoing global supply chain challenges, commodity inflation and foreign exchange headwinds that particularly impacted the retail sector in the second half of the year.

The Group was able to partially mitigate some of these headwinds by utilising the strength of the THG Ingenuity platform and its robust fulfilment and delivery infrastructure, which limited the impact of supply chain inflation to the Group whilst the triple-digit growth of high-margin Ingenuity Commerce also provided a mix benefit to gross margin.

Operating expenses

Distribution costs totalled £430m (2020: £350m), which is 19.7% of revenue, a decrease of 200bps compared to 2020. This reduction is driven by both lower levels of adjusted items and cost efficiencies. Adjusted items fell year on year reflecting lower transportation costs in relation to Covid-19. Cost efficiencies were driven by the continued investment in THG's global fulfilment network, which included the investment in THG's first automated AutoStore facility in Manchester.

Distribution costs (net of adjusting items, depreciation and amortisation) as a percentage of revenue, fell by 70bps on the comparative period totalling 16.9% of revenue, again reflecting the Group's ongoing investment across several key efficiency initiatives.

Administrative costs totalled £662m (2020: £845m) which is 30.4% of revenue, a decrease of 2200bps on 2020. The decrease is primarily due to the one-off share-based payment charge of £332m in 2020 following IPO, which did not recur in 2021.

Administrative costs (net of adjusting items, depreciation and amortisation) as a percentage of revenue, increased by 216bps year on year driven by a continued investment in people to support acquisition integration and to expand the Ingenuity Commerce offering, alongside additional regulatory and compliance costs, resulting from being a publicly-listed company.

Adjusted EBITDA

Adjusted EBITDA rose to £161m from £151m, an increase of 7.0% year-on-year. This represents a margin of 7.4% (2020: 9.3%) reflecting substantial cost headwinds in the second half of the year. Consistent with the wider market, the factors impacting H2 were commodity inflation (notably in whey protein), foreign exchange movements, increased costs of warehouse labour and freight and duty. The impact of these market headwinds trebled in H2 relative to H1 and we believe much of this pressure is short term and will dissipate over time, either through mitigation actions under management control (price management and cost control) or will normalise in the wider economy.

Adjusted EBITDA is an alternative performance measure, the table below reconciles back to the nearest appropriate GAAP measure, operating loss:

£'m	Notes	2021	2020
Operating loss		(137,463)	(481,832)
Adjustments for:			
Adjusted item – share-based payments	4	-	331,624
Adjusted item – impairment of assets held for sale and sale and leaseback costs	4	-	105,138
Adjusted items – other	4	129,228	90,576
Depreciation	12 / 22	70,478	48,055
Amortisation	11	99,033	57,239
Adjusted EBITDA		161,276	150,800

Depreciation and amortisation

Total depreciation and amortisation costs were £70m and £99m respectively (2020: £48m and £57m) an increase of 61% on the prior year, as THG invested £48m in its proprietary technology platform during the period. Depreciation charges increased year-on-year reflecting the increase in right-of-use assets acquired from business combinations in the period, while amortisation charges increased year on year primarily driven by the additional intangible assets that arose from the 13 acquisitions completed since 29 September 2020.

Adjusted items

In order to understand the underlying performance of the Group, certain costs included within distribution, administrative and finance costs have been classified as adjusting items. These items principally relate to acquisition-related restructuring and integration costs, transportation, delivery and fulfilment cost increases in relation to Covid-19:

	2021 £'000	2020 £'000
Within distribution costs		
Transportation, delivery and fulfilment costs in relation to Covid-19	26,628	39,175
Commissioning – new facilities	16,384	15,907
Decommissioning – legacy facilities	-	158
	43,012	55,240
Within administrative costs		
Share-based payments	-	331,624
Restructuring costs	10,233	14,308
Impairment of assets within Experience, Luxury and OnDemand divisions	53,008	-
Impairment of certain intangible and tangible assets associated with Software-as-a-service arrangements	2,981	-
Impairment on assets held for sale, and sale and leaseback charges	-	105,138
Donations and other Covid-19 costs	1,090	11,108
Acquisitions – restructuring and integration	5,328	5,736
Acquisitions – legal and professional costs	13,576	4,184
	86,216	472,098
Within finance costs		
Softbank option – non-cash	601	-
Total adjusted items before tax	129,829	527,338
Tax impact	11,901	3,784
Total adjusted items	141,730	531,122

For full details on each category of adjusted item see note 4 to the financial statements.

Operating loss

The Group incurred an operating loss in the year of £137m (2020: £482m) as a result of underlying cost price inflation as well as adjusted items, principally: the excess costs for transportation, delivery and fulfilment in relation to Covid-19 (£27m non-recurring); one-off commissioning costs of new facilities (£16m); and other restructuring and acquisition related costs (£29m). There has also been a non-cash impairment recognised in the year for certain non-core divisions totalling £53m (see note 11 for more details) and following the IFRIC agenda decision in 2021, we have determined that £3m of SaaS-related costs no longer meet the criteria for recognition as an asset under IAS 38. There were no impairments identified within THG Beauty, THG Nutrition and THG Ingenuity.

Additionally, administration costs (before adjusting items, depreciation and amortisation) increased from 18.2% of revenue in 2020 to 20.4% of revenue in 2021. This increase was largely driven by additional investment in headcount ahead of future revenue growth, with an element of operating leverage anticipated in 2022.

The lower loss in 2021 is primarily due to the one-off share-based payment charge of £332m in 2020 following the IPO, which did not recur in 2021.

Operating loss before adjusting items totals £8m (2020: Profit of £46m). This decrease is due to the impact of the increase in costs as set out above. This is consistent across the industries we operate in and this is considered a temporary impact.

Finance costs

Adjusted finance costs decreased to £49m (2020: £53m) as a result of the revolving credit facility ("RCF") remaining undrawn for all of 2021 (partially drawn in 2020) combined with the full-year impact of a decreased total borrowings balance following the divestment of Propco in H2 2020 which contributed to a reduction of £12m year-on-year in bank charges and interest. This was partially offset by an increase of £8m in respect of interest on lease liabilities.

Loss before tax and tax rate

Reported loss before tax was £186m (2020: £535m). The effective tax rate is 25.88% (2020: 0.4%), based on a total tax credit of £48m (2020: £2m). The effective tax rate differs from the average statutory rate of 19%. This is primarily due to a movement in deferred tax not recognised (13.3%), the impact of the UK corporation tax rate change from 19% to 25% on deferred tax (7.14%), and expenses not deductible (-11.33%). The non-deductible expenses principally comprise exceptional costs associated with acquisitions.

The business combinations in the year give rise to a deferred tax liability in respect of intangible assets recognised on consolidation of £141m. At the balance sheet date the total deferred tax liability in respect of intangible assets recognised on consolidation of £152m. As a result, all potential deferred tax assets arising in the year or previously unrecognised are fully recognised at the balance sheet date. This deferred tax asset recognition has a material impact on the income statement tax credit, and is the primary reason for the effective tax rate exceeding the statutory rate. The income statement tax credit is a non-cash item.

Earnings per share

Loss per share was (£0.13) (2020: loss per share of £(0.66).

Cash flow

	2021	2020
	£'000	£'000
Loans and other borrowings	(489,865)	(526,159)
Lease liabilities	(349,173)	(236,185)
Cash and cash equivalents	536,827	773,581
Sub-total	(302,211)	11,237
Adjustments		
Retranslate debt balance at swap rate where hedged by foreign exchange derivatives	(2,548)	35,403
Net cash	(304,759)	46,640
Net cash before leases liabilities	44,414	282,825

THG closed 2021 with net cash of £44m with strong liquidity available through cash on hand of £537m plus the additional £170m undrawn revolving credit facility. The Group generated operating cash flows of £23m (2020: £76m), closing the year with cash generated from operations before adjusted items of £96m (2020: £177m).

Within this, working capital movements generated a net cash outflow of £65m (2020: inflow of £26m). Uncertainty in global supply chains has led to the Group holding more stock during the year to ensure availability of key products, combined with working capital investment to support global warehouse expansion and acquisition integrations. We expect to see a return in reduction in stock cover levels over 2022.

The Group invested £768m (2020: £102m) of cash in acquisitions to further its strategic objectives through key vertical integration and expansionary acquisitions. The primary share issuance in May 2021, which generated £760m cash net of fees, replenished the available cash resources of the Group. A further cash investment of £112m was made in Property Plant and Equipment and £78m in intangible assets (primarily the Ingenuity platform) as part of investing and growing the infrastructure of the Group. This resulted in a net decrease in cash during the year of £237m (2020: increase £461m) with the Group holding £537m of cash and cash equivalents at year end. In addition the Group has an undrawn revolving credit facility of £170m and all debt facilities are long-dated.

Balance sheet

Property plant and equipment and intangible assets

Property plant and equipment increased to £336m (2020: £240m) with intangible assets including goodwill increasing to £1,507m (2020: £674m). This was driven primarily by business combinations generating goodwill, intellectual property and brands on acquisition of a combined £888m. Additional investment was also made in the THG Ingenuity platform totalling £48m plus fitout of the new state-of-the-art ICON campus with property, plant and equipment additions totalling £126m. These were offset by the depreciation and amortisation charges incurred.

Cash and cash equivalents and net cash before lease liabilities

The Group's balance sheet remains robust closing the year with cash balances of £537m (2020: £774m), positioning the Group well to deliver long-term value. All debt facilities are long-dated, with the €600m Term Loan B maturing in 2026.

Year-end net cash before lease liabilities and adjusting for the impact of hedging was £44m (31 December 2020: £283m), a reduction of £239m year on year driven by the investment in acquisitions, property plant and equipment and intangible assets in the year totalling £958m which has been offset by the primary equity raised in the year and cash generated from trading.

The Term Loan B secured in December 2019, together with the equity proceeds from the IPO and primary equity raise in May 2021 has provided THG with substantial available cash reserves, and management consider THG is in a strong position to weather any further market uncertainty. THG's strong cash flow model will provide further liquidity to re-invest in the business's infrastructure, most notably the proprietary Ingenuity platform.

John Gallemore

Executive Director, Ingenuity CEO
and Group Chief Financial Officer.
20 April 2022

THG Stakeholders

The Board understands the importance of active engagement with its stakeholders across the entire organisation including its employees, external brands and its supply partners in order to create and sustain long-term value.

THG is a global digital innovator focused on transforming the retail experience for consumers and brand owners and prides itself on building strong business relationships to enable this.

THG's values of leadership, innovation, decisiveness and ambition drive the engagement strategy across these stakeholder groups. Details of these stakeholder groups are provided below alongside why they matter to THG and how THG has engaged with them. Through THG's purpose and strategy (described earlier in this section), the Board is focused on delivering sustainable, long-term growth enabling the business to generate positive and impactful change for shareholders, customers, our people and across the local communities where the Group's business is conducted.

The Section 172 compliance statement on page 77 provides further explanation on how the directors engage with THG's key stakeholders, the considerations of the Board and the impact it has had on the Board's approach to decision-making with a particular focus on strategic decisions.

THG's Key stakeholders	Why they are important to THG	How THG engages
D2C customers	Reinventing how brands innovate and connect to consumers is core to THG's purpose. THG enables brands and retailers to have direct relationships with consumers by providing a high-quality user experience and establishing a relationship of trust, and in so doing THG is *"democratising the retail sector"*	THG engages directly with customers via various social media platforms and focuses on creating a happier population with access to healthier lifestyle choices. This engagement has enabled the Group to reach a much wider customer base resulting in 10.8m new customers, which coupled with consistently high repeat rates, creates a significant health *and wellbeing impact to society*
THG Ingenuity customers	The THG Ingenuity platform operates a B2B model, which relies on active engagement with customers and participants across the supply chain. THG can identify and anticipate evolving customer needs and deliver them through THG Ingenuity, ultimately *reinventing retail for the better.*	THG Ingenuity takes a partnership approach when engaging with customers, engaging formulating annual plans, reviewed quarterly, monthly, weekly and even daily at relevant times. THG also run's quarterly customer satisfaction pulse surveys to ensure that the *Board is listening to customers to help prioritise investments.*
Our people	THG is a people-led business, with a clear set of values that help drive behaviours. Creative **innovation** and entrepreneurial **leadership** are at the heart of the Group's people engagement, as is talent development: building the skills of tomorrow. The aspirations of the business encourage people *to be **decisive, ambitious** and to push boundaries,* focusing on their development thereby driving the scale in success of THG's brands, divisions and partnerships.	The Board engages with its people regularly through employee engagement surveys and this is evidenced through the large investments THG has made in the year. More details of this investment can be found in the Our People section of this report on pages 103-104. *Most recently, our HR teams have worked around the clock* to provide physical and mental health support to our Ukrainian colleagues around the world and our security teams have helped to safely relocate some of the colleagues and their families who made the difficult decision to leave their homes in Ukraine

THG's Key stakeholders	Why they are important to THG	How THG engages
Our shareholders	A key objective of the Board is to create value for shareholders and our purpose, vision, values and strategy strive to deliver long-term, sustainable growth.	THG maintains an "open door" culture with shareholders. This engagement is critical for the Board as it aids and supports the development of strategy and ensures that the plans set out by the Board are aligned to the interests of all its shareholders. For example, engagement with shareholders has highlighted to the Board that more context around the Company's governance procedures is beneficial to its investors. Since Admission, THG's corporate governance arrangements have been subject to ongoing review by the Board, further details of which can be found in the Governance Report, including the governance enhancements actioned to date on page 129.
Our suppliers	THG partners with suppliers to ensure it can continue to address consumer's evolving demands. The Board is committed to fostering and developing supplier relationships in a way that empowers the brands we work with to drive innovative solutions to consumer demands while balancing the need to tackle societal and environmental issues.	The Group's Supplier Manual governs our relationships with suppliers and ensures that THG maintains high standards of business conduct. THG's purpose guides the ambitions of the business promoting environmental and social responsibility across the supply chain, positioning the growth of the business in a sustainable way that enhances long-term value creation for all stakeholders. Further details on supply chain engagement can be found in the sustainability section of this report on page 87. THG engages with each of its suppliers to establish suitable payment terms with each individual supplier, recognising that different businesses will have different cash flow pressures.
Our local communities	THG plays a pivotal role in the local communities in which it conducts its business, most notably in the North West of England where THG has a sense of wider social responsibility. The Group's heritage is rooted in the North West and is one of the largest businesses in the region. Developing talent, building skills and enabling greater social mobility, not only in the North West, but across the UK and in the global communities in which the Group operate is core to our purpose. Our organisational expertise and the continual evolution of our technology allows us to grow talent and skills locally and globally.	The Board engages with the local community by providing opportunities for developing talent in the North West and via its charitable contributions. More details of THG in the community can be found on page 101 of this Report.

In addition, the Board monitors principal and emerging risks. Where such risks impact key stakeholders, the Board will engage with those affected accordingly.

Our People

The wellbeing of and engagement with our people is a core part of delivering THG's purpose, strategy and values.

The Board recognises that a highly skilled, developed and engaged workforce is essential for delivering on THG's purpose of reinventing how brands connect to consumers and is a priority for the Board and the Executive Leadership Team. THG's values of innovation and ambition drive the Board's focus in investing in a workforce that is fit for the future, attracting and retaining innovative and inventive talent both at home in the UK and across the globe.

In 2021, THG was recognised in the Best Companies Top 25 Best Big Companies to Work for awards, as well as winning a special mention for Best Improver. This is representative of the large investments we have made into our people over the last 12 months, which included an upgraded benefits package comprising:

- A significant investment in our **pension** scheme, launching an uncapped scheme that removed the restriction on earning thresholds.
- An upgrade to our **Sickness Absence and Family Leave policies** and enhancing the Annual Leave policy to give employees the option to purchase up to three additional days of annual leave per year.
- A new **technology salary sacrifice scheme** enabling employees to purchase electrical items at discounted prices. The scheme was implemented after feedback from staff that they were investing in new technology for personal use.
- A **cycle to work salary sacrifice scheme,** giving employees the option to purchase a bicycle and *accessories of up to £3,000 per year at a tax-*deductible rate.

Agile working

The global pandemic changed working habits for many people, and the effects of this continued into 2021. In recognition of the demand for improved flexibility in working habits, we introduced an agile working policy across the Group that enables all office-based teams to request to work from home for up to two days per week. Additionally, the introduction of core hours gave employees greater flexibility over their working day, allowing them to start and finish at a time to suit their own commitments and preferences.

The introduction of the agile working policy has had the added benefit of broadening the potential talent pool beyond the immediate geographical areas surrounding our sites.

Wellbeing

The Group has an in-house Wellbeing team including a round-the-clock medical service that enables all UK teams to book virtual or in-person appointments with a resident GP. We understand that wellbeing goes beyond physical health and we have continued to build on a holistic wellbeing programme with the addition of services to support mental health. In 2021 we implemented SilverCloud, the award-winning online mental health platform that gives employees direct access to training and resources. Its online modules help people manage issues from stress to financial worries, with proven clinical methods such as cognitive behavioural therapy to provide the therapeutic skills to treat anxiety, depression, panic disorder, health anxiety and perinatal wellbeing.

THG Technology Campus: returning to the office

Throughout the global pandemic, we were guided by Government advice regarding our office-based colleagues and subsequently introduced working from home during periods of national and regional lockdown.

When Government restrictions eased and businesses were encouraged to invite people back to offices, we were conscious that our colleagues might find the transition difficult. As such, we introduced a staggered approach, where we invited people to return to work on a voluntary basis for as little or often as they wished. To ensure COVID-secure measures were followed at all times, we introduced a booking system so that we could monitor the volume of people in each area.

When restrictions and advice to work from home were fully lifted in summer 2021, we introduced an Agile Working policy, enabling employees to work from home for up to two days per week. This enabled them to maintain a work-life balance and to determine the best routine to suit them. We hosted "welcome back" events across all UK office locations, including complimentary food and entertainment to encourage teams to network and meet colleagues who joined the Group during lockdown.

As a business, we embrace the benefits that collaborative working brings and our new Tech Campus in Manchester is at the heart of this culture. When the new site opened in summer 2021, we hosted a series of welcome events, such as complimentary food, talks from senior leaders, entertainment and guided tours of the new facilities to allow teams to familiarise themselves with the new surroundings and to embrace the benefits of being together with colleagues from across the business.

Cyber Weekend

Cyber Weekend is one of the busiest times in the e-commerce calendar and it is an opportunity to thank, reward and motivate all global teams by hosting a series of internal events across all locations from 25 to 29 November. Ahead of Black Friday, the focus was on wellbeing, with events to help employees unwind. Live yoga sessions, free desk-drops of nutritious food and drink, games and virtual mindfulness sessions were held from our Manchester campus, launching a hub on our staff intranet with practical resources and interactive event guides so teams could plan their Cyber Weekend, their way.

Early careers

In 2021, the Company was named in the Sunday Times Top 100 Best Graduate Employer Awards. This prestigious accreditation was in recognition of our industry-leading graduate programme, which welcomed almost 400 graduates in 2021. The 12-month course creates a community of graduates from across the entire Group, providing opportunities to develop practical experience and hone softer skills. The programme is part of an Early Careers offering, which also includes Apprenticeships and our pioneering Accelerator programme. Participants on the Accelerator scheme gain entry into the tech industry on a salaried six-month programme that combines practical experience with training and is open to candidates from all backgrounds who are looking to start a career in tech.

Statement by the Directors in performance of their statutory duties in accordance with Section 172 (1) Companies Act 2006 (the "Regulations")

The directors of THG set out below their Section 172 compliance statement as required under the Regulations, which require the Board to set out how they have had regard to the matters as set out in Section 172(1)(a) to (f) when performing their duties. THG has now completed its first year as a public listed company, and has continued to build on the strategy, governance and sustainability of the Group in 2021 with plans to continue this in 2022.

THG's Corporate Governance statement sets out on pages 131-132 details of the Board's commitment to uphold strong standards of governance. At the centre of the Board's approach is to ensure that the requirements and considerations of Section 172 form the basis of its decision making and stakeholder engagement strategy including across each of its Committees and THG's wider leadership teams and divisions.

THG's purpose is to reinvent how brands digitally connect to consumers. In summary:

- THG is a digital innovator revolutionising how brands connect to consumers.
- THG creates a happier population making healthier lifestyle choices.
- THG will leave the world in a better place by using its unique capacity for innovation and building sustainability into every decision we make.
- THG is an ambitious business with a global focus, but a champion of the community from which it has grown.

This purpose sets out what THG does, the value the Group brings to society and guides how the Board makes decisions and trade-offs –ultimately driving the strategy. In doing so, this supports the Group's governance ecosystem acting as the framework in guiding the Board's focus, along with its engagement and consideration of stakeholder issues, in its decision-making protocols.

This is underpinned by THG's four values of leadership, innovation, decisiveness and ambition, which set out the core beliefs but also provide a guide for our people's behaviours.

A critical part of THG's stakeholder engagement framework is established through THG's policy infrastructure, in particular THG's sustainability strategy, supplier payment policy and Modern Slavery policy guidelines. The Board's composition along with its combined skills and experience enables the Board to be agile in its engagement strategies across each of its divisions and brands. Further details are set out in the corporate governance statement on pages 131-132.

The Board's Committee structure is an example of the breadth and depth of the Board's engagement strategy, notably the establishment of the Sustainability Committee in 2020 with a clear remit to focus on THG's strategy on critical climate-related issues impacting its operating businesses and supply chain.

This reflects THG's heightened focus on Environmental, Social and Governance (ESG) business-related issues and the impact these will have on its supply chain, customers, business partners and employees. Further details are set out under the Sustainability Committee report on pages 175-178.

The Board is fully aware of its legal responsibilities and statutory obligations as set out under Section 172 and have received briefings and training from an external third-party provider, not only on their primary duties under the Regulations but also key regulatory obligations impacting THG and its operating businesses. This has allowed the Board to challenge and self-evaluate the impact and effectiveness of its decisions, with an appreciation of the wider environment and context in which it operates, and the impact the decisions the Board makes will have.

The Board keeps under review its governance and operating protocols to ensure long-term value creation is maintained. The application of the UK Corporate Governance Code has reinforced this position and the underlying governance controls and processes that embed the ethos of Section 172 across the Group. Set out below are examples of principal decisions made by the Board and details of how the factors set out under Section 172 along with engagement with THG's stakeholders have been considered in the decision-making.

Principal Decision 1:

Acquisitions

During 2021 THG made ten acquisitions for combined consideration (net of cash acquired) of £770m. These acquisitions included Dermstore, Bentley Laboratories and Cult Beauty.

Impacted Stakeholder Groups	Engagement	Impacts
Our shareholders	Due to the confidential nature of M&A (including in particular where (a) non-disclosure agreements restrict information dissemination to those who need to know; and (b) prospective M&A may constitute inside information and therefore disclosure is statutorily restricted) and absence of requirement for shareholder approval to M&A, direct engagement with Shareholders does not take place prior to acquisitions. However, Shareholders are aware of THG's acquisitive nature and general strategies are communicated to them during investor meetings and other Shareholder engagement methods. The Board is consulted and updated regularly in relation to M&A decisions and full Board approval is sought prior to any acquisition being signed. The Board's NEDs have direct dialogue with senior members of the transactional M&A team.	M&A has complemented THG's success to date and is expected to continue to form part of THG's strategy in the future. Strategic M&A has driven considerable shareholder value to date. M&A has potential to divert resources (including both capital and time) from other important areas of the business. As such, prospective targets must meet certain criteria in order to ensure the investment will deliver value (which is not necessarily a purely financial metric). Robust and well-tested processes have been developed over the last ten years, covering all aspects of the M&A process from origination to execution. THG's acquisitions are implemented by a dedicated M&A function supported by in-house legal and operational functions (including integration) which together manage the process including and post-completion integration. The Board ensures M&A activity delivers value for Shareholders. Processes are in place whereby the M&A and legal team will regularly report on prospective acquisition targets to update and seek approval from THG's Board. The combined transactional team reports to the Board ahead of signing.
THG Ingenuity customers	Each Ingenuity customer has a relationship manager who collates feedback and provides it to the CFO. The CFO and others from the Ingenuity division report on this and other Ingenuity customer trends to the Board. This allows the Board to assess and adapt the M&A target strategy to meet customer needs.	Engagement with customers directly influences the Board's decision-making in relation to M&A, particularly for brand acquisitions. THG's Ingenuity customers benefit from infrastructure acquisitions that enhance the Ingenuity platform. Where brands and/or retail websites are acquired, they become clients of the Ingenuity platform. The Board identifies customer continuity as key when effecting acquisitions and ensures that a business integration plan is put in place in advance to mitigate any interruption resulting from THG acquiring a target. Historical focus on continuity has led to THG developing a strategy that prioritises a seamless customer experience, for instance, avoiding wherever possible the need for customers to sign up for new accounts.
D2C customers	In relation to beauty brand acquisitions, target brands are typically stocked by THG's retail websites. In assessing targets, the Board considers a broad spectrum of data including customer reviews and demand.	THG's D2C customers benefit from both infrastructure acquisitions, through delivery of improved retail experiences, and the diversification of THG's brand and retail portfolio through other acquisitions.

Principal Decision 2:

Sustainability – The Board approved THG's 2030 Sustainability Strategy and strengthened THG Eco

The Board is conscious of THG's role in addressing key environmental and social issues, both within the organisation but also beyond in how the company may impact its customer, partners, and suppliers. In September 2021 the Board considered and approved the 2030 Sustainability Strategy, known as THG x Planet Earth.

The strategy comprises three overarching priorities; Protecting Climate and Nature, Strengthening our Supply Chain and Circularity, and Empowering People and Communities. These are supported by eight goals and 22 specific targets.

At the same time, THG Eco was established and strengthened as a business within THG Ingenuity with the goal of providing sustainability solutions and consulting services for THG's own operations, THG's suppliers, partners, and customers.

The three solutions are;

1. NetZero, providing carbon footprinting services, Net Zero target setting and reductions strategy consulting, carbon offsetting and carbon neutral certification.

2. Performance, an Environmental, Social and Governance (ESG) Data management solution enabling organisations to manage and track ESG data more effectively, set targets and track KPIs as well as enhanced reporting and disclosure aligned to global sustainability standards. This solution is still in the development phase.

3. ZeroWaste, focused on minimising waste to landfill through offering innovative solutions to reduce waste with a specific focus on plastics. During the course of 2021 two plastic recycling companies were acquired which now form part of THG Eco.

Further explanation and detail on Group 2030 Sustainability Strategy and THG Eco can be found in the Sustainability Section on pages 87-104.

Impacted Stakeholder Groups	Engagement	Impacts
Our people	Sustainability is an integral part of THG's purpose and strategy. In early 2021, a materiality assessment process was undertaken to identify key material issues. As part of the process a range of stakeholders, including employees were engaged to input on topics that could affect the company's operations, both now and in the future. This assessment was used as a key input in the development and of the Group's 2030 Sustainability Strategy. It details the company's ambitions and focusses on three priority areas supported by eight goals. All goals have specific, time-bound targets.	A key priority of the 2030 Sustainability Strategy is 'Empowering People and Communities', under which there are three focus areas: • Employee wellbeing and development. • Diversity and inclusion. • Investing in communities. The launch of the strategy created direction and established a framework which internal teams have begun to adopt and work towards. In 2022, cross-divisional teams will develop roadmaps for each of the specific targets within the focus areas (more details on page 102). The Board has delegated the responsibility for implementation of the sustainable strategy to the Executive Leadership Team who will provide updates to the Board on a regular basis.
THG Ingenuity customers	Sustainability is becoming an increasingly important business issue for all companies, and this is evident in the increased engagement with customers on this topic. THG's 2030 strategy specifically includes targets for customers – these have been shared with key customers and regular updates are shared and available through online channels.	Building an integrated and sustainable retail model is fundamental to THG's long-term future and increasingly this requires collective action and collaboration with partners and Ingenuity customers. During 2021, THG acquired two plastic recycling companies and a tree-planting platform as part of THG Eco and began offering commercial services to support Ingenuity customers deliver their sustainability goals. These included Eco delivery options, which plant a tree for each order placed and reduces the carbon emissions of the order by over 40%, covering the last mile on foot, bicycle, or electric vehicle.
Our suppliers	The Board considered and recognised the increasingly important role collaboration and partnership will play between THG and its suppliers, in addressing the significant environmental and social challenges we collectively face. To ensure awareness and sharing of THG's 2030 strategy, the procurement team engaged and shared the Strategy with suppliers. In support and development of THG's responsible sourcing roadmap a supplier sustainability survey was sent to all suppliers which resulted in substantial feedback.	THG's 2030 Sustainability strategy specifically and purposefully contains targets relating to its suppliers which are included to encourage positive development on sustainability topics. These targets are focused on climate change, water stewardship, ethical supply chain, waste, and circularity To support and enable the procurement team to better engage suppliers, the Board endorse the creation and appointment of a Group Sustainability Supply Chain manager during 2021. To ensure appropriate oversight, the Sustainability Committee undertakes regularly reviews of key supply chain topics.
Our local communities	The communities in which THG works and operates are important to THG. In recognition of this, the 2030 sustainability strategy includes specific targets to ensure the ongoing and long-term commitment and engagement with communities.	A key goal of the 2030 strategy is Investing in Communities, supported by two specific targets, to provide 10,000 people in the community with technology and life skills training and allocate two days per year for every THG employee to undertake volunteering activities. To ensure its community engagement activities are relevant and effective as possible, the company will develop a long-term social impact strategy during 2022.

Principal Decision 3:
Covid-19 decisions

Proactively responding to both home and flexible working arrangements, continuing to implement Covid-19 safeguarding procedures in our fulfilment centres and making ongoing support available to employees, suppliers, customers and the local community.

Impacted Stakeholder Groups	*Engagement*	*Impacts*
Our people	*The wellbeing and safety of THG's* workforce was and remains of paramount importance. Detailed explanation of the Board's approach and engagement is provided on page 75.	*The impacts and considerations given by the* Board in the decisions it made in relation to Covid-19 are provided on page 108.
D2C customers	Mitigation and delays to customer fulfilment was an agenda item for all senior management meetings as the pandemic continued and the extent of its effect on infrastructure became apparent. As a result of pro-active Board decision making, delays to customer orders continued to be negligible. Customer in-bound communications and enquiries relating to Covid-19 effects on stock availability or fulfilment were prioritised by the customer services team *in order to reassure customers and* provide clear, up-to-date guidance on the developing situation.	Various Covid-19 decisions were made at the start of the pandemic that continued to impact customers throughout the year, for example: • Contingency planning to ensure business continuity. • Warehouse enhancements to ensure Covid-19 safety. • Continued manufacturing of hand sanitiser. Procuring freight passage to THG's global distribution centres continued to be key to mitigate any Covid-19 related delays to fulfilment. Through focus groups set up at the start of the pandemic, to address these challenges, the Board received regular reports on KPIs.
Our suppliers	As with all businesses, THG's suppliers have had to adapt their procedures and processes to mitigate Covid-19 related risks. THG engaged with its supply chain early in the pandemic to discuss potential challenges and share knowledge to help seek solutions. The Board, identifying the importance of insights and feedback from all suppliers, required all divisions of the business to discuss Covid-19 related effects with all suppliers.	Various Covid-19 decisions were made at the start of the pandemic that continued to impact suppliers throughout the year, for example: • Contingency planning to ensure business continuity. • THG payment terms with suppliers *to manage cash flow.* The Board continued with supplier payments in line with past practice and considered it to be of paramount importance to support suppliers and give liquidity confidence. THG held direct conversations with key suppliers to ensure continuity of services.
Our local communites	Covid-19 continued to impact communities all over the world. In addition to support provided to overseas charities dealing with Covid-19, the Board remained committed to supporting local healthcare organisations *in the North West of England.*	Following on from our pledge in 2020, which included a £1m cash donation, PPE and hand sanitisers, we continued to support charities helping people cope with the devastating impacts of Covid-19 in 2021. This included donating funds to charities *in India helping to provide relief aid and vital* oxygen facilities in struggling rural communities.

Principal Decision 4:

Separation of the Group's business units

Given the fast pace at which THG is growing, the Board identified that the current structure of the Group's legal entities did not in some cases align with the business divisions and brands offered today.

The decision was therefore taken to re-organise the Group's legal structure so that underlying reporting companies align with business divisions and brands, and support THG's long term growth strategy. This process enables each division to accelerate investment in their individual growth plans. THG is committed to remaining a long-term majority shareholder in each of the divisions. The separation will involve the establishment of several subgroups of companies to cover each division i.e. Beauty, Nutrition, Ingenuity, and OnDemand.

Impacted Stakeholder Groups	Engagement	Impacts
Our people	All colleagues received communications in regard to the proposed reorganisation. In the UK, the TUPE process was followed with multiple consultation meetings held as an opportunity for colleagues to raise any questions or challenge the legal entity restructure proposal. Q&A from the sessions were circulated to impacted colleagues and consultation was closed with no open questions remaining. Similar processes were also followed in other jurisdictions, in adherence to local labour laws, with all colleagues being made aware of the proposed re-organisation and what it means for them.	Divisionally-aligned colleagues and assets will transfer to the appropriate legal entity as part of the re-organisation. However, these colleagues will remain within the Group and there will not be any changes to terms and conditions as part of the re-organisation (other than the employing legal entity) and benefits and other entitlements continue unchanged.
Our shareholders	The intention to undertake the internal reorganisation has been communicated to shareholders with updates on progress provided as part of regular trading updates. A Board sub-committee was established to act in the interests of shareholders. The committee receive regular updates on progress and key developments and report into the full Board.	This reorganisation aims to accelerate investment, acquisitions and expansion. Governance is in place for the project team to regularly report on the progress of the transformation to THG's Board and to seek approvals where required. The Board aims to ensure the transformation activity delivers value for shareholders and provides visibility over profitability of each division.
Our suppliers	Suppliers were notified of the re-organisation through regular communication. As this is an internal reorganisation is there is limited impact.	As part of the re-organisation, supplier agreements were assigned to the appropriate legal entity. No impact on suppliers as a result with the only change to current arrangement being a change in contracting entity.
Our customers (B2B)	Customers (B2B) were notified of the re-organisation through regular communication. As this is an internal reorganisation there is limited impact.	As part of the re-organisation, B2B customer agreements were assigned to the appropriate legal entity. No impact on customers as a result with the only change to current arrangement being a change in contracting entity.

Non-Financial information

The table below sets out where stakeholders can find information relating to the non-financial matters as required under the Non-Financial Reporting Directive:

Reporting requirements	Some of the relevant policies	Where to read more in this report about our impact, including the principal risks relating to these matters	Page
Environmental matters	Environmental policy	Sustainability Sustainability Committee Statement Risk – Environmental, Social and Governance Risk – Regulatory Compliance	87 175 115 114
Employees	HR Handbook including all people- related policies	Section 172 Statement Employee Engagement Statement Diversity in the Corporate Governance Statement Risk – Talent	73 150 149 111
Human rights	Modern slavery Policy Health and Safety Policy Whistleblowing Policy HR Handbook	Culture in Corporate Governance Statement Risk – Environmental, Social and Governance	138 115
Social matters	HR Handbook	Section 172 Statement Employee Engagement Diversity Covid-19 Risk – Environmental, Social and Governance	73 150 161 83 115
Anti-Bribery and Corruption	Anti-bribery Policy Gifts and Hospitality Policy	Risk – Environmental, Social and Governance	115
Business model		Our business model	16
Non-financial KPIs		Non-Financial KPIs Sustainability	14 87
Principal risks and uncertainties		Risk Management	105

Policy	Description
Environmental policy	THG is committed to doing business responsibly and reducing any adverse impacts of our operations on the environment. Our Environmental policy was implemented as part of our THG sustainability strategy (THG x Planet Earth) to drive positve change in our business, supply chains, communities and for the planet.
Health and Safety policy	THG takes a proactive approach to managing Health and Safety and our policy outlines the commitment of THG and the expectations of managers, the leadership team and all colleagues. Our approach is for "Zero Harm, Zero Compromise"
Modern Slavery policy	THG has a zero-tolerance approach to modern slavery and we are committed to acting ethically and with integrity in all our business dealings and working relationships. THG's Modern Slavery policy reflects its commitment to acting ethically and with integrity in all its business relationships and to implementing and enforcing effective systems and controls to ensure slavery and human trafficking is not taking place anywhere in its supply chains.
Anti-Bribery policy	THG is committed to conducting its business with complete integrity and in a manner which ensures compliance with all applicable laws and with the highest ethical standards. As a company, we use our best endeavours to ensure that all those acting on our behalf, whether they are employees, contractors, third-party intermediaries or agents, are aware of and share our commitment to conducting business ethically. Our Anti-Bribery policy summarises the Company's position in relation to ethical standards, including bribery.
Gifts and Hospitality policy	THG considers the offering and receipt of corporate hospitality to be a part of establishing and enhancing good relations with our business partners, including suppliers, customers and other business partners. However, giving or receiving hospitality or gifts which are excessive or inappropriate does not help to build good relations and may create the impression of undue pressure or improper influence. This could damage our reputation. In some cases, gifts or hospitality may be considered to be bribes under applicable Anti-Bribery law, with consequent criminal penalties. It is therefore essential that our employees and Directors comply with this policy whenever giving or receiving gifts or hospitality to or from the Company's business partners, or otherwise in the context of the Company's business.
Whistleblowing policy	Our aim is to operate properly, responsibly and ethically whilst encouraging a free and open culture in dealings between employees and all people with whom we engage. In order to protect our people, assets and information, we recognise that effective and honest communication is essential if concerns regarding breaches or failures are to be effectively dealt with and the company's success ensured. THG whistleblowing service is a free and professional service that enables all employees to raise their concerns confidentially. The service is available to all THG staff, agency workers and contractors. An update on all whistleblowing cases is provided to the Audit Committee on a quarterly basis. This updates provides details on the investigations undertaken and the outcomes of these investigations.

A review of these policies was undertaken as part of the 2021 Internal Audit Plan. This engagement identified some opportunities to further improve policy awareness and conformance. Subsequently, some of these policies have been updated and translated. An integrated training and policy platform was also introduced, to facilitate the rollout of policies to appropriate audience This platform allows subsequent monitoring of completion rates for the reading and acceptance of these policies at an individual level, promoting awareness and conformance to our policies.

Over the past 24 months, the global business environment has seen unprecedented change.

The ongoing challenges of Covid-19, the growth of e-commerce, frequency of extreme weather events, heightened focus on climate change, increased complexity of global trade and supply chain difficulties, *and increasingly competitive labour markets all continue* to impact the environment in which we operate.

During 2021, significant action was taken to progress THG's sustainability agenda. After undertaking a materiality assessment towards the end of 2020, this was used as a key component in the development of the Group's Sustainability Strategy.

In July 2021, the company appointed a Chief Sustainability Officer and in October published its 2030 Sustainability Strategy,THG x Planet Earth, while at the same time strengthening its THG Eco *proposition. THG Eco exists to further accelerate the* Group's sustainability activities and support both its suppliers and customers in the achievement of their sustainability goals. THG is committed to the ongoing development and expansion of sustainability into its end-to-end model to create enduring positive change for its suppliers, customers and Ingenuity partners. The *Group continues to focus on sustainability as a priority* and this was demonstrated through the acquisition of two recycling companies and a tree-planting platform.

Group materiality assessment

Given this rapidly changing environment, it is important to assess and understand the potential challenges and opportunities as well as the topics that are most important to THG and its stakeholders.

This allows the issues identified to be incorporated into business strategy and day-to-day operations, manage risks, and access opportunities for the future.

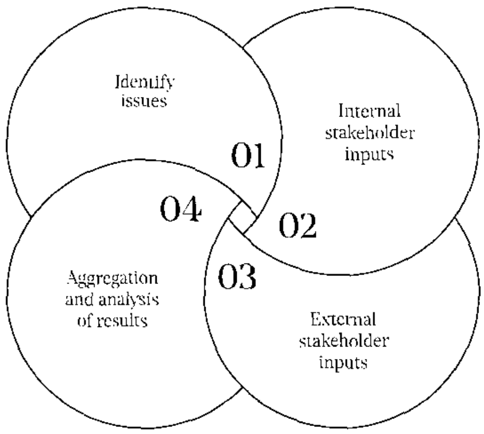
In early 2021, a materiality and stakeholder engagement process was undertaken which led to the development of the Company's first Sustainability vision and strategy. To define the material topics that are most relevant to the business, a range of stakeholders were engaged to gain an understanding and consensus as to the most material issues that could affect the company's operations, both now and in the future.

The goal was to obtain a picture of the environmental and social sustainability impacts, resulting in a set of prioritised material issues. To ensure a broad and inclusive view, the process included a review of:

- Global macrotrends, industry trends, sustainability trends.
- Corporate risk framework.
- Issues identified through our existing policies and commitments.
- Sustainability impact footprint – estimating THG's impacts across key impact areas, such as greenhouse gas (GHG) emissions, land use, employment, health.
- Non-governmental organisation (NGO), competitor, regulatory and trade association concerns.

This enabled a prioritised list of material issues to be defined.

The process followed a four-step approach and is based on both qualitative and quantitative inputs:



01

Identification of issues – identifying topics of importance to the business, stakeholders, and the social and environmental impact of each topic in the value chain.

02

Internal stakeholder inputs – ensuring the diversity and complexity of the organisation's operations are captured, gathering inputs from both central and divisional business units.

03

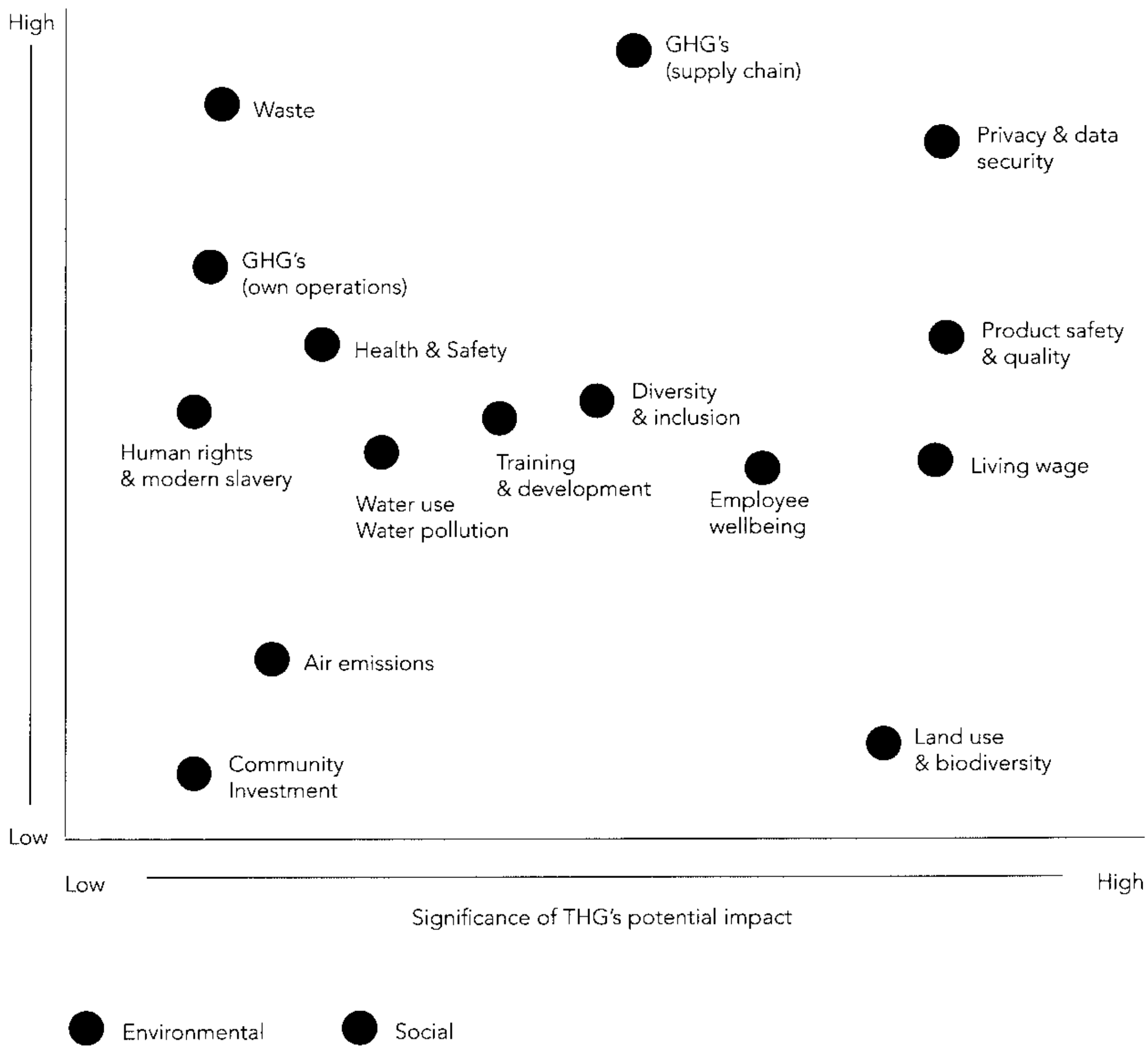
External stakeholder inputs – to understand concerns and expectations.

04

Aggregation and analysis of material issues – analysis of the internal and external context in which THG operates, combined with all stakeholder inputs, resulting in the prioritisation of THG's most material sustainability issues.

Materiality matrix

The results from the assessment process identified the 15 most important issues:



This materiality assessment process was facilitated by an independent third-party to enable the company to prioritise its environmental and social material issues and it formed the basis for the Company's 2030 sustainability strategy, which was published in 2021. In 2022, THG will update the materiality assessment to include governance issues.

THG' Sustainability vision

To act as a force for good in leaving the world a better place than we found it, by using our scale, our partnerships, our access to capital and our unique capacity for innovation to promote and embed sustainability into everything we do.

How Sustainability works at THG

Sustainability at THG is split between the 2030 Group Sustainability Strategy, THG x Planet Earth, and the Company's Sustainability Solutions, THG Eco. THG x Planet Earth is the Group's plan for a better sustainable future together, and THG Eco supports the delivery of the strategy by powering the Group towards its sustainability targets.

While both support delivery of THG's Sustainability Vision, THG x Planet Earth and THG Eco are managed by separate teams within the business, both of which are led by THG's Chief Sustainability Officer.

THG is still at the early stages of its sustainability journey, and is continuing to embed the Sustainability Vision across the business whilst investing in new data management systems. This will enable the Company to better report and disclose on the progress towards the Group Sustainability Strategy and goals.

THG's 2030 Group Sustainability Strategy: THG x Planet Earth

As a vertically-integrated business, THG is acutely aware of the impact that big businesses have on the environment and society, and the great responsibility and influence it holds with its people, communities, suppliers and customers both in the UK and internationally.

THG x Planet Earth is the Group's strategy for a better, more sustainable future. Guided by the United Nations' Sustainable Development Goals, THG x Planet Earth is centered around three key priorities:

- Protecting Climate and Nature.
- Strengthening Our Supply Chain and Circularity.
- Empowering People and Communities.

Each priority is built on a foundation of solid business fundamentals: protecting data and privacy, maintaining worker health and safety, and ensuring product quality and safety.

THG has set ambitious goals under the key priorities, to reinforce the direction in which the Company is travelling, providing a formal and structured approach, with specific targets underpinned by science, data and technology, and driven by talented people across the world.

When THG published its sustainability strategy in October 2021, the Company committed to using its global scale, world-class talent and dedication to innovation, to act as a force for good. More importantly, THG made a commitment to use its access to capital to invest in and influence environmental and societal changes that will benefit the planet today and create a sustainable future for the business and generations to come.

THG

Our Sustainability Vision

To act as a force for good in leaving the world
a better place than we found it

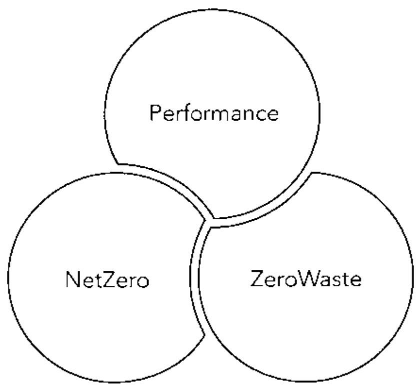
THG × PLANET EARTH

Our 2030 Group sustainability strategy

THG x Planet Earth is our plan for a better, sustainable future together.

THG / ECO

Our sustainability solutions



THG Eco is powering us towards our sustainability targets.

Protecting climate and nature

Recognising the urgency to take action against climate change, Protecting Climate and Nature is the first of the Group's three key priorities outlined in the sustainability strategy.

At THG, growing at pace is in the Company's nature, and ambitious targets have been set to accelerate sustainable changes to THG's own operations and throughout its supply chain.

THG has committed to setting Science-Based Targets, in line with a 1.5°C future, by the end of 2022, aligning with the UK Government's target for net zero greenhouse gas emissions by 2050, and the Paris Climate Agreement to limit the global temperature increase to 1.5°C.

In the meantime, THG is proud to be a Carbon Neutral company, having measured and offset its operational carbon emissions. When THG published its sustainability strategy, the Company included a commitment to go one step further and offset all its historical operational emissions since THG began and all its future operational emissions hereafter.

During the materiality assessment, land use and biodiversity were identified as particularly significant issues impacted by THG's operations. To address the Company's impact on the Earth's natural resources, THG has also set targets to eliminate deforestation from its supply chains, to use water more sustainably and to utilise renewable energy for 100% of its operations.

	THG sustainability goals	UN sustainable development goals
Climate	Be climate positive and offset all our entire historical operational emissions.	
Nature	Have a net positive nature impact across our own brands.	
Water	Use water sustainably in high water impact areas of our value chain.	

THG targets

Climate	Publish Net Zero roadmap aligned to science-based targets.	By 2022
Climate	Offset all of THG's historical operational emissions.	By 2025
Climate	Transition to 100% renewable electricity for own operations.	By 2025
Climate	50% of suppliers and THG Ingenuity partners to set carbon reduction targets.	By 2025
Nature	100% sourced agricultural materials to be deforestation-free for own brands.	By 2025
Nature	Top 20% of own-brand suppliers (by impact) to introduce restorative agricultural practices.	By 2030
Water	30% reduction of water use in water stressed and own operation sites.	By 2030
Water	25% of product and ingredient suppliers to disclose water usage and adopt Water Stewardship.	By 2030

THG's Greenhouse Gas (GHG) emissions

THG has been a carbon neutral company since 2019 and the reduction of our energy use and related carbon footprint continues to be an important area of focus for the Group.

The Group's GHG emissions reporting calculation is undertaken in line with our obligations under The Companies Act 2006 (Strategic Report and the Directors' Report) Regulations 2013, and the Streamlined Energy & Carbon Reporting regulations, March 2019. GHG emissions are reported in accordance with the GHG Protocol. The reporting year for GHG emissions in the Group ran from 1 January 2021 to 31 December 2021.

THG's energy use and energy efficiency action

Tonnes of CO2 emissions	2021	2020	2019
Scope 1 emissions Generated from the gas and oil used in buildings where the Group operates; emissions generated from Group owned and operated vehicles for business travel	**2,309**	1,945	2,001
Scope 2 emissions Generated from the use of electricity in all buildings from which the Group operates	**11,605**	9,583	7,908
Total	**13,914**	11,528	9,909
GHG Intensity	**2021**	2020	2019
GHG emissions per £1m turnover	6.39	7.15	8.69

The above GHG emissions are measured in tonnes of carbon dioxide equivalent (tCO2e), using the location-based method. Material carbon emission sources to the business within the disclosed footprint are from natural gas and electricity used across our sites. Remaining emissions, such as those arising from fugitive emissions, are not considered material.

THG's total emissions for 2021 increased by 2,386 tCO2e year on year. Acquisitions during the year accounted for 50% of the increase in emissions with organic business growth accounting for the remainder.

The Company's intensity metric (per £1m turnover) showed a decreased of 11%, primarily as a result of transitioning a significant proportion the Group's UK operations to renewable energy during 2021, combined with other energy savings initiatives.

Our energy use and energy efficiency action

The Group's energy data, in relation to the above carbon footprint includes energy consumption from operations covered by the Group Financial Statements for which we have operational control and is shown as follows.

Energy use (KWh)	2021	2020	2019
Natural Gas	**12,051,833**	9,943,330	9,526,856
Electricity	**28,653,493**	19,649,394	16,990,320
Diesel fuel from company vehicles	**590,717**	486,648	1,010,101
Total	**41,296,042**	30,079,372	27,527,277

Energy use (KWh)	2021	2020	2019
UK	**23,332,220**	16,833,917	18,924,478
Overseas	**17,963,822**	13,245,455	8,602,999
Total	**41,296,042**	30,079,372	27,527,477

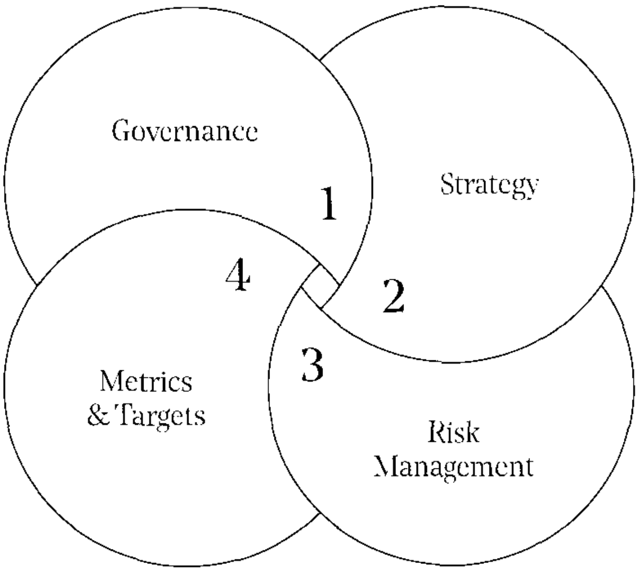
Customer-facing initiatives

During 2021, THG introduced initiatives such as Eco Deliveries, to help customers reduce their environmental impact when they shop with THG brands.

Working with Royal Mail and Paack, customers selected an Eco Delivery at checkout over 137,000 times between May and December which helped drive a 24% year-on-year reduction in the CO_2 emissions per shipment in the UK.

Commitment to TCFD

THG is at the early stages of its sustainability journey, but the Group is committed to reporting transparently and in alignment with the Task Force on Climate-related Financial Disclosures ("TCFD"). In 2022, the Company will continue to work towards aligning with the 11 TCFD recommendations. For areas in which we are in the process of working towards alignment, we will provide an explanation with actions and timelines to achieve this in THG's future Annual Reports. Please see below for details on the progress made in 2021 and actions to be taken in 2022 and beyond:



A summary of the principal responsibilities of Board members and the Company Secretary is as follows:

1. Governance

THG's sustainability vision and strategy was published in October 2021, approved by THG's Executive Board and the Sustainability Committee. To ensure the strategy remains relevant, it will be reviewed by the Chief Sustainability Officer and the Sustainability Committee every two years, with any changes approved by the Board.

Next steps:

The next step is to establish a dedicated, cross-functional TCFD Working Group, overseen by THG's Executive Board and the Sustainability Committee. The Working Group will be tasked with aligning our reporting with the TCFD framework, providing regular updates and submitting proposals for approval by the Board and Sustainability Committee. Sustainability (including climate related risks and opportunities) will be covered under principal risks in 2022, and the principal risks will be approved and reviewed by the Risk Committee and the Board.

2. Strategy

THG published an ambition to achieve net zero as part of its Group sustainability strategy, and completed a materiality assessment, the results of which are detailed on page 89.

Next steps:

To update and use the materiality assessment and undertake a multiple scenario analysis to identify and assess the Group's climate-related physical and transition risks and opportunities in greater detail.

3. Risk Management

A Chief Sustainability Officer has been appointed to oversee and lead the Group's approach to managing sustainability risks and opportunities, including climate change.

Next steps:

The Chief Sustainability Officer will work with the TCFD Working Group and Group Risk Management teams to further develop and integrate management processes for climate-related physical and transition risks.

4. Metrics and Targets

The Group's sustainability targets are detailed on page 94, which include a net zero ambition (covering Scope 1-3), and commitments to protect climate and nature throughout THG's supply chain. The Group has collated baseline data, including GHG emissions for Scopes 1 and 2 for the years 2019-2021, detailed on page 95

Next steps:

In 2022, the Group aims to develop and publish approved science-based targets and produce a climate transition roadmap detailing how THG will reach its targets and goals. We are in the process of collating scope 3 data, net zero targets will be set and submitted to SBTi for validation during 2022.

Strengthening our supply chain and circularity

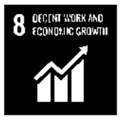
Planet Earth cannot afford unlimited resources, and the Board has a moral duty to ensure THG's supply chain is responsible, ethical and does not adversely affect people or the planet.

Prioritising strengthening our supply chain and circularity means ensuring that every supplier the Group works with upholds ethical working practices, and that all parties work together to reduce waste to zero.

THG is committed to working closer and more collaboratively with its suppliers to support sustainable development throughout the Company's supply chain, continuing to support decent work and economic growth in all territories in which THG operates.

The Group's approach to circularity is primarily focused on packaging, owing to the amount of packaging used throughout THG's value chain. This includes focusing on packaging innovation, ensuring packaging is recyclable or reusable, whilst also reducing the absolute amount of packaging in use.

During 2021, THG also became a member of The UK Plastics Pact initiative, which will help drive packaging innovation across the Group, and enable the Company to work with other members to support citizen-engagement campaigns on waste reduction and recycling.

	THG sustainability goals	UN sustainable Development Goals
Ethical Supply Chain	Protect human rights and work to eliminate modern slavery in our supply chain.	
Circularity	Transform all of our waste into resources for our value chain.	

THG targets

Ethical Supply Chain	Implement a progressive Human Rights policy.	By 2023
Ethical Supply Chain	All suppliers to commit to THG's ethical sourcing standards.	By 2025
Circularity	100% of own-brand packaging to be recyclable, reusable or compostable.	By 2025
Circularity	Zero waste to landfill from our own operations.	By 2030
Circularity	To recycle more plastic than we produce.	By 2030
Circularity	70% of packaging from third-party brands to be recyclable, reusable or compostable.	By 2030

Supply chain engagement

Following the launch of THG's sustainability strategy, the Group revised its Ethical Code of Conduct and engaged with its supply base on the issues of ethical labour, carbon reduction and waste.

In Q3 2021, the Group identified 977 suppliers with which to engage. By the end of 2021, 446 suppliers had signed or acknowledged THG's Ethical Code of Conduct, an overall response rate of 47%. The Company is continuing to engage with suppliers on this topic and work with them to ensure that there is no modern slavery in its supply chain.

Empowering people and communities

Our people are our greatest asset. We nurture world-class talent from all over the globe, with more than 95 nationalities represented within our employee base, and create life-changing career opportunities.

Ranked as one of the UK's Best Big Companies to Work For, and named as one of the The Times Top 100 Graduate Employers in 2021, THG is building the skills of the future.

Since the Group was founded in the North West of England, THG's teams have been pushing the boundaries of innovation to become a global influence today. A diverse, inclusive and supportive environment brings out the best in people, which is why the Group is tackling inequality throughout its workforce, supply chain and in its communities.

It is imperative that people and communities feel empowered to make a positive difference in the world. THG has committed to working with its suppliers and partners to create a level playing field and fair wages for ambitious and innovative talent, regardless of gender, ability or ethnicity. The Group is committed to spending time and energy to support people who need help, and THG will invest expertise to eradicate digital inequality and provide people with the skills they need to excel.

Our communities and charitable giving

Throughout the year, we supported a variety of charities and good causes that mean the most to our colleagues, and we are proud to be making a positive difference to people and communities all over the world.

Our social impact in 2021

During the year, the Group made several charitable donations totaling £1.3m (2020: £6.6m).

In the UK, our Beauty and Nutrition brands donated thousands of products to several charities across the UK, providing support for women and families in need, and essential hygiene products and clothing for refugees escaping international crises.

We also supported mental health campaigns across Europe, including donating to charities based in Denmark and Portugal for World Mental Health Day in October. Following on from our £10m pledge in 2020, we continued to support charities helping people cope with the devastating impacts of Covid-19 in 2021. This included donating funds to charities in India helping to provide relief aid and vital oxygen facilities in struggling rural communities.

In 2022, we will develop and publish a new Group-wide Social Impact strategy to define our approach to charitable giving and maximise THG's impact in our local and global communities. This builds on the commitment outlined in our 2030 Sustainability Strategy to support our communities and lead initiatives to teach tech and life skills.

	THG sustainability goals	UN sustainable development goals
Employee Wellbeing and Development	Create a workplace culture which brings out the best in all.	10 REDUCED INEQUALITIES
Diversity and Inclusion	Promote policies and practices that are inclusive for all at THG.	5 GENDER EQUALITY; 10 REDUCED INEQUALITIES
Investing in our communities	Support our communities and lead initiatives to teach tech and life skills.	4 QUALITY EDUCATION

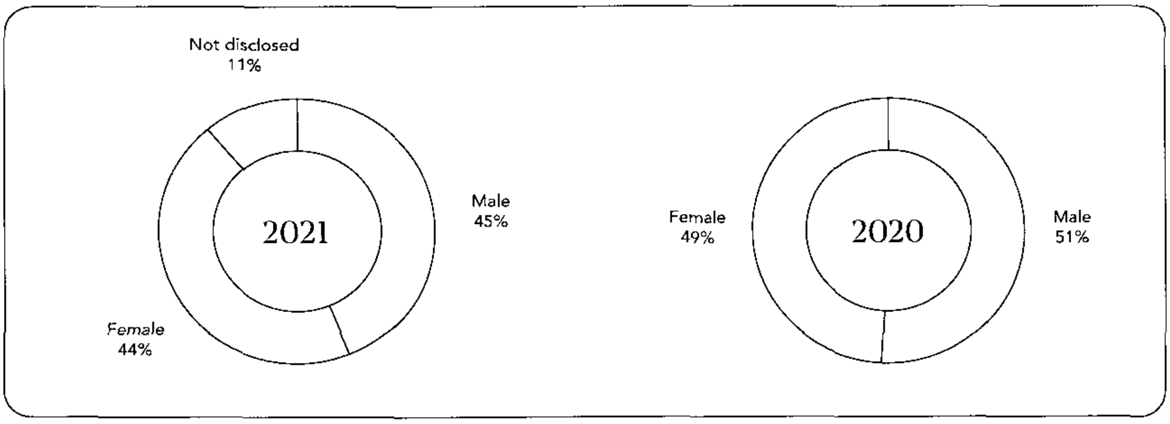
THG targets

Employee wellbeing and development	Achieve at least 15% improvement in employee engagement score.	By 2025
Employee wellbeing and development	Pay all direct staff, agency workers and contractors a living wage.	By 2025
Employee wellbeing and development	All Tier 1 suppliers to pay a living wage.	By 2025
Diversity & Inclusion	Achieve 50% female representation and at least 20% ethnic minority representation in Graduate and Apprenticeship schemes.	By 2025
Diversity & Inclusion	Eliminate gender and ethnicity pay gaps across all THG divisions.	By 2030
Diversity & Inclusion	Achieve 50% gender equality and at least 15% ethnic minority representation on the Board and senior leaders.	By 2030
Investing in our communities	Two days' volunteering per year for every THG employee.	By 2025
Investing in our communities	Provide 10,000 people in the community with technology and life skills training.	By 2030

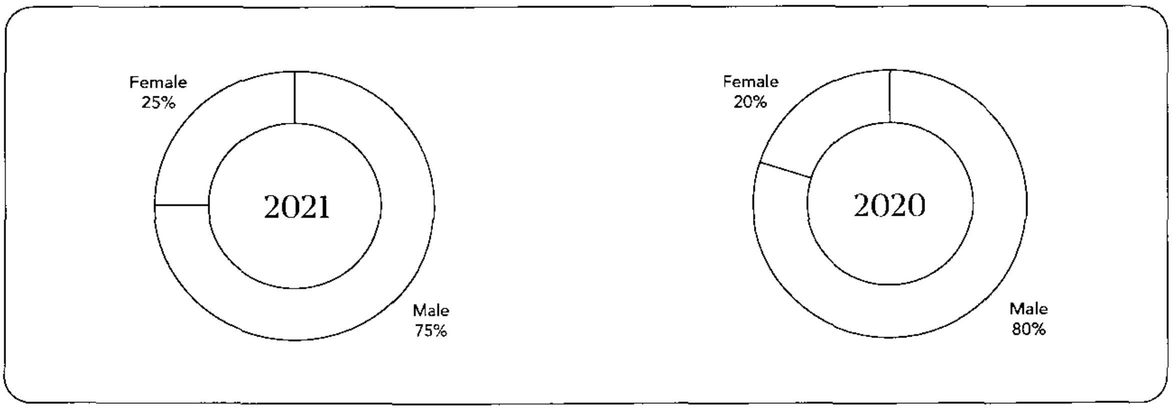
Our people

	Gender			
Level	Male	Female	Not disclosed	Total
PLC Board	7	2	-	9
Senior management	17	6	-	23
Total workforce	4,424	4,561	1,061	10,046

Gender: Total THG workforce

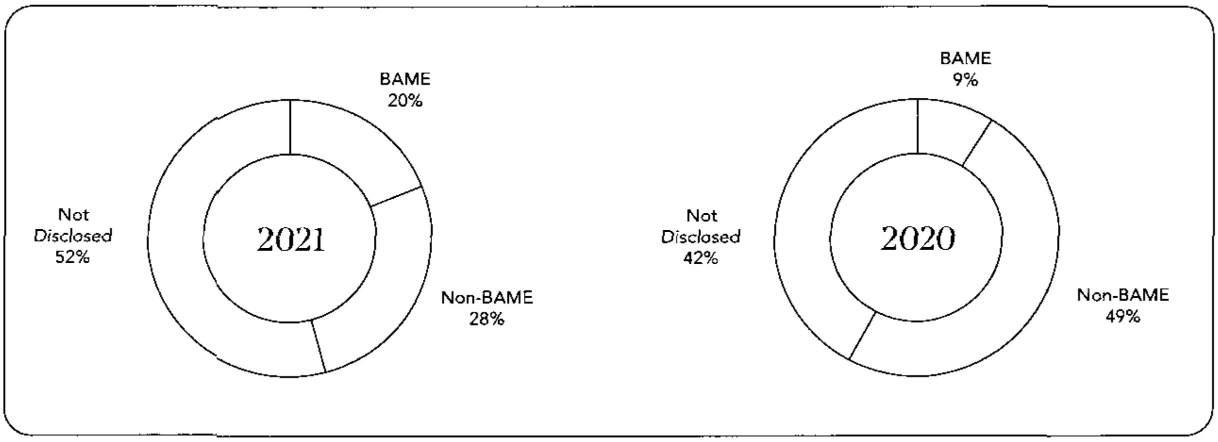


Gender: Board and senior management

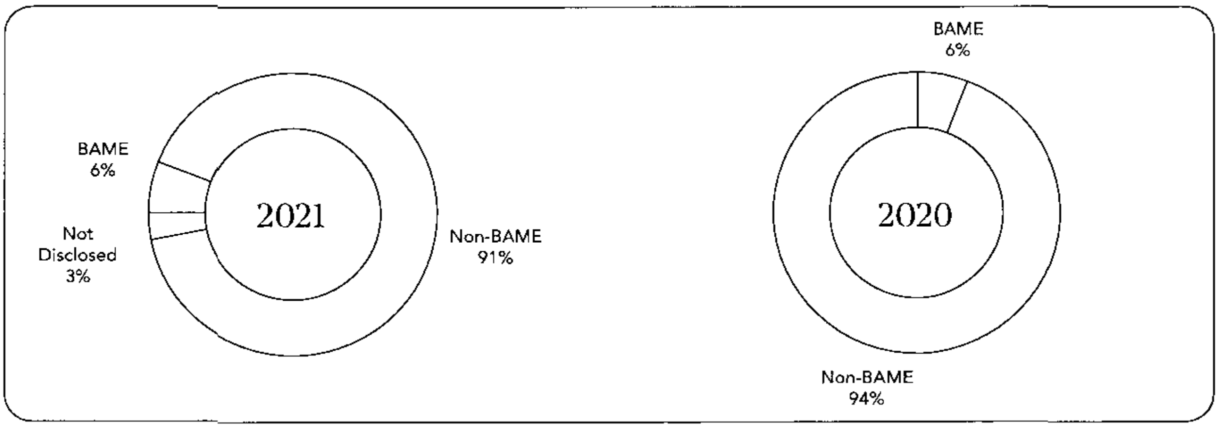


	Ethnicity			
Level	BAME	Non-BAME	Not disclosed	Total
PLC Board	-	9	n/a	9
Senior management	2	20	1	23
Total workforce	1,916	2,800	5,330	10,046

Ethnicity: Total THG workforce



Ethnicity: Board and senior management



Risk management and informed decision making

THG's risk management process is designed to protect the interests of key stakeholders and enhance the quality of decision making, enabling the effective management of our strategic, operational, commercial, compliance, change and emerging risks. This helps us to deliver our strategic objectives and goals through risk-informed decisions. The Board's role is to maintain oversight of the key principal and business risks, together with ensuring that the appropriate committees are managing these risks effectively. Additionally, the Board reviews the effectiveness of our risk management approach and challenges our leaders to articulate their risk management strategies and appropriate controls. The Board has also established both Audit and Risk Committees to support it in its responsibilities for ensuring the adequacy of risk management. Further explanation on the role and responsibilities of the Committees are set out on pages 143-144.

In 2021 we continued the maturing of our approach to risk management, including the appointment of a Chief Risk Officer, reporting to the Chief Financial Officer, organisational restructuring to support a three lines model and the reshaping of our Enterprise Risk Management Framework. We have built out parameters to support our Group risk appetite, refreshed our Principal Risks and underlying processes for their evaluation, measurement and management and established a robust approach to the identification of emerging risk. In addition, we continue to invest in our Risk Team, our operational risk processes and supporting technology.

How we identify risk

Using our Enterprise Risk Management Framework, all Group entities and functions identify the risks that could affect their strategy and operations to implement risk mitigation plans. Our risk identification process follows an enterprise-wide "top-down, bottom-up" approach, which seeks to identify:

- Principal risks that may impact our ability to and pace by which we achieve our strategic objectives, with these risks representing the risks that most threaten delivery of our strategy. Strategic, commercial, operational, compliance and change risks ("business risks") that occur at a divisional level. These risks are those that pose the greatest threat to the success of business activities across the Group and may also feed into our principal risks.

Business risks are consolidated into a Group-wide view and presented to a representative selection of senior executives, who add their own input from a strategic, functional and emerging risk perspective. Business risks are then escalated in line with the Risk Management Policy to the Risk Committee. This escalation process provides organisational visibility to emerging, change, strategic, commercial, operational, and compliance risks, as well as driving action and supporting accountability for risk management.

Our risk appetite and risk tolerances

Our risk appetite reflects our ability or desire to accept a certain level of risk to achieve our strategy. We recognise that eliminating risk is often not feasible or desirable, so we use our group risk appetite statement, parameters and metrics to support informed decisions on the level of risk that can be taken or sought to achieve strategic objectives. All identified risks are measured using the pre-determined risk matrix set out in our Risk Management Policy.

Principal risks are monitored against risk appetite targets using supporting measures, metrics, and tolerances, which are evaluated throughout the year to ensure they remain aligned with our strategic objectives, and within an acceptable risk tolerance for the Group.

Emerging risks

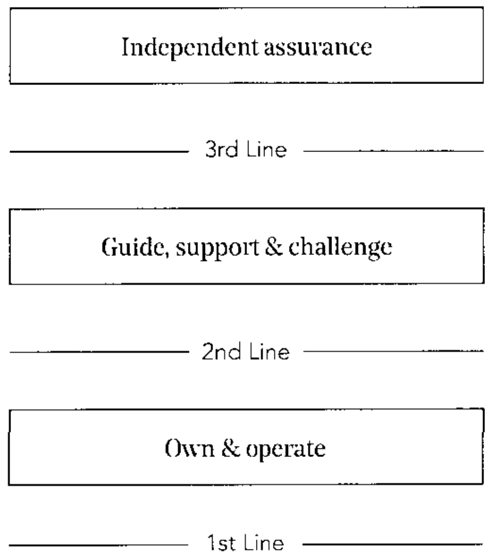
Emerging risks are identified through the Principal Risk and Operational Risk processes on an ongoing basis. Additionally, Emerging risks are identified, prioritised and understood via an "identify, filter, prioritise, investigate and understand" approach. The approach utilises internal and external sources, including Business leaders and Subject Matter Experts both Internal and External, across a selection of categories to identify potential emerging risks and opportunities.

By the very nature of Emerging risks, it is common to identify false leads, conflicting signals and messages. Therefore, the approach filters and prioritises, to support management in helping to decide which emerging risks should be investigated further.

Once it has been decided which emerging risks should be investigated further, they are investigated and understood by an allocated Emerging Risk Owner, working with THG Risk. The work to understand Emerging risks will vary from risk to risk, dependent upon the risk, but ranges from basic qualitative assessment to modelling and quantitative assessment.

How we manage risk

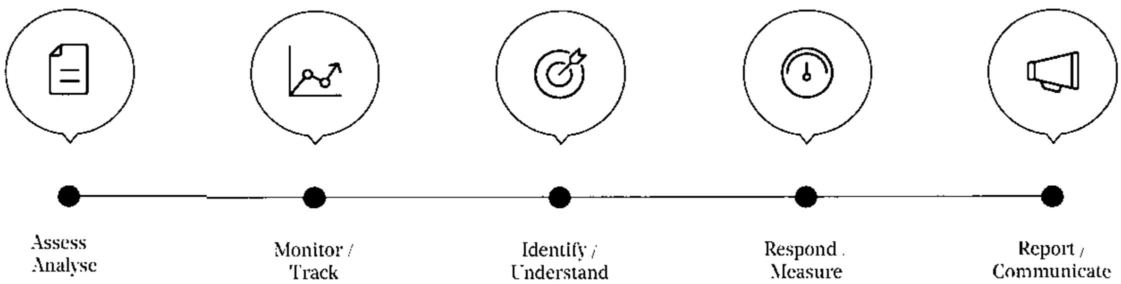
Figure 1 presents an overview of our process and governance structures. We develop severe but plausible scenarios for all risks. These scenarios not only provide insights into possible threats and points of failure, allowing us to react and adjust our strategy accordingly, but are also used for the purpose of assessing our viability. The THG Enterprise Risk Management Framework enables us to identify, evaluate, analyse, manage and mitigate those risks which threaten the successful achievement of our business strategy and objectives. Each principal risk is assigned an executive owner who is accountable for setting the target tolerance level. The executive owner is responsible for confirming adequate controls are in place and that the necessary action plans are implemented to bring the risk profile within an acceptable tolerance. Principal and emerging risks are supported, as appropriate, by in-depth reviews. We continue to consider risks both individually and collectively to fully understand our risk landscape. By analysing the correlation between risks, we can identify those that have the potential to cause, impact, or increase another risk and that these are weighted appropriately. This exercise informs our scenario analysis, particularly in scenarios used in the Viability Statement.



Risks that are identified and captured at a divisional level are owned and managed within their respective management structures and are reviewed on an ongoing basis.

Our Three Lines Model gives first-line employees responsibility for management of their risk and the subsequent deployment of risk strategies, thus supporting risk-based decision-making.

THG Risk also manages the corporate insurance programme, ensuring that placements are appropriate for the risk exposure and in line with our risk appetite. The Board recognises that culture underpins the effectiveness of THG's risk management, and the operation of an effective control environment. By rolling out our three lines governance model, this defines clear roles and responsibilities for all employees, and establishes accountability for actions and decisions. It also describes how appropriate oversight, challenge and assurance are provided over business activities, including the ethical conduct of our operations.



Risk governance

Board

The Board has overall responsibility for risk management and establishing the Group's risk appetite. It monitors the risk environment and reviews the relevance and appropriateness of the principal risks to the business.

Risk Committee

The Risk Committee supports the Board in setting the Group's risk appetite and ensuring that processes are in place to identify, manage and mitigate the Group's principal and emerging risks. At each meeting, the Committee reviews the principal risks and their associated appetite targets and metrics, to assess whether they continue to be relevant, effective and aligned to the achievement of our strategic objectives, and within an acceptable tolerance for the Group.

Further information on the Committee's activity in 2021 is set out in the Risk Committee Report on pages 161-164.

Audit Committee

The Audit Committee monitors the effectiveness of the control environment through the review of Internal Audit reports and other assurance activity from THG Internal Audit and consideration of relevant reporting from management and the external auditor.

Further information on the Committee's activity in 2021 is set out in the Audit Committee Report on pages 153-160.

Executive

The Executive is responsible for the stewardship of the risk management approach. It develops the strategy and oversees the delivery of the related operational plans that help to manage the associated risks. Each principal risk is also owned by a member of the Executive.

Chief Risk Officer

The Chief Risk Officer (CRO) is responsible for the second and third line functions, namely THG Risk and THG Internal Audit. The CRO is responsible for the facilitation and implementation of the risk management approach across THG, including the provision of appropriate risk reporting for the Risk Committee, Audit Committee and the Executive. The CRO attends the Risk and Audit committee meetings and regularly meets with respective Chairs outside these meetings. The CRO is also responsible for insurance, business continuity, health and safety, food safety, facilities, security and loss prevention.

THG Risk

THG Risk supports the effective operation of the Enterprise Risk Management Framework and Governance Structure, including the management of the principal risks and providing guidance, support and challenge to the business to effectively manage risk.

THG Internal Audit

THG Internal Audit is led by the Head of Internal Audit, and its purpose and activities are set out in the Internal Audit section of the Audit Committee Report on page 157.

Risk management and internal controls

The Board retains overall responsibility for setting group risk appetite and for risk management and internal control systems. In accordance with principles M, N and O of the UK Corporate Governance Code 2018 (the "Code"), in addition to Paragraph 58 of the FRC guidance (Section 6), the Board is responsible for reviewing the effectiveness of the risk management and internal control systems and confirms that:

- There is an ongoing process for identifying, evaluating and managing the principal risks faced by the Group.
- There is an ongoing process for identifying, evaluating and managing the emerging risks faced by the Group.
- The systems have developed throughout the year under review and up to the date of approval of the Annual Report and Accounts.
- They are regularly reviewed by the Board.
- The systems accord with the FRC guidance on risk management, internal control and related financial and business reporting.

There were no instances of significant control failing or weakness in the year. You can read more about our risk management and internal controls systems in our Strategic Report on pages 7-128 and the associated work of the Audit and Risk Committees on pages 153-164.

Covid-19

Throughout 2021, the global pandemic continued to produce highly challenging conditions across all sectors of the global economy. Throughout, THG's priority has been, and remains, to protect the health, safety and wellbeing of our employees. The Board has continued its proactive response to both home and flexible working policies and practices and continued to oversee the redesign of processes and procedures in our fulfilment centres to ensure they remain Covid-19 secure.

The 2020 impact of the Covid-19 pandemic on the online retail marketplace and the wider global economy has continued throughout 2021, with a continuing consumer shift onto digital platforms. Whilst the pandemic has continued the accelerated digital shift which has driven a proportion of the 2021 revenue growth, it has also continually increased the challenge of delivering products to customers and protecting our employees, with this leading to some cost increases. These primarily related to higher transportation costs, leading to an incremental increase in these costs of £27m in 2021. Further costs were incurred on maintaining Covid-19 secure workplaces. For further details see note 4 to the financial statements.

THG has consistently responded decisively to the pandemic's challenges to provide a world leading proposition as a digital-first consumer brands group. Our business model is centred around non-discretionary and recession-proof products and services across beauty, nutrition and technology. As such, THG was able to respond adeptly to the challenges faced by the pandemic and build upon 2020 by delivering further significant sales growth across all divisions in 2021. We have continually reviewed the actual, emerging and potential impacts of the pandemic on our principal risks to identify any new risks or changes to existing risks and opportunities that may have arisen, with a specific lens on what could change the risk profile materially. Whilst the pandemic has not created any additional principal risks, we have amended, as appropriate, some of our mitigating actions, as set out in the principal risks section.

Brexit

Throughout 2021, the Brexit Steering Committee has continued to assess the impacts, uncertainties and inherent risks and their impact upon THG's ability to meet continuing consumer demand. We continue to plan and respond to a variety of scenarios, capturing these within our principal risks, amending, as appropriate, our mitigating actions. These include duty level exposures, citizenship implications, fulfilment workforce requirements and transport logistics.

Principal risks

The Board and the Risk Committee carried out a robust and ongoing assessment of the principal and emerging risks facing the Group throughout the year. This assessment considered those risks that would threaten THG's business model, future performance, solvency or liquidity, and ensured that the risks continued to align with our business strategy. The effective management of strategic, financial, compliance and operational risks is critical to the success of THG's strategy. THG continually assesses its principal risks to ensure continued and enhanced alignment to our strategy and consideration of where THG is currently on its journey to becoming a global digital innovator.

In reviewing the principal risks, we have evolved cyber threats to cyber security and data privacy to reflect the continuing change in cyber security risk and address data privacy more explicitly. Key service disruption has evolved to reflect all aspects of third-party reliance across the business. In addition, regulatory compliance has broadened to reflect the breadth of regulatory requirements potentially impacting THG and sustainability and ethics has evolved into environment, social and governance to reflect our continued commitment to the wider community and the creation of THG Eco.

The refresh of our Risk Management approach has seen the addition of Principal Risks regarding Customer Needs, Innovation, Corporate Structure, Infrastructure, Onboarding and Integration, Culture, Talent and the Ingenuity e-commerce platform. In addition, the previous principal risks in regard to Operational Resilience, Related Parties, Liquidity risk and Currency risk, whilst remaining strategic have been subsumed within the revised principal risks or are being managed out with the principal risk process.

The ongoing impact of Covid-19 and Brexit have been reflected, as appropriate throughout our Principal Risks rather than identified as standalone risks.

We manage principal risk in line with our risk management policy and approach, as set out in Risk management on pages 105-106. In 2021 we monitored and reported against 12 principal risks. As detailed in the following table, a range of measures are in place, or are being deployed or developed, to manage and mitigate our principal risks.

Principal risk	Risk context	Management and mitigation
Cyber security and data privacy Failure to responsibly collect, process and store data, together with not ensuring an appropriate standard of cyber security across the business, will result in us not meeting our regulatory and contractual obligations, and losing the trust of our stakeholders	Information is the life blood of a digital company – protecting the confidentiality, integrity and accessibility of this data is critical for a data-driven business. Failure to do so can have significant financial and regulatory consequences in the General Data Protection Regulation (GDPR) era. In addition, we also need to use our data efficiently and effectively to drive improved business performance.	**Stable** • The Chief Information Security Officer oversees information security. The Global Privacy Officer oversees information protection. • Multi-year cyber security programmes driving continuous improvement and cyber-risk reduction across technology, business processes and culture. • Continuously improving the data protection strategy, framework and methodology, ongoing data mapping and impact assessment procedures. • The Information Security Risk Management Methodology is deployed to provide objective reviews and monitoring on our assets and systems. • Formal certification schemes maintained across the business. • All colleagues are required to undertake awareness training for information management and data protection, with a focus on the GDPR requirements. • Internal and external validation of compliance through auditing, including risk-based audits of suppliers and other third parties (see "Third-party reliance").
Third-party reliance Failure to embed our partners as an integral and aligned part of our infrastructure, fulfilment and go-to-market strategy in a timely manner, will result in us failing to deliver the right capabilities and experiences to our customers.	THG places reliance on third-party providers to support the delivery of our services to our customers. Any interruption in these services or relationships could have a profound impact on THG's reputation in the market and could result in significant financial liabilities and losses.	**Improving** • All new suppliers go through a rigorous selection and onboarding process. • Procurement team monitors supplier performance on an ongoing basis, against third-party contract SLAs. • Dual sourcing for most supply categories and in all business units, reducing dependencies on sole suppliers. • Extensive and up-to-date knowledge of supplier base enabling sources to be found relatively quickly. • Ongoing development of Global site standards and conformance agreements to ensure adequate standards are maintained in the supply chain as far as possible, applicable both in-house and with third-party sites. • Assurance on our key third-party suppliers and service providers through Internal and external compliance auditing. • Continuous monitoring of the supply chain activity and news through advanced web-scraping functionality • Continuous monitoring and forecasting of demand and availability to adjust intake accordingly. • Multiple delivery methods, routes, ports and carrier strategies to minimise the risk of disruptions. • Supply Chain Business Continuity strategies and planning to respond to incidents. • Increasing our Supply Chain capacity by building new additional fulfilment centres globally, with less reliance on third party warehouses (see "Infrastructure")

Principal risk	Risk context	Management and mitigation
Talent If we fail to attract at pace, and/or retain employees with the critical skills, capabilities, motivation and capacity we need to deliver on our strategy, we will not be successful.	As we continue to evolve our priorities, the capacity, knowledge and leadership skills we need will continue to change. THG will not only need to attract the talent and experience we will need to help navigate this change. We will also need to provide an environment where employees can develop to meet these new expectations, an environment where everyone can perform at their very best. By continuing to empower employees and leaders to make decisions, be innovative, and be bold in delivering on our commitments, THG will continue to create an attractive working environment, increasing employee engagement and aligned high-performing teams.	**Improving** • Reviews of our remuneration requirements and mechanisms designed to incentivise and drive the right behaviour with a focus on ensuring fair and equitable pay across the business • Focused development of key staff, through dedicated learning and development tools, to ensure they create the environment which enables colleagues to thrive and perform at their very best • The above, monitored via engagement surveys, follow ups and our Performance management processes. • Ongoing focus on Policy and culture requirements. See *"Culture"* • Brexit Steering Committee continues to assess how THG should respond to the uncertainty and inherent risks, relevant to Talent • Throughout 2021, the focus of our Covid-19 Steering Group was to ensure that our colleagues, were being appropriately supported. In the second part of the year, the focus shifted to assisting our office-based colleagues in returning to a safe office environment.
Ingenuity e-commerce platform Failure to maintain a reliable, scalable and secure live services environment, will impact our ability to deliver the consistent and resilient experience expected by our customers.	As a digital company, we continue to focus on scaling our current and future Ingenuity platform services environment in an agile and speedy manner to ensure the delivery of a consistent and robust cloud platform and associated digital network. THG must provide the right infrastructure and operations for all of our customer products, a hosting platform together with the governance to ensure optimal service availability, performance, security protection and restoration (if required).	**Improving** • Accountability across Platforms and Projects, underpinned by ongoing risk assessments and continuous improvement projects • Ongoing investment in our Ingenuity platform services to ensure that the THG estate evolves to support the business as it scales and changes. • Continuously improving data protection strategy, framework and methodology, ongoing data mapping and impact assessments procedures. • Robust change management processes and incident management protocols, adhered to for all products and services. • Service-level objectives including uptime, responsiveness, and mean time to repair objectives. • Comprehensive disaster recovery and business continuity plans in place across the Group. • Other key mitigation factors detailed under "Cyber Security and Data Privacy" risk.

Principal risk	Risk context	Management and mitigation
Customer needs If we fail to anticipate, understand and deliver against the capabilities and experiences our current and future customers need in a timely manner, they will find alternative providers.	As THG continues to grow its business and brands, an understanding of how to continually attract customers whilst retaining our existing customers is essential. This requires a deep and continuous flow of insights supported by processes and systems. By understanding the needs of our customers, THG will continue to differentiate itself from competitors, build compelling value propositions and offers, leverage key drivers to identify opportunities, decrease churn and drive more effective revenue generation.	**Stable** • Utilisation of customer activity and churn data, to understand their appetite for product offerings. • Continuous Net Promoter Score (NPS) surveying allows THG to identify customer challenges rapidly, and respond in a timely manner to emerging trends. • Managed International Customer Service – 24/7 Customer Service for a global audience across live chat, calls, email and social. • Specialised Merchandising executives support the business with brand selections. • Competitor activity and offerings are reviewed regularly to remain abreast of market developments. • Developments in e-commerce trends are monitored to keep abreast of the latest developments and innovations. • Consumers' changing preferences are monitored internally and by market research to ensure products remain relevant. • Performance targets control key deliverables (net promoter scores, site traffic). • Highly competent buyers and merchandisers are adept at interpreting and acquiring desirable brands. • Product range planning ensures sufficient product offering to cover expected demand. • Buying, merchandising and marketing departments operate cohesively, with regular cross-functional communication. • Customer service levels and complaints are monitored and internet sites are reviewed for customer opinion. • Investment in logistics, fulfilment, delivery, marketing, brand and customer experience to keep our customer appeal. • Use of technology and data to be more targeted and strategic in how we gain new customers and maximise the loyalty and lifetime value of existing customers.
Corporate structure If we fail to successfully co-ordinate, deliver and execute, at pace, the development of the THG corporate structure, it will impact the successful delivery of our strategy.	As part of the continued maturing of our business and to support our ongoing growth and strategic aims, our corporate structure must evolve to provide transparency and clarity to the vision for each element of THG, be it Beauty, Nutrition, Ingenuity or other operating divisions.	**Improving** • Robust processes introduced for the reorganisation and legal entity restructure progressed during 2021 and into 2022. • Ongoing advisory support from third party advisors as part of the restructure. • Realignment and re-engineering of our business processes resulting from the corporate restructure. • Establishment of a standalone Committee for the restructure to oversee action tracking and risk management. • Ongoing recruitment and talent acquisition at senior level, for new roles.

Principal risk	Risk context	Management and mitigation
Infrastructure If we fail to scale our infrastructure, systems and processes at pace, whilst maintaining service levels, it will impact the successful delivery of our strategy.	World-class infrastructure from source to customer is fundamental to the exacting service levels that we seek to provide to businesses and customers alike. Our infrastructure must be robust, slick and secure and ensure the THG service offering is second to none.	**Improving** • Increasing our Supply Chain capacity directly by building new manufacturing and fulfilment centres globally, to ensure adequate warehouse facilities are available to keep pace with business growth. • Increasing our Supply Chain capacity indirectly via acquisitions. • Strategic programmes underway to ensure that all aspects of the THG estate evolves to support the business as it scales and changes. • THG estate planning is delivered by our in-house Capital Projects team, supported by our Group Property Director. • Capex Committee established to work alongside THG's Capital Projects team to support and monitor transformation programmes, including management of programme risks and dependencies. • Each programme is supported by cross-functional steering Groups, including at least one Executive Sponsor, which meet regularly to review the programme, including status, risks, dependencies and impact. • THG Risk representation in steering Groups to ensure the cross-functional execution of infrastructure projects are successful, achieving desired outcomes on time and maximising expected benefits • Engagement of trusted advisors, contract managers and surveyors to support in-house expertise • The THG estate is protected by 24-hour security, access control and fire protection. • Comprehensive disaster recovery and business continuity plans in place across the Group. • Brexit Steering Committee continues to assess how THG should respond to the uncertainty and inherent risks, including how changes to our infrastructure can mitigate these.
Onboarding and integration If we fail to successfully onboard and integrate acquisitions whilst continuing to drive our core business, it may impact the pace at which we deliver our strategy.	Acquisitions form a critical element of the THG strategy alongside the continuing organic growth of the business. Our strategic acquisitions add scale, skills and breadth to our overall service offering. The successful integration of the acquisitions into our core business are fundamental to us delivering our service offering and achieving our strategic aims.	**Improving** • Formal process for onboarding acquisitions, where processes are aligned to THG standard • Ongoing advisory support from third party advisors in pre -acquisition due diligence and post-acquisition. • Integrations are delivered by our in-house Integrations team. • Acquisitions and integrations are supported by cross-functional steering Groups, including at least one Executive Sponsor, which meet regularly to review the programme, including status, risks, dependencies and impact. • THG Risk representation in steering Groups to ensure the successful cross-functional execution of acquisitions and integrations and reduce the risk that projects do not deliver their desired outcomes on time or fail to maximise the expected benefits

Principal risk	Risk context	Management and mitigation
Innovation If we fail to identify and leverage emerging technologies and invest in modern practices and supporting tools, methods and infrastructure in a timely manner, we will not meet the needs of our customers or our commercial goals.	We must be able to rapidly deploy new innovations to our infrastructure, systems and customers by introducing technologies, services, or new ways of working. Innovation requires us to address how we drive change and transformation across our employees, processes and technology, and how we differentiate and drive excellence and efficiencies.	**Improving** • Strategic acquisitions which further enhance the Group's new product development and in-house capabilities. • Strategic investments in our fulfilment infrastructure, such as the Autostore ASRS. • A fully vertically integrated business model, with full control over NPD, branding and design capabilities, which significantly reduces development timelines. • Collaboration with partners to complement and enable accelerated innovation. • Innovation informed through demand insights, consumer data and feedback from our global retail customer base. • Attracting and retaining the most innovative and inventive talent from across the globe. See "Talent".
Regulatory Compliance Failure to anticipate, understand and implement our numerous regulatory requirements, will result in us failing to meet our regulatory obligations, impacting our ability to deliver our strategy and losing the trust of our stakeholders.	We continue to operate ina global market with numerous regulatory requirements ranging from Health and Safety, Food Safety and Product Safety to Taxation and Trading legislation. Remaining aware of changing regulation and ensuring compliance is key to ensuring we protect both THG and our customers and partners.	**Stable** • Divisional Compliance teams, with sector specific knowledge and experience. • Central Compliance team overseeing and challenging the Divisional teams. • Compliance teams with reporting lines into the Chief Risk Officer. • Defined Risk Appetite metrics and Key Risk Indicators which are monitored and updated at each Risk Committee. • Updated Risk Management Framework and Divisional Compliance reporting dashboards. • Horizon scanning inputs are obtained from our Legal partners and reviewed for trends and responses required. • Ongoing planning and preparation, supported by external advisers, to meet our responsibilities as we continue to fulfil more customer orders direct from third party brands via our Ingenuity division. • Group Risk Deep-dive reviews to identify gaps and vulnerabilities • See "Cyber Security and Data Privacy" for related regulatory compliance mitigations.

Principal risk	Risk context	Management and mitigation
Environment, social and governance Failure to achieve our sustainability and environmental, social and governance-related aims, objectives and obligations, will impact our ability to deliver our strategy and result in us failing to meet our regulatory obligations, losing the trust of our stakeholders.	We are committed to investing in education, technology, and the environment to give individuals, businesses, and our planet the opportunity to thrive. Our goal is to use our technology, time, and experience to back a generation of diverse, sustainable businesses.	**Improving** • Sustainability is integral to the group ethos with a function headed at an Executive level to focus on creating more sustainable products and supply chain operations and reduce environmental impact. • A Chief Sustainability Officer has been appointed to oversee and lead the Group's approach to sustainability, including climate-related risks. • THG's 2030 Sustainability strategy was launched in 2021 and sets out how we will address these challenges and opportunities • In support of the strategy, the provision of a formal structure with targets underpinned by science, data and technology. • Multiple projects designed to respond to specific ESG risks, for example, the establishment of a dedicated, cross-functional TCFD Working Group, overseen by THG's Executive Board and the Sustainability Committee. • To ensure appropriate oversight, the Sustainability Committee undertakes regularly reviews of key supply chain topics. • Regular updates and submitting proposals for approval by the Board and Sustainability Committee. • We have a materials sourcing strategy and proactive engagement with suppliers. • Supply chain visibility from our vertically integrated end-to-end model • Continuous engagement with our supply base encourages a proactive approach, for example in addressing waste and energy management. • Regulatory compliance across jurisdictions and activities, from packaging and labelling, through to plastics taxation and modern slavery, as well as TCFD, is carefully monitored throughout the business, overseen by the Group Sustainability Team by means of KPIs, internal policy, and tracking progress against the published THG 2030 sustainability strategy.

Principal risk	Risk context	Management and mitigation
Culture If we do not fully empower our employees and enable accountability in line with our shared values and behaviours, we will be challenged to create a culture, that meets THG's business ambitions.	The development of a shared behavioural competency that encourages employees to always do the right thing, put customers at the heart of the business and drive innovation, is critical in THG's success. Devolution of decision-making, and the acceptance of accountability for decisions, is fundamental to our continued development and sustains our shared Values and Behaviours.THG also supports a culture of empowered leaders that develops ideas and solutions, and that provides employees with a safe environment allowing for honest disclosures and discussions. Such a trusting and empowered environment can help sustain innovation, enhance customer success and drive the engagement that results in increased market share	**Stable** • Ongoing integration of Values and Behaviours into all our core colleague priorities including objectives, performance management, appraisals, talent attraction, selection and development, leadership development and onboarding. • Establishment of a Diversity & Inclusion Committee, a platform to further improve the employee journey and workplace culture to ensure we are a truly inclusive workplace. • Formal assessment against personal objectives for each colleague as part of established performance management process, which also considers personal application of THG's Values and Behaviours. • HR Handbook communicated to all colleagues, with e-Learning modules rolled out across the workforce, and annual refresher training. • Training including anti-bribery and corruption training which continues to be delivered across our business units based on assessed risk. The above monitored by. • Whistleblowing and Incident Reporting mechanisms in place to allow issues to be formally reported and investigated. • Engagement surveys & follow-ups • KPIs and People Dashboards at a divisional level, including DNI metrics and Attrition analysis.

Assessment of the going concern assumption

The overall financial performance of the business has remained robust with a strong liquidity position maintained throughout the year. In addition, as at the balance sheet date, the Group had a total of £170m in an undrawn Revolving credit facility ("RCF") due to mature in December 2024, along with £537m readily available cash held on the balance sheet. Net debt at this date was £302m (31 December 2020: net cash £11m), with net cash of £44m (31 December 2020: £283m) before the inclusion of IFRS 16 lease liabilities that mature over a period of up to 25 years.

The Group holds a €600m seven-year loan facility agreement due to mature in December 2026. While there are no financial covenants attached to the €600 million loan facility, the covenants attached to the RCF are linked to gross debt leverage, and become effective when the facility is drawn upon. This covenant requires the Group to maintain the ratio of gross debt over adjusted EBITDA to below 7.60, which is reviewed regularly, although as noted the facility is not drawn down.

The going concern assessment period is the twelve months from the date of this report to April 2023. In order to satisfy the going concern assumption, the Directors of the Group review its Budget periodically, which is revisited and revised as appropriate in response to evolving market conditions. The Directors have considered the Budget and forecast prepared through to April 2023.

Going concern statement

As a result of the analysis performed, including potential severe but plausible scenarios, the Board believes that the Group is able to adequately manage its financing and principal risks and that the Group will be able to operate within the level of its facilities and meet the required covenants for the going concern assessment period. Based on the above activity, the Directors are satisfied that it is appropriate to prepare the financial statements of the Group on a going concern basis.

Viability statement

The Directors have voluntarily adopted the UK Corporate Governance Code, in which the Directors are required to issue a Viability Statement declaring whether they believe the Group is able to continue to operate and meet its liabilities for the three year period to December 2024, taking into account its current position and principal risks. The Directors assessed the prospects of the Group by reference to its current financial position, its recent and historical financial performance, its forecasts for future performance, its business model (page 16), strategy (page 11) and its principal risks and mitigating factors (pages 109-116). In addition, the Board regularly reviews the financial position of the Group, its liquidity and financial forecasts.

Viability assessment period

In considering the viability of the Group, the Directors felt that an appropriate period of time was the three-year period between 31 December 2021 to December 2024 over which to assess the Group's prospects. This is consistent with Group's business model and strategic planning period approved by the Board. A roll forward from the three-year assessment period to five years is performed for the purposes of impairment.

The Group has applied financial modelling to the assessment of going concern and viability to assess the base case and apply stress-testing.

The base case

Having experienced two years of the impact of Covid-19, management consider the impacts on THG to be well understood and the impact of the pandemic that was considered in the previous budget process has continued to be recognised this cycle. The Group's strategic planning cycle includes an annual Budget process, which is reviewed by the Board. This planning process involves modelling under a series of assumptions. Severe but plausible downside scenarios were also modelled setting out impacts of a combination of the principal risks, as well as a reverse stress test to identify what would be required to either breach covenants or run out of liquidity. This process is led by the Group CFO, Commercial Director and Deputy Group CFO along with the Board and Executive Chair and CEO providing further direction to align strategic initiatives. Focus has also been placed on forecasting at a divisional level this year, the Group are on track to complete the separation of the business units in 2022. The Directors of the Group review its Budget periodically, which is revisited and revised as appropriate in response to evolving market conditions.

In considering the Group's financial position the Directors have considered:

- Expected future growth of trading businesses;
- The committed and expected pipeline of its Ingenuity business;
- Margins expected to be achieved in the future; and
- Wider market and industry-specific factors.

The Directors have also considered the liquidity of the Group as well as available facilities and note that as at the balance sheet date, the Group had a total of £170m in undrawn facilities, along with £537m readily available cash held on the balance sheet. Net debt at this date was £302m (note 18) and net cash of £44m before the inclusion of IFRS 16 lease liabilities.

In December 2019, the Group entered into a €600m seven-year loan facility agreement due to mature in December 2026 and a £170m Revolving Credit Facility ("RCF") due to mature in December 2024. There are no key covenants attached to the €600m loan facility which is drawn down, but the covenants attached to the RCF are linked to gross debt leverage and become effective when the facility is drawn upon. This facility is not currently drawn down, and not forecast to be drawn in the future period.

Stress tests

Several stress test scenarios have been applied to the Group's forecast, including but not limited to:

- In light of the widely reported price increases in commodities, specifically whey prices, an additional increase of 5% in commodity costs that are not passed onto the end customer has been applied over and above those already budgeted for;
- Depression in margin for D2C businesses by 1%;
- Inflationary costs increasing costs of sales and decreasing margin by 50bps;
- Below budgeted contract wins in Ingenuity Commerce of 25%; and
- A decline in the cash flow conversion rate of 10%.

Any mitigating actions available to protect working capital and strengthen the Group balance sheet, including deferring non-essential capex and increased cost control, such as reducing stock levels, new customer marketing investment and investment in the platform. A severe but plausible downside modelled the impact of all five scenarios above occurring simultaneously.

Further, the Directors have assessed two key metrics to ensure that the Group has the ability to continue to trade, alongside complying with its current banking facilities.

- Cash headroom: the Group's forecast shows material cash headroom, that management are confident give the Group the ability to continue to trade and capitalise on market opportunities as they develop; and
- Leverage (defined as gross debt/adjusted EBITDA. If the Group was to draw upon its currently undrawn RCF, it would be required to maintain a leverage ratio of less than 7.60 times. The forecasts reviewed suggest that while the facility is not required, if it were there would be enough headroom to satisfy this covenant.

The Director's note that while the wider global economy is suffering as a result of the Covid-19 pandemic, the Group has a number of mitigating actions available to it to provide suitable cash headroom in the event of a declining sales scenario as noted above, including but not limited to deferring non-essential capex, along with certain cost control actions.

Reverse stress tests

A reverse stress test was modelled to identify the point at which liquidity is exhausted. The model would have to see a significant decline in revenue and margins compared with the stress test set out above. Such a scenario, and the sequence of events which could lead to it, is considered to be extremely remote. Whilst the occurrence of one or more of the principal risks has the potential to affect future performance, none of them are considered likely either individually or collectively to give rise to a trading deterioration of the magnitude indicated by the reverse stress testing and to threaten the viability of the Group over the three-year assessment period.

Assessment of viability

In making the Viability Statement, the Board, supported by the Audit Committee, carried out a robust assessment of the Group's viability, principal risks and uncertainties facing THG for the next three years, as described on pages 109-116, which could impact the business model taking into account:

Factor	Link to principal risks
1 Covid-19 pandemic which remains ongoing, with the main impacts being to logistic and supply chain, which are mitigated by the Group being vertically integrated. As a result, the Group's cash flow forecasts, trading Budgets and multiple models were reviewed.	Note associated impacts were considered within the following Principal Risks review: Cyber Security & Data Privacy; Third Party Reliance; Talent; Infrastructure; Ingenuity E-Commerce Platform; Customer Needs; Onboarding & Integration; Regulatory Compliance; and Culture.
2. Stress test scenarios involving a depression in margin, a below revenue performance within Ingenuity Commerce, continued increase in commodity prices and inflation along with a decline in cash conversion has been run together to show an unlikely but plausible worst-case scenario including an assessment of the Group's longer-term prospects. We anticipate that these scenarios would include any further uncertainties that may come from the UK leaving the EU and the ongoing situation with Russia and Ukraine. The impact of Brexit is not expected to be material to the Group given extensive preparations made by THG. While the Group has no physical presence in Russia, revenue from customers within Russia and Ukraine totalled c. 1% of revenue for the Group in FY21.	Note associated potential impacts were considered within the following Principal Risks review: Cyber Security and Data Privacy; Third Party Reliance; Talent; Infrastructure; Ingenuity E-Commerce Platform; Customer Needs; Onboarding and Integration; Innovation; Regulatory Compliance; Culture; and ESG.

The worst case scenario outlined at 2. above did not include any mitigating actions available. There are a number of actions that management would take to protect working capital and strengthen the balance sheet if any of the scenarios outlined above were encountered. These include deferring non-essential capex and increased cost control.

Based upon the assessment of the sensitivity built into the scenarios tested, the Directors confirm that they have a reasonable expectation that the Group will be able to continue in operation to meet its liabilities as they fall due over the three-year assessment period.

Directors' Report

Directors' Report disclosures

The Directors present their report, together with the audited consolidated financial statements of the Company, for the financial year ended 31 December 2021. In accordance with section 414C(11) of the Companies Act, the Company has chosen to provide disclosures and information in relation to a number of matters which are covered elsewhere in this Annual Report.

These matters, together with those required under The Large and Medium-sized Companies and Groups (Accounts and Reports) (Amendment) Regulations 2013, are cross-referenced in the table below and together form part of this Directors' Report.

The Governance Report, contained on pages 129-152, is incorporated by reference into this Directors' Report.

Information	Section in the Annual Report	Page(s)
Risk management (including principal and emerging risks)	Strategic Report	105
Going concern statement	Strategic Report	117
Post balance sheet events	Directors' Report	128
Future developments of the Company	Strategic Report	Throughout the Strategic Report (pages 7-128)
Greenhouse gas emissions	Strategic Report	95
Directors' biographies	Governance Report	133
Corporate governance arrangements	Governance Report	129
Directors' conflicts of interest	Governance Report	147
Related Party Transactions	Financial Statements	262
Statement of engagement with employees	Strategic Report	75
Statement of engagement with suppliers, customers and others in a business relationship with the Company	Strategic Report	73

Articles of Association

In accordance with the Companies Act, the Articles of Association may only be amended by special resolution at a general meeting of Shareholders. The Articles of Association are available on the Company's website at: www.thg.com/leadership-and-corporate-governance/.

Annual General Meeting

The AGM will be held at the Cheshire Suite at Manchester Airport Marriott Hotel, Hale Road, Hale Barns, Manchester WA15 8XW on 10 June 2022 at 12:30 p.m.. The Notice of Meeting, together with explanatory notes, will be sent to Shareholders on or around the time of this Annual Report.

Directors

Biographies of those Directors who served during the 2021 reporting period and who were in office at 31 December 2021, and remain in office as at the date of this Directors' Report, are contained in the Governance Report on pages 129-152. All of these Directors held office throughout 2021 with the exception of Tiffany Hall and Andreas Hansson who were appointed on 12 January 2021 and 26 October 2021 respectively and Charles Allen who was appointed on 22 March 2022. All Directors will offer themselves for election or re-election (as appropriate) by Shareholders at the AGM, with the exception of Tiffany Hall who stepped down from office due to family reasons on 18 March 2022.

Directors' interests

Details of Directors' beneficial and non-beneficial interests in the Shares are detailed in the Directors' Remuneration Report on page 198. No share awards were granted to Executive Directors under the Company's share schemes during the 2021 reporting period.

Qualifying third party indemnification and insurance

Pursuant to the Articles of Association and their service contracts/letters of appointment (as appropriate), Directors benefited from qualifying third-party indemnity provisions for the purposes of section 236 of the Companies Act throughout the 2021 reporting period and up to the date of this Directors' Report. The Company also maintained Directors' and Officers' Liability Insurance throughout the 2021 reporting period.

Appointment and replacement of Directors

The rules for appointing and replacing Directors are set out in the Articles of Association. Directors can be appointed by the Board or by ordinary resolution of the Company. A Director can be removed from office by the Company passing an ordinary resolution or by notice being given by all other Directors.

Powers of the Directors

The Directors may exercise all the powers of the Company subject to the provisions of the relevant legislation, the Articles of Association and any directions given by the Company in a general meeting.

Share capital

Subject to the Companies Act and the Articles of Association, but without prejudice to the rights attached to any existing Share, any Share may be issued with, or have attached to it, such rights or restrictions as the Company may decide by ordinary resolution or, if no such resolution is in effect, as the Board may decide so far as the resolution does not make specific provision. No such resolution is currently in effect. No Share will, without the prior written consent of the holder of the Special Share, have attached to it (either at the time of its creation or at any subsequent time) any rights in respect of voting which are not identical in all respects with those attached to the Ordinary Shares, D1 Shares, D2 Shares, E Shares, F Shares, G Shares and H Shares.

Purchase of own Ordinary Shares

At the 2021 AGM, the Company was granted authority by its Shareholders to purchase up to 10% of its ordinary issued share capital, in accordance with the Articles of Association. No Shares were bought back under this authority during the 2021 reporting period or in the period from 1 January 2022 to the date of this Directors' Report. This buyback authority will expire at the conclusion of the AGM, when the Directors intend to propose that the authority be renewed.

Allotment of Shares

Under the Companies Act, the Directors may only allot Shares if authorised to do so by Shareholders in a general meeting.

The Directors were granted authority by Shareholders to allot securities in the Company up to an aggregate nominal amount of £2,291,293 and to allot securities, without the application of pre-emption rights, up to a nominal amount of £343,694 and a further £343,694 in connection with an acquisition or other capital investment of a kind contemplated by the Statement of Principles on Disapplying Pre-Emption Rights.

These authorities apply until the conclusion of the AGM when the Company will seek Shareholder approval to renew them, with detailed explanatory notes included within the Notice of Meeting.

Share structure

The Company has a Standard Listing on the London Stock Exchange and is the holding company of the Group. The Company has ten share classes, as set out in the table below, and as at 31 December 2021 the Shares in issue were as follows:

Share class	Number of Shares	Percentage of Company's fully diluted issued share capital
Allotted, called up and fully paid Ordinary Shares	1,220,897,947	87.64
Allotted, issued and partly paid D1 Shares	56,082,651	4.03
Allotted, called up and fully paid D2 Shares	17,812	n/a
Allotted, issued and partly paid E Shares	49,266,539	3.54
Allotted, issued and partly paid F Shares	27,219,640	1.95
Allotted, issued and partly paid G Shares	17,710,851	1.27
Allotted, issued and partly paid H Shares	0	n/a
Allotted, called up and fully paid Special Share	1	n/a
Allotted, issued and fully paid Deferred 1 Shares	312,226	0.02
Allotted, issued and partly paid Deferred 2 Shares	21,563,860	1.55
Total	1,393,071,527	100

Rights and obligations attaching to Shares

The rights attaching to the Shares, as detailed within the Articles of Association, are set out below.

(a) Ordinary Shares

The Ordinary Shares rank pari passu in all respects and carry the right to receive all dividends and distributions declared, made or paid on or in respect of the Ordinary Shares.

Subject to the rights of the Special Share and subject to disenfranchisement in the event of non-payment of any call or other amount due and payable in respect of any Share or non-compliance with any statutory notice requiring disclosure of the beneficial ownership of any Share, on a show of hands every Shareholder present in person or by proxy has one vote and on a poll every Shareholder present in person or by proxy has one vote for every Ordinary Share that they hold.

Electronic and paper proxy appointments and voting instructions must be received no later than 48 hours (excluding any part of a day that is not a working day) before a general meeting.

Except as set out above and as permitted under applicable statutes, there are no limitations on the voting rights of holders of a given percentage, number of votes or deadlines for exercising voting rights.

(b) Special Share

The Special Share is (save as noted below) a non-voting share that carries no economic rights.

Immediately on a Change of Control (as defined in the Articles of Association) of the Company, the Special Share will automatically carry such number of votes on any resolution put to Shareholders as is necessary to ensure the effective passing or defeat of that resolution.

The rights attributable to the Special Share will cease on the earlier of: (i) 16 September 2023 (being the date falling three years after the date of Admission); (ii) the transfer (in whatever manner) of the Special Share to any person other than pursuant to article 69.7 of the Articles of Association (as explained below); and (iii) if a person who has become the holder of the Special Share in the event of the holder's death ceases to qualify as a Permitted Transferee (as defined in the Articles of Association). In the case of (i), (ii) and (iii), the Company may purchase or cancel the Special Share at any time or otherwise deal with the Special Share as permitted by the Companies Act.

Pursuant to article 69.7 of the Articles of Association, the Special Share will retain its rights on a transfer by transmission upon the death of its holder to a Permitted Transferee, being any person that is not: (i) an employee of the Company or Director or any subsidiary undertaking of the Company; or (ii) a person acting in concert with any person listed in (i) at the time of transfer of the Special Share. Similarly, in the event that the transmittee is not the holder's intended beneficiary, a transmittee who produces evidence of entitlement to the Special Share to the Board may choose to have the Special Share transferred to another person who is the intended beneficiary of the holder's estate, so long as that person is also a Permitted Transferee.

The holder of the Special Share is Matthew Moulding, the Chief Executive Officer.

As at 31 December 2021 Matthew Moulding was also interested in 182,891,075 Ordinary Shares, representing 14.98% of the total issued Ordinary Shares; 50,550,450 D1 Shares, representing 90.14% of the total issued D1 Shares; 360 D2 Shares, representing 2.02% of the total issued D2 shares; 43,641,266 E Shares, representing 88.58% of the total issued E Shares; 20,197,808 F Shares, representing 74.20% of the total issued F Shares; 7,733,792 G Shares, representing 43.67% of the total issued G Shares; and 18,346,774 Deferred 2 Shares, representing 85.08% of the total issued Deferred 2 Shares.

(c) D1 Shares, D2 Shares and E Shares

The D1 Shares, D2 Shares and E Shares are non-voting ordinary shares and do not carry the right to participate in dividends of the Company.

The holders of D1 Shares, D2 Shares and E Shares may convert their D1 Shares, D2 Shares and E Shares into Ordinary Shares (on the basis of one Ordinary Share per D1 Share or E Share or 185 Ordinary Shares per D2 Share as applicable).

(d) F Shares, G Shares and H Shares

The F Shares, G Shares and H Shares are non-voting ordinary shares and do not carry the right to participate in dividends of the Company.

The holders of F Shares, G Shares and H Shares may exercise put options to convert their F Shares, G Shares and H Shares into Ordinary Shares (on the basis of one Ordinary Share per F Share, G Share or H Share as applicable). The put options may be exercised for a period of 10 years from the end of the performance period (which ends on 31 December 2022).

Some of the F Shares and G Shares are subject to leaver provisions. If a holder of F Shares or G Shares to which leaver provisions apply ceases to be employed or otherwise engaged within the Company at any time during the performance period then, at the discretion of the Board, the consideration payable for their F Shares and G Shares will be: (i) the market value of the Shares at the time of leaving, if the holder is a Good Leaver (as defined in their subscription agreement); or (ii) an amount determined by the Board, if the holder is a Bad Leaver (as defined in their subscription agreement).

(e) Deferred 1 Shares and Deferred 2 Shares

The Deferred 1 Shares and Deferred 2 Shares are non-voting ordinary shares and do not carry the right to participate in dividends of the Company.

The Deferred 1 Shares and Deferred 2 Shares may be purchased by the Company, provided it is lawful for the Company to purchase them, for an aggregate sum of £1.00.

Restrictions on transfer or holdings of securities in the Company

With the exception of the following, there are no restrictions on the transfer of, or limitations on holding, securities in the Company:

- The Company may, pursuant to the Articles of Association and the Companies Act, send out statutory notices to those it knows, or has reasonable cause to believe, have an interest in its Shares, asking for details of those who have an interest in a particular holding of Shares and the extent of their interest. When a person receives a statutory notice and fails to provide any information required by the notice in the time specified within it, the Company can apply to a court for an order directing, amongst other things, that any transfer of the Shares which are the subject of the statutory notice is void.
- The Directors may, without giving any reason, refuse to register the transfer of any certificated Ordinary Shares which are not fully paid.
- Transfers of uncertificated Ordinary Shares must be carried out using CREST, the central securities depository for markets in the UK and for Irish stocks, and the operator of the relevant system or the Directors can refuse to register a transfer of an uncertificated Ordinary Share, in accordance with the regulations governing the operation of CREST.
- The Special Share is subject to transfer restrictions as set out at paragraph (b) above.
- Some of the F Shares and G Shares are subject to leaver provisions as set out at paragraph (d) above.

Dividends

Subject to the Companies Act and the Articles of Association, the Company may, by ordinary resolution, declare dividends and the Directors may decide to pay interim dividends. A dividend must not be declared unless the Directors have made a recommendation as to its amount. Such a dividend must not exceed the amount recommended by the Directors and no dividend may be declared or paid unless it is in accordance with members' respective rights

No dividends were declared nor will be distributed for the financial year ended 31 December 2021 (2020: £nil).

Return of capital

A liquidator may, on obtaining any sanction required by law, divide amongst the members in kind the whole or any part of the assets of the Company and may, for that purpose, value any assets and determine how the division is carried out as between the members or different classes of members.

Shares held on trust

Prior to the IPO the Company had established an employee benefit trust ("EBT") which facilitated an internal market for participants in employee share schemes to sell their Ordinary Shares. Ordinary Shares held were recognised at cost as a deduction from shareholding equity. Subsequent consideration received for the sale of such Ordinary Shares was also recognised in equity. The EBT was terminated following the IPO.

Substantial shareholdings

The Company had received notice of the following interests of 3% or more in its Ordinary Shares as at 31 December 2021 and as at 31 March 2022:

Shareholder	Percentage of Ordinary Shares as at 31 December 2021	Percentage of Ordinary Shares as at 31 March 2022
Matthew Moulding	14.98	14.98
Sofina Capital S.A.	9.01	9.01
Jupiter Asset Management Ltd.	8 21	7.83
Balderton Capital (UK) LLP	7.94	7.94
SoftBank Group Corp.	7.09	7.09
T. Rowe Price Group, Inc.*	5.16	3.46
BlackRock, Inc.**	4.68	n/a

*T. Rowe Price Group, Inc. incorporates the following entities: T. Rowe Price Associates, Inc. & T. Rowe Price International Ltd..

**BlackRock, Inc. incorporates the following entities: BlackRock Investment Management (UK) Ltd., BlackRock Advisors LLC and BlackRock Investment Management (Australia) Ltd..

All notifications made to the Company under the DTRs are released to the market via a Regulatory Information Service and made available on the Company's website at: https://www.thg.com/regulatory-news/.

Change of control

Other than the terms of the agreement between Matthew Moulding and the Company, as detailed under the Significant Contractual Arrangements disclosure which follows, there are no agreements between THG and its Directors or employees providing for compensation for loss of office or employment (whether through resignation, purported redundancy or otherwise) by reason of a takeover bid.

Details concerning the impact on annual bonus in the event of a change of control are set out in the Remuneration Policy. Generally, any annual bonus awards and unvested LTIP awards would be pro-rated for time and performance in the event of a change of control whereas any deferred elements of bonus would not be. While the Remuneration Committee has the discretion not to pro-rate for time, its normal policy is to do so. The Remuneration Committee's discretion not to pro-rate would only be used if there was an acknowledged business case which would be fully explained to Shareholders.

The Company has entered into various agreements with third parties, as well as contracts with third-party service providers, which provide such parties with a right to terminate the agreement in the event of a change of control.

Significant contractual arrangements

The Company is party to a relationship agreement with Matthew Moulding which regulates the ongoing relationship between the two parties (the "Relationship Agreement"). The principal purpose of the Relationship Agreement is to ensure that the Company is capable of carrying on its business independently of Matthew Moulding and that all transactions and arrangements between the Company and Matthew Moulding are conducted on normal commercial terms.

The provisions of the Relationship Agreement imposing certain obligations on Matthew Moulding will remain in full force and effect, in respect of Matthew Moulding, for so long as: (i) the rights of the Special Share remain in force; and/or (ii) either Matthew Moulding beneficially owns, together with any of his associates, at least (a) 5% of the fully diluted share capital of the Company or (b) 10% of the Ordinary Shares.

THG Intermediate Opco Limited and THG Operations Holdings Limited are parties to a senior facilities agreement which is subject to mandatory prepayment provisions on a change of control or the sale of all, or substantially all, of the assets of THG Operations Holdings Limited and its restricted subsidiaries.

Other than as disclosed above, there are no significant agreements to which the Company is a party that take effect, alter or terminate upon a change of control following a takeover bid.

The Company does not have any agreement with any Director or employee that would provide compensation for loss of office or employment resulting from a change of control on a takeover, except that the terms of the Company's share schemes and plans may provide for the vesting of employee options and/or awards in the circumstances of a takeover.

Donations

During the reporting period the Group made several charitable donations totalling £1.3m (2020: £6.6m). THG did not make any political donations during 2021 (2020: £nil).

Overseas branches

Whilst the Group does not operate any overseas branches, subsidiaries have been established in the following countries: Australia, China, Finland, France, Germany, Guernsey, India, Japan, Jersey, the Netherlands, Poland, Portugal, the Republic of Ireland, Singapore, Spain, Sweden, the United Arab Emirates, Ukraine and the United States of America.

As a Group, we continue to assess the ongoing situation in Ukraine and Russia, with our key focus being to safeguard our employees. Arrangements were put in place to support the immediate relocation of employees where required, together with the development of longer-term resettlement proposals and the provision of appropriate financial support. Welfare calls were extended to all Group employees who have ties to the affected regions and additional targeted monitoring groups have been established to actively review intelligence on an ongoing basis to ensure the Group continues to adapt accordingly.

From an operational perspective, all THG own brand deliveries have been temporarily suspended across Russia and Ukraine and the Group continues to work with its courier partners as the situation develops. Necessary actions have also been implemented internally to ensure continued compliance with all applicable sanctions and related notices and guidance.

Research and development

THG and its third-party commerce clients are all powered by THG Ingenuity, the Group's proprietary technology platform. In addition to providing end-to-end e-commerce functionality, THG Ingenuity provides the Group with several important competitive advantages. Specifically, the commercial teams review real-time transactional and customer insight data which informs trading decisions that are then executed within short time frames. In order to remain competitive and to promote innovation, investment into THG Ingenuity from a people and capex perspective is a key Group priority.

Directors' Statement of Responsibility in respect of the Annual Report

The Directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable UK law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have elected to prepare the Group financial statements in accordance with UK-adopted international accounting standards ("IFRSs") and the parent company financial statements in accordance with UK Generally Accepted Accounting Practice (UK Accounting Standards and applicable law), including Financial Reporting Standard 101 Reduced Disclosure Framework ("FRS 101"). Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and the Company and of the profit or loss of the Group and the Company for that period.

In preparing these financial statements, the Directors are required to:

- select suitable accounting policies in accordance with IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- provide additional disclosures when compliance with the specific requirements in IFRSs (and in respect of the parent company financial statements FRS 101) is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the Group and Company financial position and financial performance;
- in respect of the Group financial statements, state whether UK-adopted international accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- in respect of the parent company financial statements, state whether applicable UK Accounting Standards, including FRS 101, have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company and /or the Group will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's and Group's transactions and disclose with reasonable accuracy at any time the financial position of the Company and the Group and enable them to ensure that the Company and the Group financial statements comply with the Companies Act.

They are also responsible for safeguarding the assets of the Group and parent company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

In accordance with DTR 4.1.12R, each Director whose name and position appears on pages 133–136 of the Governance Report confirms that, to the best of their knowledge:

- the consolidated financial statements, prepared in accordance with UK-adopted international accounting standards, give a true and fair view of the assets, liabilities, financial position and profit of the parent company and undertakings included in the consolidation taken as a whole;
- the Annual Report, including the Strategic Report, includes a fair review of the development and performance of the business and the position of the Company and undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face; and
- they consider the Annual Report, taken as a whole, to be fair, balanced and understandable and provides the information necessary for Shareholders to assess the Company's position, performance, business model and strategy.

Outlook and market demand

Q1 2022 saw encouraging consumer demand levels against a particularly challenging comparable global lockdown period in 2021, with the second quarter starting in line with expectations.

Whilst unprecedented inflationary pressures and the geo-political environment have brought caution to capital deployment plans, digital transformation projects remain essential, reflected in the strength of the THG Ingenuity new business pipeline.

Through its fully-integrated D2C model, THG has significant pricing power given its global leadership positions in high-repeat, large-scale Beauty and Nutrition markets.

The Board is fully aware of the significant impact of short-term cost inflation on both global consumers and supply chains alike. THG intends to limit the impact of cost pressures on our consumers by maximising efficiencies in our operating model, absorbing some of the pricing pressures, and raising prices at a lower rate to underlying input costs.

The Board believes the recent and rapid inflationary environment is largely transitory, and THG will, as far as possible, continue to shield consumers from these adverse macro-economic conditions. The Group has long dated banking facilities (Term Loan B maturing December 2026 and Revolving Credit Facility maturing December 2024) and the Board considers THG to be in a strong liquidity position to weather any further uncertainty and continue to invest in the business's infrastructure.

The Group's consumer first focus remains to build the long-term, loyal base, with c.80% of revenues generated from returning customers each year and the Board remains confident in being able to deliver a strong level of revenue growth in 2021.

Our commitment to building a sustainable business for employees, consumers and Shareholders is defined within our 2030 Sustainability Strategy.

Post balance sheet events

There are no material post balance sheet events. See note 12 for information regarding a non-adjusting event relating to a Freehold building asset that has been reclassified as an asset held for sale under IFRS 5 post year end.

Audit and Auditor

At the date of approval of this Directors' Report each of the Directors confirms that:

- to the best of their knowledge there is no relevant audit information that has not been brought to the attention of the External Auditor; and
- they have taken all steps required of them to make themselves aware of any relevant audit information and to establish that the External Auditor was aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of section 418 of the Companies Act.

EY has indicated its willingness to continue in office as External Auditor and, upon the recommendation of the Audit Committee, a resolution to reappoint EY as such will be proposed at the AGM. Any remuneration received by EY for: (i) auditing this Annual Report; and (ii) any other (non-audit) services has been disclosed in note 5 to the Group's financial statements.

Approval of Directors' Report

This Directors' Report was approved and issued by the Board and signed on its behalf by

James Pochin

General Counsel and Company Secretary
20 April 2022

Governance Report

As the newly appointed independent Chair, I am pleased to introduce our Governance Report for the financial year ended 31 December 2021, including the Company's second Corporate Governance Statement since Admission. It is a privilege to have joined THG in this capacity with a clear mandate to improve governance and transparency; to enhance Board composition by improving its independence and diversity; to support Senior Management as it seeks to further strengthen its talented leadership team; and to review and develop the Group's strategy, in relation to which we continue to progress the strategic initiatives previously disclosed, including our plans to apply for a Premium Listing.

The Board recognises the importance of strong corporate governance and remains committed to ensuring that a robust governance framework is in place to underpin and support the long-term prospects of the Group. Whilst not mandatory for a company with a Standard Listing, the Company elected to adopt the Code following Admission, evidencing the Board's desire to set and achieve its strategic aims and business objectives within the appropriate governance parameters.

2021 represented the first full year the Company applied the Code and significant steps were taken over this period to ensure the ongoing evolution of the Group's governance infrastructure and improved Code adherence. Indeed, certain aspects of the Company's governance practices were subject to ongoing consideration by the Board and Board Committees (as appropriate), culminating in a number of key governance enhancements taking place during the 2021 reporting period.

Board composition and succession

Following an ongoing review of corporate governance arrangements, the need for an independent chair was recognised to ensure that, in compliance with the Code, a clear division of responsibility was established between the leadership of the Board and the executive leadership of the business. A comprehensive recruitment process was thereafter initiated which culminated in my appointment to the position on 22 March 2022 and I, together with my fellow Directors, am delighted to be on the Board of THG at such an exciting stage of its evolution.

While the Board is considered well-placed to continue to deliver the Group's strategic aims and objectives within the appropriate governance framework (with specific reference to its collective balance of skills, knowledge and experience), its structure, size and composition will remain subject to ongoing oversight throughout the 2022 reporting period. We are acutely aware of the need to have a suitably-equipped leadership team in place to guide the Company through the next significant stage of its corporate governance journey and recognise that due regard must be given to both the balance of Executive Directors/ NEDs and the need for appropriate succession planning to be undertaken. Indeed, the Nomination Committee is cognisant of its responsibility to implement and maintain effective succession plans in respect of both the Board and the Executive Leadership Team.

The departure from Code Provision 11, further details on which follow, is acknowledged but will be rectified, to the extent possible, during 2022 – and noting that Board appointments will continue to be made based upon merit and against objective criteria to secure the best individual, who is the "right THG fit", for the role in question – to ensure the Company's leadership is best placed to effectively execute its strategic goals.

Board effectiveness

The Board believes that an annual evaluation of its performance is a fundamental component of good governance. Therefore, in accordance with the relevant Principles and Provisions of the Code, a Board evaluation was undertaken following the end of the 2021 reporting period which considered the collective effectiveness of the Board and the Board Committees and also the effectiveness of individual Directors. Further information on the evaluation, including how it was conducted, is included in the "Board evaluation" section of this Governance Report, whilst the specific outputs and actions flowing from the evaluation are considered in more detail in the Nomination Committee Report on pages 165-170. The overall conclusion was that the Board and its Committees function effectively and that each Director continues to contribute effectively to both the Board and the Board Committees of which they are a member. It is acknowledged that, in light of the specific mandate of my appointment (as referred to above), careful consideration must be given to the timing, structure and content of the next such evaluation.

As detailed within the "Board support and training" section of this Governance Report, the professional development needs of the Directors were considered during the 2021 reporting period and an independent third-party provider engaged to develop a training programme tailored to both individual and collective requirements. The principal objective of this initiative is to ensure that Directors remain apprised of applicable legislation, guidance and market practice and that knowledge and skillsets are suitably refreshed in light of relevant proposals and/or changes which may be on the corporate governance landscape and/or within the organisation itself. The intention is that during 2022 the programme will be further enhanced and refined to ensure the Company supports the continued development needs of its Directors which, in turn, will assist in the effective and efficient functioning of the Board and Board Committees, a key element of the Code.

Board Committee composition

Pursuant to its Terms of Reference, the Nomination Committee undertook a review of Board Committee composition during the 2021 reporting period and ultimately recommended that certain changes be made to the composition of a number of Board Committees. The Board accepted these recommendations, further details on which can be found in the Nomination Committee Report on pages 165-170, and the requisite membership changes took effect immediately following the 2021 AGM. The implementation of these changes served to both enhance certain corporate governance arrangements, rectifying identified departures from the Code, and ensure the optimum utilisation of NEDs' skillsets and experience, whilst streamlining Board Committee commitments as considered appropriate.

Board Committee composition has therefore been brought in line with the Code, with the exception of the departure from Code Provision 32 in respect of Iain McDonald's continued membership of the Remuneration Committee. As outlined in further detail in the Corporate Governance Statement, this departure is viewed as being in the best interests of the Company and its Shareholders at the present time, although the matter will be kept under ongoing review during 2022.

ESG

A key focus of the Board during the 2021 reporting period was to seek to embed the individual elements of ESG into the DNA of the Group, an objective which was reinforced with publication of the 2030 Sustainability Strategy ("THG x Planet Earth"). With the launch of THG x Planet Earth, further details of which are contained in the "Sustainability" section of the Strategic Report on pages 87-104, the Company publicly committed to using its global scale, its people and its dedication to innovation to act as a force for good and to utilise its access to capital to invest in and influence environmental and societal changes that will benefit our planet today and create a sustainable future for generations to come.

In recognition of our commitment to put sustainability at the heart of our business and ensure effective and timely delivery of THG x Planet Earth, Executive Directors and members of the Senior Leadership Team have been set relevant sustainability-linked objectives from 2022 onwards with an increased focus in personal reviews on sustainability-related outcomes. Further, a Group Chief Sustainability Officer was appointed during 2021 who is accountable for the ongoing development and implementation of THG x Planet Earth. In conjunction with the Board-constituted Sustainability Committee (of which he is a member), the Chief Sustainability Officer will oversee all ESG matters to ensure the Group has appropriate and effective strategies, policies and operational controls in place to conduct its business in a responsible manner and to achieve its stated goal to be climate positive and offset the Group's historical operational emissions by 2025.

2022 and beyond

It is anticipated that Board composition will be a prime focus and remain subject to detailed scrutiny over the coming months to ensure that a suitably equipped leadership team is in place to drive and navigate the Company through the next stage of its corporate governance journey. The Group's governance infrastructure will be enhanced and refined as required and the necessary changes effected to ensure it is suitably mature and appropriately structured, whilst at the same time encouraging stakeholder confidence and supporting the long-term sustainable success of the Group. Within the parameters of a robust governance framework and aligned with its growth ambitions, the Company remains committed to enhancing and developing its operations, its business model and its businesses for the benefit of its Shareholders, its people and all other stakeholders.

The Board recognises the importance of establishing and maintaining open and effective communication with its Shareholders (and other key stakeholders) and the Company's annual general meeting is considered a key forum through which to engage. Subject to any restrictions being in place at the relevant time, we look forward to welcoming Shareholders in person to the forthcoming AGM, further details of which are contained in the Notice of Meeting.

Charles Allen,
Lord Allen of Kensington CBE

Independent Chair
20 April 2022

Corporate Governance Statement

Aside from the following departures, the Company complied in full with the Code during the 2021 reporting period:

Provision 9 and Provision 19:

Matthew Moulding, the co-founder of THG, has been CEO since the incorporation of the Company in 2008 and also held the office of Company chair from 2019 until the appointment of the Independent Chair in March 2022. It is considered that Matthew Moulding has been instrumental in the Company's ongoing growth and development and retaining this dual role during 2021 ensured that the Group continued to benefit from his entrepreneurial and dynamic leadership in the achievement of its strategic aims and business objectives. As a major Shareholder in the Company, Matthew Moulding's interests are aligned with that of its wider Shareholder base and, together with the other Directors, he is committed to promoting the long-term sustainable success of the Company whilst generating value for Shareholders.

As detailed in the 2021 Annual Report, the Board has examined the risks associated with this departure from the Code, namely the ability to demonstrate appropriate levels of challenge, independence and oversight of the Executive Directors and Executive Leadership Team, and recognises that whilst a distinct chair role can be highly additive to an organisation, the wrong appointment may also be materially destructive. The role of the SID was viewed as key in this regard; in addition to being a trusted intermediary for Directors and Shareholders alike, the position of SID was considered an important safeguard in respect of those matters where any conflict may have been perceived to arise from Matthew Moulding's dual role of Company chair and CEO. The SID will continue to meet with the other NEDs, on a one-to-one or collective basis (as appropriate), in order to appraise the performance of the new Independent Chair and is expected to bring an objectivity and robust challenge to their role as and when required.

As detailed within this Governance Report, the balance of skills, knowledge and experience on the Board is monitored on an ongoing basis with reference to not only the Group's strategy and long-term sustainable success but also to the need to promote diversity in the boardroom. Indeed, the Nomination Committee is acutely aware of its responsibility to ensure Board membership remains fit for purpose and the Group's leadership needs are met to both drive delivery of the strategy and to address any current and/or future challenges of the organisation. Against this background and further to an ongoing review of corporate governance arrangements, the need for an independent chair was recognised and thereafter became a principal area of focus during the 2021 reporting period (and into 2022). Following a comprehensive recruitment process, Charles Allen was appointed to the Board as independent chair on 22 March 2022 at which point the Company's departure from Code Provisions 9 and 19 was rectified.

Provision 11:

When Matthew Moulding, the Company's former chair, is included in the independence calculation, four of the nine Directors then in office were deemed to be independent at the end of the 2021 reporting period. Whilst the Code states that the chair should be excluded from the calculation, this assumes that the chair will be independent. The Board recognises that, in the spirit of the Code and in the context of THG – noting, in particular, the non-independence of the former chair – it would be best practice to include the former chair in the independence calculation. On that basis, the composition of the Board was considered to be a *departure from Code Provision 11 at the end* of the 2021 reporting period.

At the date of this Governance Report and noting the appointment of the new Independent Chair, the Company continues to depart from Code Provision 11. As detailed above, the structure, size and composition of the Board will be kept under ongoing review during 2022, with due regard being given to the balance of Executive Directors/NEDs and the need for the appropriate succession planning to be undertaken.

Provision 24 and Provision 32:

Due to his tenure of office, Iain McDonald is not deemed to be independent by reference to the Code. During the 2021 reporting period Iain McDonald was a member of the Remuneration Committee (and remains so as at the date of this Governance Report) and was also a member of the Company's Audit & Risk Committee (now renamed the Audit Committee as a result of the formation of the standalone Risk Committee during 2021) until he stepped down from membership following the 2021 AGM. THG recognises the need for independent membership of the Remuneration Committee to demonstrate objective oversight of and independent challenge to the remuneration of Executive Directors (and the Executive Leadership Team) in seeking to mitigate perceived conflicts of interest and ensure reward is proportional to the performance of the business with a view to long-term value creation.

As detailed in the 2020 Annual Report, membership of the Remuneration Committee was reviewed following Admission and subsequently bolstered with the appointment of two independent NEDs, Damian Sanders and Tiffany Hall, whose appointments were viewed as mitigating any risk perceived as arising from Iain McDonald's membership. Membership of the Remuneration Committee has been carefully considered and the Board continues to be of the opinion that it would not be in the best interests of the Company and its Shareholders for Iain McDonald to step down from the Remuneration Committee at the present time as his remuneration background and expertise is viewed as enhancing and adding significant value to the composition of the Committee. While the Company will continue to depart from Code Provision 32 in respect of Iain McDonald's continued membership of the Remuneration Committee for the time being, the matter will be kept under ongoing review.

Provision 32 :

Damian Sanders served as chair of the Remuneration Committee prior to the 2021 AGM, although he had not previously served on a remuneration committee for at least 12 months. Further to a review of Board Committee composition during the 2021 reporting period (details of which are included in the Nomination Committee Report), it was agreed that following the 2021 AGM, and in light of the separation of the Audit & Risk Committee, certain changes should be effected to enhance particular aspects of the Group's corporate governance arrangements and ensure the best utilisation of NEDs' skillsets and experience. Accordingly, Tiffany Hall, who had extensive remuneration experience and had served as remuneration committee chair at B&M European Value Retail S.A. for more than 12 months, was appointed chair of the Remuneration Committee following the 2021 AGM, replacing Damian Sanders who remained on the Committee as a member.

When Tiffany Hall stepped down from the Board in March 2022 for family reasons, Damian Sanders, who has now served on a remuneration committee for at least 12 months, reassumed the role of chair of the Remuneration Committee on an interim basis.

It is therefore expected that, for the time being, the Company will continue to depart from Code Provision 32 due to Iain McDonald's continued membership of the Remuneration Committee, although, as detailed above, this will be kept under ongoing review. Similarly, the departure from Code Provision 11 will also be subject to ongoing monitoring to ensure the balance of Executive Directors/NEDs is appropriate and with due regard to the need for the appropriate succession planning to be undertaken

Board of Directors

Charles Allen, Lord Allen of Kensington CBE

Independent Non-Executive Chair

Date of appointment: 22 March 2022

Charles has extensive corporate experience across a number of sectors, including finance, media, hospitality and retail. Having played a key role in the creation of ITV, he is recognised for his significant contribution to the television industry. Charles is currently chair of Global Media & Entertainment Limited, Balfour Beatty plc and the Invictus Games Foundation and also advisory chair of Moelis & Company. He was a former chair of Granada Media plc, chief executive of Granada Group plc and ITV plc and chair of EMI Music, Endemol and The British Red Cross. Charles has also served on the boards of Tesco plc, Virgin Media and GET AS and been Chief Adviser to the Home Office and a Senior Adviser to Goldman Sachs.

Charles was vice chair of the London 2012 bid company, non-executive director of the London Organising Committee of the Olympic and Paralympic Games and chair of the Manchester Commonwealth Games in 2002. In 2002 he was awarded a CBE for his services to Sport and Community and in 2012 appointed a Knight Bachelor for his services to the 2012 Olympic and Paralympic Games.

Charles received the Freedom of the City of London in 2006 and in 2013 was awarded a peerage and sits on the Labour benches.

Current external roles:

Chair of Global Media & Entertainment Limited (and a director of associated group companies)

Chair of Balfour Beatty plc

Chair of the Invictus Games Foundation

Advisory chair of Moelis & Company

Chair of Glassmoon Services Limited

Chair of Grandmet Management Ltd

Chair of Nell Homes Limited

Director of IGF Trading Limited

Director of Malch Limited

Matthew Moulding

Executive Director & CEO

Date of appointment: 24 June 2008

Matthew has been instrumental in THG's growth, leading its evolution from an entertainment reseller to a global e-commerce technology group. Prior to founding THG, he served an eight-year term as chief financial officer of 20:20 Mobile (the Distribution Division of the Caudwell Group) before leading its sale to private equity for £365m.

Matthew studied Industrial Economics at the University of Nottingham before qualifying as a Chartered Accountant with Arthur Andersen in 1998. His deep e-commerce knowledge and insight, combined with his proven entrepreneurial drive and skillset, make him best-placed to most effectively drive THG's strategy whilst working in alignment with its shareholder base.

Current external roles:

- None

John Gallemore

Executive Director & CFO

Date of appointment: 24 June 2008

Prior to co-founding THG in 2004, John was Head of Finance of the Caudwell Group's International Trading Division from 2001 until 2004.

John studied Economics at the University of Manchester before qualifying as a Chartered Accountant with Deloitte LLP in 1994. His strong background in finance, coupled with his financial acumen and tenure in international trading, provide the requisite experience to serve as the Company's Chief Financial Officer.

Current external roles:

- None

Board of Directors (continued)

Zillah Byng-Thorne

Independent NED & SID

Date of appointment: 22 November 2018

Zillah has broad financial experience having served as chief financial officer of the Thresher Group, Fitness First Clubs Limited and Trader Media Group Limited, one of Europe's largest multimedia publishers. Whilst she is currently the chief executive officer of Future plc, Zillah has also served on numerous boards as a non-executive director, including Mecom Group plc and GoCo Group plc. Professionally Zillah has qualifications with both the Chartered Institute of Management Accountants and the Association of Corporate Treasurers. She holds a graduate degree from Henley Business School and a degree from the University of Glasgow.

Zillah's extensive business, PLC and accounting experience and tenures served as chief financial officer and chief executive officer ensure she is well-equipped to act as SID and chair of the Company's Risk Committee.

Current external roles:

- Chief executive officer and executive director of Future plc
- Non-executive director of Flutter Entertainment plc

Committee membership:

A, N, R (Chair), RP (Chair)

Dominic Murphy

Independent NED

Date of appointment: 7 August 2014

Dominic Murphy is a Managing Partner and Co-Head of UK Investments at CVC Capital Partners Prior to this Dominic was the founding partner and chief executive officer of 8C Capital LLP, investing in healthcare and tech-enabled consumer and business services

Formerly a Partner at Kohlberg Kravis Roberts & Co. Inc., he was also a member of the firm's European Investment and Portfolio Management Committees. Dominic played an influential role in a number of KKR's investments, including Alliance Boots, Ambea, The Hut Group, LGC, Mehiläinen Oy, SBS Broadcasting and Webhelp, and currently serves on the board of Walgreens Boots Alliance, Inc..

Dominic's financial and investment background make him an invaluable asset to the Board. He is an integral member of the Audit, Risk and Remuneration Committees and his all-round experience ensures his effective chairship of the Company's Nomination Committee.

Current external roles:

- Managing Partner and Co-Head of UK Investments at CVC Capital Partners
- Director of Walgreens Boots Alliance, Inc.

Committee membership:

A, N (Chair), R, Rem

Edward Koopman

NED

Date of appointment: 3 May 2016

Edward is a member of the Executive Committee of Sofina S.A. and a director of Sofina Capital. He also sits on the board of Nuxe Group, a French-based international skincare brand, and GL Events S.A., a listed global player in event management. Edward was a founding partner at Electra Partners/Cognetas Private Equity (now known as Motion Equity Partners LLP) and was also previously a Manager at Bain & Company, having worked in investment banking at both Baring Brothers and BNP Paribas.

Edward holds a degree from Ecole de Management de Lyon (EM Lyon) Business School and brings a wealth of knowledge to the Board through his international business experience and well-honed management skills.

Current external roles:

- Member of Executive Committee of Sofina S.A.
- Director of Sofina Capital
- Director of Nuxe Group
- Director of GL Events S A

Committee membership key:
A: Audit N: Nomination Rem: Remuneration R: Risk RP: Related Party S: Sustainability

Iain McDonald

NED

Date of appointment: 27 March 2010

Iain is the founder and chief investment officer of Belerion Capital Limited, established in 2018, prior to which he was chief investment officer of the William Currie Group Limited. Notable investments include ASOS plc, boohoo group plc, Metapack Limited, Eagle Eye Solutions Group PLC, Anatwine Limited and Lifeworks Corporation Ltd.. He is also chair of the UK Digital Business Association, non-executive chair of CentralNic Group PLC and a non-executive director of boohoo group plc where he chairs the remuneration committee and is a member of the audit and nomination committees.

Iain holds a degree in Economics and Economic History from the London School of Economics and Political Science. He brings broad and robust experience to the Board, substantiated by the deep financial expertise gained in his CIO roles.

Current external roles:

- Chief investment officer of Belerion Capital Limited
- Chair of the UK Digital Business Association
- Chair of CentralNic Group PLC
- Non-executive director of boohoo group plc

Committee membership:

N, Rem, S (Chair)

Damian Sanders

Independent NED

Date of appointment: 17 November 2020

Damian is a member of the Institute of Chartered Accountants and was a Senior Audit Partner at Deloitte LLP for over 20 years, including several years as the leader of Deloitte's Technology Practice in the North of England. Damian has extensive experience advising international listed companies on audit, accounting, corporate governance and other regulatory and compliance matters as well as advising on business strategy.

Having acted as an adviser and corporate governance specialist to a number of FTSE boards for many years, Damian brings a wealth of experience across audit, accounting, commercial, corporate governance and risk matters. He is well-placed to challenge and effectively contribute to THG's Risk and Related Party Committees whilst serving as chair of the Audit Committee and interim chair of the Remuneration Committee.

Current external roles:

- Non-executive director of Cineworld Group plc
- Senior independent director of Victorian Plumbing Group plc
- Non-executive director of Panther Topco Limited
- Non-executive director of Tactus Holdings Limited

Committee membership:

A (Chair), Rem (Interim Chair), R, RP

Andreas Hansson

NED

Date of appointment: 26 October 2021

Andreas is an investor and adviser with experience from the entire company life cycle. Until recently he served as a Managing Director of SB Management, having first joined SoftBank Group in 2017, and was a Partner at SoftBank Investment Advisers until August 2020. Andreas also serves on the Board of a number of SoftBank investments, including AutoStore, the leading automated storage and retrieval system provider, and as chair of the board of Kahoot! ASA, a leading EdTech platform. Before joining SoftBank, Andreas held multiple positions at Arm Ltd. where he served as technical adviser to the executive vice president and the chief technology officer, leading strategic activities around business development and incubation.

Andreas holds a PhD in Electrical Engineering from Eindhoven University of Technology and a MSc in Computer Engineering from Lund University in Sweden.

Current external roles:

- Chair of Kahoot! ASA
- Director of AutoStore
- Member of the Nomination Committee of Sinch AB

Role of the Board

In seeking to provide entrepreneurial and effective leadership, the Board is cognisant of its primary duty to promote the long-term sustainable success of the Company whilst generating value for Shareholders and also contributing to wider society.

It is aware that its responsibilities are owed to both Shareholders and to the wider stakeholder base and thus seeks to understand the views of all key stakeholders and ensure they are taken into account, to the extent considered appropriate, in Board discussions and decision-making processes. Further information on the Company's stakeholder engagement framework is included in the "Our Stakeholders and s172 Statement" section of the Strategic Report on pages 73-84.

The Board not only sets the strategic aims and objectives of the Group but oversees their delivery and achievement, monitoring financial, operational and people performance and ensuring that the requisite resources are in place for the successful execution of THG's strategy. As detailed in the Strategic Report, THG's purpose is to reinvent how brands connect digitally to consumers and this purpose both drives and guides strategic decisions as THG looks to revolutionise how brands connect to consumers globally; as it seeks to enable a happier population, empowered to make healthier lifestyle choices; and as it aims to leave the world in a more sustainable position. The Group's purpose has been determined with reference to the diversity of its stakeholder base and has been formulated to support a strategy that will deliver long-term sustainable growth, whilst simultaneously promoting responsible and sustainable retailing.

THG's core values of leadership, innovation, decisiveness and ambition underpin this approach and inform a Group culture, further details on which are included in the Strategic Report on page 9, which provides for ethical and inclusive decision-making and assists in the delivery of THG's strategic aims and objectives, thus generating value for stakeholders. The Group's policies and procedures seek to embed the foundations for not only a positive and successful organisational culture, founded upon these core values, but also an effective risk-management infrastructure. Indeed, with reference to the Code requirement that prudent and effective controls should be in place which allow risk to be assessed and managed, the Directors are, collectively, committed to ensuring that a robust risk-management framework exists throughout the Group. Whilst the Board has overall responsibility for the management of risk, Group Internal Audit provides oversight assistance which is further enhanced by the support provided by the Risk Committee and the Audit Committee (details of which, including the work undertaken during the 2021 reporting period, are contained in the respective Committee Reports on pages 153-164).

Board composition and responsibilities

As detailed in the Nomination Committee Report on pages 165 to 170, Board composition is monitored on an ongoing basis to ensure the Company's leadership needs are, at all times, met and its strategic goals effectively executed.

The NEDs are expected to bring an objective and independent view to Board discussions, to provide effective leadership and to constructively challenge and contribute to, for example, the Group's strategy and development of its business objectives.

Following a review of the skills, knowledge and experience on the Board and its Committees and consideration of overall independence in the second half of 2020, it was identified that the Board's composition would be enhanced by the appointment of additional NEDs who possessed prior listed company experience and expertise in areas such as remuneration and governance. This led to the appointment of independent NED Tiffany Hall on 12 January 2021. It was also considered appropriate, in light of the positive financial and trading collaboration developing between the Company and Softbank and the expansive collaboration opportunities amongst the parties and their respective affiliates, to appoint a Softbank representative to the Board during the 2021 reporting period. Andreas Hansson was identified as a suitable candidate for the position of NED and was subsequently appointed to the Board on 26 October 2021, although, having recently stepped down from Softbank, his continued directorship is no longer in a Shareholder representative capacity.

Board composition remained subject to ongoing scrutiny throughout 2021 and remains a particular area of focus for the Nomination Committee. Indeed, the Board is keenly aware of the need to have a suitably equipped leadership team in place to guide the Company through the next stage of its corporate governance journey and, as detailed in the Nomination Committee Report, to ensure that, in compliance with the Code, a clear division of responsibility exists between the leadership of the Board and the executive leadership of the business. Accordingly, following an ongoing review of corporate governance arrangements, it was recognised that the appointment of an independent chair would further serve to enhance Board composition. Following Board consideration and approval, Charles Allen was appointed to the Board on 22 March 2022. The process followed by the Nomination Committee in recommending this appointment is detailed within the Nomination Committee Report.

During the 2021 reporting period and until the aforementioned appointment of the Independent Chair, the Board was led by Matthew Moulding who was appointed chair of the Company in 2019 and who has also served as CEO since 2008. With reference to the Code requirement that there should be a clear division of responsibilities between Board leadership and the executive leadership of THG's business, the role of the SID has always been regarded as an integral element of the Company's governance infrastructure. Acting as an alternate point of contact where other communication channels have failed and/or are considered inappropriate, the SID is available to both Directors and Shareholders as and when the need arises and is keenly aware of their responsibility to obtain a balanced understanding of any issues or concerns and thereafter address them appropriately.

In addition to discharging their key role as a trusted intermediary for Directors and Shareholders alike, the SID is expected to bring objectivity and, where necessary, robust challenge to their role (and particularly in respect of those matters where there may have been any perception of a conflict arising from Matthew Moulding's dual role of Company chair and CEO). In accordance with the Code, the SID will continue to meet with the NEDs, on a one-to-one basis or collectively (as considered appropriate), to appraise the Independent Chair's performance and as otherwise required.

As considered in further detail in the "Board independence" section of this Governance Report, the current Board comprises two Executive Directors (i.e. the CEO and the CFO) and seven NEDs, four of whom (including the Chair) are deemed to be independent in character and judgement.

A summary of the principal responsibilities of Board members and the Company Secretary is as follows:

Chair

Lord Charles Allen

- Provides leadership to the Board
- Facilitates constructive Board relations and the effective contribution of all NEDs
- Chairs Board meetings and promotes a culture of openness and debate
- Ensures effective and ongoing communication with Shareholders and other stakeholders
- Sets the agenda for Board meetings in conjunction with the Company Secretary and ensures Directors receive accurate and timely information

Chief Executive Officer

Matthew Moulding

- Provides leadership to the Executive Leadership Team
- Oversees the day-to-day management of Company and Group business
- Determines the strategic direction and business objectives of the Group
- With the support of the Executive Leadership Team, oversees the effective implementation of Group strategy
- Engages with key Shareholders and stakeholders

Chief Financial Officer

John Gallemore

- Responsible for the Group's financial matters and applicable legislative and regulatory compliance
- Works with the CEO to develop strategic objectives
- Monitors the Group's financial performance
- Ensures the Group remains appropriately funded and capital structure is effectively managed

Senior Independent Director

Zillah Byng-Thorne

- Acts as a sounding Board for the Chair and supports, as required, in the discharge of their duties and responsibilities
- Acts as an intermediary for the Directors as and when necessary
- Available to Shareholders with concerns which have not been resolved through the normal communication channels
- At least annually, meets with the NEDs, in the absence of the Chair, to appraise the Chair's performance

Non-Executive Directors

Andreas Hansson, Edward Koopman, Iain McDonald, Dominic Murphy, Damian Sanders

- Provide active and constructive challenge and contribute to the development of strategy
- Monitor the performance of the Executive Directors against agreed objectives and ensure robust risk management
- Ensure the Board and Board Committees fulfil their responsibilities and are ably equipped to do so
- Ensure the Board is balanced and appropriate succession planning is undertaken, allowing it to provide clear and effective leadership across the organisation

Company Secretary

James Pochin

- Acts as Secretary to the Board and Board Committees and provides the requisite support
- Advises the Board on all relevant legislative, regulatory and governance matters
- Ensures the Board has the appropriate policies, procedures and resources in place to function effectively and align with best practice
- Assists with communication between the Board and Shareholders and is responsible for annual general meeting organisation

Board meetings and activity

The Board is scheduled to convene at least eight times a year but additional meetings typically take place to ensure ongoing business needs are adequately addressed and monitored, including in respect of performance and delivery of strategic objectives.

The Board met on 12 scheduled occasions during the 2021 reporting period and the attendance of those Directors who held office as at 31 December 2021 is set out in the following table. Individual Director attendance at the various Board Committee meetings which took place during 2021 is detailed in each of the Board Committee Reports, contained on pages 153-204 of this Annual Report.

Director	Attendance
Matthew Moulding	12/12
John Gallemore	12/12
Zillah Byng-Thorne	12/12
Dominic Murphy	11/12
Iain McDonald	12/12
Edward Koopman	12/12
Damian Sanders	12/12
Tiffany Hall*	12/12
Andreas Hansson**	3/3

*Tiffany Hall resigned from the Board on 18 March 2022 for family reasons.
***Andreas Hansson attended all three of the Board meetings which took* place following his appointment on 26 October 2021.

The Board Schedule of Reserved Matters, available on the Company's website, details those items which are reserved for the collective decision of the Board and which relate to: the Group's strategy and performance; changes in respect of the Group's status and capital structure; certain Shareholder communications; financial reporting and financial control items; approval of major capital projects and contracts; and lending or borrowing outwith the parameters of the Company's Treasury Policy.

In addition to overseeing the standard items of Board business which fell within these reserved parameters, the Board also gave specific consideration to the following matters during the 2021 reporting period:

- Corporate activity and investments: the strategic acquisition and integration of a number of entities including Indigo Environmental Limited, Brighter Foods Limited, Bentley Laboratories LLC and Cult Beauty Limited; the diversification and extended partnering of THG Ingenuity and investment in Civo, an innovative cloud technology business; the partial waiver of certain lock-up arrangements agreed at the time of the IPO by certain Shareholders (and as detailed in the IPO prospectus) allowing them to sell Shares pursuant to a placing; entry into an option and collaboration agreement with Softbank; and a $1.05bn capital raising consisting of approximately $730m subscription from Softbank and a $320m placing.

- Group structure and governance: the review of Divisional structure and associated reorganisation, together with the commitment to separate THG Beauty in 2022 by way of a listing or strategic partnership; formulation of the 2030 Sustainability Strategy, including setting relevant sustainability-linked remuneration objectives for the CEO and members of the Executive Leadership Team and Senior Management from 2022 onwards; and a review of certain corporate governance arrangements, including the proposed cancellation of Matthew Moulding's Special Share rights (as detailed within the Directors' Report on pages 119-128) and commencement of a process to appoint an independent chair.

- General: review of Group strategy and coverage levels under the Group's cyber and professional indemnity insurance policy; the re-definition of the Company's employee value proposition to ensure it satisfied both current and future business needs, together with associated launch of a formal "ethics charter" underpinning THG's values and culture; and ongoing oversight of market guidance and consensus.

Further information on principal decisions taken during the 2021 reporting period can be found in the "Our Stakeholders and s172 Statement" section of the Strategic Report on pages 73-84.

During 2021 the Company launched a new software tool which allows for the electronic distribution of all Board and Board Committee documentation. This online platform not only ensures enhanced administration and security in respect of monthly Board and Board Committee packs but also provides a centralised document storage facility. The agendas for Board and Board Committee meetings are agreed in advance with the respective chairs and, in accordance with the relevant Terms of Reference, circulated, together with any supporting papers, no later than three working days prior to any meeting to ensure an informed discussion can take place and Directors can challenge as appropriate (although timings may change depending on the source and availability of the information in question).

Whilst Board Committee papers will typically vary on a meeting-by-meeting basis, monthly Board packs will generally include the financial results for the previous month, on a Group and Divisional basis, together with non-financial data relating to key areas such as People, Investor Relations and Sustainability. The minutes of any previous Board meeting(s) are also included in the monthly Board packs and are tabled for approval subject to any comments/required amendments, as is also the case for Board Committee meetings where the minutes of previous meetings will be circulated with any supporting papers and tabled for approval.

Although formal communication and debate are expected to take place within the boardroom, ensuring that key Board matters are appropriately considered and evaluated in a timely manner, informal debate is also regarded as a valuable tool in aiding board effectiveness and development and is therefore encouraged. Indeed, throughout the 2021 reporting period (and beyond) discussions took place between the former Company chair and CEO and the NEDs and the SID and the NEDs to ensure Board relations continued to be developed and nurtured between meetings and outwith the structured and more formal confines of the boardroom. For example, a SID-led discussion took place amongst the NEDs in the first quarter of 2022 which focused on general chair and Board performance, further information on which can be found in the "Board Evaluation" section of the Nomination Committee Report on pages 165-170.

Board Committees and governance structure

Whilst a formal schedule of matters is reserved for the Board's consideration and approval, the Board is supported by six Committees which have delegated responsibility for certain items of business.

Executive Directors are not members of these Board Committees, although they may be invited to attend Committee meetings. The chair of each Board Committee reports to subsequent meetings of the Board which also receives a copy of all Committee meeting minutes once approved (and to the extent no conflict of interest exists).

As detailed above and within the Nomination Committee Report on pages 165-170, the Nomination Committee undertook a review of Board Committee composition during the 2021 reporting period and ultimately recommended that changes be made to the composition of certain of the Board Committees. The Board accepted the recommendations of the Nomination Committee and the requisite membership changes took effect immediately following the 2021 AGM, thereby enhancing certain corporate governance arrangements whilst also ensuring the optimum utilisation of NEDs' skillsets and experience and streamlining Board Committee commitments as considered appropriate.

Please refer to page 132 for an explanation of the departure from the Code in respect of Remuneration Committee membership.

The Board and Board Committee governance structure at the end of the 2021 reporting period and as at the date of this Governance Report is set out in the following table which also details the principal roles and responsibilities of each of the Board Committees.

Board

Provides effective leadership and promotes the long-term sustainable success of the Company, whilst setting and overseeing the successful delivery of its strategic aims and objectives.

Nomination Committee

- Regularly reviews structure, size and composition of the Board, including its balance of skills, knowledge, experience and diversity, to ensure membership remains fit for purpose and the Group's leadership needs are met
- Makes appropriate recommendations with regard to any Board changes it considers necessary and identifies and nominates candidates for Board approval
- Oversees plans for the orderly succession of appointments to Board and Senior Management, ensuring appointments and succession plans are based on merit and objective criteria

Remuneration Committee

- Sets remuneration policy for all Executive Directors
- Ensures remuneration policies and practices support strategy and promote Group long-term success
- Approves design of and determines targets for any performance-related pay schemes and determines policy for and scope of pension arrangements for each Executive Director
- Reviews and has regard to pay and employment conditions across the Group and reviews any major changes in employee benefit structures

Audit Committee

Supports the Board in fulfilling oversight responsibilities by reviewing and monitoring:

- independence and effectiveness of internal/external audit functions
- integrity of financial and narrative statements
- internal financial controls and, as appropriate and in conjunction with the Risk Committee, risk management framework

Risk Committee

Assists Board in its oversight of risk, including:

- monitoring, management and mitigation of principal and emerging risks, including definition and execution of risk management strategy and associated risk policies
- advising on overall risk appetite, tolerance and strategy
- reviewing and monitoring robustness of the Group's risk management framework, policies and procedures when tested against risk strategy and appetite

Sustainability Committee

- Reviews and ensures appropriate and effective strategies, policies and operational controls are in place to conduct business in a responsible manner, including assessing and monitoring performance against 2030 Sustainability Strategy and ESG targets
- Oversees compliance with all applicable sustainability-related legal and regulatory requirements and ensures the Group's standards of business reflect best practice
- Supports the Board in delivering strong, sustainable growth across its business and supply chains, in global markets and covering all aspects of the customer ecosystem

Related Party Committee

- Oversees and approves the terms of any transaction, arrangement or agreement between the Propco Group and any Group company, other than those in the ordinary course of business
- Ensures all such transactions, arrangements or agreements continue to be in the best interests of the Company and its Shareholders

Executive Leadership Team

- Executes delivery of agreed strategic objectives
- Oversees day-to-day management of Group operations
- Provides regular Board updates on operational performance

Special Advisors

Provide specialist expertise and additional Board Committee support in areas such as:

- Tax governance
- Regulatory compliance
- Sustainability
- Cyber risk

Board independence

As previously detailed, the Board currently comprises four Directors who are considered independent in character and judgement – namely, Dominic Murphy, Zillah Byng-Thorne, Damian Sanders and Charles Allen. These Directors were deemed to be independent by the Board following detailed consideration of their individual circumstances (as at the date of appointment through to the date of this Annual Report) against Provision 10 of the Code, with external legal input sought to the extent considered necessary.

As detailed in the 2020 Annual Report, a question which has been the subject of detailed Board consideration is whether NED independence can be viewed as impaired in the instance where a NED holds Ordinary Shares. Further to the relevant analysis, the Board previously concluded that rather than impairing independence, such direct ownership in fact serves to align the interests of individual NEDs with the interests of Shareholders generally and, consequently, to the Company's long-term success, a position supported by a number of institutional investors. It therefore remains the case that NEDs are permitted to purchase Ordinary Shares at market value and via a broker which, if required, can be facilitated by the Company.

With reference to Code Provision 10, it is noted that an element of Dominic Murphy's shareholding comprises Shares which vested in 2019 pursuant to Company-operated share schemes. As confirmed in the 2020 Annual Report, this is also an item which has been critically appraised by the Board. Having given due regard to the relevant Code provisions (including whether a NED may have had a material business relationship with the Company in the last three years) and taken into account assessments of materiality and the 3% threshold under the DTRs' major shareholdings notification regime, the Board determined that Dominic Murphy's shareholding (as detailed in the Annual Report on Remuneration on page 198 and which sits significantly below the 3% notification threshold) does not impair his independence.

With reference to the tenure provisions of the Code, Iain McDonald is not regarded as independent, having served on the Board for in excess of nine years. Andreas Hansson and Edward Koopman are also not deemed to be independent upon an analysis of the relevant Code provisions. Andreas Hansson formerly served as Managing Director of Softbank which subscribed for approximately $730m of Ordinary Shares during the 2021 reporting period and also signed a collaboration and option agreement with the Group. The partnership between the Company and SoftBank is regarded as a material business relationship and, accordingly, was viewed as impairing Andreas Hansson's independence. In a similar vein, Edward Koopman was appointed to the Board prior to Admission to represent Sofina Capital S.A. ("Sofina"), a major Shareholder. Edward Koopman is both an employee of Sofina and a member of its Executive Committee although it should be highlighted that, whilst Sofina continued to hold Ordinary Shares following Admission, his continued directorship is not in a Shareholder representative capacity.

At the end of the 2021 reporting period the Board therefore comprised two Executive Directors and seven NEDs, four of whom were regarded as independent – namely, Dominic Murphy, Zillah Byng-Thorne, Damian Sanders and Tiffany Hall (who stepped down from the Board on 18 March 2022 for family reasons). On an analysis which incorporates the strict letter of the Code and excludes the Company's former chair, Matthew Moulding, from the independence calculation, at least half the Board was deemed to be independent as at the financial year end in compliance with Code Provision 11. That said, the Board is of the opinion that in the particular circumstances of the Company, with reference to the dual role of its former chair, it would be best practice and more aligned with the spirit of the Code to include the former chair in the independence calculation.

As noted above and as at the date of this Governance Report, the current Board comprises two Executive Directors (i.e. the CEO and the CFO) and seven NEDs, four of whom (including the Chair) are deemed to be independent in character and judgement. Noting the Chair's mandate to enhance Board composition by improving its independence and diversity, it is the intention that the structure, size and composition of the Board will be kept under ongoing review during the 2022 reporting period.

Board appointments and time commitments

As previously detailed and also included within the Nomination Committee Report on pages 165-170, the composition of the Board is kept under continuous review and its balance of skills, knowledge and experience monitored on an ongoing basis to ensure it comprises the necessary skillsets to both drive delivery of the Group's strategy and address any current and/or future challenges of the organisation. While Board appointments are assessed against objective criteria and made on the basis of merit, to ensure the best candidate is appointed to the role in question, the broader perspectives and other advantages that a more diverse Board can bring to the boardroom are acknowledged; accordingly and as required by the Code, any Board appointment is made with regard to the need to promote, amongst other things, diversity of gender, ethnic background and personal strengths.

Board composition was reviewed during the 2021 reporting period and, with reference to the foregoing, Tiffany Hall and Andreas Hansson appointed as NEDs on 12 January 2021 and 26 October 2021 respectively. These appointments were viewed as enhancing the skillsets and experience on the Board which, collectively, is viewed as well-placed to deliver the Group's strategic objectives and generate long-term value for its Shareholders. Additionally, the need for an independent chair was recognised pursuant to a review of ongoing corporate governance arrangements and, following a recommendation from the Nomination Committee, the Board considered and approved the appointment of Charles Allen as independent chair, effective from 22 March 2022.

The following matrix sets out the key competencies of individual Board members:

Key competencies experience	Lord Charles Allen	Matthew Moulding	John Gallemore	Zillah Byng-Thorne	Dominic Murphy	Edward Koopman	Iain McDonald	Damian Sanders	Andreas Hansson
UK listed plc	x			x	x*		x	x	
Corporate governance	x				x		x	x	x
Finance and accounting	x	x	x	x	x	x	x	x	x
Risk management	x	x	x	x	x			x	x
Technology or e-commerce	x	x	x	x	x		x	x	x
Marketing and branding	x	x			x	x			
Retail industries	x	x	x	x	x	x	x	x	
Global operations	x	x	x	x	x	x			x
Strategy & development	x	x	x	x	x	x	x		x
M&A	x	x	x	x	x	x	x	x	x
Audit Committee	x			x	x*		x	x	x
Remuneration Committee	x			x	x*		x	x	x
Nomination Committee	x			x	x*		x		x

*Dominic Murphy currently serves on the board of directors of Walgreens Boots Alliance, Inc. ("Walgreens") and is a member of both its Finance Committee and Nominating and Governance Committee. Whilst not a UK listed company, Walgreens is a Fortune 20 multi-national business and Dominic Murphy's experience on its board is therefore of comparable standing. Dominic Murphy has substantial board experience across a portfolio of businesses bringing a wealth of expertise and skillsets to the Board and Board Committees upon which he serves.

In recognition of Code Principle H and pursuant to their Letters of Appointment ("Appointment Letters"), all NEDs are required to undertake that they have sufficient time to discharge the duties and responsibilities expected of them as members of the Board and to use their best endeavours to promote and advance the long-term interests of the Group. In addition to attending Board meetings, relevant Board Committee meetings and general meetings of the Company, NEDs must also commit any additional time required where the organisation is experiencing periods of increased activity. Under the terms of their Appointment Letters, details of any other significant business (or other) interests must be disclosed by NEDs, together with a broad indication of the time expended on such interests, and the Board must be kept apprised of any new commitments or changes to current commitments that could have implications on the ability of any NED to commit sufficient time to their duties.

The Board, in conjunction with the Nomination Committee, keeps the time commitment expected of NEDs under ongoing consideration and is satisfied that their current external commitments do not compromise their effectiveness or performance. In this regard and as detailed in the 2020 Annual Report, the external appointments of the SID, Zillah Byng-Thorne, have previously been the focus of detailed consideration by the Board. The relevant external advice was sought and guidance reviewed as appropriate and the Board ultimately concluded that Zillah Byng-Thorne's performance, together with her Board and Board Committee contribution, clearly evidenced that she had sufficient time to devote to her role to ensure the effective discharge of her SID and Board Committee duties.

Nonetheless, further to the Nomination Committee's assessment of Board Committee composition during the 2021 reporting period (further details of which are included in the Nomination Committee Report on pages 165-170), it was agreed that following the 2021 AGM and in light of the separation of the Audit & Risk Committee certain changes should be effected to ensure the best utilisation of the NEDs' skillsets and experience across the various Board Committees. Accordingly, Damian Sanders was appointed as chair of the Audit Committee and Zillah Byng-Thorne as chair of the Risk Committee, thereby reducing her scope of responsibilities and associated time commitment.

Conflicts

Whilst the Directors have a statutory duty to avoid situations where they have, or can have, an interest that conflicts, or may possibly conflict, with the Company's interests, and must declare the nature and extent of any such interest, the Articles of Association permit non-conflicted Directors to authorise any such conflict, on such terms and conditions as they think fit. The Appointment Letters reinforce the fact that any actual or potential conflicts of interest must be declared by a NED and no NED must put themselves in a position where their duties to any other person, firm or company conflicts with their duties to the Company or the Group. In the circumstances where a NED wishes to accept a position within a company or firm which engages in a business competing with or similar to THG they are required to provide not less than seven days' written notice to the Chair.

The Propco Group owns property assets which are occupied and utilised by the Group, while the Propco Group itself is wholly owned by the CEO (who is also a major Shareholder). Officers of the Propco Group are also officers of the Company (although the intention is that this will be rectified by 31 December 2022). In light of this, a Board-constituted Related Party Committee was established post-Admission to oversee and approve Related Party Transactions and to ensure that the appropriate governance arrangements are in place in respect of both existing and potential conflicts of interest. Further information on the responsibilities and activities of the Related Party Committee can be found in its Report on pages 171-174.

Board recruitment and succession

A key responsibility of the Nomination Committee is, as previously stated, to ensure that the leadership needs of the organisation are satisfied and, in doing so, it must ensure that the appropriate succession planning is undertaken and recommendations made in respect of both Board and Senior Management recruitment. Discussions on Board refreshment and tenure factor into the Company's ongoing succession planning considerations and there is a keen recognition of the fact that THG's succession plans must not only address current leadership needs but also those in the medium and long-term. In acknowledging that the strategic aims and objectives of the Group may change over time and/or new challenges and/or opportunities arise in the marketplace, the Nomination Committee seeks to ensure that the depth and breadth of experience and skillsets on the Board are such that, at any particular time, the Group's strategy can be successfully executed and long-term sustainable value generated for Shareholders.

Recruitment may take place via a variety of methods: for example, an independent recruitment consultant may be engaged to facilitate the search for a particular position/candidate or the Board and Executive Leadership Team may be asked for recommendations from their professional networks and a shortlist of candidates thereafter agreed upon, as was the case with the appointments of Charles Allen and Tiffany Hall respectively (and further details on which are included in the Nomination Committee Report on pages 165-170).

As confirmed above, all appointments are made on the basis of merit and objective criteria and undertaken in accordance with applicable Group policies and processes. In making recommendations and identifying potential appointees, the Nomination Committee has regard to not only the balance of skills, knowledge and experience on the Board and its Committees, with reference to the Group's strategy and long-term sustainable success, but also to the need to promote diversity in the boardroom. Indeed, the Board is aligned with the FRC's position that, by reducing the risk of group think, diversity can have a positive effect on the quality of decision-making and endorses its view that whilst developing a more diverse executive pipeline is key to increasing levels of diversity at a more senior level in an organisation improving diversity at each level of a company is necessary for this to actually happen, all as affirmed in the FRC's Guidance on Board Effectiveness (July 2018).

Diversity and inclusion

THG's commitment to developing a robust pipeline of diverse talent is evidenced by the establishment of its D&I Committee towards the end of 2020. The D&I Committee is comprised of nominated employee representatives from around the globe, "D&I Committee Champions", who join together to explore the ways in which the Company can continue to build and support a diverse and equal workforce, considering areas such as gender, disability, ethnicity and racial equality. Committee Champions are rotated on a regular basis to encourage diversity within the Committee itself and work with stakeholders at a local level in seeking to continually enhance inclusivity and diversity in the workplace. The D&I Committee also works with Brand and Marketing teams to ensure that people are fairly, inclusively and respectfully represented.

The D&I Committee undertook various initiatives during the 2021 reporting period, including "in conversation" sessions with Committee members, the publication of insights on topics such as "Mental Health in Black and Minority Ethnic communities" and "How can I be an ally during Black History Month and beyond?", together with LGBTQ+ Society x Wellbeing interactive discussions. Divisional activities also took place to celebrate Mental Health Awareness Week during which the D&I Committee, in conjunction with the Wellbeing team, hosted short sessions to promote conversation and focus on topics such as how to manage stress and the importance of self-confidence.

A key objective of the D&I Committee was for the Company to be recognised as a Disability Confident Committed employer under the UK Government's Disability Confident employer scheme, a scheme which aims to support employers to attract, develop and retain employees with disabilities. The Company was recognised as such during 2021 and as a result must ensure that its recruitment processes are inclusive and accessible, including any recruitment activity undertaken from a Board and Senior Management perspective. Linked to this and through an investment in Greenhouse, the Company overhauled its talent strategy and onboarding technology during the 2021 reporting period to target enabling inclusive-working practices. Greenhouse is an end-to-end recruitment platform which seeks to improve all aspects of hiring whilst providing an industry-leading standard for ED&I (i.e. equality, diversity and inclusion) onboarding and candidate attraction.

Education has also been at the forefront of the D&I Committee's considerations and a Group-wide inclusivity training programme continues to be implemented for all employees, further evidencing THG's commitment to be a truly inclusive employer. The Group acknowledges and champions the positive effect that diversity has in both the workplace and within its communities and recruitment will continue on a meritocratic basis and founded on the principle of fairness for all.

Whilst further information on the Group's approach to D&I-related matters, together with information on how the Group supports the wellbeing and development of its workforce, can be found in the Our People section of the Strategic Report, key Company D&I data, pursuant to section 414C of the Companies Act, is as follows:

Level	Gender			Ethnicity		
	Male	Female	Not disclosed*	BAME	Non BAME	Not disclosed*
PLC Board	7	2	n/a	-	9	n/a
Senior Management	17	6	n/a	2	20	1
Workforce (Total)	4,424	4,561	1,061	1,916	2,800	5,330

*This refers to employees who have not disclosed this information to the Company due to either personal preference or as a result of incomplete legacy employee records.

Workforce and employee engagement

The D&I Committee is regarded as a key mechanism through which effective employee engagement is encouraged and open and transparent lines of communication bolstered between the general workforce, the Executive Leadership Team and the Board. Indeed, Committee Champions not only work with stakeholders at a local level but also collaborate with and report into the Executive Leadership Team to ensure that key focus areas and more general feedback and concerns are escalated to and heard and addressed at an appropriately senior level. The Executive Leadership Team attends the monthly Board meetings, thereby ensuring an effective and direct flow of information can take place between the general workforce and the Board. Further and as detailed in the Nomination Committee Report, the D&I Committee has a direct reporting line into the Group's Chief People Officer who ultimately oversees diversity of workforce and, in turn, attends the monthly Board meetings and reports to the Board collectively on relevant People initiatives.

As a people-led business, THG recognises the importance of continually striving to enhance the employee journey and workplace culture to ensure an environment of inclusivity is promoted and all employees have an equal voice; the D&I Committee is regarded as providing the appropriate platform for that voice to be heard.

Engagement mechanisms are kept under ongoing review, both from a workforce and general stakeholder perspective, to ensure they remain effective and the Board is suitably apprised to allow it to consider relevant interests and matters in discussions and decision-making processes. Further information on how engagement strategies positively impact decision-making throughout the organisation, including at Board level, can be found in the "Our Stakeholders and s172 Statement" section of the Strategic Report on pages 73-84.

Board evaluation

As detailed in the 2020 Annual Report, the Board had, collectively, only been in post for a short period of time during the 2020 reporting period and it was therefore considered that a formal evaluation of its effectiveness, and that of its Committees, would be of limited worth. After due consideration of the optimum approach to the Company's first evaluation exercise and recognising the attendant benefits and significant value of its outcomes and conclusions, the Company engaged a third party to provide an online digital platform through which it undertook a Board evaluation. The evaluation was aligned with best market practice and the content tailored, as appropriate, to the specific requirements of the Company. As detailed in the Nomination Committee Report, this "paper" evaluation supplemented a SID-led discussion on general chair and Board performance which had previously taken place amongst the NEDs, with consistent themes emerging from both.

The evaluation took place at the end of the 2021 reporting period, in the first quarter of 2022, and, as required by the Code, considered not only the effectiveness of individual Directors but also the collective effectiveness of the Board and Board Committees, including specific consideration of, amongst other things, composition and diversity. The specific outputs and actions flowing from the evaluation are detailed in the Report of the Nomination Committee on pages 165-170 but the overall conclusion was that the Board and its Committees continue to function in an effective manner and each Director continues to contribute effectively to both the Board and the Board Committees of which they are a member.

Taking into account a number of factors, including the appointment of the Independent Chair and the practical division of duties and responsibilities between the Independent Chair and the CEO, it is recognised that detailed consideration requires to be given to the timing, structure and content of the next Board evaluation. Whilst no decisions have been taken at the present time, the Nomination Committee (and the Board collectively) is cognisant of the need to keep a watching brief on the situation and, at the relevant time, an appropriate evaluation will be conducted to ensure Board members continue to contribute and work together effectively.

Additionally, the Company will not only conduct a formal and rigorous evaluation of the Board, the Board Committees and individual Directors on an annual basis, but will also undertake an externally- facilitated Board evaluation within three years of Admission and at least every three years thereafter (as confirmed in the 2020 Annual Report). Whilst this Code requirement is only applicable to FTSE 350 companies, the Company is keen to evidence its ongoing commitment to good corporate governance and to ensuring that the Board and its Directors continue to function effectively, from both a collective and individual perspective, with Board and Board Committee membership being refreshed as required.

Board support and training

THG remains committed to ensuring that the Board and Board Committees have the requisite resources available to them to allow the full and effective discharge of their responsibilities and, more generally, to ensure that the Group's corporate governance framework remains appropriately structured to meet its immediate needs and support the long-term sustainable success of the Group. Accordingly and as has been previously announced, four independent individuals remain appointed as THG Special Advisors to provide specialist expertise and support to the Board Committees in areas such as tax governance, regulatory compliance, sustainability and cyber risk. Furthermore, the Executive Leadership Team continues to provide an additional layer of support when called upon, possessing a keen knowledge and "on the ground" awareness of the Group and its operations and comprising a number of employees who have progressed through the internal talent framework.

The Company Secretary also plays a key role in supporting the Board and its Committees, advising on governance matters and ensuring that all legal and regulatory requirements are appropriately satisfied. Pursuant to the relevant Code requirements, each Director has access to the advice and assistance of the Company Secretary on an ongoing basis to ensure they receive the necessary support to discharge their duties as a director of the Company and to constructively contribute as a Board Committee member.

As referenced at the outset of this Governance Report, consideration was given to the professional development needs of the Board during the 2021 reporting period and it was agreed that an independent third-party provider, namely, the Non-Executive Director's Association, should be engaged to develop a training programme tailored to both individual and collective requirements. The principal objective of this initiative is to ensure that Directors remain apprised of applicable legislation, guidance and market practice and that knowledge and skillsets are suitably refreshed in light of relevant proposals and/or changes which may be on the corporate governance landscape and/or within the organisation itself.

Inaugural training sessions have now taken place covering "refresher" topics such as balancing the duties and responsibilities of a listed company director with increased expectations; board operation and effective vs. high-performing boards; and what to expect in board evaluations. The intention is that during the 2022 reporting period the programme will be further refined, with the input and direction of all Board members, to ensure the Company supports the continued professional development needs of its Directors and this, in turn, will assist in the effective and efficient functioning of the Board and Board Committees, a key element of the Code.

Risk management and internal controls

As previously noted, the Board has overall responsibility for the management of risk and the Directors are, collectively, committed to ensuring that a robust risk management framework exists throughout the Group. In addition to determining organisational risk appetite, the Board maintains oversight of the Group's principal and emerging risks and monitors the effectiveness of its risk management framework and systems of internal controls. Group Internal Audit provides oversight assistance which is further enhanced by the support provided by the Risk Committee and the Audit Committee (details of which, including the work undertaken during the 2021 reporting period, are contained in the respective Committee Reports on pages 153-164). Full details of the Group's risk management framework, procedures and internal controls can be found in the "Risk Management" section of the Strategic Report on pages 105-118.

As discussed within the Risk Management section, the ERM framework is a key component in the Company's risk management infrastructure and under this framework risks are identified, evaluated, managed and mitigated (as appropriate). During 2021 the Company refreshed the ERM framework and continued to enhance its approach towards risk management, including investment in operational risk processes and supporting technology and the further development of the business continuity programme through the creation of a dedicated team under the leadership of a newly appointed Chief Risk Officer. The Chief Risk Officer is responsible for the facilitation and implementation of the risk management approach across the Group, including the provision of the necessary risk reporting to the Risk Committee, Audit Committee and Executive Leadership Team.

As confirmed in the Risk Management section, the Board reviewed the effectiveness of the risk management framework and internal control systems during the 2021 reporting period and up to the date of this Annual Report and no significant failings or weaknesses were identified. In undertaking this review the Board was assisted by the Audit Committee and the Risk Committee, as appropriate and pursuant to their respective Terms of Reference.

The Board recognises that Group culture has a fundamental role to play from a risk management perspective, underpinning the effectiveness of THG's risk management framework and the operation of an effective control environment. The introduction of a Three Lines of Defence assurance model (explained in detail in the Risk Management section) is central to ensuring that risks are managed in a tiered and robust manner, with the roles and responsibilities of all employees being clearly defined and accountability for actions and decisions established. The Three Lines model supports risk-based decision-making, with first-line employees assuming responsibility for management of their risk and the subsequent deployment of appropriate risk strategies, and also describes how appropriate oversight, challenge and assurance are provided in respect of business activities, including the ethical operation and conduct of the Group.

It is acknowledged that risk impacts every aspect of the Group's operations, including its workforce, its customers, its assets and the communities within which it operates, and therefore the Board regards the management of risk as a prime responsibility. It considers that a rigorous understanding of the Group's principal and emerging risks allows such risks to be managed in the optimum way which in turn serves to enhance decision-making processes, safeguards assets, improves the customer experience and helps best achieve the Group's strategic objectives. The Board and THG itself are committed to upholding the moral, ethical and legal responsibilities and obligations imposed upon them through the implementation and maintenance of an appropriately robust risk management framework.

The Group's policies seek to provide the appropriate foundations for a positive and successful organisational culture, founded upon its core values of leadership, innovation, decisiveness and ambition, and an effective risk management infrastructure. For example, the Board has ultimate responsibility for the Group's Anti-Bribery Policy pursuant to which the Group is committed to conducting its business with complete integrity and in a manner which ensures compliance with all applicable anti-bribery laws and regulations, at all times adhering to the highest ethical standards. Similarly, the Group's Whistleblowing Policy restates THG's commitment to operate responsibly and ethically whilst encouraging a free and open culture in dealings between THG employees and those with whom they engage. It acknowledges that effective and honest communication is essential if concerns regarding breaches or failures are to be effectively addressed and THG's success ensured and encourages the confidential reporting of possible improprieties, whether financial or otherwise, detailing the means by which individuals can anonymously raise genuine concerns without fear of recrimination.

ESG

Through its purpose, values and strategy the Board is focused on delivering sustainable and long-term growth and is committed to ensuring that THG generates positive and impactful change for all its stakeholders across the locations and communities within which it operates (further information on which can be found in the 'Our Stakeholders and s172 Statement' section of the Strategic Report on pages 73-84). Indeed, as detailed at the outset of this Governance Report, a key Board focus during 2021 was to seek to embed the individual elements of ESG into the DNA of the Group, an objective which was reinforced with the publication of the 2030 Sustainability Strategy, THG x Planet Earth, during the reporting period. As reflected in its values and strategic objectives, THG is cognisant of the responsibility which it has towards its stakeholders (including its people, its customers and suppliers and the planet itself) and to this end has publicly committed to act as a force for good and use its access to capital to invest in and influence environmental and societal changes which will benefit our planet today and create a sustainable future for generations to come.

THG x Planet Earth identifies three key priorities (i.e. (i) protecting climate and nature; (ii) strengthening the Group's supply chain and circularity; and (iii) empowering people and communities) under which progressive goals have been set to achieve THG's aspirations to secure a better, sustainable future for all and leave the world in a better place than we found it. Whilst THG x Planet Earth is comprehensively detailed in the "Sustainability" section of the Strategic Report on pages 87-104 it is notable that headline strategic goals include the promotion of policies and practices that are inclusive for all at THG, the protection of human rights and seeking to eliminate modern slavery in our supply chains, and the ambitious target of being climate positive and offsetting the Group's historical operational emissions by 2025.

The Group appointed a Chief Sustainability Officer during 2021 who is accountable for the ongoing development and implementation of THG x Planet Earth. In conjunction with the Board-constituted Sustainability Committee (of which he is a member), the Chief Sustainability Officer oversees all ESG matters to ensure the Group has appropriate and effective strategies, policies and operational controls in place to conduct its business in a responsible manner. As further evidence of its commitment to put sustainability at the heart of its business and ensure effective and timely delivery of THG x Planet Earth, Executive Directors and members of the Senior Leadership Team have been set relevant sustainability-linked objectives from 2022 onwards with an increased focus in personal reviews on sustainability-related, and not simply commercial, outcomes.

THG x Planet Earth will be reviewed on a biennial basis by the Chief Sustainability Officer, in conjunction with the Sustainability Committee, to ensure it reflects the evolving regulatory and market landscape and the Board remains committed to supporting strong, sustainable growth across every aspect of THG's "customer ecosystem", ensuring that the Group and its stakeholders play their part in the journey to build a better, more sustainable future for all.

Audit Committee Report

"The Audit Committee plays a key *role in THG's governance framework* and monitoring the integrity of financial reporting and internal controls, that helps retain and sustain long-term value".

Damian Sanders

Chair of the Audit Committee

Members and attendance

Committee member	Position	Attendance
Damian Sanders	Chair	6/6*
Zillah Byng-Thorne	Member	6/6*
Dominic Murphy	Member	5/6
Iain McDonald	Former Member	2/3*

*Further to a review of Board Committee composition during the reporting period, the following changes took effect following the 2021 AGM: (i) Zillah Byng-Thorne stepped down as Chair of the Audit Committee, formerly the Audit & Risk Committee, chairing the first three meetings of 2021. Damian Sanders assumed the position of Audit Committee Chair thereafter, chairing the final three meetings and (ii) Iain McDonald stepped down as an Audit Committee member.

Having been appointed as Chair of the Audit Committee following the 2021 AGM, I have the pleasure in introducing the Audit Committee Report for the financial year ending 31 December 2021. Zillah Byng-Thorne stepped down as Audit Committee Chair during the reporting period to assume the role of Chair of the Company's newly-created Risk Committee and I would like to extend my sincere thanks to Zillah for leading the Committee during her tenure.

Upon the establishment of the Risk Committee, further details of which can be found in the Risk Committee Report on pages 161-164, the existing Audit & Risk Committee was renamed as the Audit Committee and its Terms of Reference, including its scope of responsibilities, amended appropriately. The revised Terms of Reference, drafted in line with current market practice and subject to detailed consideration by the Company's advisers, were approved by the Board on 30 June 2021 and took effect from 1 July 2021.

Composition and meetings

Aligned with the provisions of the Code, the revised Terms of Reference provide that membership of the Audit Committee must comprise of at least three independent NEDs, one of whom shall be a member of the Risk Committee and one of whom shall, where possible, be a member of the Company's Remuneration Committee, possessing recent and relevant financial expertise and experience. Members of the Audit Committee are appointed by the Board upon the recommendation of the Nomination Committee (in consultation with myself as Audit Committee Chair) and are required to have the skills and experience appropriate for membership of an Audit Committee, with the Audit Committee collectively possessing the necessary financial and non-financial competence relevant to the sectors in which the Company operates. Biographies of all Committee members can be found on pages 133-136 of the Governance Report.

At the start of the reporting period Iain McDonald, who, due to his time in office, is not deemed to be independent by reference to the Code, was a member of the Audit Committee and thus the composition of the Committee was not in line with Code requirements. Following careful consideration by the Board of membership across all Board Committees and in recognition of the need for ongoing independent challenge and oversight of the Group's internal financial and non-financial controls, Iain stepped down from the Audit Committee following the 2021 AGM. Since this time, Audit Committee membership has satisfied Code Provision 24, comprising, as it does, only independent NEDs – namely, myself as Chair, together with Zillah Byng-Thorne and Dominic Murphy.

The Terms of Reference provide that at least four meetings of the Audit Committee shall take place annually, at appropriate times in the financial reporting and audit cycle or as otherwise required; and any Audit Committee member, the CFO, the Deputy CFO, Head of Internal Audit or the Lead Partner from the External Auditor may request a meeting if they consider it necessary or desirable. As can be seen from the preceding table, six Audit Committee meetings took place during 2021. The External Auditor attended each of these meetings and during the year spoke with Audit Committee members in the absence of Senior Management.

Role and responsibilities

As detailed in its revised Terms of Reference and in accordance with the requirements of the Code, the Audit Committee has been established to support the Board in fulfilling its oversight responsibilities by reviewing and monitoring:

- The integrity of the Company's financial and narrative statements for the full year and half year (including whether the Annual Report is fair, balanced and understandable).
- The Company's internal financial controls, internal controls and, as appropriate and in conjunction with the Risk Committee, risk management framework.
- The adequacy of whistleblowing arrangements that are in place and the effectiveness of the Company's anti-bribery systems and its procedures for preventing and detecting fraud.
- Effectiveness of the internal audit function and the effectiveness, independence and objectivity of the External Auditor.

Activities of the Audit Committee

The Committee held six meetings during the reporting period, all of which were scheduled. A summary of the key activities undertaken by the Audit Committee during the reporting period is as follows:

- Monitoring the key areas of focus and significant financial reporting areas as part of the half-year review and year-end audit.
- Reviewing and monitoring the progress of the internal audit plan, covering both financial and non-financial assurance engagements, and including year-round fraud risk assessment procedures.
- Assessing the external audit plan and carrying out a review of the External Auditor's work for the half-year review, year-end audit and regulatory reporting.
- The Committee also noted the findings within the FRC's Audit Quality Review ("AQR") team's review of last year's audit which identified some areas for improvement and areas of good practice in respect of EY's performance as auditor.

In addition to these meetings the Audit Committee Chair met privately with the Lead Partner of the External Auditor, as and when considered appropriate, to discuss the scope of the audit plan, the remit of the external audit and to challenge, as they saw fit, the findings of the audit process, including (but not limited to) any material issues which had been identified, areas of significant judgement and the general effectiveness of the process.

Throughout the reporting period and pursuant to the Terms of Reference, the Audit Committee Chair, together with other Committee members (albeit to a lesser extent), also remained in active conversation with key individuals involved in the Group's governance, such as the Chair and CEO and the Head of Internal Audit.

Significant financial reporting areas

One of the roles of the Audit Committee is to assess whether the judgements and estimates made by Senior Management are reasonable and appropriate. In order to assist in this evaluation, the CFO provided accounting papers to the Audit Committee which detailed the financial aspects surrounding key accounting judgements and areas of focus for THG, including Significant Disclosures, Acquisitions, Adjusted Items and the Capitalisation of Platform Development costs. As part of the year end reporting process the Audit Committee reviewed this Annual Report, the management papers on key accounting estimates and judgements, updates provided by the External Auditor, accounting and reporting matters, and management representation letters concerning accounting and reporting matters. The Audit Committee assessed whether suitable accounting policies had been adopted and the reasonableness of the judgements and estimates that had been made by Management. This section outlines those significant issues which received particular focus from the Audit Committee in relation to the financial statements for the period and how these issues were addressed.

Significant issues which arose during the reporting period were dealt with as follows:

Area of focus	Consideration and actions taken by the Audit Committee	Impact on financial information and disclosure
Revenue recognition	Following the growth of THG Ingenuity in the year, the key areas of management judgement include the classification of revenue streams to the Groups divisions and contract accounting within Ingenuity Commerce. The Committee reviewed and agreed with managements classification of revenue streams and proposed accounting treatment for Ingenuity contracts under IFRS 15.	The revenue accounting policy is included within note 1c and note 2 within the Consolidated Financial Statements.
Acquisition accounting	There have been ten acquisitions in the year. Management have engaged specialists where required. The purchase price accounting, contingent consideration and other key judgements made as part of this exercise were presented to the Committee. The Audit Committee reviewed the accounting treatment and disclosure, and the application of IFRS 3 Business Combinations.	See note 10 where the business combination accounting detail is included.
Accounting for platform development costs	In 2021 there has been additions of £48m to platform development costs. The carrying value at 31 December totals £82m. There is management judgement applied regarding which projects relate to capital spend. This is reviewed on a monthly basis. Such items with nil NBV that are no longer in use have been disposed of in the year. The Committee reviewed and assessed the accounting treatment and disclosure and the application of IAS 38. The effectiveness of controls around the maintenance and tracking of platform development projects was also considered. Both items were concluded to be appropriate.	Intangibles note 11 within the Consolidated Financial Statements.
Impairment and cash-generating units	The Audit Committee reviewed management's conclusion of the number of cash-generating units in existence at the balance sheet date. This is a judgement as the Group has made good progress towards the separation of its key business units. The Audit Committee agreed with managements conclusion that there was insufficient clarity of cash flows to enable robust cashflow forecasts to be produced for each business unit at the year end and at the date of signing the Annual Report due to the interconnectivity of the cashflows and reliance on intra-group services. The Audit Committee reviewed the proposed impairment charge which included a charge within THG Experience, THG OnDemand and THG Luxury and concluded that whilst THG OnDemand and THG Luxury are not completely separate as of today's date, it is clear that future losses are forecastable and as such it is appropriate to review the carrying value of the assets allocated to THG OnDemand and THG Luxury. The Audit Committee concluded the £53m charge recognised in the current year is appropriate. The Audit Committee reviewed managements impairment paper, challenged key judgements including terminal growth rate, forecast growth rate and discount rates and concluded these to be appropriate. The Committee also approved the disclosure for inclusion within the financial statements.	The Intangible assets note 11 is included within the Consolidated Financial Statements.

Area of focus	Consideration and actions taken by the Audit Committee	Impact on financial information and disclosure
Presentation of primary statements	Presentation of Consolidated Income statement was revised in the year to remove the adjusted items from the face of the Primary statements. The Committee approved this change as this ensures that statutory measures were given prominence.	See the consolidated income statement on page 212.
Presentation and disclosure of adjusted items	To allow the Committee to assess the policy, presentation and disclosure applied, Management presented a detailed category by category analysis to the Committee in the year. The Committee challenged the classification of costs that were included including those that were in relation to Covid-19. The Committee also considered the presentation of APMs including Adjusted EBITDA throughout this report and whether this enables a clear and fair understanding of performance. The conclusion was that the adjusted items policy was appropriate and being applied effectively. The Covid-19 costs that were incurred were trackable and often split separately on the face of the supplier invoice. Management continues to review the level of these costs and do not anticipate the Covid-19 impact to continue past H1 2022. The Committee concluded that the use of APMs were satisfactory	The adjusted items accounting policy is included within note 1d and note 4 within the Consolidated Financial Statements.
Related party transactions	The Group leases a number of properties from a related party. A Related Party Committee is in place to review and approve any transactions in the year. The Audit Committee have reviewed the related party disclosure within the financial statements to ensure this gives a true and fair view. This has included a review of whether there are any additional Related Parties outside of those already identified due to Board appointments and shareholdings in the year. The Audit Committee satisfied themselves that there were no additional related parties that had not already been identified. The Audit Committee also approved the disclosure for inclusion within the financial statements. The Audit Committee reviewed the progress made against recommendations made by the Group's auditor in 2020 and has been provided with evidence that supports the progress management has made in all areas. The Audit Committee is therefore satisfied that as at the date of the Annual Report being signed, management has demonstrated good progress against all critical recommendations, albeit recognising this work remains ongoing. The Committee note that Officers of the Propco Group are also officers of the Company. Cognisant of the conflict of interest that arises in such a situation, management are in the process of resolving the shared officers. This is planned to be complete by 31 December 2022.	More details on related parties are included within the Related parties Committee Report. The related parties' details are included within note 27 within the Consolidated Financial Statements.

The previous table is not a complete list of all the Group's accounting issues, judgements, estimates and policies, but highlights the most significant ones for the period in the opinion of the Audit Committee.

The Committee will also consider future proposals in relation to Taskforce on Climate-Related Financial Disclosures and challenge management to adopt appropriate disclosures in this area from 2022.

Fair, balanced and understandable assessment

At the request of the Board and pursuant to its Terms of Reference, the Audit Committee has considered whether, in its opinion and when taken as a whole, the Annual Report is fair, balanced and understandable and provides the information necessary for Shareholders to assess THG's position and performance, business model and strategy. THG has established internal controls in relation to the process for preparing the Annual Report including the following:

- Senior Management regularly monitors and considers developments in accounting regulations and financial reporting and, where appropriate, reflects developments in the financial statements.
- The document is drafted by Senior Management with overall coordination by a member of the Finance team and additional support from external advisers to ensure consistency across the relevant sections and that the necessary information is included for shareholders to assess the Group's position and performance, business model and strategy.
- Comprehensive reviews of drafts of the document are undertaken by Executive Directors, Senior Management and external advisers as part of an internal verification process which is undertaken to ensure accuracy and to assess whether the document is fair, balanced and understandable.
- The final draft of the document is reviewed by the Audit Committee prior to consideration by the Board.

Following its review, the Audit Committee advised the Board that the Annual Report was, when taken as a whole, considered to be fair, balanced and understandable and provided the information necessary for Shareholders to assess THG's position and performance, business model and strategy. The Audit Committee was also satisfied that suitable accounting policies have been adopted and appropriate disclosures made in the financial statements.

The Viability and Going Concern Statements are set out on pages 117-118 of the Strategic Report.

Risk management and internal controls

In accordance with the Corporate Governance Code ultimate responsibility for the Group's systems of internal controls and risk management framework rests with the Board. However, pursuant to the provisions of the Code and as reflected in its Terms of Reference, the Audit Committee has delegated responsibility for the ongoing monitoring and review of the Group's internal control systems, including its financial, operational and compliance controls, while assisting the Board in its annual review of the effectiveness of these systems and determining their adequacy (or otherwise). The Audit Committee has access to the Company's independent Special Advisors, who provide specialist expertise and additional support in areas such as tax, risk, cyber, regulatory compliance and governance, to ensure the full and effective discharge of its responsibilities.

From the start of the reporting period until the 2021 AGM, the Audit Committee also worked with the Board to ensure the effective management of risk within the Group, including determining the Group's overall risk appetite and identifying and monitoring principal and emerging risks. This became a defined responsibility of the Risk Committee following the 2021 AGM. The Audit Committee continues to work in support of the Board's risk management strategy and in conjunction with the Risk Committee as and when it is considered appropriate to do so.

Information on the Group's risk management framework can be found on pages 105-118 of the Strategic Report, together with details of the processes and controls which were in place throughout the reporting period to manage and mitigate risk and provide the Board with the required assurance that sound systems of risk management and internal controls exist throughout the Group.

Internal Audit

The Audit Committee is responsible for reviewing and approving the role and mandate of the Internal Audit function while monitoring and assessing the effectiveness of its work, including in the overall context of the Group's risk management systems. To ensure the reporting line of the Internal Audit function is independent of the Executive Leadership Team and is suitably positioned to exercise independent judgement, it has access to the Audit Committee as and when necessary, and the Head of Internal Audit has a direct reporting line into the Audit Committee Chair. Further, the Audit Committee regularly meets with the Head of Internal Audit, in the absence of Senior Management, to discuss the effectiveness of the function and to consider the actions taken by Senior Management to implement its recommendations and support its workings.

Internal Audit plans include a range of financial and non-financial engagements, delivered in an assurance or advisory capacity. The Internal Audit plan is risk-based and due consideration is given to each of the following areas during the planning process; principal risks; key divisions and central functions; projects and M&A; global site audits; operations and commerce. Audit engagements were undertaken in each of these areas during 2021.

The annual internal audit plan is subject to detailed review by the Audit Committee to ensure alignment with key business needs; regular progress updates are provided to the Committee which oversees and approves the scope of the internal audit plan on a quarterly basis. Following due and careful consideration of all relevant factors, the Audit Committee is satisfied that the Internal Audit function is equipped to properly and effectively discharge its duties and responsibilities in accordance with the relevant professional standards for internal auditors and that the internal audit plan itself provides appropriate assurances in respect of the financial and non-financial controls in place to manage and mitigate the principal and emerging risks facing the business (further details of which can be found on pages 109-116).

Independence, performance and effectiveness of external auditor

The External Auditor confirmed its independence and objectivity from THG during the reporting period and both the Audit Committee and the Board are satisfied that the External Auditor has adequate policies and safeguards in place to ensure its objectivity and independence is maintained. When assessing the independence of the External Auditor, the Audit Committee considered, amongst other things, the value of non-audit fees provided by the External Auditor, the relationship with the External Auditor as a whole and the annual disclosure from the External Auditor to discuss the threats to its independence and the safeguards applied to mitigate those threats.

In September 2021, Karl Havers was appointed to the position of Lead Audit Partner for EY. Karl joins the team in reflection of the growth of the Group. Jamie Dixon, who had been the Lead Audit Partner until this date continues to remain an Audit Partner on the EY team. Both audit partners have been present at the Audit Committee meetings and met with the Audit Committee Chair. The Committee welcomes the addition of Karl to the EY audit team.

In overseeing the External Auditor relationship, the Audit Committee is responsible for making formal recommendations to the Board on its appointment, reappointment and removal, and in this regard seeks views from Senior Management on the quality and effectiveness of the external audit process.

The effectiveness of the Lead Partner, the audit team, their approach to audits, including planning and execution, communication, support and value were assessed and discussed, and consideration given to whether the External Auditor had achieved the agreed audit plan or otherwise explained the reasons for any departures from it, including any changes in perceived audit risks and the work undertaken by the External Auditor to address those risks.

The content of the External Auditor's Board report was also reviewed and monitored, together with other communications with the Audit Committee, in order to assess whether there was a good understanding of THG's business, and establish whether recommendations had been acted upon and, if not, the reasons why. As part of the assessment of the External Auditor, the Audit Committee considered whether it had exercised professional scepticism and an appropriate degree of challenge to Senior Management, particularly on key accounting and audit judgements.

Additional feedback was sought from various participants in the process (primarily the Audit Committee itself, the CFO and the Chair and CEO).

Overall, the effectiveness of the external audit process was assessed as performing as expected. The Audit Committee concluded it was satisfied with the work undertaken by the External Auditor, including adequate levels of challenge, during the reporting period, with further details on the External Auditor's performance included later in this Report.

The Audit Committee is also responsible for considering and approving the terms of engagement and remuneration of the External Auditor for both audit and non-audit services, and removal of the External Auditor. A resolution to propose the re-appointment of EY was approved by Shareholders at the 2021 AGM. When considering whether to recommend the re-appointment of the External Auditor, the Committee considers a range of factors, including the effectiveness of the external audit, the period since the last audit tender was conducted, and the ongoing independence and objectivity of the External Auditor.

The External Auditor has been appointed since the 2011 reporting period to the date of this Annual Report and the lead audit partner, Karl Havers, has been in post since the start of the audit for the 2021 reporting period. Whilst the Audit Committee is aware that the initial engagement period for a statutory auditor should not exceed 10 years, the Company tenure is counted from 1 January 2021 (the first accounting period audited following Admission). The Audit Committee considers that it would be appropriate to conduct an external audit tender by no later than 2030.

During the year, the Audit Quality Review (AQR) team from the FRC undertook a review of EY's audit of the Group's 2020 financial statements. Their report was issued in March 2022. The review identified some areas for improvement and areas of good practice. The Audit committee discussed the review findings with EY, reviewed EY's proposed actions to address these findings and is satisfied that these changes were implemented for the 2021 audit.

Fees payable to the external auditor

The Audit Committee has reviewed and approved a policy regarding non-audit work and fees, in relation to which please see Note 5 of the Group's financial statements. In order to ensure that the provision of non-audit services does not impair the External Auditor's independence or objectivity, this policy requires that the Audit Committee pre-authorises any non-audit work proposed to be undertaken by the External Auditor or, if required urgently between meetings, the Chair of the Audit Committee is empowered to provide such authorisation. There are certain services which cannot be provided by the External Auditor or members of its network without the possibility of its independence being compromised; it is not therefore permissible for the External Auditor to provide such services. Non-audit services prohibited under independence requirements will not be authorised.

Effectiveness of the Audit Committee

In accordance with the relevant Principles and Provisions of the Code, an evaluation was undertaken following the end of the reporting period which considered not only the collective effectiveness of the Board but also the effectiveness of the Board Committees, including the Audit Committee. Further information on the evaluation, including how it was conducted, is included in the "Board Evaluation" section of the Governance Report. The evaluation is a key means by which the Company monitors and improves Board Committee performance and effectiveness, maximising strengths and highlighting areas for further development. The evaluation confirmed that the Audit Committee continues to be regarded as operating effectively and delivers against its Terms of Reference.

Focus for 2022

During the current financial year, the Audit Committee will continue to:

- Oversee the controls and governance of any changes in THG to ensure the continued effectiveness and integrity of THG's systems of internal controls and development of THG's internal audit function as THG continues to grow and mature, play a key role in understanding proposed reform of the Audit profession and the potential impact on THG.
- Oversee the evolution of the organisation's control environment and the use of technology to enhance the operation of controls and harness potential opportunities to digitalise and automate controls as the framework matures further.
- Ensure the provision of training, development and support is relevant to all Directors and the Executive Leadership Team, particularly with respect to applicable new legislation, regulation and guidance.

On behalf of the Audit Committee

Damian Sanders

Chair of the Audit Committee
20 April 2022

Risk Committee Report

"The newly-incorporated Risk Committee plays a key role, together with the Audit Committee, in THG's governance framework and the monitoring and oversight of strategic, operational and emerging risks, their mitigation and our overall group risk appetite. Helping to create, retain and sustain long-term value".

Zillah Byng-Thorne

Chair of the Risk Committee

Members and attendance

Committee member	Position	Attendance
Z Byng-Thorne	Chair	3/3
D Sanders	Member	3/3
D Murphy	Member	2/3

Having been appointed as Chair of the Risk Committee following the 2021 AGM, I have pleasure in introducing the Risk Committee Report for the financial year ending 31 December 2021.

Prior to the establishment of the Risk Committee, risk matters were reported to the Audit & Risk Committee, further details of which can be found in the Audit Committee Report on pages 153-160. The Terms of Reference of the Risk Committee, including its scope of duties and responsibilities, are drafted in line with current market practice and subject to detailed consideration by the Company's advisers, the Terms of Reference were approved by the Board on 30 June 2021 and took effect from 1 July 2021.

Composition and meetings

The Terms of Reference provide that membership of the Risk Committee must comprise of at least three independent Non-Executive Directors, one of whom shall be a member of the Audit Committee and one of whom shall, where possible, be a member of the Company's Remuneration Committee. Members of the Risk Committee are appointed by the Board upon the recommendation of the Nomination Committee (in consultation with myself as Risk Committee Chair) and are required to have the skills and experience appropriate for membership of a Risk Committee, with the Risk Committee collectively possessing the necessary risk, financial and non-financial competence relevant to the sectors in which the Company operates.

The Terms of Reference provide that at least four meetings of the Risk Committee shall take place annually, at appropriate times in the financial reporting and internal audit cycle or as otherwise required; and any Risk Committee member, the Chief Risk Officer (CRO), CFO, Deputy CFO and Head of Internal Audit (HIA) are expected to attend and the CRO may request a meeting if they consider it necessary or desirable. The External Auditor also attends these meetings. As can be seen from the preceding table, three Risk Committee meetings took place during 2021, the Committee having only been established on 1 July 2021. Prior to 1 July 2021, three meetings of the Audit and Risk Committee took place at which risk-related matters and activity were debated and discussed.

Roles and responsibilites

As detailed in its Terms of Reference and in accordance with the requirements of the Code, the Risk Committee has been established to support the Board in fulfilling its oversight responsibilities by reviewing and monitoring:

- The principal risks and identifying the emerging risks facing the Company and its direct and indirect subsidiaries (the "Group"), the likelihood and impact of such risks materialising, and the way in which such risks are managed and mitigated, including the definition and execution of a risk-management strategy and associated risk policies.
- The Group's overall risk appetite, tolerance and strategy and the principal and emerging risk appetites the Group may be willing to accept to achieve its long-term strategic objectives.
- The robustness of the Group's risk management framework, policies and procedures and their fitness for purpose when tested against the Board's risk strategy and appetite.
- The annual Fraud Risk Assessment and remedial actions.

Activities of the Risk Committee

The Committee held three meetings during the reporting period, all of which were scheduled. A summary of the key activities which the Risk Committee undertook during the reporting period are as follows:

- Received and challenged the refresh of the principal risks, the THG Enterprise Risk Management Framework and Risk Management Policy.
- Received and challenged scheduled risk updates outlining both principal and any escalated operational risks. The Committee also received summary reports and supplementary briefings on selected principal risks.
- Consideration of the development of Group and principal risk appetites with specific consideration to the assessment of emerging risks.
- Considered summary reports of escalated incidents and instances of fraud, together with status of investigations and, where appropriate, management actions to remediate issues identified.
- Review of the results and remedial actions arising from the annual Fraud Risk Assessment.

In addition to these meetings the Risk Committee Chair met privately with the Chief Risk Officer (CRO) to discuss the continuing development, maturing and embedding of THG enterprise risk management framework and associated processes. Throughout the reporting period and pursuant to the Terms of Reference, the Risk Committee Chair, together with other Committee members (albeit to a lesser extent), also remained in active conversation with key individuals involved in the Group's governance, such as the CEO and the Head of Internal Audit.

Risk management and internal controls

In accordance with the FRC's Guidance on "Risk Management, Internal Control and Related Financial and Business Reporting" (September 2014), ultimate responsibility for the Group's systems of internal controls and risk management framework rests with the Board. However, pursuant to the provisions of the Code and as reflected in its Terms of Reference, the Risk Committee, along with the Audit Committee, has delegated responsibility for the ongoing monitoring and review of the Group's risk management and internal control systems, including its financial, operational and compliance controls.

The Committees have also delegated responsibility for monitoring and review of the processes and procedures in place to manage or mitigate principal risks and to identify emerging risks and review and assess the Company's risk appetite and associated stress testing whilst assisting the Board in its annual review of the effectiveness of these systems and determining their adequacy (or otherwise).

The Risk Committee has access to the Company's independent Special Advisors, who provide specialist expertise and additional support in areas such as tax, risk, cyber, regulatory compliance and governance, to ensure the full and effective discharge of its responsibilities.

Information on the Group's risk management framework can be found on pages 105-118 of the Strategic Report, together with details of the processes and controls which were in place throughout the reporting period to manage and mitigate risk and provide the Board with the required assurance that sound systems of risk management and internal controls exist throughout the Group.

The Viability Statement is set out on pages 117-118 of the Strategic Report.

THG risk team

The Risk Committee is responsible for reviewing and approving the role and mandate of THG Risk Team whilst monitoring and assessing the effectiveness of its work, including in the overall context of the Group's risk management systems. To ensure the reporting line of the CRO and THG Risk is independent of the Executive Leadership Team and is suitably positioned to exercise independent judgement, the CRO has access to the Risk Committee as and when necessary.

Focus for 2022

During the current financial year, the Risk Team Committee will continue to:

- Oversee the continued embedding of the revised THG Enterprise Risk Management Framework and maturing of the management and reporting of principal and operational risks.
- Monitor the application of group risk appetite and the identification and quantification of emerging risks and the business response.
- Working in partnership with the Audit Committee to consider the ongoing enhancements to the systems of internal control.

On behalf of the Risk Committee

Zillah Byng-Thorne

Chair of the Risk Committee
20 April 2022

Nomination Committee Report

"The Nomination Committee considers the Board to be well-placed to guide the Company through the next stage of its corporate governance journey. However, it will continue to monitor Board composition throughout 2022 to ensure its balance of skills, knowledge, diversity and experience support the effective execution of Group strategy and promote the generation of long-term, sustainable shareholder value."

Dominic Murphy

Chair of the Nomination Committee

Members and attendance

Committee member	Position	Attendance
Dominic Murphy	Chair	3/3
Zillah Byng-Thorne	Member	3/3
Iain McDonald	Member	3/3

I am pleased to present the Nomination Committee Report for the 2021 reporting period. As noted in last year's Report, the Nomination Committee was established as part of the Company's Admission preparations and therefore 2021 represented the first full year the Committee was in operation to review and monitor those key areas of governance which fall within its scope of responsibilities.

The Nomination Committee operates under formal and transparent Terms of Reference which are available on the Company's website. In accordance with the principles of good corporate governance, the Terms of Reference incorporate the relevant provisions of the Code in respect of Board composition, succession and evaluation and reflect best practice applicable to a company of THG's size, nature and stage of development.

Role and responsibilities

The Nomination Committee is cognisant of its responsibility to ensure that the Group's leadership needs are satisfied to allow it to compete effectively in the marketplace and recognises that to properly and fully discharge such responsibility it must be fully apprised of the strategic direction of the Group and the challenges, commercial and otherwise, which THG does or could face. To ensure the relevant insight is shared with all Board members, comprehensive commercial and market updates are provided by Senior Management at monthly Board meetings, together with regular strategic briefings.

The Nomination Committee is considered well-placed to keep the structure, size and composition of the Board under ongoing review (with particular regard to its balance of skills, knowledge, experience and diversity and also the balance of Executive Directors/ NEDs) and suggest any changes which it believes are required. In doing so the Committee has due regard to the need for the necessary succession planning to be undertaken and, as and when it considers appropriate, makes recommendations to the Board in respect of both Executive Directors and NEDs and also from a Senior Management perspective.

As detailed in this Report, the search for an independent chair commenced during the 2021 reporting period to ensure that, in compliance with the Code, a clear division of responsibility was established between the leadership of the Board and the executive leadership of the business and Charles Allen was subsequently appointed to the position on 22 March 2022. In light of this appointment and the Independent Chair's specific mandate to, amongst other things, enhance Board composition by improving its independence and diversity, it is expected that membership of the Board will be subject to ongoing review over the coming months to ensure that a suitably-equipped leadership team is in place to drive and navigate the Company through the next stage of its corporate governance journey.

Composition and meetings

The Terms of Reference of the Nomination Committee provide that, in line with the relevant Code provision, a majority of Committee members should be independent NEDs and the Nomination Committee Chair should be either the chair of the Board or an independent NED. As detailed in the Governance Report, Dominic Murphy and Zillah Byng-Thorne are deemed to be independent and thus fulfil these criteria, with Dominic Murphy having been appointed as Nomination Committee Chair on the establishment of the Committee. Biographies of all Committee members can be found on pages 133-136 of the Governance Report.

The Terms of Reference further provide that at least two meetings of the Nomination Committee take place annually and at such other times as required by the Nomination Committee Chair or as requested by any member of the Committee should they consider it necessary. The Nomination Committee met on three occasions during the 2021 reporting period, with two scheduled meetings taking place in April and November and a further meeting also taking place in November to consider and approve the appointment of Andreas Hansson to the Board (further details on which follow). While only members are entitled to attend meetings of the Nomination Committee, others (such as the Independent Chair, the CEO, Chief People Officer or relevant external advisers) may be invited to attend as and when it is considered desirable.

Activities of the Nomination Committee

Board composition

Following a review of the skills, knowledge and experience on the Board and its Committees and consideration of overall independence in the second half of 2020, it was identified that the appointment of additional NEDs, possessing prior listed company experience and expertise in areas such as remuneration and governance, would serve to enhance the Board's composition. Accordingly, and as disclosed in the 2020 Annual Report, the Board and Senior Management received a number of candidate recommendations from their professional networks and a shortlist of potential appointees was agreed. Extensive interviews, involving all Board members, were undertaken and Tiffany Hall was subsequently appointed to the Board as an independent NED on 12 January 2021. In accordance with the relevant Code provisions, this appointment was made on the basis of merit and objective criteria, including with regard to the promotion of, amongst other things, gender diversity.

Board composition remained subject to ongoing oversight by the Nomination Committee throughout the 2021 reporting period to ensure the Group's leadership needs were met and its strategic goals could be effectively executed. Against this background and in light of the positive financial and trading collaboration developing between the Company and Softbank, it was deemed appropriate to appoint a Softbank representative to the Board, noting that the partnership presented expansive collaboration opportunities amongst the parties and their respective affiliates. Andreas Hansson was subsequently identified as a suitable candidate for the position of NED and appointed to the Board on 26 October 2021, although, having recently stepped down from Softbank, his continued directorship is no longer in a Shareholder representative capacity.

Additionally, and further to an ongoing review of corporate governance arrangements, the need for an independent chair was recognised and thereafter became a principal area of focus for the Nomination Committee during the 2021 reporting period (and into 2022). Russell Reynolds Associates were engaged to assist in this process and formally appointed to undertake the search for a new independent chair. The Nomination Committee subsequently identified Charles Allen as the most suitable candidate for the position and recommended him to the Board for appointment. In making this recommendation the Nomination Committee had given keen consideration to candidate shortlists while engaging in significant deliberations around, for example, relevant experience, knowledge and skillsets and whether shortlisted candidates could be viewed as the "right fit" for THG. Face-to-face interviews with shortlisted candidates were undertaken by members of the Nomination Committee and other NEDs and Senior Management participated in the process to the extent considered appropriate. Following Board consideration and approval, Charles Allen was appointed to the Board as Independent Chair on 22 March 2022.

The Nomination Committee further reviewed Board composition and performance in advance of the 2021 AGM and, as a result of its deliberations, recommended to the Board that all Directors be put forward for annual election by Shareholders.

Committee composition

Under its Terms of Reference, the Nomination Committee is mandated to make recommendations to the Board concerning Board Committee membership and consideration thereof represented a key agenda item for the Committee during the first half of the 2021 reporting period. The time commitment expected of Board members was a significant factor in the Nomination Committee's assessment of Board Committee composition, together with the external commitments of NEDs.

As a result of this review, the Nomination Committee recommended that changes be made to the composition of a number of Board Committees, the objective of which was to enhance certain corporate governance arrangements and also ensure optimum utilisation of NEDs' skillsets and experience while streamlining Board Committee commitments as considered appropriate. The Board accepted the recommendations of the Nomination Committee and the requisite membership changes took effect immediately following the 2021 AGM.

Key changes included: Damian Sanders stepping down as chair of the Remuneration Committee (but remaining a member) and being replaced by Tiffany Hall who had extensive remuneration experience and had served as a remuneration committee chair for more than 12 months, as required under the Code; and Iain McDonald stepping down from membership of the Audit Committee (previously named the Audit and Risk Committee) to ensure independent oversight and challenge with respect to the Group's risk management framework, internal controls and financial statements and Code compliance vis-a-vis Audit Committee membership. As disclosed in the 2020 Annual Report, it was also considered appropriate to separate the Audit and Risk Committee into two Board Committees during the 2021 reporting period and a new Risk Committee was established, comprising independent membership, to assist the Board in its oversight of risk and to advise on overall risk appetite, tolerance and strategy. Whilst Zillah Byng-Thorne was appointed chair of the Risk Committee, she stood down as chair of the Audit Committee (but remained a member), thereby streamlining the scope of her chair responsibilities in a manner deemed appropriate.

Board evaluation

During the 2021 reporting period the Company engaged a third party to provide an online digital platform through which it undertook a formal and rigorous Board evaluation in the first quarter of 2022. This evaluation was aligned with best market practice and the content tailored, as appropriate, to the specific requirements of the Company. This 'paper' evaluation supplemented a SID-led discussion on general chair and Board performance which had previously taken place amongst the NEDs, with consistent themes emerging from both.

The current form and content of monthly Board meetings was an area highlighted for consideration, including a proposal to streamline and invert the standard Board agenda by, for example, restricting the more fulsome divisional updates to a quarterly basis and thereby allowing increased focus on key topics such as People, Sustainability and Investor Relations. It was further proposed that Board meeting invitations be extended to a broader base of external advisers, as and when deemed fitting, to allow relevant market and commercial knowledge and insight to be shared. It was accepted that, from a Board meeting perspective, the Company continues to transition from a private company to that of a PLC and it is expected that Board meeting content and agendas will continue to naturally evolve as the Board collectively matures and in light of the appointment of the Independent Chair.

It was also acknowledged that there should be more focus on succession planning (from both a Board and Senior Management perspective) and Group strategy. The decision to appoint an independent chair was viewed as a positive step at this stage in the Company's corporate governance journey and, whilst it was recognised that a strong talent pool had been developed within the business, it was noted that recruiting, developing and retaining top talent was key to the Group's future success.

While the overall conclusion was that the Board and its Committees continue to function in an effective manner, the intention is that the results of the evaluation will be reviewed and considered in detail by the CEO and Independent Chair, following which the relevant actions and decisions will be taken to address the key items raised, as considered appropriate, and to ensure the ongoing effectiveness of the Board and its Committees.

As detailed in the Governance Report and taking into account a number of factors, including the appointment of the Independent Chair and the practical division of duties and responsibilities ongoing between the Independent Chair and the CEO, it is recognised that detailed consideration must be given to the timing, structure and content of the next Board evaluation. While no decisions have been taken at the present time, the Nomination Committee (and the Board collectively) is cognisant of the need to keep a watching brief on the situation and, at the relevant time, an appropriate evaluation will be conducted to ensure Board members continue to contribute and work together effectively.

The Board believes the evaluation process to be a critical component of good governance and, in accordance with the Code and as disclosed in the 2020 Annual Report, commits to conducting an evaluation of the performance of the Board, its Committees, the Independent Chair and individual Directors on an annual basis. Further and as also disclosed in the 2020 Annual Report, an externally facilitated review will be undertaken within three years of Admission (noting that the relevant Code requirement strictly only applies to FTSE 350 companies).

Diversity

Diversity and inclusion continue to be key commitments of THG and will remain as such in both the ongoing evolution of THG's corporate culture and in the consideration of all future Board appointments. The Nomination Committee recognises the importance and associated benefits of diversity and takes seriously its responsibility, pursuant to its Terms of Reference, to ensure the promotion of, amongst other things, diversity of gender in the context of both Board appointments and succession planning.

From a general workforce perspective, the Group's D&I Committee provides a platform for employees across the entire Group and explores ways in which the Company can further improve the employee journey and workplace culture to ensure a truly inclusive workplace exists, and is suitably nurtured, within THG. The D&I Committee reports directly into the Group's Chief People Officer, who ultimately oversees diversity of workforce and in turn attends the monthly Board meetings and reports to the Board collectively on relevant People initiatives.

Further details on the Group's approach to D&I, including the activities of the D&I Committee and the gender diversity breakdown required pursuant to section 414C of the Companies Act, can be found in the Governance Report on page 129.

Notably, one of the headline strategic goals of the Company's 2030 Sustainability Strategy, launched during the 2021 reporting period, is the promotion of policies and practices that are inclusive for all at THG and further information on this is contained in the section entitled "Our Stakeholders and s172 Statement" on pages 73-86 of this Annual Report.

Focus for 2022

The Nomination Committee will continue to closely monitor Board composition throughout 2022. Appointments will continue to be made based upon merit and against objective criteria to ensure the best individual, who is the "right fit" for THG, is appointed to the role in question but, as required by the Code, always with cognisance of the need to promote, amongst other things, diversity of gender and social and ethnic backgrounds.

As was the case in 2021, the Nomination Committee will convene ahead of the AGM to consider overall Board composition, including the breadth of skills, knowledge, experience and diversity. The performance of individual Directors will be considered as part of this review, including the time committed to fully and effectively discharge the duties and responsibilities imposed upon them as Directors of the Company, following which the Nomination Committee will make the requisite recommendations regarding their re-election (or otherwise) to the Board.

On behalf of the
Nomination Committee

Dominic Murphy

Chair of the Nomination Committee
20 April 2022

Related Party Committee Report

Members and attendance

Committee member	Position	Attendance
Zillah Byng-Thorne	Chair	3/3
Damian Sanders	Member	3/3
Dominic Murphy	Former Member	1/1*

*Further to a review of Board Committee composition during the reporting period, Dominic Murphy stepped down as a member of the Related Party Committee following the 2021 AGM

Welcome to the Related Party Committee Report for the 2021 financial year. Having now served my first full year as Chair, I am pleased to report that throughout 2021 the Committee continued to play a key role in the Group's corporate governance infrastructure and oversaw and scrutinised those matters which fell within its scope of responsibility (further details of which are included below).

As disclosed in last year's Annual Report, prior to Admission THG divested the Propco Group, which owns property assets occupied and utilised by the Company and its operating businesses. As the Propco Group is wholly owned by Matthew Moulding, CEO of and a major shareholder in the Company, the divestment was overseen and approved by the independent NEDs to ensure both actual and potential conflicts of interest arising from the transaction were properly managed and resolved. The lease arrangements which operated between the Propco Group and THG and its operating businesses prior to the Propco transaction continue to remain in place and no material changes occurred in 2021.

Role and responsibilities

In seeking to comply with the spirit of the Code and in accordance with the principles of good corporate governance, the Board-constituted Related Party Committee was established post-Admission to oversee and approve Related Party Transactions. In doing so and pursuant to its Terms of Reference, the Committee is required to consider whether any such transaction is both fair and reasonable and in the best interests of the Group.

The general position is that no Related Party Transaction may be authorised or implemented by the Board unless it has been positively recommended by the Related Party Committee. The Terms of Reference do, however, contain a carveout which allows the Board to resolve that in respect of certain categories of Related Party Transactions, and where considered to be in the best interests of the Group, the views of the Committee are of a recommendary nature and not binding.

The Board is cognisant of the need to demonstrate that appropriate and stringent governance arrangements are in place in respect of both existing and potential conflicts of interest. Accordingly, the effectiveness of the Related Party Committee is considered through Board discussions and, as required under its Terms of Reference, by the Committee itself through reviews of both its own performance and its Terms of Reference.

Composition and meetings

Aligned with the purpose and objectives of the Related Party Committee, its Terms of Reference provide that membership must comprise wholly of independent NEDs. As SID, I have been appointed as Chair of the Related Party Committee and other members are appointed by the Board upon the recommendation of the Nomination Committee (and in consultation with myself).

At the start of the reporting period Dominic Murphy, an independent NED, was a member of the Related Party Committee. However, following certain Board Committee changes which sought to both enhance the Group's corporate governance arrangements and ensure the most effective application of the Board's skillsets and experience, Dominic stepped down from the Related Party Committee following the 2021 AGM. Current membership of the Related Party Committee therefore comprises myself as Chair and Damian Sanders, also an independent NED.

The Terms of Reference further provide that meetings of the Related Party Committee shall be held at such times as required by myself, as Chair, or at the request of any other Committee member. The inaugural meeting of the Related Party Committee took place in March 2021, with a further two meetings held in June and December.

Activities of the Related Party Committee

During the reporting period, the arrangements between the Company and the Propco Group continued to be subject to ongoing oversight and monitoring by the Related Party Committee. Further, as Chair, I engaged with Senior Management as and when I felt it necessary to do so to ensure that arrangements in respect of the Propco Transaction were properly considered and understood by the Related Party Committee.

The key areas considered by the Related Party Committee during the period are as follows:

Officers of the Company

Officers of the Propco Group are also officers of the Company. Cognisant of the conflict of interest that arises in such a situation, management are in the process of resolving the shared officers. This is planned to be complete by 31 December 2022.

Capital expenditure

Capital expenditure incurred by the Company on properties leased from the Propco Group – the rationale for the spend incurred in the year and the nature of the work completed. The Committee concluded that the nature of works and level of spend were appropriate.

Dilapidations provision

The dilapidations provision included at 31 December 2021 in respect of restoring properties to their original condition at the end of the lease term was shared with the Committee. Before any spend is committed this will be approved in advance by the Committee.

Schedule of leases

The leases in place were entered into prior to the IPO and therefore prior to the formation of the Related Parties Committee. A summary of all such leases and terms was presented to the Committee. The leases and terms therein were reviewed.

A summary of the rent payable together with the market rent at inception was also reviewed. Actual rent at the time of inception varied when compared with market rent at this time. The Committee subsequently reviewed current market rent information provided by THG Property specialists and concluded that the actual rents were appropriate when reviewed across the portfolio as a whole.

External review

During the year management commissioned a specialist report to review transactions between the Company and the Propco Group. The Related Party Committee reviewed the report and were satisfied that no items of concern were identified. The Group are committed to building on our governance in this area and strive for best practice, the report will be used to further enhance the Related Party governance already in place.

Management charge

A management charge is levied by THG to Propco including fixed costs for several services provided. The charge for 2021 was approved by the Committee.

Separation of the Group

In readiness for the internal separation of the Group, the Company is looking to seek consent from the Propco Group to reassign and sublet a number of leases to alternative THG entities. The Related Party Committee challenged whether there were any changes to the previously agreed lease terms. It was confirmed that there are no variations. The Committee approved THG to progress with obtaining consent to alter.

Other items

The details of THG's donation to The Moulding Foundation were also approved by the Committee. The donation is paid by THG in lieu of Matthew Moulding receiving a salary.

As Chair, I am confident that the Related Party Committee will continue to fully and effectively discharge its responsibilities during 2022. We will continue to rigorously evaluate all Related Party Transactions and ensure that, as required by our Terms of Reference, they are conducted on standard commercial terms.

On behalf of the Related Party Committee

Zillah Byng-Thorne

Chair of the Related Party Committee
20 April 2022

Sustainability Committee Report

Iain McDonald

Chair of the Sustainability Committee

Members and attendance

Committee member	Position	Attendance
Iain McDonald	Chair	4/4
Tiffany Hall	Former Member*	3/3
P Pratt	Member ** ***	2/2
S Whitehead	Member ***	4/4

*Tiffany Hall was appointed to the Sustainability Committee following its first meeting in 2021 but subsequently stepped down from the Board, and as a member of the Committee, for family reasons on 18 March 2022.

**Phil Pratt was appointed to the Sustainability Committee upon joining the Company in July 2021.

***Phil Pratt and Steven Whitehead sit on the Sustainability Committee in their respective capacities as Chief Sustainability Officer and Group Commercial Director.

As Chair of the Sustainability Committee, I am delighted to once again introduce the Sustainability Committee Report for the period under review. 2021 has been a pivotal year for THG from a sustainability perspective with a number of new and exciting initiatives having been rolled-out across the business and certain goals and targets, underpinned by science, data and technology, validated and published.

In last year's Annual Report & Accounts we disclosed that a review of THG's sustainability strategy was underway, the principal objectives of which were to: (i) determine the adequacy of the goals and targets identified to address the principal risks, impacts and opportunities facing the Group; and (ii) ensure the Company was well-positioned to embed best practice within its operations. I am pleased to report that significant progress was made in this regard during the reporting period, including robust engagement with investors, partners and wider stakeholders, and, following detailed consideration, it was acknowledged that a forward-looking and progressive strategy was required which would both serve to protect the Group's licence to operate and promote value creation.

The 2030 Sustainability Strategy was subsequently formalised and publicly disclosed at the Company's Capital Markets Event in October 2021. Whilst further information on the 2030 Sustainability Strategy can be found below and in the sustainability section on pages 87-104, key milestone targets, flowing from headline strategic goals, were announced at this time and included:

- The publication of a net zero roadmap, aligned to science-based targets, by 2022.
- The offset of all Company historical operational emissions by 2025.
- The transition to 100% renewable electricity for all THG operations by 2025.
- The implementation of a progressive Human Rights Policy by 2023.
- The commitment of all suppliers to THG's ethical sourcing standards by 2025.

It is anticipated that THG Eco will play a critical role in delivery of the 2030 Sustainability Strategy – not only providing the building blocks of the Group's commitment to long-term sustainable growth but with a focus on creating long-term value for all relevant stakeholders and the eco-systems within which the Group operates through innovative solutions to societal issues. Additional information on THG Eco can be found in the sustainability section on pages 87-104 and on the Company's website.

Role and responsibilities

The Sustainability Committee was established to ensure that the Group has appropriate and effective strategies, policies and operational controls in place to conduct its business in a responsible and sustainable manner and to ensure it is properly accountable in respect of sustainability and ESG targets.

Pursuant to its Terms of Reference, key duties of the Sustainability Committee include:

- Assessing the Group's performance in implementing the 2030 Sustainability Strategy and policy and recommending changes, as appropriate, to reflect both best practice and global developments in sustainability.
- Reviewing and monitoring the Group's systems, strategies, policies and targets in relation to, amongst other things, energy and carbon management, climate change, supply chain, waste and recycling, employee wellbeing, and diversity & inclusion.
- Reviewing and monitoring the systems for compliance with applicable sustainability-related legislation, regulations, standards and guidance and confirming compliance therewith.

Additionally, the Sustainability Committee is responsible for monitoring Senior Management's assessment of the health, safety, security, environmental and social impacts resulting from THG's operations with, notably, specific reference to the impact on the Group's employees, suppliers, contractors and host communities. As is the case with the other Board Committees, the Sustainability Committee may obtain professional advice on any matter it deems necessary and also access any resources required for it to properly carry out its role (including the Company's Special Advisors).

Composition and meetings

The Terms of Reference of the Sustainability Committee provide that members of the Committee shall be appointed by the Board, upon the recommendation of the Nomination Committee, and membership shall comprise at least three members, one of whom shall be a NED and all of whom must possess the skills and experience appropriate for membership. In accordance with these requirements, membership of the Sustainability Committee is as follows: Iain McDonald (a NED and the Sustainability Committee Chair), Phil Pratt (Chief Sustainability Officer) and Steven Whitehead (Group Commercial Director), and Tiffany Hall was a member of the Committee until she stepped down from the Board for family reasons on 18 March 2022.

The Terms of Reference of the Sustainability Committee provide that at least three meetings of the Committee shall take place annually and at such other times as the Chair may require, although any member of the Committee may request a meeting if they consider it necessary or desirable. As can be seen from the foregoing table, four meetings of the Sustainability Committee took place during the reporting period and it is anticipated that, in recognition of the Group's robust sustainability commitments, it will continue to convene in excess of the stated requirements.

Activities of the Sustainability Committee

A summary of the key activities which the Sustainability Committee undertook during the reporting period is as follows:

- Approval of THG's Environmental Policy.
- Approval of THG's 2030 Group Sustainability Strategy.
- Update on activities relating to the company's ethical trade initiatives.
- Review of the development of the THG Eco *proposition*.
- Delivery of strategic acquisitions under THG Eco, including (more:trees) and two plastic recycling companies.

Focus for 2022

During the current financial year it is anticipated that key areas of focus for the Sustainability Committee shall be as follows:

Sustainability roadmaps

It is expected that the Sustainability Committee will review and approve the Company's roadmaps to achieving the targets set out in the sustainability strategy, determining that THG has the correct measures and processes in place to deliver on the ambitions. A key priority will be the approval of the company's Net Zero roadmap and submission of science based targets to SBTi for validation.

Supply chain

The committee will continue to oversee activities relating to ethical trade and monitoring of suppliers.

THG Eco

During 2022, the Sustainability Committee will work with the Board to establish a route to market for THG Eco, evolving the proposition further and adding services to the portfolio that will not only support THG to meet its sustainability targets, but will also enable the Company to affect positive environmental change at *scale by offering services to third-party organisations.*

On behalf of the Sustainability Committee

Iain McDonald

Chair of the Sustainability Committee
20 April 2022

Directors' Remuneration Report

"The Remuneration Committee recognises that as we move into our second full year as a listed business we need to evolve the Remuneration Policy to ensure it is fit for purpose, future-proof and drives long-term value creation for shareholders."

Damian Sanders

Interim Chair of the Remuneration Committee

Members and attendance

Committee member	Position	Attendance
Tiffany Hall	Former Chair[2]	5/5[1]
Damian Sanders	Interim Chair[2]	4/5[1]
Dominic Murphy	Member	5/5
Iain McDonald	Member	4/5
Zillah Byng-Thorne	Former Member	0/1[1]

[1] Further to a review of Board Committee composition during the 2021 reporting period, the following changes took effect immediately following the 2021 AGM: (i) Damian Sanders stepped down as Remuneration Committee Chair and was replaced by Tiffany Hall; and (ii) Zillah Byng-Thorne stepped down as a member of the Remuneration Committee.

[2] Tiffany Hall subsequently stepped down from the Board and as Remuneration Committee Chair for family reasons on 18 March 2022 and Damian Sanders became Interim Chair with effect from this date.

Role and responsibilities

The Remuneration Committee's Terms of Reference, available on the Company's website, continue to reflect current statutory requirements and best practice applicable to a company of THG's size, nature and stage of development.

In addition to setting the Remuneration Policy for Executive Directors, the Remuneration Committee has responsibility for determining the remuneration package of each Executive Director (and the Chair) within the terms of the agreed Remuneration Policy. In doing so, it must ensure that its remuneration policies and practices not only support the Company's strategy and promote long-term sustainable success but also allow the use of discretion to override formulaic outcomes.

Pursuant to its Terms of Reference, other key duties of the Remuneration Committee include:

- approving the design of, and determining targets for, any performance-related pay schemes operated by the Company and the payments made thereunder;
- reviewing the ongoing appropriateness and relevance of the Remuneration Policy, together with the approach to implementation, in the context of pay policies and practices across the wider workforce and the Group's culture, while consulting with, and seeking approval from, Shareholders (and other stakeholders) as appropriate; and
- reviewing and having regard to pay and employment conditions across the Company and/or Group as a whole, including those of the Executive Leadership Team.

Interim Chair's statement

As Interim Chair of the Remuneration Committee, I am pleased to introduce the Directors' Remuneration Report for the 2021 financial year. I would like to thank Tiffany Hall for her contribution as Remuneration Committee Chair, from the 2021 AGM until she stepped down from the Board for family reasons on 18 March 2022, and also take this opportunity to restate the Remuneration Committee's ongoing commitment to ensuring that the Company's leadership is suitably motivated and incentivised to deliver long-term sustainable growth and success for Shareholders.

This Directors' Remuneration Report has been prepared in accordance with The Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 (as amended), the Listing Rules and the Code and is divided into three sections:

- this annual statement from me, the Interim Chair of the Remuneration Committee;
- the revised Remuneration Policy which will be put to a binding Shareholder vote at the forthcoming AGM; and
- the Annual Report on Remuneration which sets out payments made to Directors in the 2021 reporting period and which is subject to an advisory Shareholder vote at the AGM.

2021 remuneration outcomes

No performance-related pay awards were made in 2021 since both Matthew Moulding and John Gallemore waived their entitlement to participate in the annual bonus plan for the reporting period and no LTIP was in place.

No salary increases were awarded during the 2021 reporting period and, as was the case for the 2020 financial year, both Matthew Moulding and John Gallemore waived as much as was legally permissible of their base salary in return for the Group making charitable donations of similar value.

Appointment of Independent Chair

I am delighted that Charles Allen joined the Board as Independent Chair effective from 22 March 2022. The Remuneration Committee was consulted in relation to his remuneration prior to the appointment being made and this will be operated in line with the proposed revised Remuneration Policy.

Revised Remuneration Policy and new LTIP

The Remuneration Committee recognises that as THG moves into its second full year as a listed business the Remuneration Policy must evolve as appropriate to ensure it remains fit for purpose. Furthermore, as detailed in the Directors' Remuneration Report included within the 2020 Annual Report, the Remuneration Committee has always intended to review the appropriateness of introducing a new LTIP with the aim of future-proofing the Remuneration Policy for the medium term. Accordingly, we are proposing to make an amendment to the Remuneration Policy to incorporate a LTIP, subject to the requisite Shareholder approval being obtained at the AGM. John Gallemore will participate in the new LTIP under which annual awards of up to 250% of base salary (or up to 300% of base salary in exceptional circumstances) will be granted. Awards will be subject to stretching performance targets measured over a three-year period, with a further two-year post-vesting holding period applying in line with the relevant Code requirement and market best practice. Matthew Moulding will not participate in any future long-term incentives given his material shareholding in the business.

A further amendment will be made to future-proof the shareholding requirement element of the Remuneration Policy for any future incoming Executive Directors who, in line with typical market practice, will be required to build up and subsequently retain a shareholding of at least 200% of salary over a five-year period from the date of their appointment to the Board.

Remuneration for 2022

A review of THG's sustainability strategy was undertaken during 2021, involving robust engagement with investors, partners and wider stakeholders, to ensure the Group had appropriate and effective strategies, policies and operational controls in place to conduct its business in a responsible manner (including performance against the 2030 Sustainability Strategy and in relation to ESG matters more generally). From a remuneration perspective, a notable outcome of this review was the setting of sustainability-linked objectives, from 2022 onwards, for the Chief Executive Officer and members of the Executive Leadership Team and Senior Management Team, with such objectives directly impacting remuneration through the annual bonus outcome. The decision to set such sustainability-linked objectives evidences the continued evolution of the Group's commitment to link remuneration with the successful delivery of its strategy, whilst also providing the appropriate levels of incentivisation to ensure the long-term creation of sustainable Shareholder value.

There are no proposed changes to the structure of the remuneration packages of Matthew Moulding and John Gallemore for the 2022 reporting period, save for the introduction of the LTIP for John Gallemore, details of which are set out in the following pages.

In line with the Remuneration Policy, annual bonus awards will be granted with a maximum opportunity of 100% of base salary for Matthew Moulding and John Gallemore. The measures and weightings for the 2022 bonus awards will be:

- Group Sales (20%);
- Group adjusted EBITDA (30%);
- Ingenuity Commerce Sales (15%);
- Ingenuity Commerce adjusted EBITDA (15%); and
- strategic objectives including ESG metrics (20%).

Subject to obtaining the requisite Shareholder approval at the AGM, a LTIP award of up to 250% of salary will be made to John Gallemore in 2022 under the revised Remuneration Policy. This award will be subject to stretching financial and strategic performance targets which will be disclosed at the time of grant. It will vest three years after grant and be subject to a further two-year holding period.

AGM

On behalf of the Board, I would like to thank Shareholders for their continued support and I look forward to meeting with them at the forthcoming AGM. In the meantime, I am always happy to hear from Shareholders and can be contacted via the Company Secretary in relation to any questions on this Directors' Remuneration Report or on Group remuneration queries more generally.

On behalf of the Remuneration Committee

Damian Sanders

Interim Chair of the Remuneration Committee
20 April 2022

Remuneration Policy

Introduction

As previously detailed, the following Remuneration Policy will be put to a binding Shareholder vote at the AGM and will apply for the remainder of the three-year period from the original date of approval at the 2021 AGM.

The Remuneration Committee has designed the Remuneration Policy to reflect the following six pillars:

Clarity:

The Remuneration Committee believes that the disclosure of the remuneration arrangements is transparent with clear rationale provided on their maintenance and any changes to the Remuneration Policy. The Remuneration Committee remains committed to consulting with Shareholders on both the Remuneration Policy and its implementation.

Simplicity:

The Remuneration Policy and the Remuneration Committee's approach to implementation is simple and well understood. The performance measures used in the incentive plans are well-aligned to the Group's strategy.

Risk:

The Remuneration Committee has ensured that remuneration arrangements do not encourage and reward excessive risk taking by setting targets to be stretching and achievable, with discretion to adjust formulaic outcomes under both the annual bonus and new LTIP.

Predictability and proportionality:

The linkage of the performance measures to strategy and the setting of targets balances predictability and proportionality by ensuring outcomes do not reward poor performance.

Culture:

The Remuneration Policy is consistent with the Group's culture as well as strategy, therefore driving behaviours that promote the long-term success of the Group for the benefit of all stakeholders.

Proposed changes to the existing Remuneration Policy

The Remuneration Policy has been designed to support the principal objective of enabling the Group to attract, motivate and retain the people it needs to maximise the value of the business.

As set out in the Directors' Remuneration Report included within the 2020 Annual Report, the Remuneration Committee always intended to review the appropriateness of introducing a new LTIP with the aim of future-proofing the Remuneration Policy for the medium term. Matthew Moulding will not participate in any future long-term incentives given his material shareholding in the business. As such, the following amendments to the current Remuneration Policy are proposed:

Element	Current Remuneration Policy	Proposed amendments	Rationale
Benefits	Executive Directors may be provided with medical insurance benefits, permanent health insurance, life assurance and private security cover. Other benefits (including all employee share schemes) may be introduced from time to time to ensure the benefits package is appropriately competitive and reflects the needs and circumstances of the Group and each individual Executive Director.	Removal of private security cover from the benefits provision for Executive Directors.	Matthew Moulding will personally fund his private security costs from 1 January 2022 onwards.
LTIP	N/A	Normally annual awards of up to 250% of base salary. In exceptional circumstances, such as to secure an external appointment or in specific retention scenarios, an award of up to 300% of base salary may be made Awards vest at the end of the performance period, subject to continued employment and performance, and are subject to a two-year post-vesting holding period. The majority of the awards will be based on financial metrics, with the balance based on strategic metrics. The majority of the awards will be based on financial metrics, with the balance based on strategic metrics.	Introduction of a LTIP to enable awards to be granted to Executive Directors in order to maximise alignment with long-term Shareholder interests.
Shareholding requirement	Executive Directors are required to retain at least 50% of any incentive awards that vest (net of tax) until they have built up a personal holding of Ordinary Shares worth at least 350% of salary. A post-cessation shareholding requirement of 350% of salary to be held for two years after an Executive Director's employment is terminated.	Any future Executive Directors must build up and subsequently retain a shareholding of at least 200% of salary over a five-year period from the date of their appointment The post-cessation shareholding requirement for any future Executive Directors will be 200% of salary (or full actual holding if lower).	To incorporate a market standard shareholding requirement for any future Executive Directors.

Remuneration Policy table

The following table sets out each element of remuneration and details how they support the Company's short and long-term strategic objectives:

Component and objective	Operation	Opportunity	Performance measures
Base salary To enable the Group to attract, motivate and retain the people it needs to maximise the value of the business	Generally reviewed each year, with increases effective 1 January. Salary levels take account of: – salaries at FTSE companies of broadly similar size or sector to THG; – salary increases across the rest of the UK business; – role, personal performance and experience; and – business performance and the external environment. There is no fixed maximum.	Salaries in respect of the year under review (and for the following year) are disclosed in the Annual Report on Remuneration. Salary increases for Executive Directors will normally not exceed those of the wider workforce over the period this Remuneration Policy applies. Where increases are awarded in excess of the wider employee population, the Remuneration Committee will provide the rationale in the relevant year's Annual Report on Remuneration (e.g. if there is a material change in the responsibility, size or complexity of a role).	N/A
Pension To provide a level of retirement benefit that is competitive in the relevant market	Executive Directors receive pension contributions either as a direct payment or a cash allowance. Base salary is the only element of remuneration that is pensionable.	Executive Directors receive a Company contribution of a maximum in line with the wider workforce for the relevant country. This is currently set at 3% of pensionable salary for UK Executive Directors. Pensionable salary is determined in line with the approach taken for the wider workforce which is currently in line with auto-enrolment levels.	N/A
Benefits To provide a level of benefits that is in line with relevant market practice	Executive Directors may be provided with medical insurance benefits, permanent health insurance and life assurance. Other benefits, including all employee share schemes, may be introduced from time to time to ensure the benefits package is appropriately competitive and reflects the needs and circumstances of the Group and individual Executive Directors.	Benefits may vary by role and the level is determined each year to be appropriate for the role and circumstances of individual Executive Directors. It is not anticipated that the cost of benefits (as set out in the Annual Report on Remuneration) would increase materially over the period for which this Remuneration Policy will apply. The Remuneration Committee retains the discretion to approve a higher cost in exceptional circumstances (e.g. relocation expenses or an expatriation allowance on recruitment) or in circumstances where factors outwith the Group's control have changed materially (e.g. market increases in insurance costs).	N/A
Annual bonus To focus Executive Directors on achieving demanding annual targets relating to Group performance	Performance targets are set at the start of each financial year and aligned with the annual budget agreed by the Board. At the end of the financial year in question, the Remuneration Committee determines the extent to which these targets have been achieved. 50% of the total bonus payable is normally paid in cash with 50% deferred in nil cost options over Ordinary Shares. These options are exercisable after three years, subject to continued employment and malus (in whole or in part) during the deferral period in the event of a material misstatement in accounting records, gross misconduct, calculation error or corporate failure. Cash bonuses may be subject to clawback over the deferral period in similar circumstances as identified above. A payment equivalent to the dividends that would have accrued on deferred bonus awards that vest may be made to participants on vesting.	Maximum opportunity: 200% of base salary (with 50% deferred into Ordinary Shares vesting after three years). Target opportunity: 50% of maximum opportunity. Threshold opportunity: At most, 25% of maximum opportunity. Matthew Moulding and John Gallemore will have a reduced opportunity of 100% of salary which will be payable fully in cash. They also intend to waive any amounts which become payable under the annual bonus scheme in future years in lieu of donations to charity of a similar amount.	The bonus will be based on the achievement of financial and non-financial performance targets which may vary year-to-year but at least 50% of the total opportunity will be based on financial performance. Details of the measures and weighting on which the bonus will be based will be disclosed in the relevant Annual Report on Remuneration. If the Remuneration Committee determines certain targets to be deemed commercially sensitive, the targets will be disclosed retrospectively. The Remuneration Committee has discretion to adjust the formulaic bonus outcomes (including down to zero) within the limits of the scheme if the formulaic outcome is not reflective of underlying business performance.

Component and objective	Operation	Opportunity	Performance measures
LTIP To incentivise Executive Directors whilst providing alignment with Shareholder interests	Awards are granted annually in the form of nil cost options or conditional awards of Ordinary Shares. These will vest at the end of a three-year period subject to continued employment and satisfaction of the performance conditions. A further two-year holding period will apply post-vesting. The Remuneration Committee may award dividend equivalents on awards to the extent that these vest. Malus and clawback provisions will apply to enable the Company to recover sums paid or withhold the payment of any sum in the event of a material misstatement resulting in an adjustment to the audited consolidated accounts of THG or action or conduct which, in the reasonable opinion of the Board, amounts to employee misbehaviour, fraud or gross misconduct.	Normally annual awards of up to 250% of base salary. In exceptional circumstances, such as to secure an external appointment or in specific retention scenarios, an award of up to 300% of base salary may be made. Matthew Moulding will not be eligible to participate in the LTIP.	The majority of the awards will be based on financial metrics, with the balance based on strategic metrics. The Remuneration Committee retains discretion, in exceptional circumstances, to change performance measures and targets and the weightings attached to performance measures partway through a performance period if there is a significant and material event which causes the Remuneration Committee to believe the original measures, weightings and targets are no longer appropriate. The Remuneration Committee also has discretion to adjust the formulaic vesting outcome (including down to zero) within the limits of the scheme if the formulaic outcome is not reflective of underlying business performance.
Shareholding requirement To align Executive Director and Shareholder interests and reinforce long-term decision-making, including for a period following cessation of employment	Matthew Moulding and John Gallemore are required to retain at least 50% of any incentive awards that vest (net of tax) until they have built up a personal holding of Ordinary Shares worth at least 350% of salary. Any future Executive Directors must build up and subsequently retain a shareholding of at least 200% of salary over a five-year period from the date of their appointment to the Board. A post-cessation shareholding requirement of 350% of salary to be held for two years after an Executive Director's employment is terminated in the case of Matthew Moulding and John Gallemore and 200% of salary for any future Executive Directors (or full actual holding if lower).	N/A	N/A
Chair and NED fees To attract and retain NEDs of the highest calibre with broad commercial experience relevant to the Group	NEDs are paid a basic annual fee. Additional fees may be paid to NEDs who chair a Board Committee and/or sit on a Board Committee to reflect additional responsibilities. The fees paid to NEDs are determined by the Board and may be paid in a mix of cash and Ordinary Shares. Fee levels are reviewed periodically, with any adjustments effective 1 January. Fees are reviewed by considering external advice on best practice and fee levels at other FTSE companies of broadly similar size and sector to THG. Time commitment and responsibility are also considered when reviewing fees.	Fee increases will be applied considering the outcome of the review. The fees paid to NEDs in respect of the year under review (and for the following year) are disclosed in the Annual Report on Remuneration.	N/A

Recruitment policy

External appointments

In cases of hiring or appointing a new Executive Director from outside the Group, the Remuneration Committee may make use of all existing components of remuneration as follows:

Component	Policy
Base salary	The base salaries of new appointees will be determined by reference to relevant market data, experience and skills of the individual, internal relativities and the current salary of the incumbent in the role. Where a new appointee has an initial base salary set below market, the Remuneration Committee may make phased increases which are above the average employee rate, subject to the individual's development and performance in the role
Benefits	As set out in the Remuneration Policy table, benefits may include (but are not limited to) the provision of medical insurance benefits, permanent health insurance and life assurance, and any necessary expatriation allowances or expenses relating to an Executive Director's relocation
Pension	New appointees will receive pension contributions in line with the wider workforce at the time.
Annual bonus	The bonus structure described in the Remuneration Policy table will apply to new appointees. The maximum opportunity will be 200% of salary, pro-rated in the year of joining to reflect the proportion of that year employed. Performance measures may include financial and non-financial performance targets, tailored to the individual in the financial year of joining and with at least 50% of the total opportunity being based on financial performance. At least 50% of any bonus earned will be subject to three-year deferral
LTIP	The LTIP described in the Remuneration Policy table will apply to new appointees. The maximum opportunity will normally be 250% of salary but in exceptional circumstances, such as to secure an external appointment or in specific retention scenarios, an award of up to 300% of base salary may be made. Performance measures may include financial and strategic objectives, with the majority of the award being based on financial performance Awards will vest at the end of a three-year period subject to continued employment and satisfaction of the performance conditions A further two-year holding period will apply post-vesting.
Maximum variable remuneration	The maximum variable remuneration which may be granted will be in line with the Remuneration Policy which allows for variable remuneration of up to 500% of salary i.e. the maximum annual bonus and the exceptional maximum LTIP opportunity.
"Buyout" of incentives forfeited on cessation of employment	Where the Remuneration Committee determines that the individual circumstances of recruitment justify the provision of a buyout, the equivalent value of any incentives that will be forfeited on cessation of an Executive Director's previous employment will be calculated considering the following: – the proportion of incentive awards forfeited upon the Executive Director's cessation of employment, – the performance conditions attached to the vesting of these incentives and the likelihood of them being satisfied; and – any other terms and conditions having a material effect on their value ("lapsed value"). The Remuneration Committee may then grant up to the same value as the lapsed value, where possible, under the Group's incentive plans. To the extent that it is not possible or practical to provide the buyout within the terms of the Group's existing incentive plans, a bespoke arrangement will be used.

In determining the appropriate remuneration structure and level for the appointee, the Remuneration Committee will take into considerationall relevant factors to ensure that arrangements are in the best interests of Shareholders.

The Company's policy when setting fees for the appointment of new NEDs is to apply the Remuneration Policy which applies to current NEDs. In recruiting a new NED, the Remuneration Committee will use the Remuneration Policy as set out in the table above.

A base fee in line with the prevailing fee schedulewould be payable for serving as a Director, with additional fees payable for chairing and/or membership of Board Committees.

Internal promotion to the Board

In cases of appointing a new Executive Director by way of internal promotion, the Remuneration Policy will be consistent with that for external appointees detailed in the preceding table (excluding the flexibility to make "buyout" or one-off recruitment awards). Where an individual has contractual commitments made prior to their promotion to the Board and it is agreed that a commitment is to continue, the Company will continue to honour these arrangements even if there are instances where they would not otherwise be consistent with the prevailing Remuneration Policy at the time of promotion.

Service contracts

Executive Directors have signed rolling contracts, terminable on 12 months' written notice by either the Company or the Director.

Whilst NEDs are appointed for an initial three-year fixed term they may be invited by the Company to serve for a further period or periods, conditional, at all times, upon satisfactory performance and annual re-election by Shareholders. With the exception of the Independent Chair where six months' written notice is required, a NED's appointment may be terminated at any time by either party giving the other one month's written notice (or payment of fees in lieu of notice) or in accordance with the Articles of Association.

Details of NEDs' terms and notice periods are as follows:

NED	Original date of appointment[1]	Notice period
Charles Allen	22 March 2022	6 months
Zillah Byng-Thorne	22 November 2018	1 month
Damian Sanders	17 November 2020	1 month
Dominic Murphy	7 August 2014	1 month
Edward Koopman	3 May 2016	1 month
Iain McDonald	27 March 2010	1 month
Tiffany Hall	12 January 2021	1 month
Andreas Hansson	26 October 2021	1 month

[1]With the exception of Damian Sanders, Tiffany Hall, Andreas Hansson and Charles Allen, who were appointed post-Admission, all NEDs were re-appointed under the terms of a new letter of appointment commencing on Admission. Tiffany Hall stepped down from the Board for family reasons on 18 March 2022.

Payment for loss of office

The Remuneration Committee's policy for Directors' termination payments is to provide only what would normally be due to Directors had they remained in employment in respect of the relevant notice period, and not to go beyond their normal contractual entitlements. Any incentive arrangements will be dealt with subject to the relevant rules, with any discretion exercised by the Remuneration Committee on a case by case basis considering the circumstances of the termination. Termination payments will also take into account any statutory entitlement at the appropriate level, to be considered by the Remuneration Committee on the same basis. The Remuneration Committee will monitor and, where appropriate, enforce the Director's duty to mitigate loss. When the Remuneration Committee believes that it is essential to protect the Group's interests, additional arrangements may be entered into on appropriate terms e.g. post-termination protections above and beyond those in the contract of employment.

Executive Directors are permitted to take up non-executive positions on the boards of other companies, subject to the prior approval of the Board.

Under the service contracts of each Executive Director, the Group has the discretion to terminate the employment lawfully without any notice by paying to the Director a sum equal to, but no more than, the salary and other contractual benefits of the Director. The payment would be in respect of that part of the period of notice which the Director has not worked, less any appropriate tax and other statutory deductions.

The Director would be entitled to any holiday pay which may otherwise have accrued in what would have been the notice period. The Group may pay any sums due under these pay in lieu of notice provisions as one lump sum or in instalments of what would have been the notice period. If the Group elects to pay in instalments, the Director is under an express contractual duty to mitigate their losses and to disclose any third party income they have received or are due to receive. The Group reserves the right to reduce the amount of the instalments by the amount of such income. The Remuneration Committee would expect to include similar pay in lieu of notice provisions in any future Executive Director's service contract.

Further, if the Director's employment is terminated for whatever reason, they agree, pursuant to the terms of their service contract, that they are not entitled to any damages or compensation to recompense them for the loss or diminution in value of any actual or prospective rights, benefits or expectations under or in relation to discretionary incentive schemes. This is without prejudice to any of the rights, benefits or entitlements which may have accrued to the Director under such arrangements at the termination of employment.

When considering compensation for loss of office, the Remuneration Committee will always seek to minimise the cost to the Group whilst applying the following philosophy:

Remuneration element	Treatment on cessation of employment
General	The Remuneration Committee will honour Executive Directors' contractual entitlements. Service contracts do not contain liquidated damages clauses. If a contract is to be terminated, the Remuneration Committee will determine such mitigation as it considers fair and reasonable in each case. There are no contractual arrangements that would guarantee a pension with limited or no abatement on severance or early retirement. There is no agreement between THG and its Directors or employees, providing for compensation for loss of office or employment that occurs because of a takeover bid. The Remuneration Committee reserves the right to make additional payments where such payments are made in good faith in discharge of an existing legal obligation (or by way of damages for breach of such an obligation) or by way of settlement or compromise of any claim arising in connection with the termination of an Executive Director's office or employment.
Salary, benefits and pensions	These will be paid over the notice period The Group has discretion to make a lump sum payment in lieu.
Cash element of bonus	**Good leaver reason** Good leaver reasons will include death, injury, disability, retirement and other reasons at the discretion of the Remuneration Committee. Performance conditions will be measured at the bonus measurement date. Bonus will normally be pro-rated for the period worked during the financial year in question. **Other reason** No bonus payable for the financial year of cessation. The Remuneration Committee has the following elements of discretion: • To determine that an Executive Director is a good leaver. It is the Remuneration Committee's intention to only use this discretion in circumstances where there is an appropriate business case which will be explained in full to Shareholders. • To determine whether to pro-rate the bonus to time. The Remuneration Committee's normal policy is that it will pro-rate bonus for time. It is the Remuneration Committee's intention to use discretion to not pro-rate in circumstances where there is an appropriate business case which will be explained in full to Shareholders.
Deferred element of bonus	**Good leaver reason** Good leaver reasons will include death, injury, disability, retirement and other reasons at the discretion of the Remuneration Committee. All subsisting deferred Share awards will vest. **Other reason** Lapse of any unvested deferred Share awards The Remuneration Committee has the following elements of discretion: • To determine that an Executive Director is a good leaver. It is the Remuneration Committee's intention to only use this discretion in circumstances where there is an appropriate business case which will be explained in full to Shareholders. • To vest deferred Shares at the end of the original deferral period or at the date of cessation. The Remuneration Committee will make this determination depending on the type of good leaver reason resulting in the cessation. • To determine whether to time pro-rate the maximum number of Shares from the date of grant to the date of cessation. The Remuneration Committee's normal policy is that it will not pro-rate awards for time. The Remuneration Committee will determine whether or not to pro-rate based on the circumstances of the Executive Director's departure
Unvested LTIP awards	**Good leaver reason** Good leaver reasons will include death, injury, disability, retirement and other reasons at the discretion of the Remuneration Committee. Unvested LTIP awards will be pro-rated to time and performance. **Other reason** Lapse of any unvested LTIP awards. The Remuneration Committee has the following elements of discretion. • To determine that an Executive Director is a good leaver. It is the Remuneration Committee's intention to only use this discretion in circumstances where there is an appropriate business case which will be explained in full to Shareholders. • To time pro-rate the maximum number of Shares from the date of grant to the date of cessation The Remuneration Committee's policy is generally to pro-rate to time. It is the Remuneration Committee's intention to only use this discretion to not pro-rate in circumstances where there is an appropriate business case which will be explained in full to Shareholders • To reduce the level of vesting of an award from the formulaic level of vesting if, in the opinion of the Board, the performance of the Executive Director or the Company justifies such a reduction. • The post-vesting holding period for LTIP awards will continue to apply irrespective of employment status unless the Remuneration Committee, in exceptional circumstances, determines otherwise.
Post-cessation shareholding requirement	Upon departure, Executive Directors will be required to retain 100% of their shareholding requirement for a period of two-years post-cessation.

Change of control

The Remuneration Committee's policy on the vesting of incentives on a change of control is summarised as follows:

Remuneration element	Treatment on change of control	Discretion
Annual bonus	Pro-rated to time and performance to the date of the change of control.	The Remuneration Committee has discretion to continue the operation of the bonus scheme to the end of the bonus year.
LTIP	The number of Shares subject to subsisting LTIP awards vesting on a change of control will be pro-rated to time and performance to the date of the change of control.	The Remuneration Committee retains absolute discretion regarding the proportion vesting, taking into account time and performance. There is a presumption that the Remuneration Committee will pro-rate to time. The Remuneration Committee will only waive pro-rating in exceptional circumstances where it views the change of control as an event which has provided a material enhanced value to Shareholders and which will be fully explained to Shareholders. In all cases the relevant performance conditions must be satisfied.

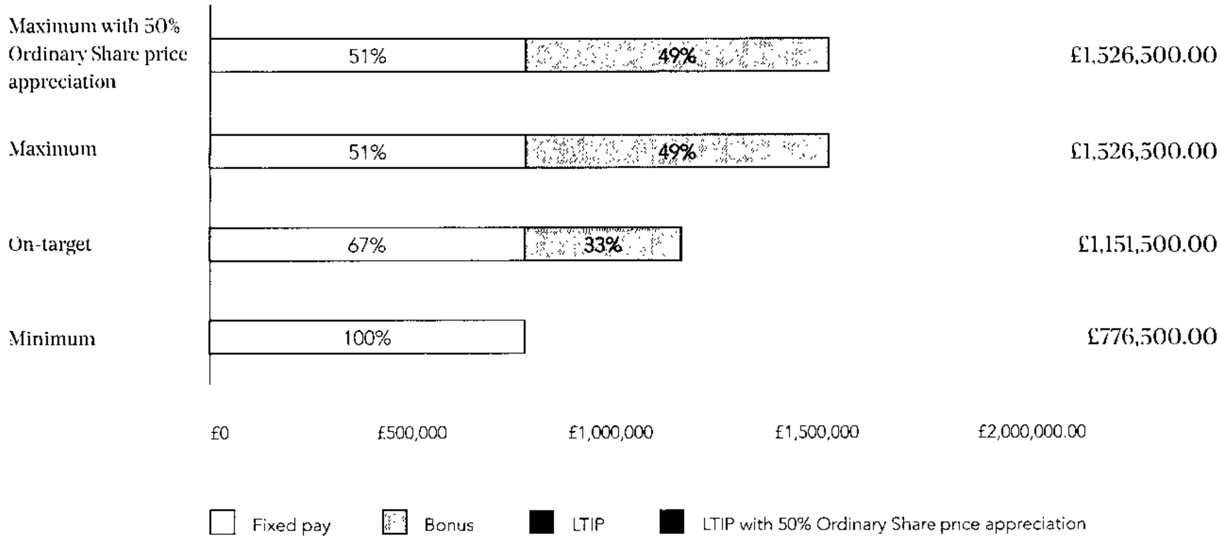
Performance scenario charts

The following charts illustrate the remuneration that would be paid to each of the Executive Directors on a forward-looking basis pursuant to the Remuneration Policy and under the following performance scenarios: (i) minimum; (ii) on-target; (iii) maximum; and (iv) maximum with 50% share price appreciation. The elements of remuneration have been categorised into three components: (i) fixed; (ii) annual bonus; and (iii) LTIP, with the assumptions set out below:

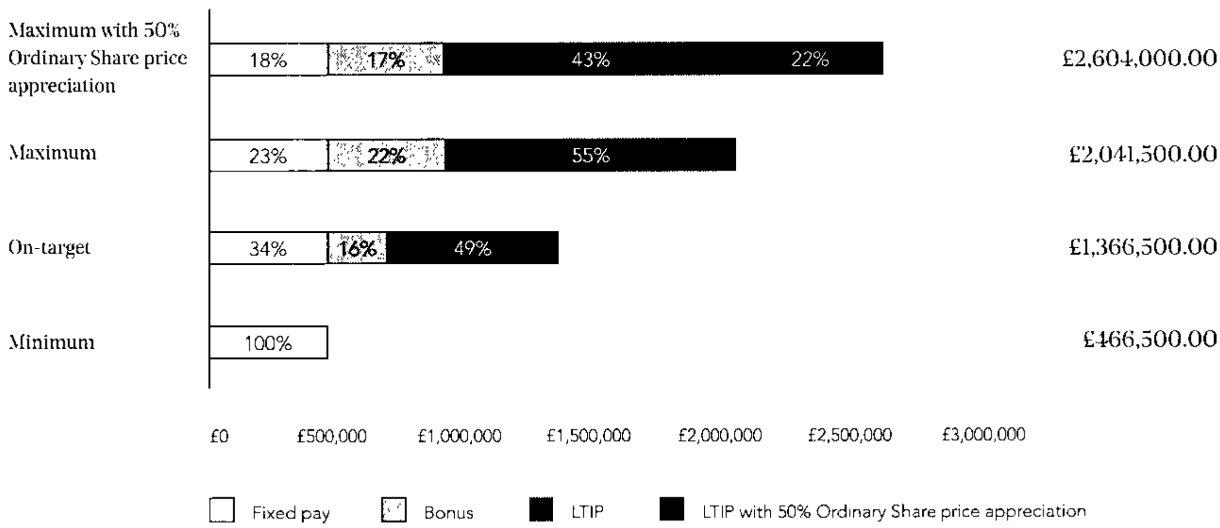
Element	Description	Minimum	On-target	Maximum
Fixed	Salary, benefits and pension	Included in full	Included in full	Included in full
Annual bonus	Annual bonus awards	No variable pay	Payout of 50% of the maximum bonus	Full payout of the maximum bonus
LTIP	Awards under the LTIP	No variable pay	Vesting of 50% of the maximum award	Full vesting of the maximum award

Please note that dividend equivalents have not been added to LTIP awards for the purpose of the following illustration.

CEO



CFO



The potential opportunities illustrated are based on the Remuneration Policy applied to the base salary for the 2022 financial year. For the annual bonus, the amounts illustrated are those potentially receivable in respect of performance for the year to 31 December 2022, noting that both Matthew Moulding and John Gallemore intend to waive any bonus payments payable with THG instead making donations to charity of similar value.

Matthew Moulding will not participate in any future long-term incentive arrangements under the Remuneration Policy.

Differences in Remuneration Policy for other employees

The remuneration policy for other Group employees is based on broadly consistent principles as described above. Annual salary reviews across the Group take into account Group performance, local pay and market conditions and salary levels for similar roles in comparable companies.

The Group operates an annual bonus scheme for many of its employees and operates equity-based awards for the Executive Leadership Team and other key employees. Opportunities and performance measures vary by organisational level, geographical region and an individual's role.

Consideration of employment conditions elsewhere in the Group

Prior to annually reviewing the remuneration of the Executive Directors, the Remuneration Committee considers base pay and share scheme practices across the Group.

THG aims to provide a remuneration package for all employees that is market competitive and operates pension provisions which are provided on the same basis to Executive Directors and employees alike. In addition, any salary increases for Executive Directors are expected to be generally in line with those for UK-based employees.

The Group seeks to promote and maintain good relations with employees and, where relevant, their representative bodies as part of its broader employee engagement strategy and intends to continue to improve remuneration-specific engagement over the course of 2022.

Consideration of Shareholder views

The Remuneration Committee will consider all Shareholder views received, whether as part of a formal consultation or at the Company's annual general meeting, together with guidance from shareholder representative bodies more broadly. In shaping the Remuneration Policy, the Remuneration Committee took on board views from Shareholders both pre and post-Admission and commits to keeping the Remuneration Policy under regular review to ensure it continues to reinforce the Group's long-term strategy and aligns the interests of Executive Directors with those of Shareholders. The Remuneration Committee will consult with Shareholders before making any significant changes to the Remuneration Policy.

Discretion of Remuneration Committee

The Remuneration Committee has discretion in several areas of the Remuneration Policy, as set out above. The Remuneration Committee may also exercise operational and administrative discretions under relevant plan rules approved by Shareholders and as set out in those rules. In addition, the Remuneration Committee has the discretion to amend the Remuneration Policy with regard to minor or administrative matters where, in the opinion of the Remuneration Committee, it would be disproportionate to seek or await Shareholder feedback.

Annual Report on Remuneration

This section covers the reporting period from 1 January 2021 to 31 December 2021 and provides details of the implementation of the Remuneration Policy during the period, as well as the intended implementation during the current 2022 reporting period.

Single total figure of remuneration (audited)

The following table provides a single figure for total remuneration of the Directors for the financial year to 31 December 2021, together with comparative figures for the financial year to 31 December 2020. The values of each element of remuneration are based on the actual value delivered, where known. The value of the annual bonus includes both the cash element and the element deferred into Shares.

		Salary & fees[1] (£'000)	Benefits (£'000)	Pension (£'000)	Total fixed pay (£'000)	Annual bonus[1] (£'000)	LTIP (£'000)	Other[2] (£'000)	Total variable pay (£'000)	Total (£'000)
Executive Directors										
Matthew Moulding	**2021**	**20**	**433[3]**	**0**	**453**	**0**	**0**	**0**	**0**	**453**
	2020	463	364[3]	1	828	500	0	869,171	869,671	870,499
John Gallemore	**2021**	**20**	**5**	**0**	**25**	**0**	**0**	**0**	**0**	**25**
	2020	234	3	1	238	172	0	40,814	40,986	41,224
NEDs										
Zillah Byng Thorne	**2021**	**100**	**0**	**0**	**100**	**0**	**0**	**0**	**0**	**100**
	2020	50	0	0	50	0	0	0	0	50
Damian Sanders[5]	**2021**	**132**	**0**	**0**	**132**	**0**	**0**	**0**	**0**	**132**
	2020	15	0	0	15	0	0	0	0	15
Dominic Murphy	**2021**	**93**	**0**	**0**	**93**	**0**	**0**	**0**	**0**	**93**
	2020	27	0	0	27	0	0	0	0	27
Edward Koopman	**2021**	**35**	**0**	**0**	**35**	**0**	**0**	**0**	**0**	**35**
	2020	10	0	0	10	0	0	0	0	10
Iain McDonald	**2021**	**60**	**0**	**0**	**60**	**0**	**0**	**0**	**0**	**60**
	2020	14	0	0	14	0	0	0	0	14
Tiffany Hall[4]	**2021**	**81**	**0**	**0**	**81**	**0**	**0**	**0**	**0**	**81**
	2020	0	0	0	0	0	0	0	0	0
Andreas Hansson[4]	**2021**	**6**	**0**	**0**	**6**	**0**	**0**	**0**	**0**	**6**
	2020	0	0	0	0	0	0	0	0	0

[1] From Admission and subject to minimum statutory limits, Matthew Moulding and John Gallemore have chosen to waive their salaries and any annual bonuses due. The salaries and bonuses detailed in the table above for these individuals are the amounts received in the periods. For the financial year ending 31 December 2020, the salaries waived by Matthew Moulding and John Gallemore were £182,682 and £107,682 respectively. For the financial year ending 31 December 2021, the salaries waived by Matthew Moulding and John Gallemore were £730,414 and £430,414 respectively. The Group made charitable donations equivalent to these amounts which are in addition to the donations included in the Adjusted Items set out in Note 4 to the Financial Statements. Matthew Moulding and John Gallemore also waived their entitlement to receive annual bonus payments for the period from Admission to 31 December 2020 and the annual bonuses waived for this period were £750,000 and £450,000 respectively. For the financial year ending 31 December 2021, both Matthew Moulding and John Gallemore waived their entitlement to participate in the annual bonus plan.

[2] The 2020 LTIP is shown within the "Other" column of the table as the award was a long-term plan but performance criteria were met in the same year as the award was made (i.e. 2020). Due to the nature of the award, there was no value prior to vesting and therefore the figures shown are fully attributable to appreciation in the Ordinary Share price.

[3] From prior to Admission and in line with the current Remuneration Policy, the Company has provided private security cover to Matthew Moulding and his family to allow him to carry out his duties as CEO. No amount was previously included in Matthew Moulding's total remuneration figure for this cover since it was the Company's understanding that this would be deductible under the provisions of section 377 of the Income Tax (Earnings and Pensions) Act 2003. Following finalisation of the 2020 Annual Report, the Company carried out a review with HMRC and concluded that this is not the case. The 2020 benefits figure for Matthew Moulding has been restated in the above table to include the cost of this cover which is also included in the 2021 benefits figure. The cost of this cover will be personally funded by Matthew Moulding from 1 January 2022 onwards and therefore will not be included in Matthew Moulding's remuneration figure going forward.

[4] These figures have been pro-rated to reflect Tiffany Hall's appointment from 12 January 2021 and Andreas Hansson's appointment from 26 October 2021. Tiffany Hall stepped down from the Board for family reasons on 18 March 2022.

[5] Damian Sanders was appointed chair of the Separation Committee upon its inception on 1 July 2021 and received a fee of £80,000 (pro-rated as appropriate) during the 2021 financial year in respect of this chairship.

Base salary (audited)

The base salaries of the Executive Directors are typically reviewed on an annual basis, with any increases effective from 1 January. As detailed in the Remuneration Policy, when determining any increases the Remuneration Committee compares the Group's remuneration packages for its Executive Directors with those of directors in FTSE companies of similar size or sector to THG and also takes account of salary increases across the rest of the UK business, an individual's role and personal performance, business performance and the external environment.

No salary increases were awarded to Executive Directors during the 2021 financial year. As such, at the end of the reporting period under review salary levels were as follows:

- Matthew Moulding: £750,000
- John Gallemore: £450,000

As previously stated, both Matthew Moulding and John Gallemore waived as much as was legally permissible of their base salary in return for the Group making charitable donations of similar value. For the financial year ending 31 December 2021, the salaries waived by Matthew Moulding and John Gallemore were £730,414 and £430,414 respectively.

Pension (audited)

As part of their remuneration arrangements, the Executive Directors are entitled to receive pension contributions from the Company. Under these arrangements, they can elect for those contributions to be paid in the form of taxable pension allowance or direct payments into a personal pension plan or the Group's UK defined contribution scheme.
During 2021 £400 was paid into the personal pension plans of each of Matthew Moulding and John Gallemore. This represented 3% of pensionable salary.

Benefits (audited)

In line with the current Remuneration Policy, benefits in kind for each of Matthew Moulding and John Gallemore comprised medical insurance benefits, permanent health insurance, life assurance and private security. As detailed above, Matthew Moulding will personally fund his private security benefit from 1 January 2022 onwards.

Bonus awards (audited)

Both Matthew Moulding and John Gallemore chose to waive their entitlement to participate in the annual bonus plan for the 2021 financial year.

Scheme interests awarded (audited)

No such awards were made to Directors during the 2021 financial year.

Payments to past Directors (audited)

No payments were made to past Directors during the 2021 financial year.

Loss of office payments (audited)

No loss of office payments were made during the 2021 financial year.

External appointments

None of the Executive Directors receive any fees in relation to external non-executive roles.

Directors' shareholdings (audited)

The table below shows the shareholdings of each Director as at 31 December 2021:

Director	Ordinary Shares	D1 Shares	D2 Shares	Deferred 2 Shares	E Shares	F Shares	G Shares	H Shares
Executive Directors								
Matthew Moulding[1,2]	182,891,075	50,550,450	360 (equivalent to 66,772 Ordinary Shares)	18,346,774	43,641,266	20,197,808	7,733,792	0
John Gallemore	104,237	3,533,879	3,174 (equivalent to 588,702 Ordinary Shares)	813,345	185,476	2,666,963	4,000,537	0
NEDs								
Zillah Byng-Thorne[3]	69,765	0	0	25,417	0	0	0	0
Damian Sanders[3]	21,926	0	0	0	0	0	0	0
Dominic Murphy[3]	14,566,016	0	0	29,047	370,953	0	0	0
Edward Koopman	0	0	0	0	0	0	0	0
Iain McDonald[3]	2,505,943	0	0	14,524	185,476	0	0	0
Tiffany Hall[3]	33,557	0	0	0	0	0	0	0
Andreas Hansson	0	0	0	0	0	0	0	0

[1] In addition to the Shares shown above, Matthew Moulding holds 1 Special Share (further details on which are set out in the Directors' Report).

[2] 144,633,856 of the Ordinary Shares, 10,971,090 of the Deferred 2 Shares and all of the F Shares and G Shares owned by Matthew Moulding are held by FIC ShareCo Limited, a corporate entity wholly owned by Matthew Moulding. Additionally, 9,834,879 of the Ordinary Shares shown in the table above are held by Jodie Moulding, Matthew Moulding's wife.

[3] Zillah Byng-Thorne, Damian Sanders, Dominic Murphy and Tiffany Hall (who stepped down from the Board for family reasons on 18 March 2022) hold Shares and, in consideration of these individual shareholdings and NED independence, the Board has applied its assessment criteria including, but not limited to, whether a NED has held a material business relationship with the Company in the last three years. Taking into account assessments of materiality and the 3% notification threshold under the DTRs' major shareholdings notification regime, the Board acknowledges that the shareholdings of these NEDs are significantly below the notification threshold and therefore do not impair their independence.

There have been no changes to Directors' shareholdings between 31 December 2021 and the date of this Directors' Remuneration Report.

Directors' share ownership guidelines (audited)

As described in the Remuneration Policy, each Executive Director is expected to build up a holding in Ordinary Shares equal to 350% of their base salary over a period of time. NEDs are not subject to any shareholding requirements. Executive Directors' share ownership at the end of the 2021 reporting period was as follows:

Director	Shareholding requirement (%age of salary)	Shareholding as at 31 December 2021 (%age of salary)	Shareholding requirement met?
Matthew Moulding	350%	103,928%[1]	Yes
John Gallemore	350%	6,369%[2]	Yes

[1] Matthew Moulding's aggregated shareholding includes all Shares (i.e. Ordinary Shares, D1 Shares, D2 Shares, E Shares, F Shares, G Shares and Deferred 2 Shares) held by Matthew Moulding, his wife Jodie Moulding and FIC ShareCo Limited, a corporate entity wholly owned by Matthew Moulding.

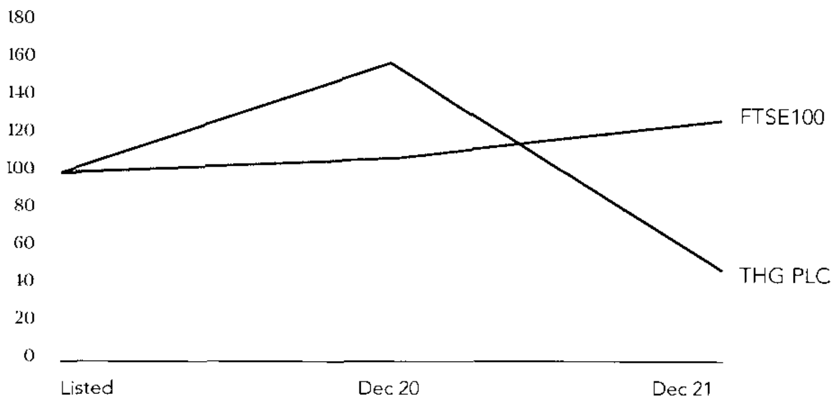
[2] John Gallemore's aggregated shareholding includes all Shares (i.e. Ordinary Shares, D1 Shares, D2 Shares, E Shares, F Shares, G Shares and Deferred 2 Shares) held by him.

Current shareholdings are based on Shares owned outright and valued using the average Ordinary Share price over the three months ended 31 December 2021 i.e. £2.41.

Performance graph and table

The following graph shows the TSR performance over the period from Admission to 31 December 2021 relative to the FTSE 100. It illustrates the performance of a £100 investment in the Company in that period compared with the value of £100 invested in the FTSE 100 over the same period.

The FTSE 100 Index is considered to be an appropriate comparator for this purpose as it is a broad equity index into which the Company's market cap falls.



Chief Executive Officer's historical remuneration

The following table details the Chief Executive Officer's remuneration for each of the last three financial years:

	2019	2020	2021
Single figure (£'000s)	4,581	870,139	453
Bonus outcome as a percentage of maximum	n/a[1]	100%	n/a[2]
Long-term incentive outcome as a percentage of maximum	n/a[1]	100%	n/a[3]

[1] The 2019 bonus did not have a defined maximum and no LTIP was eligible to vest in respect of the 2019 financial year.

[2] Matthew Moulding waived his entitlement to participate in the annual bonus plan for the 2021 financial year.

[3] No LTIP was eligible to vest in respect of the 2021 financial year and Matthew Moulding does not participate in any ongoing LTIP.

Percentage change in Directors' remuneration

The Executive Directors are the only employees of the Company and therefore the UK workforce has been selected as the appropriate comparator group to provide a meaningful comparison since this is the geographical location in which all of the Executive Directors and the majority of NEDs are based. Accordingly, the following table shows the percentage change in the Directors' salaries, benefits (excluding pension) and annual bonuses between the 2020 and 2021 financial years compared with the percentage change in the average of each of these components of pay for all UK employees. The comparison uses a per capita figure.

	Salary fees	Benefits	Bonus
Executive Directors			
Matthew Moulding	-95.8%	17.0%	-100%
John Gallemore	-91.6%	63.0%	-100%
NEDs			
Zillah Byng-Thorne	100%	0%	n/a[2]
Damian Sanders[3]	780%	0%	n/a[2]
Dominic Murphy	244%	0%	n/a[2]
Edward Koopman	250%	0%	n/a[2]
Iain McDonald	325%	0%	n/a[2]
Tiffany Hall	n/a [1]	0%	n/a[2]
Andreas Hansson	n/a [1]	0%	n/a[2]
Wider workforce			
Average employee[4]	10.1%	217.3%	-37.5%

[1] Tiffany Hall and Andreas Hansson were not Directors during the 2020 financial year, being appointed to the Board on 12 January 2021 and 26 October 2021 respectively. Tiffany Hall stepped down from the Board for family reasons on 18 March 2022.

[2] NEDs are not entitled to participate in the annual bonus plan.

[3] Damian Sanders was appointed chair of the Separation Committee upon its inception on 1 July 2021 and received a fee of £80,000 (pro-rated as appropriate) during the 2021 reporting period in respect of this chairship.

[4] THG PLC is the Group parent company and does not have any employees except for the Executive Directors. Accordingly, the figures detailed here are representative of the Group's UK workforce.

Chief Executive Officer's pay ratio

The following table presents the pay ratio between the Chief Executive Officer's single total figure of remuneration and that of the Group's UK workforce. The ratios compare the Chief Executive Officer's single total figure of remuneration with the total remuneration of full time equivalent UK employees at the 25th, median and 75th percentiles.

			UK employees (full time equivalents)		
Year	Method	CEO remuneration (£,000)	25th percentile pay ratio	Median pay ratio	75th percentile pay ratio
2021	Option A	453	21:1	18:1	14:1
2020 – reported figures	Option A	870,139	42,665:1	35,200:1	24,641:1
2020 without 2020 LTIP		968	47:1	39:1	27:1

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

		UK employees (full-time equivalents)		
Year		25th percentile	Median	75th percentile
2021	Salary	£21,079.04	£24,626.69	£32,195.49
2021	Total pay and benefits	£21,296.22	£25,000.00	£32,831.28

The 25th percentile, median and 75th percentile figures used to determine the above ratios were selected by reference to the hourly pay figures for the Group's UK workforce. Option A, as set out under the Regulations, was used to calculate remuneration for the 2021 financial year as the Company believes this is the most robust methodology for calculating these figures. The full time equivalent annualised remuneration (comprising salary, benefits, pension, annual bonus and long-term incentives) was then calculated for those employees for the 2021 financial year.

The ratio has reduced year-on-year, primarily as a result of Matthew Moulding waiving as much as is legally permissible of his base salary in return for the Group making a charitable donation of similar value.

Relative importance of spend on pay

The following table details Shareholder distributions and THG expenditure on total employee pay for the financial year under review and the prior year, together with the percentage change year-on-year.

	2021 (£m)	2020 (£m)	%age change
Profit distributed by way of dividend	£0	£0	n/a
Total spend on remuneration	305.3	538.2	-43.3%

Shareholder dilution

Any share incentive plans (including the new LTIP) post-IPO will be operated in line with the Investment Association's Principles of Remuneration which require that commitments under all share schemes satisfied by newly issued shares must not exceed 10% of the issued share capital in any rolling ten-year period, of which up to 5% may be used to satisfy options under executive share schemes. The Group's position against the dilution limits at 31 December 2021 since Admission was 0% for the all share schemes' limit and 0% for executive schemes. Any future share awards for employees (excluding the Executive Directors) will be granted in relation to the previously authorised but unissued maximum of 9,917,601 F Shares and 14,889,292 G Shares, for the purpose of making employee incentive awards following admission of the Ordinary Shares to trading on the London Stock Exchange, as set out in the Company's published Prospectus and the 2020 Annual Report. These Shares are, therefore, already reflected in the fully diluted share capital of the Company and the issuance of such Shares now will not affect dilution overall.

Shareholder voting at 2021 AGM

The resolutions to approve the Directors' Remuneration Report and the Remuneration Policy at the 2021 AGM were passed as follows:

Resolution	Votes for	%age of votes cast	Votes against	%age of votes cast	Total votes cast	%age of ISC voted	Votes withheld
To approve the Directors' Remuneration Report (excluding the Remuneration Policy) (2020)	741,772,628	96.83	24,320,875	3.17	766,093,503	69.67	10,448
To approve the Remuneration Policy (2020)	761,448,375	99.39	4,645,128	0.61	766,093,503	69.67	10,448

Implementation of Remuneration Policy for the 2022 financial year

The Remuneration Committee proposes to implement the Remuneration Policy for the financial year ending 31 December 2022 as set out below.

Base salary

Base salaries have been reviewed considering individual performance and competitive practice for similar roles in the Group's remuneration peer group, together with remuneration awards within the Group itself, and the Remuneration Committee has concluded there will be no increase in the Executive Directors' salaries. Therefore, for the financial year ending 31 December 2022, base salaries will be as follows:

- Matthew Moulding: £750,000
- John Gallemore: £450,000

As detailed above and in the 2020 Annual Report, Matthew Moulding and John Gallemore have agreed to waive as much as is legally permissible of their base salaries in return for the Group making charitable donations of similar value.

Pension

There is no change in the contribution percentage for Executive Directors for the financial year ending 31 December 2022 and it remains at 3% of pensionable salary. Pensionable salary is determined in line with the approach taken for the Group's wider workforce, which is currently in line with auto-enrolment levels.

Benefits

Matthew Moulding will personally fund his private security costs from 1 January 2022 onwards. There are no other changes in benefits provision for Executive Directors for the financial year ending 31 December 2022.

Annual bonus

In line with the Remuneration Policy, the maximum opportunity for the financial year ending 31 December 2022 will be:

- Matthew Moulding: 100% of base salary
- John Gallemore: 100% of base salary

The measures and weightings for the 2022 financial year will be:

- Group Sales (20%);
- Group adjusted EBITDA (30%);
- Ingenuity Commerce Sales (15%);
- Ingenuity Commerce adjusted EBITDA (15%); and
- strategic objectives including ESG metrics (20%).

The specific targets are considered commercially sensitive and will be disclosed in next year's Annual Report on Remuneration.

LTIP

Subject to Shareholder approval at the forthcoming AGM, a LTIP award will be made to John Gallemore during the financial year ending 31 December 2022 equal to 250% of salary.

This award will vest three years after grant and will be subject to a further two-year holding period. The award will be subject to stretching financial and strategic performantce targets which will be disclosed at the time of grant.

NED Fees

A review of the fees paid to NEDs has been undertaken and consequently no increase in fees is proposed for the 2022 financial year. Accordingly, annual NED fees will remain at the following levels:

NED fee type	Fee
Fee for Independent Chair	£400,000
Base fee for independent NEDs	£70,000
Base fee for non-independent NEDs	£35,000
Additional fee for chairing each of Audit, Risk[1], Remuneration and Sustainability Committees	£12,000
Additional fee for chairing each of Related Party and Nomination Committees	£8,000
Additional fee for chairing Separation Committee[2]	£80,000
Additional fee for membership of each of Audit, Risk, Related Party, Nomination, Remuneration and Sustainability Committees	£5,000

[1] *As detailed elsewhere in this Annual Report, a standalone Risk* Committee was established following the 2021 AGM and the existing Audit & Risk Committee was renamed as Audit Committee.

[2] *Damian Sanders was appointed chair of the Separation* Committee upon its inception on 1st July 2021 and received a fee of £80,000 (pro-rated as appropriate) during the 2021 reporting period in respect of this chairship.

Advisers to the Remuneration Committee

PricewaterhouseCoopers LLP ("PwC") remain engaged as the Remuneration Committee's independent remuneration advisers, having been appointed prior to Admission by the then Remuneration Committee Chair. PwC is a member of the Remuneration Consultants Group, the professional body for remuneration consultants, and adheres to its Code of Conduct. The Remuneration Committee is satisfied that the advice provided by PwC during the 2021 reporting period was objective and independent and, whilst separate teams within PwC also advise the Company on matters of tax, corporate governance and operations, the Remuneration Committee is further satisfied that these activities do not compromise the independence or objectivity of the advice it receives from PwC as Remuneration Committee advisers.

During the 2021 reporting period PwC provided general support to the Remuneration Committee and guidance on developments in remuneration governance and best practice, including associated implications for THG. PwC further advised on:

- The Remuneration Policy and the 2020 Directors' Remuneration Report.
- The proposed amendments to Remuneration Policy, as presented in this Directors' Remuneration Report.
- The remuneration package for the new Independent Chair.
- The design and implementation of the new Senior Management incentive plan.

Fees charged by PwC for advice provided to the Remuneration Committee for the financial year ended 31 December 2021 amounted to £99,500 (excluding VAT).

On behalf of the Remuneration Committee

Damian Sanders
Interim Chair of the Remuneration Committee
20 April 2022

Independent auditor's report to the members of THG PLC

Opinion

In our opinion:

- THG PLC's group financial statements and parent company financial statements (the "financial statements") give a true and fair view of the state of the group's and of the parent company's affairs as at 31 December 2021 and of the group's loss for the year then ended.
- The group financial statements have been properly prepared in accordance with UK adopted international accounting standards.
- The parent company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice.
- The financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements of THG PLC (the "parent company") and its subsidiaries (the "group") for the year ended 31 December 2021 which comprise:

Group	Parent company
Consolidated statement of comprehensive income for the year ended 31 December 2021	Company balance sheet as at 31 December 2021
Consolidated statement of financial position as at 31 December 2021	Company statement of changes in equity for the year ended 31 December 2021
Consolidated statement of changes in equity for the year ended 31 December 2021	Related notes 1 to 8 to the financial statements including a summary of significant accounting policies
Consolidated statement of cash flows for the year ended 31 December 2021	
Related notes 1 to 29 to the financial statements, including a summary of significant accounting policies	

The financial reporting framework that has been applied in their preparation is applicable law and UK adopted international accounting standards. The financial reporting framework that has been applied in the preparation of the parent company financial statements is applicable law and United Kingdom Accounting Standards, including FRS 101 "Reduced Disclosure Framework" (United Kingdom Generally Accepted Accounting Practice).

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the group and parent company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard as applied to listed public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the Directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate. Our evaluation of the Directors' assessment of the Group and parent company's ability to continue to adopt the going concern basis of accounting included:

- We have documented and evaluated the process followed by management to prepare the forecasts which they have used in their going concern assessment.
- We audited the forecasts underpinning the going concern model which are based on the Board-approved budget, including checking the arithmetical accuracy and appropriateness of management's base case forecast over the going concern period to 30 April 2023.
- We challenged the reasonableness of the key assumptions such as the revenue growth rate, EBITDA to cash conversation, and EBITDA margin achieved by the group used within the scenarios and validated to supporting documentation where appropriate.
- We read and evaluated the Group's lending agreements to ascertain any financial or non-financial covenant restrictions which are in place.
- We obtained management's schedule of loan facilities and covenants thereon for the going concern period. We confirmed there are no loan repayments due in the period. We assessed the forecast compliance of each covenant throughout the going concern period under each scenario presented by management which included drawing funds from the facility.
- We verified the cash starting position as at 31 December 2021 to bank statements.
- We performed additional stress tests using our own projections to determine the impact of changing some of management's key assumptions on the going concern assumption. These key assumptions were in relation to: revenue growth rate, EBITDA to cash conversion, and a reduction in the EBITDA margin achieved by the group, all of which would impact the liquidity headroom in the going concern period. Covenant compliance only becomes relevant if the business draws down on more than 40% of the existing RCF facilities. We performed these stress tests by sensitising for each key assumption individually based on our expectation of a reasonable downside scenario for that assumption, and then prepared a reverse stress test by sensitising multiple assumptions in order to reduce headroom to nil. We evaluated the likelihood of the scenario that would reduce headroom to nil.
- We evaluated THG's ability to undertake mitigating actions should it experience a severe downside scenario, considering likely achievability of both quantum and timing of those actions.
- We reviewed the appropriateness of management's going concern disclosure in describing the risks associated with its ability to continue to operate as a going concern until 30 April 2023.
- The audit procedures on going concern were supervised and directed by the audit engagement partner and senior members of the team.

Our key observations in relation to the work performed are:

- In management's base case and plausible downside scenarios the business retained headroom on forecast cash and covenant compliance throughout the going concern assessment period. The lowest level of headroom identified is £192m in management's downside scenario which assumes full drawdown of £155m (total facility of £170m less amounts ringfenced for supply chain financing) of funds from an RCF facility which expires in December 2024 in addition to cash balances;
- Year end cash balances total £537m;
- The business is projected to meet all of its covenant tests (which only apply when the business draws down on more than 40% of the RCF facilities) throughout the forecast period after applying sensitivities and stress testing modelled by management except for the reverse stress testing which was designed to identify which assumptions would eliminate headroom in the model; and
- The company continues to focus on expanding its operations in order to scale the business up for future growth rather than profit generation in the short term. A proportion of these costs could be reduced if there was a need to do so.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Group and parent company's ability to continue as a going concern for the period to 30 April 2023.

Our responsibilities and the responsibilities of the Directors with respect to going concern are described in the relevant sections of this report. However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the Group's ability to continue as a going concern.

Overview of our audit approach

Audit scope	• We performed an audit of the complete financial information of two components and audit procedures on specific balances for a further 34 components. • The components where we performed full or specific audit procedures accounted for 106% of Loss before tax (review scope components contained a profit), 96% of Revenue, 97% of Expenses, and 96% of Total Assets.
Key audit matters	• Revenue recognition. • Valuation of intangibles. • Significant disclosures. • Related party transactions.
Materiality	• Overall group materiality of £8.7m which represents 0.4% of Group revenue.

An overview of the scope of the parent company and Group audits

Tailoring the scope

Our assessment of audit risk, our evaluation of materiality and our allocation of performance materiality determine our audit scope for each company within the Group. Taken together, this enables us to form an opinion on the consolidated financial statements. We take into account size, risk profile, the organisation of the group and effectiveness of group-wide controls (including centralised IT systems), changes in the business environment and other factors such as recent internal audit results when assessing the level of work to be performed at each component. We assessed the control environment and concluded that the most effective approach to the audit was a substantive and data analytics approach rather than a controls-based approach.

The scope of the group audit includes all significant trading components in the United Kingdom. Full scope components account for 68% of the group's revenue, 62% of the Group's expenses, and 45% of the Group's total assets. Specific scope components account for 28% of the group's revenue, 35% of the group's expenses, and 51% of the total assets. We performed specified or analytical audit procedures on the other components. All audit work (except for overseas inventory counts, and certain procedures relating to a newly acquired US-based component that were performed in conjunction with the primary team) performed for the purposes of the group audit was undertaken by the Group audit team.

Changes from the prior year

There are no significant changes to our scoping from the 2020 group audit except to incorporate into our scope an appropriate level of work on the acquisitions that have been made during the 2021 financial year.

Involvement with integrated teams

In establishing our overall approach to the Group audit, we determined the work that needed to be undertaken by colleagues as part of an integrated audit team, or by the primary audit engagement team. For the procedures performed by colleagues as part of the wider integrated audit team – both for the newly acquired US-based component and for inventory counts – oversight was undertaken by the primary engagement team in the form of directing the work performed, holding regular communication with the integrated team members and performing detailed review of the work performed. This oversight ensured sufficient audit evidence was obtained as a basis for the opinion on the Group as a whole.

Climate change

There has been increasing interest from stakeholders as to how climate change will impact THG PLC. The Group has determined that the most significant future impacts from climate change on its operations will be from the impact of protecting climate and nature (including reducing greenhouse gas emissions), and strengthening THG's supply chain. These are explained on pages 87-104 in the Sustainability report, and on page 115 in the principal risks and uncertainties, which form part of the "Other information," rather than the audited financial statements. Our procedures on these disclosures therefore consisted solely of considering whether they are materially inconsistent with the financial statements or our knowledge obtained in the course of the audit or otherwise appear to be materially misstated.

Our audit effort in considering climate change was focused on ensuring that the effects of climate risks have been appropriately considered when modelling future cash flows. We also challenged the Directors' considerations of climate change in their assessment of going concern and viability and associated disclosures.

Whilst the group has stated its commitment to the aspirations of the Paris Agreement to achieve net zero emissions by 2050, the group is currently unable to determine the full future economic impact on their business model, operational plans and customers to achieve this and therefore as set out above the potential impacts are not fully incorporated in these financial statements.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified. These matters included those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit; and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in our opinion thereon, and we do not provide a separate opinion on these matters.

Risk	Our response to the risk
Revenue recognition (£2,180m, 2020: £1,614m) *Refer to the Audit Committee Report (page 153); Accounting policies (page 226); and Note 2 of the Consolidated Financial Statements (page 235).* THG PLC has reported revenue of £2,180m for the year ended 31 December 2021 (2020: £1,614m). Revenue is a key metric when evaluating the performance of the business, and receives significant scrutiny externally and internally, and this is particularly true with regard to revenue from THG Ingenuity. The risk we have identified is split across both product revenues and other revenues (services, hosting, experience) reported by THG. Product revenue (D2C/B2B revenue) is primarily compiled of a large volume of small value transactions which we do not consider to be at significant risk of manipulation. However, revenue is a key metric when evaluating the performance of the business, and receives significant scrutiny externally and internally. As a result, we identified a potential risk of bias or fraud through management manipulation by manual adjustments, especially in the last quarter of the financial year. We have identified a potential risk of bias or fraud through management inappropriately classifying revenue to THG Ingenuity. We have also identified a risk of inappropriate recognition of Ingenuity contract revenue by manipulating the performance obligations against which revenue is recognised. Our procedures are responsive to the risk that the accounting for revenue recognition is not in line with IFRS 15.	For the risk identified on product revenues we have performed the following procedures: We performed a walkthrough of the product revenue process and assessed the design effectiveness of key controls. We considered the presentation of revenue against our understanding of the contractual arrangements in place. We adopted a data analytics approach in relation to the majority of product revenue (£1.9bn of £2.18bn) at full and specific scope components. This involved testing a full population of transaction data which demonstrated that materially all of the revenue recognised in the year was received as cash. A sample of the related cash receipts were agreed to bank statement, to ensure the transactions reflected actual revenue related cash receipts. For any revenue not received as cash we followed through all significant items to supporting evidence. We tested a sample of credit notes issued by the group after the period end but within the period of the returns policy, to identify whether appropriate provisions for returns were in place at the year end. For revenue not tested using the data analytics approach (£46m), we have agreed a sample of transactions to invoice, proof of delivery and subsequent cash receipt. We performed an assessment of cash-in-transit balances and tested them by agreeing a sample through to cash receipts after the year-end. We tested material reconciling items within trade receivables and performed a review of aged amounts within the trade receivables ledger. We tested manual journals to revenue at in-scope components, understanding the reasons for the transactions and corroborating them to appropriate audit evidence. We have tested these journals throughout the year, with increased focus on those booked in the last quarter of the year where we consider there to be a heightened risk of manipulation. We have also selected a sample of transactions at random for further testing to build an element of unpredictability into our testing. We performed analytical reviews of revenue for review scope entities and tested trade receivables to post year end cash receipt wherever trade receivables were material. For the risk identified on other revenues we performed the following procedures: We performed a walkthrough of each significant class of revenue transactions within "Other revenue" and assessed the design effectiveness of key controls.

Risk	Our response to the risk
	For a sample of contracts, we reviewed the terms of business and management's assessment of how IFRS 15 is applied to the contract terms, including the identification of performance obligations and allocation of consideration to each performance obligation identified. Our assessment included, but was not limited to: - Variable consideration - Services which have been rendered at nil charge - Consideration of whether any contracts contain embedded leases (IFRS 16). For a sample of new contracts secured in 2021 we assessed the status of the project (and whether the relevant site has 'gone live'). Where these projects were yet to go live we understood the reasons and considered whether revenue has been recognised in line with IFRS 15. We tested a sample of other revenue transactions, agreeing the amounts to invoice, proof of service or cash receipt. For the items selected we tested that the correct amount of deferred revenue has been recognised at year-end. For these items we also tested the classification of the revenue by business unit. We challenged management on the classification of revenue as Ingenuity Infrastructure and Ingenuity Commerce revenue and ensured that different elements of Ingenuity are clearly articulated given external interest in the Ingenuity business. We tested manual revenue journals at in-scope locations, understanding the reasons for the transactions and corroborating to appropriate evidence. We tested these journals throughout the year, with increased focus on those booked in the last quarter of the year where we consider there to be a heightened risk of manipulation. We also selected a sample of transactions at random to build in an element of unpredictability to our testing.

Key observations communicated to the Audit Committee

Based on the audit procedures performed, we did not identify evidence of material misstatements in the revenue recognised in the current year.

We have highlighted to the Audit Committee the importance of ensuring that there is clear disclosure regarding classification of revenues, including any changes. We are satisfied that the disclosures appropriately describe the classification of revenue and are also in compliance with IFRS 15.

Risk	Our response to the risk
Valuation of intangibles (£1,506m, 2020: £674m) *Refer to the Audit Committee Report (page 153); Accounting policies (page 226); and Note 11 of the Consolidated Financial Statements (page 248).* The carrying value of intangible assets as at the year end was £1.5bn (2020: £0.7bn). The Group has made 10 acquisitions in the period (total spend: £0.8bn), leading to additional intangibles being recognised of £0.7bn. There is a risk these intangible assets are inappropriately recognised on acquisition or are carried at an unsupportable value. The risk also relates to capitalised platform development costs of £82m where there is a risk that management and other employee time is capitalised that does not represent incremental value/future economic benefits.	**Our procedures to respond to the risk on acquired intangible assets included:** We read sale and purchase agreements to understand the nature of each acquisition and understand key terms and conditions. We understood and walked through the related process and controls around the purchase price allocation ("PPA") process (including for the provisional PPAs prepared for current period acquisitions), including review and approval by management. We performed procedures on significant opening balance sheet accounts for each acquisition, which included cut-off procedures. Where applicable we have also conducted predecessor auditor file reviews. We inspected the findings of due diligence exercises performed by management's specialists and compared these to the nature of adjustments recorded in the opening balance sheet. We assessed key judgements and fair value adjustments including those related to intangibles, contingent considerations and any provisions. We used valuation specialists for all of the acquisitions made during the year to assess assumptions and the underlying fair value assessment, and to assess whether the intangible assets are appropriately recognised. We assessed performance of new acquisitions against budgets/plan on acquisition and the consideration of any identified synergies within the acquisitions (and whether these have materialised). We performed detailed testing of the fair value adjustments included in the acquisition workings to ensure they are supported by appropriate evidence and the underlying rationale is clear. We considered the assets recognised within the group (such as individual brands) and whether these continue to hold value in the current group structure and business model.
This risk also encompasses the risk of impairment. The Group's legal structure was reorganised after the year end and as a result of this, we were alert to the possibility that this reorganisation could result in a change in the number of CGUs ("Cash-Generating Units") identified by management for the purposes of their year end impairment assessment.	**Our procedures to respond to the risk on capitalised platform development costs included:** We performed a walkthrough of significant classes of transactions associated with platform development costs and understood the relevant controls. We interviewed members of the finance team to understand what they do to ensure only direct costs are capitalised. We tested a sample of employee timesheets, and made inquiries to understand the nature of their activities and of the project to which their time had been recorded. We tested a sample of key projects, and made inquiries of the project managers to understand the nature, timing and purpose of the project. We assessed whether the capitalisation of these employees / projects was consistent with the requirements of IAS 38 and SIC 32. We reviewed for risk of management judgment or bias, particularly in respect of employees who do not use timesheets. We reviewed for any significant new projects or changes in judgments made prior to the year end.

Risk	Our response to the risk
	Our procedures to respond to the risk of impairment of intangible assets included: We scrutinised management's impairment assessment as at the balance sheet date, reviewing methodology and testing the mathematical accuracy of the models used. We reviewed the basis for the identification of CGUs and concluded on the appropriateness of this against criteria set out by IAS 36, in the context of the progress of the Group's restructuring plans. We also concluded on the appropriateness of the impairment recognised by management following their review of the performance of the OnDemand, Experience and Luxury businesses. We assessed management's calculation of the discount rate (for each CGU) and agreed assumptions and peer group analysis to supporting documentation, in order to ensure that the discount rate used is appropriate and specific to that CGU. We challenged the reasonableness of the forecasts used in the assessment including key assumptions (such as growth rates, EBITDA margins and discount rates). We assessed the reliability of management's forecasts by comparing previous forecasts to actual results. We assessed the sensitivities of the headroom to changes in assumptions. We engaged an EY internal expert to review the discount rates applied by management to forecast cashflows. We considered analysts' views on the valuation of the group with EY internal expert input to assess if this provided contradictory evidence to management's assessment of the value of the group, and each of its CGUs. We reviewed the disclosures in the financial statements to ensure adequate disclosure in line with IAS 36.

Key observations communicated to the Audit Committee

We are satisfied with the work performed by management regarding their provisional purchase price allocation (PPA) exercise on the current year acquisitions.

We note that there was significant judgment in the timing of when it was appropriate to consider separation of the Group's existing CGUs, as well as the process of preparing indicative forecasts for CGUs.

We have considered the resulting disclosures around the plausible downside risks and sensitivities and have concluded that the disclosure is appropriate.

Based on the procedures we have performed we did not identify material misstatements in the valuation of intangibles carried in the statement of financial position.

Risk	Our response to the risk
Significant disclosures *Refer to the Audit Committee Report (page 153). Accounting policies (page 226).* This risk focuses on the more complex or subjective disclosure items within the ARA ("Annual Report and Accounts"), which we consider to be: - Whether the accounts when taken as a whole are fair, balanced andunderstandable. - Adjusted profit measures. - Narrative related to Ingenuity, and presentation of segmental reporting. We have considered the areas currently focussed on by investors, analysts and the wider market. There is a risk that the accounts may be presented in a way that does not give a fair reflection of the business, transactions and/or is not understandable to the external users of the financial statements.	We performed the following procedures on the significant disclosure items noted: **Whether the accounts when taken as a whole are fair, balanced and understandable** We understood the process that the Board and those charged with governance implemented to ensure the ARA is fair, balanced and understandable. In reviewing the ARA we gave specific consideration to whether the business model and Group's purpose was clear to the readers of the financial statements. We also involved a corporate governance specialist to perform an assessment of the ARA with particular focus on whether it is in compliance with the UK Corporate Governance code and to enhance our audit challenge on the ARA and the adequacy of the disclosures made. We read the disclosures and challenged management to ensure there was an appropriate balance between the narrative on mature businesses and fast-growing aspects of the group's performance, as well as giving greater clarity on underlying organic performance. **Adjusted profit measures (APMs)** Our focus was on ensuring that narrative within the ARA does not give undue prominence to APMs. Where APMs are disclosed we checked consistency with the group's accounting policy and ensured that the APM is reconciled to the nearest GAAP measure. We performed an assessment of the calculations prepared by management to quantify the adjustment items. We challenged management on the sufficiency of disclosures which describe the nature of the adjusted items and checked they were in line with our understanding of the nature of these items based on this assessment. We agreed costs to invoices for all costs except warehousing charges which were based on calculations of commissioning costs during set up phases. We understood the approach, and reviewed the post year end run rates achieved. We challenged management to consider whether an alternative basis for the calculations for facilities commissioning costs would lead to a better understanding for the users of the financial statements.

Risk	Our response to the risk
	Narrative related to the Ingenuity business, and presentation of segmental reporting *We considered whether narrative related to the Ingenuity business was* in line with our understanding of our contract testing (see revenue section above) and reviewed judgements on segments. We also ensured that reportable segments were disclosed in accordance with IFRS 8.

Key observations communicated to the Audit Committee

There is significant judgment in management's determination of adjusted items and therefore the clarity of the disclosure is essential for readers of the financial statements to understand the items.

Nothing has come to our attention that would indicate that the Annual Report and Accounts, and in particular the disclosure of items we identified as being more complex, judgemental or subjective, is not Fair, Balanced and Understandable.

Risk	Our response to the risk
Related party transactions *Refer to the Audit Committee Report (page 153); Accounting policies (page 226); and Note 27 of the Consolidated Financial Statements (page 262).* THG has a number of related party transactions, primarily with the Propco business (Moulding Capital Limited, which is controlled and owned by the CEO of THG) which lease to THG a number of the warehouses and other assets the group uses to conduct their operations. THG also incurs capex spend on the properties as the tenant to the lease agreements. As a result there is a risk that these transactions, specifically those with Propco are not carried out on an arms length basis and not adequately disclosed. We had identified a deficiency in controls resulting from the conflict of interest regarding common management and governance between THG PLC and the Propco business. We tailored our audit procedures to be responsive to this deficiency. We considered whether Softbank was a related party to THG, and the implications of this conclusion on the financial statements.	**Our procedures to respond to the risk on related party transactions:** We walked through and understood the design effectiveness of the governance and controls management and those charged with governance have put in place to review and approve transactions with Propco. We assessed the appropriateness of modifications made to existing related party relationships and contracts to assess whether they were at an arms' length. We reconfirmed charges for rent back to external valuations obtained and for those not covered by external valuations understood the approach taken in arriving at the rentals agreed and ensured they had been approved by the Related Party Committee. We ensured capital expenditure was accounted for by the right entity based on the terms of the leases. We read board and committee meeting minutes (including of the Related Party Committee) to identify related party transactions. We inspected significant contracts with the related party. We inquired of the related party, as part of our procedures to assess the completeness and accuracy of disclosures around related party transactions. We performed journal entry testing to assess for the completeness of related party transactions. We assessed whether significant related party transactions are on a fair market basis, and whether those that are not on a fair market basis are not material to the financial statements, by referring to third-party valuation reports which indicated appropriate market rentals are charged overall for the portfolio of leased assets. We reviewed other information in the public domain to assess whether this provided evidence over the completeness of related party transactions identified by management or contra evidence to our conclusions. We utilised our real estate specialists to reassess the valuations of properties and rental charges to support our work in the current period. We made inquiries of, and held discussions with, management and those charged with governance, to identify whether related party transactions are in accordance with the terms and conditions of the contracts. We reviewed the independent assessment of related party transactions, performed by an independent accountant and considered whether it provided contradictory evidence to our own testing. We considered the relationship with Softbank to determine if they were a related party to the group.

Key observations communicated to the Audit Committee

The accounting for related party transactions is appropriate. The disclosures for related party transactions have been made in accordance with IAS 24, the relevant accounting standard covering related party transactions.

The control deficiencies we identified during 2021 have not been fully addressed, and whilst improvements have been made this requires further action. This includes more timely and robust challenge of related party transactions by the Related Party Committee which was addressed after the year end. In addition to the CEO, there were still common directors of both THG and Propco entities throughout 2021.

These deficiencies have been acknowledged by the Related Party Committee and a plan is in place to address these observations as described within the Related Party Committee report on page 171.

We have considered any changes made to our key audit matters from the prior year, where our auditor's report included the following key audit matters:

Adjusted items - in the current year, the risk has not been identified as a separate key audit matter but is instead included within the significant disclosures key audit matter, following a significant reduction in the overall value of adjusted items and the accumulated effort of the engagement team in auditing these balances relative to other areas of the audit.

- Share based payments - in the current year, there are no share-based payments charges.
- Platform development costs - in the current year, this has been included as part of the key audit matter we have identified on the valuation of intangibles.
- Strategic and governance reporting - in the current year, we have articulated the key audit matter as being significant disclosures.

Our application of materiality

We apply the concept of materiality in planning and performing the audit, in evaluating the effect of identified misstatements on the audit and in forming our audit opinion.

Materiality

The magnitude of an omission or misstatement that, individually or in the aggregate, could reasonably be expected to influence the economic decisions of the users of the financial statements. Materiality provides a basis for determining the nature and extent of our audit procedures.

We determined materiality for the Group to be £8.7m (2020: £4.8m), which is 0.4% (2020: 0.3%) of group revenue. Based on our review of analysts' commentary, we believe that revenue is the most important benchmark for users of the financial statements. The increase in materiality is driven by both the increase in revenue which is the basis for materiality, and an increase from 0.3% to 0.4% in the percentage of revenue we have used for materiality.

We determined materiality for the parent company to be £7.6m (2020: 14.2m), which is 1% (2020: 1%) of equity, capped at the materiality assigned to the parent entity component for the audit.

During the course of our audit, we reassessed initial materiality set at the planning stage of the audit, but did not need to change the amount nor basis of materiality.

Performance materiality

The application of materiality at the individual account or balance level. It is set at an amount to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds materiality.

On the basis of our risk assessments, together with our assessment of the Group's overall control environment, our judgement was that performance materiality was 50% (2020: 50%) of our planning materiality, namely £4.8m (2020: £2.4m). We have set performance materiality at this percentage due to the level of errors identified through the course of the 2020 audit.

Audit work of components for the purpose of obtaining audit coverage over significant financial statement accounts is undertaken based on a percentage of total performance materiality. The performance materiality set for each component is based on the relative scale and risk of the component to the Group as a whole and our assessment of the risk of misstatement at that component. In the current year, the range of performance materiality allocated to components was £0.7m to £3.8m (2020: £0.4m to £2.2m), excluding performance materiality for the parent company.

Reporting threshold

An amount below which identified misstatements are considered as being clearly trivial.

We agreed with the Audit Committee that we would report to them all uncorrected audit differences in excess of £0.26m (2020: £0.15m), which is set at 3% (2020: 3%) of planning materiality, as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds.

We evaluate any uncorrected misstatements against both the quantitative measures of materiality discussed above and in light of other relevant qualitative considerations in forming our opinion.

Other information

The other information comprises the information included in the annual report set out on pages 1-204, including the strategic report and the Directors' report, other than the financial statements and our auditor's report thereon. The Directors are responsible for the other information contained within the annual report.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial themselves. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard. We refer to the section concerning our identified key audit matter on Significant Disclosures.

Corporate governance statement

As THG PLC have voluntarily complied with the UK Corporate Governance Code, we are required to review the directors' statement in relation to going concern, longer-term viability and that part of the Corporate Governance Statement relating to the group and company's compliance with the provisions of the UK Corporate Governance Code specified for our review.

Based on the work undertaken as part of our audit, we have concluded that each of the following elements of the Corporate Governance Statement is materially consistent with the financial statements or our knowledge obtained during the audit:

- Directors' statement with regards to the appropriateness of adopting the going concern basis of accounting and any material uncertainties identified set out on page 117.
- Directors' explanation as to its assessment of the company's prospects, the period this assessment covers and why the period is appropriate set out on page 117.
- Directors' statement on fair, balanced and understandable set out on page 157.
- Board's confirmation that it has carried out a robust assessment of the emerging and principal risks set out on page 105.
- The section of the Annual Report that describes the review of effectiveness of risk management and internal control systems set out on pages 105-116; and;
- The section describing the work of the Audit and Risk Committee set out on page 153.

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, the part of the directors' remuneration report to be audited has been properly prepared in accordance with the Companies Act 2006.

In our opinion, based on the work undertaken in the course of the audit:

- The information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements and those reports have been prepared in accordance with applicable legal requirements;
- The information about internal control and risk management systems in relation to financial reporting processes and about share capital structures, given in compliance with rules 7.2.5 and 7.2.6 in the Disclosure Rules and Transparency Rules sourcebook made by the Financial Conduct Authority (the FCA Rules), is consistent with the financial statements and has been prepared in accordance with applicable legal requirements; and
- Information about the company's corporate governance statement and practices and about its administrative, management and supervisory bodies and their committees complies with rules 7.2.2, 7.2.3 and 7.2.7 of the FCA Rules.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the group and the parent company and its environment obtained in the course of the audit, we have not identified material misstatements in:

- The strategic report or the directors' report;
- The information about internal control and risk management systems in relation to financial reporting processes and about share capital structures, given in compliance with rules 7.2.5 and 7.2.6 of the FCA Rules.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

- Adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us.
- The parent company financial statements and the part of the Directors' Remuneration Report to be audited are not in agreement with the accounting records and returns.
- Certain disclosures of directors' remuneration specified by law are not made.
- We have not received all the information and explanations we require for our audit.
- A Corporate Governance Statement has not been prepared by the company.

Responsibilities of Directors

As explained more fully in the Directors' responsibilities statement set out on page 127, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Directors are responsible for assessing the group and company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the group or the company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect irregularities, including fraud. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below.

However, the primary responsibility for the prevention and detection of fraud rests with both those charged with governance of the company and management.

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the group and determined that the most significant are those that relate to the reporting framework (IFRS, Companies Act 2006, the UK Corporate Governance Code, and the Listing Rules of the UK Listing Authority) and the relevant tax compliance regulations in the jurisdictions in which THG PLC operates. In addition, we concluded that there are certain significant laws and regulations that may have an effect on the determination of the amounts and disclosures in the financial statements and those laws and regulations relating to health and safety, employee matters, environmental, and bribery and corruption practices.
- We understood how THG PLC is complying with those frameworks by making enquiries of management, internal audit, those responsible for legal and compliance procedures and the Company Secretary. We corroborated our enquiries through our review of Board minutes, internal audit reports and papers provided to the Audit and Risk Committee and noted that there was no contradictory evidence.
- We assessed the susceptibility of the group's financial statements to material misstatement, including how fraud might occur. We identified fraud risks in our work on adjusted items and revenue recognition, and performed specific procedures which were responsive to the identified fraud risks.
- Based on this understanding we designed our audit procedures to identify non-compliance with such laws and regulations. Our procedures involved journal entry testing, with a focus on manual consolidation journals and journals indicating large or unusual transactions based on our understanding of the business; performing inquiries of internal and external legal counsel; reviewing material items the Group's legal expenses; and reviewing media coverage of the Group to identify whether there were matters that had not been brought to our attention through discussions with management. In addition, we completed procedures to conclude on the compliance of the disclosures in the Annual Report and Accounts with the requirements of the relevant accounting standards, UK legislation and the UK Corporate Governance Code 2016. We also engaged EY forensics specialists to assist with the performance of our procedures around compliance with applicable laws and regulations.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at https://www.frc.org.uk/auditorsresponsibilities.

This description forms part of our auditor's report.

Other matters we are required to address

- Following the recommendation from the Board, we were appointed by the company in 2021 to audit the financial statements for the year ending 31 December 2021 and subsequent financial periods.

- The period of total uninterrupted engagement including previous renewals and reappointments is 11 years, covering the years ending 31 December 2011 to 31 December 2021.

- The non-audit services prohibited by the FRC's Ethical Standard were not provided to the group or the parent company and we remain independent of the Group and the parent company in conducting the audit.

- The audit opinion is consistent with the additional report to the Audit Committee.

Use of our Report

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Karl Havers (Senior statutory auditor)

for and on behalf of Ernst & Young LLP,
Statutory Auditor

London
20 April 2022

Consolidated statement of comprehensive income for the year ended 31 December 2021

		2021	2020
		Total	Total
	Notes	£'000	£'000
Revenue	2	2,179,910	1,613,625
Cost of sales		(1,225,506)	(900,472)
Gross profit		954,404	713,153
Distribution costs		(429,940)	(350,260)
Administrative costs		(661,927)	(844,725)
Operating loss	3	(137,463)	(481,832)
Finance income	8	623	205
Finance costs	8	(49,447)	(53,012)
Loss before taxation		(186,287)	(534,639)
Income tax credit	9	48,213	2,010
Loss for the financial year		(138,074)	(532,629)

Other comprehensive (expense) income

Items that may be subsequently reclassified to profit or loss:

Exchange differences on translating foreign operations, net of tax		(272)	(582)
Net gain/(loss) on cash flow hedges		11,391	(4,991)
Total comprehensive expense for the financial year		(126,955)	(538,202)
Basic and diluted loss per share (£)	26	(0.13)	(0.66)

Earnings before interest, taxation, depreciation, amortisation, impairment and adjusted items (Adjusted EBITDA)

Operating loss		(137,463)	(481,832)
Adjustments for:			
Adjusted items – share based payments	4	-	331,624
Adjusted items – other	4	129,228	195,714
Depreciation	12,22	70,478	48,055
Amortisation	11	99,033	57,239
Adjusted EBITDA*		161,276	150,800

*Adjusted EBITDA is defined as operating profit before depreciation, amortisation and adjusted items.

The results for the year are derived from continuing activities. The comprehensive expense is 100% attributable to the owners of the Parent Company.

Consolidated statement of financial position as at 31 December 2021

	Notes	31 December 2021 £'000	31 December 2020 £'000
Non-current assets			
Intangible assets	11	1,506,292	674,293
Property, plant and equipment	12	335,620	240,221
Right-of-use assets	22	310,282	193,887
Investments		1,400	-
		2,153,594	1,108,401
Current assets			
Inventories	13	466,781	302,678
Trade and other receivables	15	263,929	246,546
Current tax asset		-	1,797
Other financial assets	14	2,700	15,849
Cash and cash equivalents	16	536,827	773,581
		1,270,237	1,340,451
Total assets		3,423,831	2,448,852
Equity			
Ordinary shares	23	6,684	6,061
Share premium		2,022,311	1,287,171
Merger reserve		615	615
Capital redemption reserve		523	523
Hedging reserve		(12,964)	(18,003)
Cost of hedging reserve		13,694	7,342
FX reserve		(1,094)	(822)
Retained earnings		(274,015)	(138,361)
		1,755,754	1,144,526
Non-current liabilities			
Borrowings	18	489,113	524,288
Derivative financial liabilities	14	-	2,563
Lease liabilities	22	305,831	207,274
Provisions	19	15,623	-
Deferred tax	21	73,766	5,944
		884,333	740,069
Current liabilities			
Contract liability	20	36,143	32,912
Trade and other payables	17	676,563	499,698
Borrowings	18	752	1,871
Current tax liability		4,118	-
Lease liabilities	22	43,342	28,911
Provisions	19	883	865
Other financial liabilities	14	21,943	-
		783,744	564,257
Total liabilities		1,668,077	1,304,326
Total equity and liabilities		3,423,831	2,448,852

The financial statements on pages 221 to 271 were approved by the Board of Directors on 20 April 2022 and were signed on its behalf by:

J A Gallemore

Director
Registered number: 06539496

Consolidated statement of changes in equity for the year ended 31 December 2021

	Note	Ordinary shares	Share premium	Employee benefit scheme reserve	Merger reserve	Capital redemption reserve	FX reserve	Hedging reserve	Cost of hedging reserve	Retained earnings	Total equity
	Note	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Balance at 1 January 2020		4,381	230,718	175	615	523	(240)	(6,134)	464	237,183	467,685
Loss for the year		-	-	-	-	-	-	-	-	(532,629)	(532,629)
Other comprehensive expense:											
Impact of foreign exchange		-	-	-	-	-	(582)	-	-	-	(582)
Movement on hedging instruments		-	-	-	-	-	-	(11,869)	6,878	-	(4,991)
Total comprehensive (expense)/income for the period		-	-	-	-	-	(582)	(11,869)	6,878	(532,629)	(538,202)
Issue of ordinary share capital		2,079	1,056,453	-	-	-	-	-	-	(100,087)	958,445
Share buy-backs		(399)	-	-	-	-	-	-	-	(1,506)	(1,905)
Share-based payments	7	-	-	-	-	-	-	-	-	331,624	331,624
Deferred tax effect of share-based payments	21	-	-	-	-	-	-	-	-	2,966	2,966
Impact of non-equity settlement of previous share-based payment schemes	27	-	-	(175)	-	-	-	-	-	(75,912)	(76,087)
Balance at 31 December 2020		6,061	1,287,171	-	615	523	(822)	(18,003)	7,342	(138,361)	1,144,526
Balance at 1 January 2021		6,061	1,287,171	-	615	523	(822)	(18,003)	7,342	(138,361)	1,144,526
Loss for the year		-	-	-	-	-	-	-	-	(138,074)	(138,074)
Other comprehensive expense:											
Impact of foreign exchange		-	-	-	-	-	(272)	-	-	-	(272)
Movement on hedging instruments		-	-	-	-	-	-	5,039	6,352	-	11,391
Total comprehensive (expense)/income for the period		-	-	-	-	-	(272)	5,039	6,352	(138,074)	(126,955)
Issue of ordinary share capital		623	735,140	-	-	-	-	-	-	-	735,763
Deferred tax effect in equity	21	-	-	-	-	-	-	-	-	2,420	2,420
Balance at 31 December 2021		6,684	2,022,311	-	615	523	(1,094)	(12,964)	13,694	(274,015)	1,755,754

Consolidated statement of cash flows for the year ended 31 December 2021

		2021	2020
	Notes	£'000	£'000
Cash flows from operating activities before adjusted cash flows			
Cash generated from operations	25	95,954	176,949
Income tax paid		(7,095)	(3,104)
Net cash generated from operating activities before adjusted cash flows		88,859	173,845
Cash flows relating to adjusted items		(65,528)	(98,277)
Net cash generated from operating activities		23,331	75,568
Cash flows from investing activities			
Acquisition of subsidiaries net of cash acquired	10	(768,490)	(101,949)
Divestment of subsidiaries	27	-	(10,003)
Purchase of investments		(1,400)	-
Purchase of property, plant and equipment		(111,553)	(174,886)
Purchase of intangible assets		(77,620)	(64,486)
Interest received	8	323	205
Net cash used in investing activities		(958,740)	(351,119)
Cash flows from financing activities			
Proceeds from issuance of ordinary shares net of fees		760,230	905,823
Share buy-backs		-	(1,905)
Interest paid		(25,359)	(35,383)
Repayment of bank borrowings		-	(168,221)
Proceeds from bank borrowings		-	53,791
Repayment of lease liabilities	22	(36,216)	(17,206)
Net cash flow from financing activities		698,655	736,899
Net (decrease) increase in cash and cash equivalents		(236,754)	461,348
Cash and cash equivalents at the beginning of the year		773,581	312,233
Cash and cash equivalents at the end of the year	16	536,827	773,581

Notes to the consolidated financial statements

Basis of preparation

The consolidated financial statements, and the Company financial statements, have been prepared in accordance with UK-adopted international accounting standards (IFRS) and, as regards the parent company financial statements, as applied in accordance with the provisions of the Companies Act 2006. The company has taken advantage of section 408 of the Companies Act 2006 not to present the parent company profit and loss account. The financial statements have been prepared on the historical cost basis, except for derivatives which are held at fair value.

The accounting policies adopted by the Group in the current year are consistent with those adopted during the year ended 31 December 2020, except for the adoption of new accounting standards and amendments to existing standards in 2021 as set out below:

- *Amendments to IFRS 4, IFRS 7, IFRS 9, IFRS 16 and* IAS 39 Interest Rate Benchmark Reform Phase 2.

The amendments noted above do not have a significant impact on the Group's financial statements.

There are no standards, interpretations or amendments to IFRS that have been issued but are not yet effective that are expected to have a material impact on the Group's financial statements.

Going concern

Accounting standards require that Directors satisfy themselves that it is reasonable for them to conclude on whether or not it is appropriate to prepare financial statements on the going concern basis. There has been no material uncertainty identified that would cast significant doubt upon the Group's ability to continue using the going concern basis of accounting for the 12 months to April 2023.

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 on pages 1-118.

Having experienced two years of the impact of Covid-19, management consider the impacts on THG to be well understood and the impact of the pandemic that was considered in the previous budget process has continued to be recognised this cycle. The Group's strategic planning cycle includes an annual Budget process, which is reviewed by the Board. This planning process involves modelling under a series of assumptions. Severe but plausible downside scenarios were also modelled setting out impacts of a combination of the principal risks, as well as a reverse stress test to identify what would be required to either breach covenants or run out of liquidity. This process is led by the Group CFO, Commercial Director and Deputy Group CFO along with the Board and Executive Chair and CEO providing further direction to align strategic initiatives. Focus has also been placed on forecasting at a divisional level this year, the Group are on track to complete the separation of the business units in 2022. The Directors of the Group review its Budget periodically, which is revisited and revised as appropriate in response to evolving market conditions.

In considering the Group's financial position the Directors have considered:

- Expected future growth of trading businesses.
- The committed and expected pipeline of its Ingenuity business.
- Margins expected to be achieved in the future.
- Wider market and industry-specific factors.

The Directors have also considered the liquidity of the Group as well as available facilities and note that as at the balance sheet date, the Group had a total of £170m in undrawn facilities, along with £537m readily available cash held on the balance sheet. Net debt at this date was £302m (note 18) and net cash of £44m before the inclusion of IFRS 16 lease liabilities.

In December 2019, the Group entered into a €600m seven-year loan facility agreement due to mature in December 2026 and an undrawn £170m Revolving Credit Facility ("RCF") due to mature in December 2024. There are no key covenants attached to the €600m loan facility, but the covenants attached to the RCF are linked to gross debt leverage and become effective when the facility is drawn upon. This facility is not currently drawn down, and not forecast to be drawn in the future period.

The Directors are of the opinion that the Group's forecasts and projections, which they believe are based on an appropriate assessment of the market and past experience taking account of reasonably possible changes in trading performance given current market and economic conditions, show that the Group should be able to operate within the current facility and comply with its banking covenants in the event that the RCF facilities are drawn upon. The Directors have modelled a range of scenarios, including a base case which has been stress tested to consider downside risks and a reverse stress test, over a three-year period. Further details of the Group's considerations are provided in the Viability Statement and Going Concern Statement on page 117.

As a result of the analysis performed, including potential severe but plausible scenarios, the Board believes that the Group is able to adequately manage its financing and principal risks and that the Group will be able to operate within the level of its facilities and meet the required covenants for the going concern assessment period. Based on the above activity, the Directors are satisfied that it is appropriate to prepare the financial statements of the Group on a going concern basis.

1. Accounting policies

The Group's key accounting policies are set out below. These policies have been prepared on the basis of the recognition and measurement requirements of IFRS standards in effect that apply to accounting periods beginning on or after 1 January 2021 and have been applied to 2020 comparatives where applicable.

a. Basis of consolidation

The Group financial statements consolidate those of the Company and all its subsidiary undertakings drawn up to 31 December 2021. Subsidiaries are all entities over which the Group has control. When the end of the reporting period of a subsidiary is not 31 December, the subsidiary prepares, for consolidation purposes, additional financial information as of the same date as the financial statements of the Group.

All transactions and balances between Group companies are eliminated on consolidation, including unrealised gains and losses on transactions between Group companies. Where unrealised losses on intra-Group asset sales are reversed on consolidation, the underlying asset is also tested for impairment from a Group perspective.

Amounts reported in the financial statements of subsidiaries have been adjusted where necessary to ensure consistency with the accounting policies adopted by the Group. Profit or loss and other comprehensive income of subsidiaries acquired or disposed of during the year are recognised from the effective date of acquisition, or up to the effective date of disposal, as applicable.

b. Business combinations

Business combinations are accounted for using the acquisition method under IFRS 3 'Business Combinations'. The consideration transferred by the Group to obtain control of a subsidiary is calculated as the sum of the acquisition-date fair values of assets transferred, liabilities incurred and the equity interests issued by the Group, which includes the fair value of any asset or liability arising from a contingent consideration arrangement. Acquisition costs are expensed as incurred.

The Group recognises identifiable assets acquired and liabilities assumed, including contingent liabilities, in a business combination regardless of whether they have been previously recognised in the acquiree's financial statements prior to the acquisition. Assets acquired and liabilities assumed are measured at their acquisition-date fair values. These fair values can be re-assessed for a period of 12 months from the date of acquisition based on information available at the date of acquisition. Goodwill is stated after separate recognition of other identifiable intangible assets. It is calculated as the excess of the sum of a) fair value of consideration transferred, b) the recognised amount of any non-controlling interest in the acquiree and c) acquisition-date fair value of any existing equity interest in the acquiree, over the acquisition-date fair values of identifiable net assets. If the fair values of identifiable net assets exceed the sum calculated above, the excess amount (i.e. gain on a bargain purchase) is recognised in profit or loss immediately.

In determining whether a transaction is a business combination or an asset purchase, the Group considers the inputs, processes and outputs acquired in accordance with IFRS 3.

c. Revenue

Revenue consists primarily of direct to consumer (D2C) internet sales along with business to business (B2B) sales.

D2C and B2B sales

Identifying performance obligations: For D2C and B2B sales the performance obligation is the delivery of the goods purchased by the customer. Control of goods is transferred upon delivery of the product to the customer.

Identifying the transaction price: For D2C sales, the customer pays in full at the point of sale, with the transaction price allocated to individual goods purchased. A contract liability is recognised until the related goods have been delivered. For B2B sales, the customer pays in line with the agreed credit terms.

Revenue is shown net of returns, with expected sales returns estimated based on historical return data applied to sales. These returns are accounted for at the lower of cost or net realisable value. A right of return asset (and corresponding adjustment to cost of sales) is also recognised for the right to recover the goods from the customer.

Allocation of transaction price to performance obligations: In general, the whole transaction price is allocated to the performance obligation. Where a customer purchases multiple goods within one transaction, the transaction price is allocated to those goods based on relative stand-alone selling prices.

Revenue recognition: Revenue is recognised at the point of time when the customer receives the goods, shown net of returns.

Revenue from contracts

Identification of performance obligations: THG Ingenuity Commerce contracts often have multiple performance obligations that include but are not limited to: creation of digital assets, marketing services, stock management, fulfilment, customer support services and access to THG's Ingenuity platform. Each contract is reviewed individually once signed and is assessed to identify the separate performance obligations. In a typical Ingenuity Commerce contract, all goods and services provided are considered to be "distinct" as the client can derive independent benefit from each service provision and the promise to transfer services to the customer is separately identifiable. These contracts contain multiple performance obligations.

Determining transaction prices: Transaction prices are agreed in advance of the commencement of the work and are outlined within the signed contract. The amount agreed per service is deemed to be the fair value of the service provision. Consideration receivable is usually at a fixed price, however there are some elements that will flex dependent on order volume and sales levels, for example operations revenues made up of fulfilment fees and revenue share income. The charging structure for such transactions is clearly detailed within the signed contract.

Allocation of transaction price to performance obligations: Where contracts cover multiple performance obligations, the transaction price is allocated on a basis that is consistent with the sale of each performance obligation in isolation.

Revenue recognition: Within certain Ingenuity contracts, the amount of revenue recognised depends on whether the Group are acting as an agent or principal. The Group acts as principal when it has control of the specified good or service prior to transfer to the customer. Where the Group acts as principal, the revenue recorded is the gross amount billed. Where the Group is an agent, predominantly relating to revenue share arrangements, revenue from the customer and costs with suppliers are reported on a net basis representing the net margin earned. Whether the Group is acting as principal or agent depends on management's analysis of both legal form and substance of the agreement between the Group and its business partners.

The allocated transaction price is recognised from the point at which the customer starts to benefit from the service and over the time the service is provided. For marketing services, stock management, fulfilment, customer support services and access to THG's Ingenuity platform these are recognised when the service is provided.

The creation of digital assets revenue is recognised on a percentage completion basis as the work is performed because the work does not create an asset with an alternative use and the Group has a right to payment for the work performed at each point in time.
Revenue which is invoiced in advance is recorded as a contract liability on the balance sheet and released to the statement of comprehensive income account over the periods in which the services are provided.

Costs associated with obtaining a contract with a customer that would not have been incurred if the contract had not been obtained are recognised as an asset where they are expected to be recoverable and depreciated over the life of the contract. Costs to obtain a contract that would have been incurred regardless of whether the contract was obtained or not are recognised as an expense when incurred, unless those costs are explicitly chargeable to the customer regardless of whether the contract is obtained.

Revenue recognised under IFRS 16

Revenues from Internet hosting contracts are recognised under IFRS 16 as the Group is considered a lessor in these transactions. Income from hosting contracts is recognised on a straight-line basis from the commencement date over the lease term as the performance obligation is settled over the life of the contract. Any initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income.

Revenue from memberships

Fees recognised in respect of memberships are recorded on a straight-line basis over the membership period.

Barter income

For some of its monthly subscription offerings, THG receives goods for inclusion in its subscription boxes from business partners in return for the marketing exposure received by those products being included in our subscription box. The goods are recognised as stock when received and held at their fair value. When the box is sold, the revenue for providing those marketing services is recognised with an equal and offsetting entry recorded in cost of goods sold.

d. Adjusted items

The business is managed and measured on a day-to-day basis using underlying results (Adjusted EBITDA). This is an important metric utilised within the business to monitor performance and guide strategic business decisions. The metric captures the Group's view of underlying trading performance after excluding non-recurring items and initial investment/set-up costs related to establishing the Group's warehousing and logistics facilities. Further details of the categories considered as adjusting items are detailed in note 4. Management applies judgement in determining which items should be excluded from adjusted EBITDA. The considerations factored into this judgement include but are not limited to:

- Nature of the item.
- Significance of the item on the financial results.
- Managements expectation on the recurring or non-recurring nature of the item.

These are items which are material in nature and include, but are not limited to, costs relating to acquisitions, disposals and significant events or projects, some of which span multiple years.

Although categories of adjusted items may appear across multiple periods, the underlying event driving that cost or income is often non-recurring.

These items are excluded from adjusted EBITDA as management believe their inclusion distorts the underlying trading performance. This is consistent with the way that financial performance is measured by management and reported to the Board. For further details, refer to note 4

e. Share based payments

The Group operates share-based compensation plans, under which the Group receives services from employees as consideration for equity instruments (options or growth shares) of the Company. The fair value of the employee services received in exchange for the grant of the equity instruments is recognised as an expense in the statement of comprehensive income. Non-market vesting conditions are included in assumptions about the number of equity instruments that are expected to vest. The total expense is recognised over the vesting period, which is the period over which all the specified vesting conditions are to be satisfied. At the end of each reporting period, the Group revises its estimates of the number of equity instruments that are expected to vest based on the non-market vesting conditions along with taking account of any equity instruments that may have been cancelled or modified in the period. It recognises the impact of the revision to original estimates, if any, in the statement of comprehensive income with a corresponding adjustment to equity. When the equity instruments are exercised or growth shares in the Group are issued to employees, the Company issues new shares. Of the proceeds received on exercise or issue of growth shares, an amount equal to the nominal value of the shares issued is credited to the share capital account and an amount equal to the share premium, net of directly attributable transaction costs, is credited to the share premium account. Where an equity-settled award is cancelled (including when a non-vesting condition within the control of the entity or employee is not met), it is treated as if it had vested on the date of cancellation and any cost not yet recognised in the statement of comprehensive income for the award is expensed immediately. Any compensation paid up to the fair value of the award at the cancellation or settlement date is deducted from equity, with any excess over fair value being treated as an expense in the statement of comprehensive income.

f. Intangible assets

Goodwill

Goodwill represents the excess of the cost of acquisitions over the Group's interest in the fair value of the identifiable assets and liabilities (including intangible assets) of the acquired entity at the date of acquisition. Goodwill is recognised as an asset and assessed for any indications of impairment at least annually. Any impairment is recognised immediately in the statement of comprehensive income.

For the purposes of impairment testing, goodwill is reviewed by assessing the cash-generating unit that has benefited from the acquisition. If the recoverable amount of the cash-generating unit is less than its carrying amount, then the impairment loss is allocated first to reduce the carrying amount of the goodwill allocated to the unit and then to the other assets of the unit on a pro rata basis.

On disposal of a subsidiary, the attributable amount of goodwill is included in the determination of the profit and loss on disposal.

Platform development costs

The costs of acquiring and developing the platform and websites is capitalised separately as an intangible asset. Capitalised website costs include direct costs of materials, services, directly attributable overheads, payroll and payroll-related costs for employees who are directly associated with website development projects.

Intellectual property

This includes separately acquired customer lists, domain and trade names, and other intellectual property, including customer lists acquired as part of business combinations. Separately acquired intangible assets are measured at cost on initial recognition. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and impairment losses

Brands

Brands arising from business combinations are recognised at fair value on acquisition date. An assessment is made on the useful economic life, and the intangible asset is subsequently amortised over that life. The useful economic life is reviewed on an annual basis to confirm that the useful life continues to be supportable.

Other intangible assets

Costs associated with developing new products are capitalised as an intangible asset, including directly associated costs.

Intangible assets are amortised on a straight-line basis over their estimated useful economic life. Amortisation is charged to the statement of comprehensive income, classified in expenses depending on the nature of the asset. The estimates of useful economic lives are reviewed on an annual basis and any changes are treated as changes in accounting estimates.

Where computer software is not an integral part of a related item of computer hardware, the software is treated as an intangible asset. Computer software is capitalised on the basis of the costs incurred to acquire and bring to use the specific software. Amortisation is provided on the cost of software and is calculated on a straight-line basis over the useful life of the software.

The following useful economic lives are applied:

Platform development costs	1-5 years
New product development	1-5 years
Brands	5-20 years
Intellectual property (including customer lists, domain and trade names)	2-20 years
Computer software	1-10 years

g. Property, plant and equipment

Property, plant and equipment are stated at historic purchase cost less accumulated depreciation. Cost includes the original purchase price of the asset and the costs attributable to bringing the asset to its working condition for its intended use. Depreciation is provided at the following annual rates in order to write off each asset on a systematic basis over its estimated useful economic life. Depreciation is charged to the statement of comprehensive income, classified in expenses depending on the nature of the asset.

At each reporting date, property, plant and equipment is reviewed for impairment if events or changes in circumstances indicate that the carrying amount may not be recoverable. When a review for impairment is conducted, the recoverable amount is assessed by reference to the net present value of expected future pre-tax cash flows of the relevant cash-generating unit or fair value, less costs to sell if higher. Any impairment in value is charged to profit or loss in the period in which it occurs.

Plant and machinery	5-10 years
Fixtures and fittings	3-20 years
Computer equipment and software	1-10 years
Freehold buildings	20-50 years
Motor vehicles	3-7 years
Leasehold improvements	Lower of lease term or asset life

h. Borrowing costs

Borrowing costs incurred in relation to bringing into use both tangible and intangible assets are capitalised as the expenditure is incurred on such assets and subsequently depreciated in line with the useful economic life of the relevant asset.

The Group has a supply chain financing agreement in place to support the cash flow of its external suppliers. The funding is provided by two of the Group's relationship banks and gives certain suppliers the flexibility to receive early payments on specific invoices. All early payments are processed by the funding bank and the Group settles the original invoice amount with the funders at the original invoice due date. The outstanding balances due to suppliers are recorded within trade payables.

i. Inventories

Inventories are valued at the lower of cost and net realisable value, on a weighted average cost basis. Cost of purchase comprises the purchase price including import duties and other taxes, transport and handling costs and any other directly attributable costs, less trade discounts. A provision is made to write down any slow-moving or obsolete inventory to net realisable value.

j. Financial instruments

The following are deemed to be financial assets and liabilities within the scope of IFRS 9.

Derivative financial instruments

The Group uses derivative financial instruments, such as foreign currency swaps, to hedge its foreign currency risks. The Group also values options either from a third party to acquire shares within the Group or divisions or where the Group holds an option to acquire shares in a third party. Derivative financial instruments are recognised initially and subsequently at fair value. The gain or loss on remeasurement to fair value is recognised immediately in the statement of comprehensive income. However, where derivatives qualify for hedge accounting, recognition of any resultant gain or loss depends on the nature of the item being hedged. The sale and purchase of derivative financial instruments are non-speculative.

Cash flow hedges

Where a derivative financial instrument is designated as a hedge against the variability in cash flows of a recognised asset or liability, or a highly probable forecast transaction, any gain or loss on the effective part of the derivative financial instrument is recognised in other comprehensive income and accumulated within the hedging reserve. The gain or loss on any ineffective portion of the hedge is recognised immediately in the statement of comprehensive income. Hedge accounting is discontinued when the hedging instrument no longer meets the criteria for hedge accounting, expires, or is sold, terminated or exercised. The cumulative gain or loss previously recognised in the hedging reserve remains there until the forecast transaction occurs. The cumulative gain or loss in the hedging reserve is transferred to the statement of comprehensive income in the same period that the hedged item affects profit or loss.

Gain or loss on a portion of a derivative designated as a hedging instrument that is excluded from that hedging relationship is captured in the cost of hedging reserve.

Trade and other receivables

Trade and other receivables are non-interest bearing and are initially recognised at fair value. Subsequently they are measured at amortised cost using the effective interest rate method less loss allowance. The Group measures the loss allowance at an amount equal to lifetime expected credit losses.

Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and in hand and short-term deposits with an original maturity of three months or less. Cash and cash equivalents include amounts receivable from banks for credit and debit card transactions which clear the bank shortly after the transaction takes place.

For the purposes of the consolidated statement of cash flows, cash and cash equivalents consist of cash and short-term deposits, as defined, net of outstanding bank overdrafts as they are repayable on demand.

Financial liabilities

Financial liabilities within the scope of IFRS 9 are classified as financial liabilities at amortised cost. The Group has no financial liabilities at fair value through profit and loss.

Trade and other payables

Trade and other payables are non-interest bearing and are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method. Within trade and other payables, returns recognised under IFRS 15 (representing the liability for potential returns from customers) are captured within accruals.

Bank borrowings

Interest-bearing bank loans and overdrafts are initially recorded at fair value, which equals the proceeds received, net of direct issue costs. Finance charges, including premiums payable on settlement or redemption and direct issue costs, are accounted for using an effective interest rate method and are added to the carrying amount of the instrument to the extent that they are not settled in the period in which they arise.

k. Supplier income

Supplier income comprises retrospective rebates and discounts. They are receivable in respect of goods which have been sold and are initially recognised as accrued income. The retrospective rebates are analysed per supplier basis and accrued income is adjusted accordingly based on quarterly assessment of variables impacting expected rebates. All retrospective rebates and discounts received and receivable are deducted from cost of sales when the sale to the third party has been completed.

l. Contract liabilities

A contract liability is the obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer. If a customer pays consideration before the Group transfers goods or services to the customer, a contract liability is recognised when the payment is made or the payment is due (whichever is earlier). Contract liabilities are recognised as revenue when the Group performs under the contract.

m. Leases

The Group assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Group as a lessee

The Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

Right-of-use assets

The Group recognises right-of-use assets at the commencement date of the lease (i.e. the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred and lease payments made at or before the commencement date, less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets, as follows:

Plant and machinery	1– 6 years
Motor vehicles	3–6 years
Buildings	1–28 years

Lease liabilities

At the commencement date of the lease, the Group recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating the lease, if the lease term reflects the Group exercising the option to terminate.

In calculating the present value of lease payments, the Group uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments (e.g. changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset.

The Group's lease liabilities are included in interest-bearing loans and borrowings.

Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to its short-term leases (i.e. those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases that are considered to be low value. Lease payments on short-term leases and leases of low-value assets are recognised as an expense on a straight-line basis over the lease term.

Group as a lessor

Leases in which the Group does not transfer substantially all the risks and rewards incidental to ownership of an asset are classified as operating leases. Rental income arising is accounted for on a straight-line basis over the lease terms and is included in revenue in the statement of profit or loss due to its operating nature. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income. Contingent rents are recognised as revenue in the period in which they are earned.

Sale and leaseback accounting

The Group applies sale and leaseback accounting in accordance with IFRS 16 'Leases'. Specifically, the Group recognises the gain or loss on the sale and leaseback transaction by recognising the proportion relating to rights transferred to the buyer directly to the income statement.

Dilapidations provisions

Dilapidations provisions relate to leased properties. Dilapidations provisions are made based on the best estimate of the likely committed cash outflow and discounted to net present value. The provision, when recognised increases the right-of-use asset. Dilapidations provisions are expected to be used at or by the end of the lease term.

n. Taxation

The tax expense included in the statement of comprehensive income and statement of changes in equity comprises current and deferred tax.

Current tax is the expected tax payable based on the taxable profit for the period and the tax laws that have been enacted or substantively enacted by the reporting date. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate, based on amounts expected to be paid to the tax authorities. Current and deferred tax is charged or credited in the statement of comprehensive income, except when it relates to items charged or credited directly to equity, in which case the current or deferred tax is also recognised directly in equity.

Deferred tax is recognised on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the tax profit nor the accounting profit. The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered. Deferred tax is calculated at the tax rates (and laws) that are expected to apply in the period when the liability is settled, or the asset is realised.

Tax assets and liabilities are offset where there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred tax assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities and where there is an intention to settle the balances on a net basis.

o. Foreign currency translation

Functional and presentational currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The consolidated financial statements are presented in Sterling which is also the parent company's functional currency.

Transactions and balances

Transactions denominated in foreign currencies are translated into the functional currency at the exchange rates prevailing on the date of the transaction.

Monetary assets and liabilities denominated in foreign currencies are translated into Sterling at the rates of exchange at the reporting date. Exchange differences on monetary items are taken to the statement of comprehensive income.

Group companies

On consolidation, the assets and liabilities of foreign operations are translated into the presentational currency of the Group at the rate of exchange prevailing at the reporting date and their statements of comprehensive income are translated at exchange rates prevailing at the dates of the transactions. The exchange differences arising on translation for consolidation are recognised in other comprehensive income.

On disposal of a foreign operation, the component of OCI relating to that foreign operation is recognised in the statement of comprehensive income.

p. Government grants

Government grants are recognised where there is reasonable assurance that the grant will be received and all attached conditions will be complied with. When the grant relates to an expense item, it is recognised as income on a systematic basis over the periods that the related costs, for which it is intended to compensate are expensed. When the grant relates to an asset, it is recognised as income in equal amounts over the expected useful life of the related asset.

q. Earnings per share

Basic earnings per share (EPS) is calculated by dividing the profit or loss for the year attributable to ordinary equity holders of the parent by the weighted average number of ordinary shares outstanding during the year.

Diluted EPS is calculated by dividing the profit or loss attributable to ordinary equity holders of the parent by the weighted average number of ordinary shares outstanding during the year plus the weighted average number of ordinary shares that would be issued on conversion of all the dilutive potential ordinary shares into ordinary shares, to the extent that the inclusion of such shares is not anti-dilutive.

r. Critical accounting judgements and key sources of estimation uncertainty

In the application of the Group's accounting policies, management is required to make judgements (other than those involving estimations) that have a significant impact on the amounts recognised and to make estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are relevant. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods. The most critical accounting judgements or key sources of estimation uncertainty are detailed as follows:

Critical accounting judgements

Capitalisation and amortisation of platform development costs

Costs capitalised as platform development costs include direct external costs such as consultancy costs and internal payroll costs. The capitalisation of internal costs is based on the amount of time spent by employees on capital projects. Judgement is applied in determining which costs meet the IAS 38 criteria for capitalisation as development costs, dependent on the type of cost and the project, along with the appropriate element of employee time capitalised. Refer to note 11 for details of capitalised platform development costs. The useful economic life of the platform is between one and five years, dependent on the type of development work capitalised. The estimate of useful economic life is reviewed on a regular basis to ensure that this continues to be appropriate.

Adjusted items

The identification of adjusted items depends on management judgement in identifying and quantifying amounts deemed to be adjusting or not reflective of the underlying performance of the Group. The key elements management take into consideration include, but are not limited to:

- The underlying nature of the item.
- Whether management believe the item is recurring in nature, or if it represents a one off distortion of the underlying results of the business.
- Size of the impact of the item.

Refer to note 4 for details of each class of adjusted items.

Impairment reviews

The Group is required to review goodwill, brands and intellectual property with indefinite lives annually to determine if any impairment has occurred. Intangible assets with finite lives are reviewed for impairment if events or changes in circumstances indicate that the carrying amount may not be recoverable. The identification of cash-generating units ("CGUs") is a judgement exercised by management, who consider the interoperability of the Group's asset base, along with the ability to identify separable series of cash flows attached to those assets.

There has been a judgement made in light of the ongoing work to separate the business units of the Group regarding how many CGUs are in place at 31 December 2021. More information has been provided within note 11.

When a review for impairment is conducted, the recoverable amount of the CGU is determined based on value-in-use calculations and fair value less costs to sell where appropriate. The recoverable amount is calculated using management's assumptions and estimates. The key estimates are growth rates and discount rates applied. Refer to note 11 for further details of calculations.

Key sources of estimation uncertainty

Goodwill and intangible asset valuation

The Group has made several acquisitions in the year, and in doing so recognised a number of intangible assets on consolidation, including Brands, Customer Lists, and Goodwill (refer to note 11).

In valuing these intangibles assets, management are required to use judgement to estimate their fair value. Intangible assets identified on acquisition are brand names, customer lists and intellectual property. The material assumptions used include cash flow forecasts of the entity (including growth rates and royalty rates), customer retention rates and the contributory asset charges. To assist in this work, the Group engages external valuation experts for a number of acquisitions to assess the fair values of intangible assets. Management review the work carried out by these external valuation experts and assess the outcome. The fair values of the acquired entities' balance sheets are also assessed to ensure that the values reflect the fair value of all acquired assets and liabilities.

SBM option valuation

The Group entered into an Option and Collaboration agreement on 10 May 2021 with SBM. The SBM option agreement gives SBM the opportunity to invest $1.6bn in THG Ingenuity for a 19.9% equity interest, implying an enterprise value of $6.3bn for Ingenuity. The option is treated as a derivative instrument and significant judgement is required to estimate its fair value. The Group has used independent specialists to assist in this valuation. This has been fair valued using a Black-Scholes model utilising market corroborated inputs including comparable market multiples and future revenue forecasts. Judgement has been applied in selecting appropriate comparable market comparators and when applying volatility and timing assumptions. The option has been valued at £0.6m and is included as an adjusted non-cash, finance charge at the year. More information, including the valuation method, is included within note 14.

Inventory provisioning

The Group holds levels of stock sufficient to meet the forecasted demand of its customers. As part of this, a provision is recognised to ensure that the balance sheet value of stock held is at the lower of cost and net realisable value in accordance with IAS 2. As part of the provisioning process, managements consideration includes, but is not limited to: age of stock, type of stock, and inventory acquired through business combinations. Refer to note 13 for further details on inventory.

Other judgements and other sources estimation uncertainty

Climate change

In preparing the consolidated financial statements management has taken into consideration the impact of climate change. Considerations include, but are not limited to:

- The identification of costs which have been committed to which have been included within forecasts where appropriate.
- The impact of climate change on a number of key estimates which the Group has included within forecasts where appropriate.
- The impact of the Group's investments in sustainable businesses, evidenced in the acquisition of companies such as More Trees, Preston Plastics and Indigo Environmental (note 10) to aid the Group's movement towards its sustainability targets.

These considerations have not identified any significant impacts from our climate commitments and therefore do not have a material impact on the financial statements or reporting judgements and estimates.

Revenue recognition – Principal vs. Agent

Within certain Ingenuity contracts, the amount of revenue recognised depends on whether the Group are acting as an agent or principal. The Group acts as principal when it has control of the specified good or service prior to transfer to the customer. Where the Group acts as principal, the revenue recorded is the gross amount billed. Where the Group is an agent, predominantly relating to revenue share arrangements, revenue from the customer and costs with suppliers are reported on a net basis representing the net margin earned. Whether the Group is acting as principal or agent depends on management's analysis of both legal form and substance of the agreement between the Group and its business partners.

2. Segmental reporting and revenue

The Directors have assessed the criteria and considerations under IFRS 8 'Operating Segments' in order to identify operating segments within the Group. The Directors concluded that the Group has one segment, as the Ingenuity platform underpins the Group's operations. The Chief Operating Decision Maker (CODM) is the Chief Executive, who makes the key operating decisions for the business. The CODM receives daily financial information at the combined Group level, and uses this information to allocate resources, make operating decisions and monitor the performance of the Group as a whole. While the Group only has one operating segment, to increase transparency, the Group has included additional voluntary disclosure analysing revenue split by division.

	2021	2020
	£'000	£'000
Beauty	1,117,835	751,621
Nutrition	659,531	562,327
Ingenuity	194,273	137,275
Other	208,271	162,402
Total	2,179,910	1,613,625

Beauty relates to website and business to business sales of owned and third-party Beauty brands. Nutrition relates to sales of products from wholly-owned nutrition brands. Ingenuity revenue relates to the provision of services relating to the web platform, alongside revenue generated from product development, marketing and fulfilment for third-party clients (revenue recognised under IFRS 15), and revenue from web hosting (revenue recognised under IFRS 16). Additionally, THG Eco which is new in 2021, has been included within Ingenuity to provide sustainability solutions and consulting services for THG's own operations, THG's suppliers, partners and customers. Other relates to revenue generated from THG OnDemand, THG Experience and THG Luxury.

Ingenuity revenue is contract based and therefore an element is recognised over time; all other revenue streams are recognised at a point in time. Of the total revenues recognised for THG Ingenuity, £75.6m (2020: £66.8m) is recognised over time.

Below is an analysis of revenue by region (by destination):

	2021	2020
	£'000	£'000
UK	909,452	622,663
USA	406,489	207,835
Europe	458,027	397,216
Rest of the world	405,942	385,911
	2,179,910	1,613,625

As the Group operates as one segment, no measure of segmental assets or liabilities is disclosed in this note. As part of the planned separation of business units in H1 FY22, the Group are reviewing the segmental reporting and will update this as required by IFRS 8 in 2022.

The Group's non-current assets by geography are as follows:

	2021	2020
	£'000	£'000
UK	1,891,133	1,041,405
Europe	37,966	48,894
Rest of the world	224,495	18,102
	2,153,594	1,108,401

3. Operating loss

	Note	2021 £'000	2020 £'000
Operating loss has been arrived at after charging/(crediting):			
Employee costs	6	260,892	171,368
Share-based payments	7	-	331,624
Depreciation on fixed assets	12	38,269	33,813
Depreciation on right-of-use assets	22	32,209	14,242
Amortisation of intangibles	11	99,033	57,239
Government grants		(1,662)	(1,065)
Net foreign exchange gain		444	(574)

4. Adjusted items

These are items which are material in nature and include, but are not limited to, costs relating to acquisitions, disposals and significant events or programmes, some of which span multiple years. These items are excluded from adjusted EBITDA as management believe their inclusion distorts the underlying trading performance. This is consistent with the way that financial performance is measured by management and reported to the Board.

	Note	2021 £'000	2020 £'000
Within distribution costs			
Transportation, delivery and fulfilment costs in relation to Covid-19		26,628	39,175
Commissioning – new facilities		16,384	15,907
Decommissioning – legacy facilities		-	158
		43,012	55,240
Within administrative costs			
Share-based payments		-	331,624
Restructuring costs		10,233	14,308
Impairment of assets within Experience, Luxury and OnDemand divisions		53,008	-
Impairment of certain intangible and tangible assets associated with Software-as-a-service arrangements		2,982	-
Impairment on assets held for sale, and sale and leaseback charges		-	105,138
Donations and other Covid-19 costs		1,090	11,108
Acquisitions – restructuring and integration		5,328	5,736
Acquisitions – legal and professional costs		12,225	2,529
Other legal and professional costs		1,350	1,655
		86,216	472,098
Total adjusted items before finance costs		129,228	527,338
Within finance costs			
Non-cash – revaluation of SBM option	14	601	-
Total adjusted Items before tax		129,829	527,338
Tax impact		11,901	3,784
Total adjusted items		141,730	531,122

Transportation, delivery and fulfilment costs in relation to Covid-19

Covid-19 has had a direct and measurable impact on the Group's cost to fulfil delivery of goods to customers across its global network, through reduced commercial flights and closures of key shipping lanes. The additional cost to complete these deliveries has been recognised as an adjusted item, and while there is uncertainty around the length of disruption the pandemic will have on global supply chains, the Group does not consider this to be a recurring cost. The costs incurred were as a result of the following:

- In order to maintain the Group's pre Covid-19 levels of customer experience, the Group had to address the challenges caused by commercial flights being reduced during the pandemic to minimal levels. The Group secured THG-exclusive chartered flights in order to be able to uphold its service levels, generating an identifiable increase in costs versus non-exclusive passenger flights, which were used pre Covid-19.

- Our delivery partners passed on to the Group additional surcharges specifically identified on invoices as a response to operating during the pandemic.

- Due to the impact of Covid-19, a number of key supply routes were disrupted or closed. This necessitated identifying and sourcing alternative viable routes to fulfil the obligations on the Group to serve its customers, which created identifiable external costs relating to alternative routes that had to be taken due to the impact of Covid-19 on the Group's courier and logistics providers ability to operate in the pandemic.

Commissioning – new facilities

The Group has embarked on a strategic project to transform the Group's global infrastructure footprint and capability, moving away from the smaller-sized facilities which were fit for purpose in the past, into larger purpose-built distribution facilities to support the strategic objectives of the Group.

Under this project, the Group has commissioned a number of these purpose-built facilities over the years, including a campus at Manchester Airport, UK ("Icon") and New Jersey, US. Work on the Icon facility began in August 2020 and is ongoing with an expected completion date of August 2022. The New Jersey project began in April 2021 and went live in November 2021.

Due to the scale and complexity of these sites, commissioning of these facilities and integration into the Group's existing distribution network can span more than one accounting period, taking up to 18 months in total for a specific site, a relatively short period compared to the useful economic life of the asset. During the commissioning and integration period, costs relating to the set-up, integration and testing of the new facilities are included within adjusted items as these costs are not expected to be recurring for each specific site and do not reflect the underlying cost base of the Group. Such costs include:

- Additional costs are incurred relating to the period of testing and commissioning that is required to ensure a facility is operating as expected. Such costs are non-underlying and therefore included within adjusting items.

- Costs relating to the migration of production operations and processes to the new sites as part of this expansion of the fulfilment network include testing of new production processes and resolution of any commissioning protocols required before production is fully operational.

- Bulk internal warehouse transfers from existing THG facilities are often required during the set up/commissioning period for a new facility. These costs are non-underlying in nature.

- Additional shipping costs are incurred when the products within a single customer order is fulfilled by shipping from two different warehouses, due to stock being split across two sites during the commissioning period for a new facility. This results in duplicated postage costs on a single order.

The costs above are identified through internal processes and controls which isolate the impact of commissioning new facilities. For some of these costs, the amounts included within adjusted items are calculated by taking the excess costs per unit versus the normalised rate, which is set based on historical information or third-party data.

Further material charges are anticipated as the respective projects are completed, the quantum of which is subject to change throughout the project as unforeseen events arise through to completion. Of the projects open as of year-end, the material commissioning costs relate to the new warehouse facilities across the Group. The commissioning costs remain ongoing and are expected to be completed in H1 of 2022. Although a cost in both 2020 and 2021, it relates to different sites and therefore, is not deemed to be a recurring cost as these are costs incurred on new sites in 2021.

Decommissioning - legacy facilities

As the Group's larger purpose-built facilities have become fully operational, the Group has exited its legacy warehouses swiftly to minimise excess capacity and cost. There is commonly a period of overlap of operations of both a legacy warehouse and the new facility designed to replace it, and duplicated costs are recorded as adjusted items as they do not reflect the underlying cost base of the Group.

The costs associated with the decommissioning and closure of these facilities, from the period they are deemed to be surplus to the closure/exit date, are included within adjusted items. These costs are not expected to be recurring however they can span accounting periods. There are no decommissioning costs in the current period.

Share-based payments

The Group operates share-based compensation plans, under which the Group receives services from employees as consideration for equity instruments (options or growth shares) of the Company. The fair value of the employee services received in exchange for the grant of the equity instruments is recognised as an expense and included within adjusted items. Due to the nature of these schemes, they can run over multiple years and can be considered to be recurring. The charge relating to share-based payments has been treated as an adjusting item as the underlying driver for the share awards (e.g. the IPO) is also an adjusting item. There are no share-based payment charges in the current period and any future charges will not be considered adjusting items.

Restructuring costs

In 2021 the Group committed to undertaking a review of its corporate structure as part of the intended separation of its key business units. The Group incurred costs in relation to the divisional separation of £7.5m. This is expected to be completed in H1 FY22 with costs being incurred until the end of FY22.

In 2020 the Group undertook a number of restructuring actions in order to prepare the Group for Admission onto the London Stock Exchange. These actions were focused on simplification of the Group structure. The Group also incurred costs in relation to the IPO listing in September 2020 which include legal and professional fees and listing fees. The IPO related costs are material, non-recurring expenditure, as a result of the Group's listing on the London Stock Exchange and have therefore been presented within adjusted items.

Impairment

Impairment of assets within Experience, Luxury and OnDemand divisions

In May 2021, the Group set out its intention to commence a separation of its key business units within a timeframe of fifteen calendar months. The separation, when complete, will involve the establishment of several subgroups of companies to cover each business unit. At the date of signing the annual report, this exercise remains ongoing.

A one off, non-cash impairment of £53.0m has been recognised in respect of THG Experience, THG Luxury and THG OnDemand business units. For THG Experience, this relates to sites within the portfolio which are under construction at the year end. For THG Luxury and THG OnDemand this has arisen due to the recoverable amount being reviewed at a more granular level than was previously possible following the commencement of the separation of the business units. There were no impairments identified within THG Beauty, THG Nutrition and THG Ingenuity. See more information within note 11.

Impairment of certain intangible and tangible assets associated with Software-as-a-Service arrangements

The Group hold various arrangements for SaaS solutions. Given the IFRIC agenda decision, the Group has chosen to update its accounting treatment and policy for IAS 38 Intangible Assets accordingly.

We have determined that £3.0m of SaaS related costs no longer meet the criteria for recognition as an asset under IAS 38. Accordingly, this amount has been expensed in full and has been disclosed as an adjusting item because it arises from the one-off introduction of interpretations to accounting guidance.

Impairment on assets held for sale and sale and leaseback charges

In the prior year Impairments of £64.5m were recognised. As the Covid-19 lockdown in the UK significantly impacted the hospitality and leisure sector, management reviewed both the value-in-use and the market value of King Street Hotel and Great John Street Hotel. Within 2020, a £29.4m impairment loss was recognised in respect of these hotels. This is a non-cash charge that will not recur. Following this, these hotels and a number of the Group's freehold properties were being marketed for sale. These properties were required to be treated as held for sale assets in line with IFRS 5 'Non-current assets held for sale and discontinued operations'. As a result of this, the Group recognised an impairment for the difference between the fair value of the assets held for sale and their historic carrying value.

The need for the impairment was driven by construction obligations to complete the build of some properties to the required specification, resulting in a £35.1m impairment. Subsequently all these assets were disposed of on 11 September 2020 as part of the Propco divestment. The remainder of the charge relates to sale and leaseback transactions. This reflects a reduction in the right-of-use asset held in accordance with IFRS 16 and is driven by the derecognition of freehold assets, that have been replaced with leases which have a shorter useful economic life. These were non-cash one-off impairment charges on these properties.

There have not been any such impairments in 2021.

Donations and other Covid-19 related costs

As part of its Covid-19 response, the Group made several charitable donations, totalling £1.1m for the year ended 31 December 2021. In 2020, £6.6m including £1.0m in cash were donated to Manchester charities, with the remainder relating to additional costs incurred as part of making the business Covid-19 secure (temperature sensors, PPE etc) for its people and customers. This is expected to be non-recurring.

Acquisitions – restructuring and integration

Where the Group completes acquisitions, it derives value by achieving synergies in the post-acquisition period by restructuring the acquired businesses and integrating them into the Group. During this restructuring and integration phase there are a number of non-recurring costs incurred by the Group as the businesses which are classified as adjusted items. These costs include, but are not limited to:

- Duplicated costs whilst the integration plan is executed. These often relate to termination of pre-acquisition agreements that were in place and exit costs associated (such as closure of old facilities or head offices).
- As part of the integration plan itself, additional non-recurring costs may be incurred which do not relate to the underlying trading operations of the Group, including, but are not limited to, system integration testing and validation, costs of moving equipment to new sites and department relocation or set-up costs.
- Costs of staff exiting the business, including redundancy costs, earnouts or bonus payments relating to the integration plan. Integration plans can often result in moving offices geographically, a change in management structure or redefining the roles and needs of departments or individuals. As a result, some employee redundancy costs are incurred. Payments are also made to employees for successful delivery of integration plans.

Depending on the size and nature of the acquisition and the complexity of the integration plan, acquisition restructuring and integration costs can be incurred for up to 12 months post acquisition.

Acquisitions – legal and professional costs

The Group periodically considers and analyses potential acquisition targets and recognises there is inherent complexity and risk associated with acquisitions. The Group manages this by employing external professional advisors to perform legal, financial, commercial and tax due diligence on targets. These costs relate to opportunities the Group identifies and pursues, of which a portion result in successful acquisitions by the Group. Such legal and professional costs are classified as adjusting items as they relate to significant strategic transactions and, except for the transactions in question, the business would not have incurred these costs and as a result these costs are deemed to be non-recurring costs that do not relate to the underlying trading operations of the business.

Other legal and professional costs

The Group incurs legal and professional costs that are non-recurring, one-off in nature and not related to trading activities. These costs are included as adjusted items and can include, but are not limited to, costs associated with equity raises that occurred before the IPO, and other fees associated with investor activities.

Non-cash – revaluation of SBM option

In 2021, the Group has recognised a £0.6m charge in relation to the valuation of the call option entered into with SBM, that allows them to invest directly into a 19.9% stake in THG Ingenuity for $1.6bn. This implies a value of $6.3bn (£4.5bn) for THG Ingenuity. This is a derivative instrument, an option that holds value for SBM and consequently falls under the provisions of IFRS 9 "Financial Instruments". The liability represents the difference between the fair value of the call option today, and its value at grant date. Given the upside opportunity for SBM and the value in the derivative, the option represents an asset to SBM and a liability on the Group's balance sheet. This is a qualitatively material, non-recurring transaction and thus the valuation effects of this option have been presented as an adjusted item.

5. Auditors' remuneration

	2021	2020
	£'000	£'000
Fees in respect of the audit of the Consolidated and Parent Company Financial Statements	2,150	656
Other audit fees, principally in respect of audits of accounts of subsidiaries	150	95
Total audit fees	2,300	751

Other services:		
- non-audit advisory services relating to Admission	-	1,372
- other assurance services*	100	38
Total non-audit services	100	1,410
Total fees	2,400	2,161

*Fees in respect of other assurance services relate to interim procedures in accordance with International Standard for Review Engagements (UK and Ireland) 2140.

6. Employee costs and Directors' remuneration

		2021	2020
	Note	£'000	£'000
Wages and salaries		270,063	184,254
Social security costs		27,615	18,856
Pension costs		7,606	3,509
Share-based payments	7	-	331,624
		305,284	538,243

The aggregate amount of employee costs included above that have been capitalised within platform development costs was £44.4m (2020: £35.3m). The costs incurred in respect of the Executive Directors, who are regarded as the only key management personnel, were as follows:

		2021	2020
	Note	£'000	£'000
Short-term employee benefits		53	2,542
Share-based payments	7	-	293,604
		53	296,146

Details of the Directors' share-based payments are included in note 27.
No retirement benefits are accruing to any of the Directors at 31 December 2021 (2020: nil).

The average number of employees (including executive directors) during the year was:

	2021	2020
	Number	Number
Retail	3,023	1,904
Administration	1,285	1,170
Distribution	3,555	2,386
Information technology	744	623
	8,607	6,083

7. Share-based payments

The Group has previously operated share-based compensation plans. Due to the strong performance of the Group stock on the London Stock Exchange post IPO, all the share schemes detailed below vested in full during 2020. There are no active schemes as at 31 December 2021. Prior to vesting, at each balance sheet date, the Group revised its estimate of the number of options and shares expected to vest upon the satisfied completion of the specific vesting conditions and the vesting period.

The fair value of the employee services received in exchange for the grant of the equity instruments was recognised as an expense in adjusted items in 2020. All the share-based compensation plans were equity-settled and valued by a Monte Carlo simulation.

The details of these plans are given below:

2017 growth share scheme – E ordinary shares: A Long-term Incentive Plan (LTIP) was introduced during 2018. Under this scheme, the Group issued equity settled management shares. The scheme was only exercisable on an exit (non-market condition), and had EPS targets based on adjusted EBITDA (non-market performance condition), had an exit hurdle price (market condition). The scheme had a service condition requiring employees to remain in employment for three years from grant until the date each of the EBITDA targets is met. In 2020, these shares vested fully, triggered by the IPO.

A new scheme, across three new share classes, was issued in 2020 prior to the IPO, subject to a post IPO market capitalisation hurdle of £6.5bn rising to £7.25bn. In 2020, the scheme shares fully vested, triggered by share price increases achieved after the IPO.

F ordinary shares: under this scheme, the Group issued equity-settled management shares. The scheme runs over 3 years to 2022, vesting equally across those three years as EBITDA targets are met. The scheme also contained a hurdle that vested all the shares in the event of an IPO that attained a market capitalisation of greater than £5.25bn.

G ordinary shares: this scheme represents equity- settled management shares that vest over a 3-year period to 2022 based on market capitalisation targets, starting at 75% vested at a market capitalisation of £6.5bn, and further vesting in 8.3% increments each £0.25bn of further market capitalisation.

H ordinary shares: this scheme represents equity settled management shares, that vest based on the £6.5bn market capitalisation hurdle noted above.

8. Finance income and cost

	2021	2020
	£'000	£'000
Finance income		
Bank interest receivable	323	205
Derivative financial instrument	300	-
	623	205
Finance cost		
Bank interest payable and charges	36,496	48,491
Interest on lease liabilities	12,350	4,521
Revaluation of SBM option	601	-
	49,447	53,012

9. Income tax

	Note	2021 £'000	2020 £'000
Current tax			
Tax charge for the year		10,057	8,566
Adjustments in respect of prior year		4,349	390
		14,406	8,956
Deferred tax			
Origination and reversal of temporary differences		(50,116)	(14,590)
Adjustments in respect of prior year		795	(1,768)
Change in tax rates		(13,298)	5,392
	21	(62,619)	(10,966)
Total income tax credit		(48,213)	(2,010)

The effective tax rate is 25.88% (2020: 0.4%) and is explained below:

	2021	2020
	£'000	£'000
Loss before tax	(186,287)	(534,639)
Tax at statutory rate of 19% (2020: 19%)	(35,395)	(101,581)
Tax effects of:		
Adjustments in respect of prior year	5,144	(1,379)
Non-qualifying depreciation	-	-
Expenses not deductible/non-taxable income	20,387	28,715
Share-based payment charge	-	63,009
State taxes	(869)	-
Effect of higher tax rates in other jurisdictions	1,943	474
Recognition of previously unrecognised losses/unrecognised in year	(26,126)	3,381
Effect of change in tax rate	(13,297)	5,371
	(48,213)	(2,010)

The standard rate of corporation tax in the UK is 19%. The effective tax rate is 25.88% (2020: 0.4%), based on a total tax credit of £48.2m (2020: £2.0m). The effective tax rate differs from the average statutory rate of 19%. This is primarily due to a movement in deferred tax not recognised (13.3%), the impact of the UK corporation tax rate change from 19% to 25% on deferred tax (7.14%), and expenses not deductible (-11.33%). The non-deductible expenses principally comprise exceptional costs associated with acquisitions.

The business combinations in the year give rise to a deferred tax liability in respect of intangible assets recognised on consolidation of £140.5m. At the balance sheet date the total deferred tax liability in respect of intangible assets recognised on consolidation of £151.6m. As a result, all potential deferred tax assets arising in the year or previously unrecognised are fully recognised at the balance sheet date. This deferred tax asset recognition has a material impact on the P&L tax credit, and is the primary reason for the effective tax rate exceeding the statutory rate. The P&L tax credit is a non-cash item.

10. Business combinations

Details of the acquisitions are as follows:

Business	Country of incorporation	Nature of activity	Date of acquisition	Consideration £'000	Percentage ownership
Dermstore	USA	Professional skincare production and online retailing	2 February 2021	260,898	100%
Indigo Environmental	England and Wales	Recycling provider	3 March 2021	6,316 [a]	100%
Arrow Films	England and Wales	Motion picture distribution activities	5 March 2021	18,490 [b]	100%
More Trees	England and Wales	Tree planting	1 April 2021	3,227 [c]	100%
Private Label Nutrition	England and Wales	Vitamin, mineral and supplement manufacturer	16 April 2021	2,667	100%
Preston Plastics	England and Wales	Recycling provider	27 April 2021	18,881 [d]	100%
Brighter Foods	England and Wales	Manufacturing and developing cold-pressed and cold form snack bars	11 May 2021	43,800 [e]	100%
Bentley Laboratories	USA	Prestige skincare and haircare manufacturing	15 June 2021	179,956	100%
Cult Beauty	England and Wales	Online beauty retailer	03 August 2021	291,302	100%

a. Includes £1.8m of contingent consideration dependent upon performance targets post acquisition.

b. Includes £3.0m of contingent consideration dependent upon performance targets post acquisition.

c. Includes £2.7m of contingent consideration dependent upon performance targets post acquisition.

d. Includes £6.0m of contingent consideration dependent upon performance targets post acquisition.

e. Includes £1.2m of contingent consideration dependent upon performance targets post acquisition.

The Group also paid £0.6m on 28 July 2021 for the trade and certain assets of Morvélo, a retailer of cycling clothing.

Reason for business combination

Dermstore, Cult Beauty and Bentley Laboratories expand THG's presence in the beauty sector with globally recognised brands, including in the US market and also provide in-house skincare and haircare new product development capabilities and manufacturing.

Brighter Foods and Private Label Nutrition enhance THG's vertical integration strategy with the production and retail of bars, vitamins, minerals and supplements and will accelerate future development in this area.

Indigo Environmental, Preston Plastics and More Trees form part of THG Eco and are part of THG's strategy to offset THG's existing usage and footprint and to enhance THG's processing capabilities to provide sustainability solutions and consulting to THG's suppliers, partners and customers.

Arrow Films will facilitate THG's vertical integration of retail and wholesale physical film content as well as providing digital opportunities and growth potential in this area.

Contingent consideration

The contingent consideration arrangements require the Group to pay the former owners based on performance targets post acquisition. The potential undiscounted amount of all future payments that the Group could be required to make under the contingent consideration arrangements is between £nil and £19.3m. The performance targets are based on EBITDA or revenue.

The fair value of the contingent consideration arrangements of £14.7m was estimated by applying the probability of the hurdles being reached. The fair value estimates are based on an assumed probability of 76%.

The following intangible assets were recognised at acquisition:

	Dermstore	Indigo Environmental	Arrow Films	More Trees	Private Label Nutrition	Preston Plastics	Brighter Foods	Bentley Laboratories	Cult Beauty	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Intangible assets - brands	216,949	180	3,000	-	228	488	1,200	19,989	252,702	494,736
Intangible assets – customer lists	-	493	5,700	-	1,001	2,596	24,700	26,014	-	60,504
Intangibles – other intellectual property	-	-	-	-	-	-	-	3,119	-	3,119
Deferred tax	(56,407)	(156)	(2,078)	-	(290)	(731)	(6,315)	(12,771)	(61,744)	(140,492)
Total fair value on acquisition	160,542	517	6,622	-	939	2,353	19,585	36,351	190,958	417,867

The amounts recognised in respect of the fair value of identifiable assets acquired and liabilities assumed are as set out in the next table. The exercise to determine the fair value of the acquired assets and liabilities is complete, however this will continue to be reviewed within the 12-month post acquisition measurement period and therefore remains provisional at the date of approval of these financial statements.

The provisional fair values of the assets and liabilities and the associated goodwill arising from the acquisitions are as follows:

	Dermstore	Indigo Environmental	Arrow Films	More Trees	Private Label Nutrition	Preston Plastics	Brighter Foods	Bentley Laboratories	Cult Beauty	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Intangible assets	216,949	673	8,700	-	1,229	3,084	25,900	49,122	252,702	558,359
Property, plant and equipment	-	1,439	50	-	598	3,462	5,045	5,301	1,078	16,973
Right-of-use asset	3,969	1,191	136	-	392	44	60	14,986	4,459	25,237
Inventories	18,016	275	811	-	508	93	2,695	14,840	14,592	51,830
Trade and other receivables	1,558	1,294	2,086	-	131	1,471	1,378	10,746	3,773	22,437
Cash and cash equivalents	9,698	572	7,479	11	477	178	2,646	703	20,595	42,359
Trade and other payables	(18,819)	(1,107)	(5,178)	(32)	(611)	(520)	(2,652)	(9,703)	(27,263)	(65,885)
Lease liabilities	(3,670)	(672)	(113)	-	(320)	(44)	-	(14,263)	(3,806)	(22,888)
Provisions	(298)	(519)	(22)	-	(72)	-	(60)	(723)	(654)	(2,348)
Deferred tax	(57,142)	(396)	(2,078)	-	(290)	(1,149)	(6,630)	504	(62,757)	(129,938)
Net assets acquired	**170,261**	**2,750**	**11,871**	**(21)**	**2,042**	**6,619**	**28,382**	**71,513**	**202,719**	**496,136**
Goodwill	90,637	3,566	6,619	3,248	625	12,262	15,418	108,443	88,583	329,401
Purchase consideration	260,898	6,316	18,490	3,227	2,667	18,881	43,800	179,956	291,302	825,537
Transactions costs	**2,430**	**237**	**336**	**182**	**198**	**547**	**781**	**1,245**	**3,518**	**9,474**

Purchase consideration in total was £825.5m, which comprised of cash totalling £810.8m plus contingent consideration totalling £14.7m.

Transactions costs comprise mainly of advisor fees, financial, tax and due diligence costs and these are included in acquisition - legal and professional costs in adjusted items in note 4.

Goodwill

The goodwill is attributable to the cost synergies and cross-selling opportunities that are expected to be achieved from incorporating the businesses into the Group's platform. This will support existing operations. In the case of Bentley Laboratories, includes the expertise and skillset of the workforce which will lead to a further enhancement of our presence in the divisions in which the Group operate. Bentley has an industry-leading research and development team of 25 who are at the forefront of its clients' innovation strategies, with over 650 unique formulations and over 700 new product launches since 2017. The Goodwill for Cult Beauty and Dermstore also includes a significant amount for the expertise and skillset of the workforce, reflecting the existence of a well-trained, organised and efficient workforce of over 200 people for Cult Beauty and approximately 100 for Dermstore. The Goodwill for all acquisitions apart from Bentley Laboratories is not deductible for tax purposes.

Cash flows arising from the acquisitions were as follows:

	Dermstore	Indigo Environmental	Arrow Films	More Trees	Private Label Nutrition	Preston Plastics	Brighter Foods	Bentley Laboratories	Cult Beauty	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£000
Purchase consideration	260,898	6,316	18,490	3,227	2,667	18,881	43,800	179,956	291,302	825,537
Contingent consideration	-	(1,750)	(3,000)	(2,738)	-	(6,000)	(1,200)	-	-	(14,688)
Cash and cash equivalents acquired	(9,698)	(572)	(7,479)	(11)	(477)	(178)	(2,646)	(703)	(20,595)	(42,359)
Net cash flows	**251,200**	**3,994**	**8,011**	**478**	**2,190**	**12,703**	**39,954**	**179,253**	**270,707**	**768,490**

Amounts of revenue and profit before tax (PBT) of the acquirees since the acquisition date included in the consolidated statement of comprehensive income for the reporting period, and the revenue and PBT of the combined entities for the current reporting period as though the acquisition date for all business combinations that occurred during the year had been acquired at the beginning of the annual reporting period are as follows:

£'000	Revenue contributed in year of acquisition	Full year revenue in year of acquisition
Dermstore	148,672	160,601
Arrow	14,149	16,275
THG Eco*	8,693	10,869
Private Label Nutrition	1,809	2,877
Brighter Foods	10,877	17,755
Bently Labs	32,000	57,780
Cult Beauty	71,923	174,169

*THG Eco includes More Trees, Preston Plastics and Indigo Environmental.

The profit before tax contributed in the year of acquisition and in the full year of acquisition has not been disclosed. Following acquisition, the entities are fully integrated into THG utilising the Shared Service Centre, operating platform and supply chain. As such the profit before tax metric information is not readily available at this level.

During 2021, the Group has concluded on the fair value of the net assets in respect of acquisitions completed in 2020, resulting in a decrease of £0.7m in net assets and a corresponding increase in goodwill.

11. Intangible assets

	Goodwill	Platform development costs	Intellectual property	Brands	New product development	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Cost or valuation						
At 1 January 2020	**370,684**	**139,937**	**93,168**	**103,214**	**2,576**	**709,579**
Additions	1,115	39,917	21,857	743	2,189	65,821
Business combinations (note 10)	51,827	-	32,884	6,544	-	91,255
Currency translation differences	(1,942)	(112)	(1,160)	(331)	-	(3,545)
At 31 December 2020	**421,684**	**179,742**	**146,749**	**110,170**	**4,765**	**863,110**
At 1 January 2021	**421,684**	**179,742**	**146,749**	**110,170**	**4,765**	**863,110**
Additions	78	47,587	24,135	2,559	3,710	78,069
Business combinations (note 10)	329,401	-	63,623	494,736	-	887,760
Transfers	-	(6,919)	1,474	(1,474)	195	(6,724)
Disposals	-	(1,611)	(41,249)	(566)	-	(43,426)
Currency translation differences	3,919	28	2,858	1,933	1	8,739
At 31 December 2021	755,082	218,827	197,590	607,358	8,671	1,787,528

Accumulated amortisation						
At 1 January 2020	**270**	**75,265**	**44,092**	**12,521**	**631**	**132,779**
Amortisation (note 3)	-	28,451	18,309	9,745	734	57,239
Currency translation differences	-	(276)	(780)	(145)	-	(1,201)
At 31 December 2020	**270**	**103,440**	**61,621**	**22,121**	**1,365**	**188,817**
At 1 January 2021	**270**	**103,440**	**61,621**	**22,121**	**1,365**	**188,817**
Amortisation (note 3)	-	36,894	35,921	24,682	1,536	99,033
Transfers	-	(3,438)	-	-	-	(3,438)
Impairment loss	33,359	1,759	4,637	-	-	39,755
Disposals	-	(1,568)	(41,249)	(566)	-	(43,383)
Currency translation differences	-	(4)	420	36	-	452
At 31 December 2021	**33,629**	**137,083**	**61,350**	**46,273**	**2,901**	**281,236**

NBV						
At 1 January 2020	370,414	64,672	49,076	90,693	1,945	576,800
At 31 December 2020	421,414	76,302	85,128	88,049	3,400	674,293
At 31 December 2021	**721,453**	**81,744**	**136,240**	**561,085**	**5,770**	**1,506,292**

Included within Intellectual property is £3.3m (2020: £2.5m) of capitalised costs incurred to obtain a contract with a customer. The costs relate to sales commissions paid to sales personnel upon initial acquisition of a customer contract. Amortisation of £0.6m (2020: £0.3m) was recognised in the period in relation to these assets.

Impairment tests for goodwill and other intangible assets

Goodwill and intangible assets that have an indefinite useful life are subject to annual impairment testing, or more frequent testing if there are indications of impairment.

Intangible assets and goodwill are reviewed by assessing the appropriate cash generating units ("CGUs") annually, which are identified based on the smallest identifiable group of assets that generate cash inflows largely independently in relation to the specific intangible assets.

In May 2021, the Group set out the intention to commence a separation of THG's key business units within a timeframe of fifteen calendar months as discussed in the CEO report on page 3. The group has made good progress towards the separation which will create distinct legal entities and enable cashflows to be identified for each of six business units being THG Beauty, THG Nutrition, THG Ingenuity, THG OnDemand, THG Experience and THG Luxury. Whilst good progress has been made, insufficient clarity of cashflows existed at the year end and at the date of signing these accounts to enable robust cashflow forecasts to be produced for each proposed business unit. This is largely due to the interconnectivity of the cashflows and reliance on intra group services between the divisions of THG Beauty, THG Ingenuity and THG Nutrition. Whilst the remaining divisions are not completely separate as of today's date, it is clear that for two of the divisions, being THG OnDemand and THG Luxury, future losses are forecastable regardless of the finalisation of intra-Group charges. As such the Group has reviewed the carrying value of assets allocated to those newly separated CGUs, including those acquired in related business acquisitions operating in those divisions. The assets associated to these CGUs, including goodwill have been identified according to the businesses which generate cash inflows within each unit. This did not lead to any judgemental allocations. An impairment charge has also arisen within the pre-existing THG Experience CGU.

THG Retailing and Commerce CGU (Net book value of goodwill totalling £721.5m (2020: £405.0m) and brands £nil (2020: £5.5m) with indefinite lives).

The value in use calculation uses cash flow projections from financial budgets approved by the Board covering a five-year period. The post-tax discount rate applied to cash flow projections is 9.1% (2020: 9.3%) and cash flows beyond the five-year period are extrapolated using a 2.4% growth rate (2020: 2.0%) which is based on the long term growth rate across the industries that the Group operate in for retailing and commerce.

Based on current cashflows, no impairment of the THG Retailing and Commerce CGU is expected but there are plausible downside risks to the forecasts including if there was a reduction in the margin of 1.7% or an increase in discount rate of 2.5% the value in use headroom would be eliminated. Revenue would need to decline by more than 16.8% for the recoverable amount to be less than the carrying value which is not considered reasonably plausible.

Impairment charge

THG Experience CGU (Net book value of goodwill totalling £nil (2020: £16.4m) with indefinite lives).

An impairment charge of £31.4m has been recognised within the THG Experience CGU. The impairment is largely driven from the re-prioritisation of capital spend being directed toward the fulfilment network across the Group. This has led to some of the smaller sites within the Experience portfolio being under construction at the year end and work being paused. As such an impairment has been recognised against these assets (Plant, property and machinery (note 12), right-of-use-assets (note 22) and goodwill (note 11). We will assess in future periods whether there is any indication that any of this impairment loss should be reversed. This may be the case once the work has been completed and the facilities reopen. However, the impairment loss recognised against goodwill will not be reversed. Hale Country Club and Spa and King Street Town House remain fully operational.

Any further decline in anticipated cashflows is not expected to lead to additional impairment due to the residual carrying values which are based on the recoverable amounts of the assets. At 31 December 2021, the recoverable amount of the CGU is £50m determined on a value in use calculation using cash flow projections from financial budgets approved by the Board covering a five-year period and the fair value less costs to sell for specified assets. The post-tax discount rate applied to cash flow projections is 9.7% (2020: 9.3%) and cash flows beyond the five -year period are extrapolated using a 2.0% growth rate (2020: 2.0%) which is based on the long term growth rate for the UK experience industry. Fair value less costs to sell are valued using Level 2 fair value hierarchy inputs based on quoted prices in an active market.The value in use is determined in line with accounting policies as required by IAS 36.

The impairment charge is recorded within administrative expenses and adjusting items within the consolidated income statement.

THG Luxury and THG OnDemand

An impairment charge of £21.6m has been recognised specifically related to assets allocated to the THG OnDemand and THG Luxury business units. This has arisen largely due to reviewing the recoverable amount of these business units at a more granular level than was previously possible following the commencement of the Group separation exercise. The assets that have been impaired related to legacy goodwill and other intangibles arising on acquisitions.

At 31 December 2021, the recoverable amount of THG OnDemand is c.£16m based on fair value less costs to sell. The recoverable amount of THG Luxury is c.£1m based on the value in use. Fair value less costs to sell are valued using Level 2 fair value hierarchy inputs based on quoted prices on an active market. The acquisition of Arrow films, that was completed in 2021 provides a reliable input. The consideration for this acquisition was £18.5m (note 10). Any further decline in anticipated cashflows is not expected to lead to additional impairment due to the residual carrying values which are based on the recoverable amounts of the assets.

The value in use is determined in line with accounting policies as required by IAS 36.

The impairment charge is recorded within administrative expenses and adjusting items within the consolidated income statement.

The company expects to be able to determine the cashflows for the other business units over the remainder of 2022 to allow separate reporting as CGUs of THG Beauty, THG Ingenuity and THG Nutrition. From the analysis performed to date it is clear that substantial intangible assets will be allocated to THG Beauty due to the recent acquisitions within this division. Intangible assets are expected to be in the region of c.£1,100m for THG Beauty and c.£190m for THG Ingenuity. Due to the recent acquisitions, THG Beauty is expected to have significantly less headroom than THG Nutrition. THG Ingenuity will include capitalised platform costs and intangible assets from new acquisitions, including THG Eco. Achieving the growth plans of THG Ingenuity will be important to maintain headroom as will continued organic growth in line with previous year's performances for THG Beauty.

Sensitivity analysis for THG Beauty, THG Nutrition and THG Ingenuity is not possible at this time due to the need to finalise the separation of the cashflows, balance sheets and income for each standalone division. The finalisation of the separation of these divisions is not expected to result in any further impairment.

12. Property, plant and equipment

	Motor vehicles	Plant and machinery	Fixtures and fittings	Computer equipment and software	Freehold buildings	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Cost						
Cost At 1 January 2020	**2,510**	**79,702**	**71,216**	**68,136**	**220,225**	**441,789**
Additions	320	27,860	13,513	13,609	161,653	216,955
Business combinations	-	1,383	169	25	20	1,597
Currency translation differences	-	(374)	(169)	(1,257)	1,204	(596)
Disposals	(775)	(38,491)	(10,294)	(13,571)	(279,351)	(342,482)
At 31 December 2020	**2,055**	**70,080**	**74,435**	**66,942**	**103,751**	**317,263**
At 1 January 2021	**2,055**	**70,080**	**74,435**	**66,942**	**103,751**	**317,263**
Additions	119	45,277	36,125	28,667	15,991	126,179
Business combinations	213	11,877	765	738	3,380	16,973
Transfers	-	-	-	6,722	-	6,722
Currency translation differences	(1)	(541)	(859)	(44)	131	(1,314)
Disposals	(54)	(245)	(3,016)	(2,551)	(250)	(6,116)
At 31 December 2021	**2,332**	**126,448**	**107,450**	**100,474**	**123,003**	**459,707**
Accumulated depreciation						
At 1 January 2020	**1,430**	**32,436**	**19,878**	**24,294**	**8,052**	**86,090**
Depreciation (note 3)	317	13,552	7,803	8,466	3,675	33,813
Impairment	-	-	-	-	29,367	29,367
Currency translation differences	-	(152)	(125)	(1,009)	2	(1,284)
Disposals	(652)	(36,798)	(7,114)	(13,273)	(13,107)	(70,944)
At 31 December 2020	**1,095**	**9,038**	**20,442**	**18,478**	**27,989**	**77,042**
At 1 January 2021	**1,095**	**9,038**	**20,442**	**18,478**	**27,989**	**77,042**
Depreciation (note 3)	250	11,623	6,833	17,174	2,389	38,269
Impairment	-	5,533	2,555	1,224	67	9,379
Transfers	-	-	-	3,438	-	3,438
Currency translation differences	-	242	(147)	26	67	188
Disposals	(54)	(251)	(1,344)	(2,330)	(250)	(4,229)
At 31 December 2021	**1,291**	**26,185**	**28,339**	**38,010**	**30,262**	**124,087**
NBV						
At 1 January 2020	1,080	47,266	51,338	43,842	212,173	355,699
At 31 December 2020	960	61,042	53,993	48,464	75,762	240,221
At 31 December 2021	**1,041**	**100,263**	**79,111**	**62,464**	**92,741**	**335,620**

Included within Freehold buildings is an asset with a NBV of £44.1m that has been reclassified post year end as an asset held for sale under IFRS 5. The asset is no longer required by the Group for its original intended purpose. The Group are in advanced discussions with a prospective buyer and the sale is expected to complete by the end of Q2 2022. This has not led to any adjustments to the net book value of the asset at 31 December 2021.

13. Inventories

	2021	2020
	£'000	£'000
Goods held for resale	378,605	247,841
Raw materials	80,542	46,554
Goods in transit	7,634	8,283
	466,781	302,678

Goods in transit relate to goods whose control is still to be transferred to the customers as of the reporting date. The cost of inventories recognised as an expense and included in cost of sales amounted to £891.2m (2020: £884.0m). The value of inventories written down and recognised as an expense in the statement of comprehensive income in the year was £7.6m (2020: £3.3m). Within goods held for resale is a £3.0m (2020: £2.6m) right to recover asset which represents the carrying value of inventory expected to be received back from customers as returns.

14. Financial assets and liabilities

	Note	2021	2020
		£'000	£'000
Assets as per balance sheet – financial assets			
Trade and other receivables excluding non-financial assets	15	157,345	147,211
Cash and cash equivalents	16	536,827	773,581
Investments		1,400	-
Assets as per balance sheet – held at fair value through OCI			
Derivative financial instruments designated as hedging instruments		2,400	15,849
Derivative financial instruments held at fair value through profit and loss		300	-
		698,272	936,641

Liabilities as per balance sheet other financial liabilities at amortised cost			
Bank borrowings	18	489,865	526,159
Lease liabilities	22	349,173	236,185
Trade and other payables excluding non-financial liabilities	17	645,712	478,603
Liabilities as per balance sheet – other financial liabilities at fair value			
Derivative financial instruments designated as hedging instruments		21,342	2,563
Derivative financial instruments held at fair value through profit and loss		601	-
		1,506,693	1,243,510

Derivative financial instruments designated as hedging instruments		
FX forwards hedging foreign exchange risk on borrowings	(21,342)	13,405
Interest rate swaps	621	(2,563)
FX forwards hedging foreign exchange risk on highly probable future cash flows	1,779	2,444
	(18,942)	13,286

Financial instruments included within current assets and liabilities, excluding borrowings, are generally short-term in nature and accordingly their fair values approximate to their book values. Bank borrowings are initially recorded at fair value net of direct issue costs. The derivative financial instruments designated as hedging instruments have been recognised at fair value through Other Comprehensive Income. Hedging instruments used are measured based on observable inputs and have been classified at Level 2 hierarchy level in line with IFRS 13 'Fair Value Measurement'.

Derivative financial instruments held at fair value through profit and loss relate solely to the option to invest in THG Ingenuity held by SBM, announced on the 10 May 2021. This allows an investment of c.$1.6bn for a 19.9% of THG Ingenuity equity once THG Ingenuity has been separated into an investable entity.

The derivative is recognised at fair value and has been valued based on a Black-Scholes model and has been classified as Level 3. The inputs used are the valuation of THG Ingenuity using an appropriate valuation method and the expected date and likelihood of option exercise. Fair value movements on the option have been recognised within finance costs reflecting the nature of the liability.

The Group has established a hedge ratio of 1:1 for the hedging relationships as the underlying risk of the foreign exchange, interest rate, and cash flow contracts are identical to the hedged risk components. To test the hedge effectiveness, the Group uses the hypothetical derivative method and compares the changes in the fair value of the hedging instruments against the changes in fair value of the hedged items attributable to the hedged risks. All the hedging activities and derivatives are established to be effective. The changes in counterparty credit risk had no material effect on the hedge effectiveness assessment for derivatives.

2021	Notional	Impact on OCI *	Recycled through statement of comprehensive income
		£'000	£'000
Derivatives hedging foreign exchange risk on borrowings	€600,000,000	(8,755)	(46,420)
Derivatives hedging interest rate risk on borrowings	€600,000,000	(2,388)	859
Derivatives hedging foreign exchange risk on future cash flows	£71,673,366	499	(10,543)

* Note impact on OCI is shown net of deferred tax.

Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due.

The Group regularly forecasts cash flows and maintains an appropriate balance of cash and debt facilities to ensure that sufficient funds are available to cover future expenses and capital expenditure. The Group held €600m notional of forward contracts expiring in December 2022 and €600m notional of interest swaps expiring December 2022 through to December 2026. Maturity of the Group's all derivative and non-derivative financial liabilities are given below.

		Contractual amount					
	Carrying amount	Total	Less than 3 months	3 to 12 months	1 to 2 years	2 to 5 years	More than 5 years
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
31 December 2021:							
Bank borrowings	489,865	502,962	-	752	-	502,210	-
Lease liabilities	349,173	499,770	10,653	32,112	39,353	105,567	312,085
Trade payables	645,712	645,712	615,748	29,964	-	-	-
Derivative financial liabilities	21,943	21,943	-	21,943	-	-	-
31 December 2020:							
Bank borrowings	526,159	543,139	-	1,871	-	-	541,268
Lease liabilities	236,185	370,672	7,009	21,902	27,010	68,743	246,008
Trade payables	478,603	478,603	460,858	17,745	-	-	-
Derivative financial liabilities	2,563	2,563	-	-	241	702	1,620

The fair value of bank borrowings at 31 December 2021 was £503.3m (2020: £542.5m). The fair value is equal to the carrying value.

Foreign currency risk

The Group trades internationally and is exposed to exchange rate risk on purchases (Euro, US dollars, and Polish Zloty) and sales (primarily in Euro and US dollars). The Group's results are presented in Sterling and are thus exposed to exchange rate risk on translation of foreign currency assets and liabilities.

The Group's approach to managing foreign exchange risk is to designate cash flow hedges across a combination of forwards, swap agreements and spot transactions, whose fair value is based on the observable market value of the respective instrument, taking into account interest rates, foreign exchange rates and market volatility at the balance sheet date.

The Group is also exposed to EUR:GBP exchange rate risk on a €600m loan within the Group and mitigates this risk through the use of hedging instruments such as FX forward contracts. As at 31 December 2021, the Group held €600m notional of forward contracts expiring in December 2022.

The Group's foreign exchange exposure is predominantly Euro, US Dollars and Polish Zloty. If the closing exchange rate was 5% higher/lower, the Group's statement of Comprehensive Income and Equity would be impacted as follows:

	Change in foreign exchange rate	Effect on change in EUR rate *	Effect on change in USD rate	Effect on change in PLN rate
		£'000	£'000	£'000
2021	+5%	20	4,554	1,832
2021	-5%	(22)	(5,034)	(2,025)
2020	+5%	43	151	1,708
2020	-5%	(47)	(167)	(1,887)

* If the closing exchange rate was 5% higher/lower, the impact on Group equity would be £11.7m reflecting the impact of the derivative hedges associated with the €600m term loan B.

Interest rate risk

The Group is exposed to EURIBOR and SONIA through its loan facilities and has entered into a series of interest rate swap agreements to mitigate this risk. As of 31 December 2021, the Group held €600m expiring December 2022 through to December 2026. Interest rate sensitivity is summarised in note 18. The Group's financial risks are detailed on page 109-116 in this Annual Report.

Changes in liabilities arising from financing activities

The changes in liabilities arising from financing activities are presented below:

	1 January 2021	Cash flows	New leases	Disposals	Foreign exchange movement	Other	31 December 2021
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Borrowings	526,159	(25,359)	-	-	(37,867)	26,932	489,865
Lease liabilities	236,185	(36,216)	137,158	-	(304)	12,350	349,173
Total liabilities from financing activities	762,344	(61,575)	137,158	-	(38,171)	39,282	839,038

	1 January 2020	Cash flows	New leases	Disposals	Foreign exchange movement	Other	31 December 2020
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Borrowings	750,099	(144,030)	-	(138,846)	28,668	30,268	526,159
Lease liabilities	38,465	(17,206)	225,915	(15,308)	(202)	4,521	236,185
Total liabilities from financing activities	788,564	(161,236)	225,915	(154,154)	28,466	34,789	762,344

The "Other" column includes the effect of accrued interest on interest-bearing loans and borrowings, including lease liabilities and the effect of prepaid loan fees. The Group classifies interest paid as cash flows from financing activities.

Credit risk

Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Group is exposed to credit risk from its operating activities, primarily trade receivables. The Group monitors and reviews exposure to credit risk on an ongoing basis and makes best efforts to ensure recoverability of amounts owed to the Group. Information about the credit risk exposure on the Group's trade receivables is disclosed in note 15.

15. Trade and other receivables

	2021	2020
	£'000	£'000
Trade receivables	119,567	76,643
Less: loss allowance	(2,268)	(1,945)
Net trade receivables	117,299	74,698
Prepayments	21,372	14,757
Accrued income	58,329	45,414
Other taxation and social security	26,883	39,164
Other receivables	40,046	72,513
	263,929	246,546

Trade and other receivables are principally denominated in Sterling.

At 31 December 2021, there were 161,439,766 fully vested, but partly paid and unlisted Shares (31 Dec 2020: 301,321,600). The average amount of unpaid share capital per fully vested but partly-paid and unlisted Share is £0.16 (2020: £0.19) representing a receivable to the Group of £27.0m (2020: £57.7m). The movement in the year is all due to certain fully vested but partly paid and unlisted Shares being paid-up and converted to Ordinary Shares.

At 31 December 2021 the ageing of trade receivables was as follows:

	2021	2020
	£'000	£'000
Not due	65,399	48,483
0 to 3 months overdue	47,264	26,377
3 to 6 months overdue	6,904	1,783
	119,567	76,643

The movement in the loss allowance of trade receivables was as follows:

	£'000
At 1 January 2021	1,945
Charge for the year	1,773
Released	(1,342)
Utilised	(108)
At 31 December 2021	**2,268**

The Group's credit risk exposure on trade receivables using a provision matrix is as follows:

	Current	0 30 days	31 60 days	61 90 days	90 · days	Total
Expected credit loss rate	0.59%	0 49%	0.22%	0.62%	24.77%	
Estimated total gross carrying amount at default	65,399	22,394	22,346	2,524	6,904	119,567
Expected credit loss	(384)	(109)	(49)	(16)	(1,710)	(2,268)
At 31 December 2021	65,015	22,285	22,297	2,508	5,194	117,229

The Group has adopted IFRS 9 applying the simplified approach to measure the expected credit losses. This uses a lifetime expected loss allowance for all trade receivables.

16. Cash and cash equivalents

	2021	2020
	£'000	£'000
Cash and cash equivalents	536,827	773,581

Cash and cash equivalents includes £12.5m (2020: £26.5m) of amounts receivable from banks for credit and debit card transactions, which clear the bank shortly after the transaction takes place.

17. Trade and other payables

	2021	2020
	£'000	£'000
Trade payables	297,539	254,637
Accruals	326,957	220,415
Other taxation and social security	28,259	18,577
Other payables	6,160	3,001
Government grants	2,592	2,518
Contingent consideration on acquisitions	15,056	550
	676,563	499,698

The Directors consider the carrying amount of trade and other payables approximates to their fair value when measured by discounting cash flows at market rates of interest as at the balance sheet date.

Contingent consideration on acquisitions is measured at fair value using unobservable inputs (level 3 of the fair value hierarchy). The unobservable inputs used in the fair value calculation include internal data such as forecasts, budgets and actual results to date. The fair values are sensitive to changes in EBITDA or revenue given that these key metrics are what the performance targets are based on.

Included within trade payables is £42.3m due to suppliers that participate in the Group's supply chain financing agreement. The agreement does not change the suppliers agreed payment terms directly with the Group.

18. Interest bearing loans and borrowings

		2021	2020
	Note	£'000	£'000
Current			
Bank borrowings		752	1,871
Lease liabilities	22	43,342	28,911
		44,094	30,782
Non-current			
Bank borrowings		489,113	524,288
Lease liabilities	22	305,831	207,274
		794,944	731,562

Bank borrowings relate predominantly to the seven-year Euro term loan B and undrawn five-year revolving credit facility. The revolving credit facility is provided by Barclays, HSBC, BNP Paribas, NatWest, Citibank, JPM and Santander. The term loan B carried an interest rate of 4.50% plus EURIBOR and the revolving credit facility 3.75% plus LIBOR. The floating element of the term loan B is hedged by interest rate derivatives. Management notes that EURIBOR is being reformed as a benchmark rate and are in dialogue with its lending and hedging partners to minimise the impact on the Group as transition occurs.

If interest rates moved by 10bps, the Group's loss before tax would be c.£1.9m higher/lower, and the subsequent move on the derivative valuation would cause equity to be c. £1.0m higher/lower as a result of the same move. Net debt consists of loans and lease liabilities, less cash and cash equivalents, defined as referenced in note 22. For the purpose of the Group's net debt calculation, loans that are denominated in foreign currency are translated at the effective hedged rate where applicable. Net cash/(debt) is an alternative performance measure and is not defined under IFRS.

A reconciliation to the most directly comparable IFRS measure is included below:

	2021	2020
	£'000	£'000
Loans and other borrowings	(489,865)	(526,159)
Lease liabilities	(349,173)	(236,185)
Cash and cash equivalents	536,827	773,581
Sub-total	(302,211)	11,237
Adjustments:		
Retranslate debt balance at swap rate where hedged by foreign exchange derivatives	(2,548)	35,403
Net (debt)/cash	(304,759)	46,640
Net cash before leases liabilities	44,414	282,825

The contractual maturity analysis of bank borrowings and lease liabilities are given in note 14.

19. Provisions

	Dilapidations £'000
At 1 January 2021	**865**
Utilisation	(351)
Released	(200)
Created	13,354
Acquired	2,838
At 31 December 2021	**16,506**
Current	883
Non-current	15,623

Dilapidations provisions relate to leased properties. Dilapidations provisions are made based on the best estimate of the likely committed cash outflowand discounted to net present value. Future costs are expected to be incurred over the term of the existing lease arrangements at the reporting date, which is a period of up to 25 years.

The following table shows the timeline in which undiscounted costs in relation to the dilapidation provision are expected to become current:

	Current £'000	2-5 years £'000	6-10 years £'000	11-15 years £'000	16-20 years £'000	21 - 25 years £'000	Total £'000
At 31 December 2021	**883**	**5,144**	**3,663**	**2,367**	**456**	**6,021**	**18,534**

Dilapidations provisions are expected to be used at or by the end of the lease term. The dilapidations provision created in the year totals £13.4m and includes an amount, which is not qualitatively material, of £6.2m related to properties occupied at 31 December 2020. The provision increases the right-of-use asset.

20. Contract liabilities

	2021 £'000	2020 £'000
Contract liabilities	36,143	32,912

Contract liabilities are the consideration received from the customers for sales where the Group still has an obligation to transfer goods or services. 100% of the transaction price allocated to the unsatisfied contracts as at 31 December 2021 are recognised in the next reporting period.

21. Deferred tax

The deferred tax balance comprises:

	2021 £'000	2020 £'000
Short-term timing differences	(2,446)	3,622
Accelerated capital allowances	1,659	(3,862)
Business combinations	151,615	29,091
Tax losses	(60,153)	(15,380)
Loan relationships	(16,601)	(4,730)
Derivatives	257	(2,501)
Other balance sheet amounts	(565)	(296)
	73,766	5,944

The movement on the deferred tax liability during the year is as follows:

	Fixed assets	Temporary differences trading	Tax losses	Loan relationships	Business combinations	Other	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Opening balance 1 January 2021	(3,862)	3,622	(15,380)	(4,730)	29,091	(2,797)	5,944
Charged/(credited) to the statement of comprehensive income	3,549	(6,940)	(42,218)	(11,871)	(4,869)	(270)	(62,619)
Charged/(credited) to equity	-	-	(2,420)	-	-	2,759	339
Business combinations	1,856	863	-	-	127,219	-	129,938
Other	116	9	(135)	-	174	-	164
Closing balance 31 December 2021	1,659	(2,446)	(60,153)	(16,601)	151,615	(308)	73,766

All deferred tax assets relating to losses have been recognised in 2021.

22. Leases

Set out below are the carrying amounts of the right-of-use assets recognised and movements during the period:

	Motor vehicles	Plant and machinery	Computer equiptment and software	Land and buildings	Total
	£'000	£'000	£'000	£'000	£'000
As at 1 January 2020	**537**	**845**	**16**	**36,575**	**37,973**
Additions	179	154	-	'83,144	183,477
Depreciation (note 3)	(164)	(328)	(16)	(13,734)	(14,242)
Lease modifications	-	-	-	2,019	2,019
Disposals	-	-	-	(15,335)	(15,335)
Currency translation differences	(13)	(6)	-	14	(5)
As at 31 December 2020	**539**	**665**	**-**	**192,683**	**193,887**
As at 1 January 2021	**539**	**665**	-	**192,683**	**193,887**
Additions	44	-	6	156,467	156,517
Depreciation (note 3)	(172)	(274)	(4)	(31,759)	(32,209)
Lease modifications	-	-	-	(427)	(427)
Disposals	-	-	-	-	-
Impairment	-	-	-	(6,856)	(6,856)
Currency translation differences	(33)	(17)	-	(580)	(630)
As at 31 December 2021	**378**	**374**	**2**	**309,528**	**310,282**

Set out below are the carrying amounts of lease liabilities (included under note 18 interest-bearing loans and borrowings) and the movements during the period:

	2021	2020
	£'000	£'000
As at 1 January	**236,185**	**38,465**
Additions	137,601	223,896
Accretion of interest	12,350	4,521
Payments	(36,216)	(17,206)
Lease modifications	(443)	2,019
Disposals	-	(15,308)
Currency translation differences	(304)	(202)
As at 31 December	349,173	236,185
Current	43,342	28,911
Non-current	305,831	207,274

The maturity analysis of lease liabilities is disclosed in Note 14.The Group had total cash outflows for leases of £36.2m in 2021 (2020: £17.2m).

The following are the amounts recognised in the year in the consolidated statement of comprehensive income:

	2021	2020
	£'000	£'000
Depreciation expense on right-of-use assets	32,209	14,242
Interest expense on lease liabilities	12,350	4,521
	44,559	18,763

23. Share capital and reserves

THG PLC is a public company limited by shares and incorporated in England and Wales. It has a standard listing on the London Stock Exchange and is the holding company of the Group. The Company has ten classes of shares; Ordinary Shares of £0.005 each, all of which are fully paid; D1 Shares of £0.005 each; D2 Shares of £1 each, all of which are fully paid; E Shares of £0.005 each; F Shares of £0.005 each; G Shares of £0.005 each; H Shares of £0.005 each; the Special Share of £1, which is fully paid up; Deferred 1 Shares of £0.005 each; and Deferred 2 Shares of £0.005 each. As at 31 December 2021, the Company's issued share capital comprised:

	2021 Number	Nominal value £ each
Ordinary Shares	1,220,897,947	0.005
D1 Shares	56,082,651	0.005
D2 Shares	17,812	1
E Shares	49,266,539	0.005
F Shares	27,219,640	0.005
G Shares	17,710,851	0.005
H Shares	-	0.005
Special Share	1	1
Deferred 1 Shares	312,226	0.005
Deferred 2 Shares	21,563,860	0.005
	1,393,071,527	

The rights attaching to the Company's shares are set out in the Director's report page 121-124.

Capital risk management

The Group's objectives when managing capital, which comprises equity, are to safeguard the Group's ability to continue as a going concern to provide returns for Shareholders and benefits for other stakeholders and to maintain an optimal capital structure. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to Shareholders, return capital to Shareholders, issue new Shares or sell assets to reduce debt.

During the financial year ending 31 December 2021 the following took place:
(i) 124,686,698 listed Ordinary Shares were issued for cash consideration of £743,132,720; (ii) 2,373,540 listed Ordinary Shares were converted from 2,373,540 D1 Shares; (iii) 607,500 listed Ordinary Shares were converted from 47,500 E Shares, 470,000 F Shares and 90,000 G Shares; (iv) 375,769 E Ordinary Shares, 146,526 F Shares and 747,270 G Shares were converted into 1,269,565 listed Ordinary Shares and 33 D2 Shares were subdivided into 6,600 D2 shares of £0.005 each, 6,121 of which converted to 6,121 listed Ordinary Shares and 479 were reclassified as Deferred 1 Shares; (v) 21,763 listed Ordinary Shares were converted from 13,000 E Shares, 3,524 F Shares and 5,239 G Shares; (vi) 116,101,671 listed Ordinary Shares were converted from 1,570,427 F Shares, 24,918,562 G Shares and 89,612,682 H Shares; (vii) 3,839,729 listed Ordinary Shares were converted from 959,283 D1 Shares, 370,952 E Shares, 1,003,798 F Shares and 1,505,696 G Shares; (viii) 98,673 E Ordinary Shares were converted to listed Ordinary Shares and 750 D2 Shares were subdivided into 150,000 D2 shares of £0.005 each, 139,107 of which converted to 139,107 listed Ordinary Shares and 10,893 were reclassified as Deferred 1 Shares; (ix) 1,707 D2 Shares were subdivided into 341,400 D2 shares of £0.005 each, 316,608 of which converted into 316,608 listed Ordinary Shares and 24,792 were reclassified as Deferred 1 Shares; and (x) 790,418 listed Ordinary Shares were converted from 64,093 F Shares and 726,325 G Shares.

24. Pension commitments

During the year, the Group operated an auto-enrolment pension scheme. The scheme is managed by independent fund managers and the Group contributes in accordance with the statutory requirements. In addition to the auto-enrolment scheme, a subsidiary company operates a defined contribution pension scheme which is also managed by independent fund managers and its assets and liabilities are held separately from that of the Group. The pension charge represents the amount paid by the Group and amounted to £7.6m (2020: £3.5m). There were no outstanding contributions due to the fund at the year end.

25. Cash flow generated from operations

		2021	2020
	Note	£'000	£'000
Loss before taxation		(186,287)	(534,639)
Adjustments for:			
Depreciation of property, plant and equipment	12	36,269	33,813
Depreciation of right-of-use assets	22	32,209	14,242
Amortisation	11	99,033	57,239
Share-based payments	7	-	331,624
Adjusted items	4	129,829	195,714
Net finance costs	8	48,223	52,807
Operating cash flow before adjusting items and before movements in working capital and provisions		**161,276**	150,800
Increase in inventories	-	(112,535)	(83,404)
Increase in trade and other receivables	-	(27,116)	(66,824)
Increase in trade and other payables*	-	75,189	176,799
Decrease in provisions	-	(416)	(996)
Foreign exchange (loss)/gain	-	(444)	574
Cash generated from operations before adjusting items	-	**95,954**	176,949

*Included within trade and other payables is an increase in contract liabilities of £3.2m (2020: £11.8m) Refer to the Chief Financial Officer's Review on page 72 of this report for details regarding undrawn borrowing facilities that may be available in the future for the operating activities and settling capital commitments.

26. Earnings per share

The following table reflects the income and share data used in the basic and diluted EPS calculations:

	2021	2020
Loss for the financial year (£'000)	(138,074)	(532,629)
Weighted average number of ordinary shares for basic EPS	1,099,043,113	804,280,441
Basic and Diluted EPS (£'s)	(0.13)	(0.66)

The basic loss per share has been calculated by dividing the loss attributable to the Group by the weighted average number of ordinary shares in issue.

The diluted loss per share has been calculated by adjusting the weighted average number of shares for the effects of the D, E, F, G and H shares, assuming full vesting of all potentially dilutive shares. The number of these shares is disclosed in note 23.

There was no change in the diluted earnings per share, since the effect of all potentially dilutive shares outstanding was anti-dilutive.

27. Related party transactions

The Directors' interests in the ordinary share capital of the Company at the balance sheet date are detailed below:

	£ per share	Ordinary Shares 2021	Ordinary Shares 2020
		Number	Number
M J Moulding	0.005	233,441,525	135,470,561
M J Moulding	1	361	361
J A Gallemore	0.005	3,638,116	3,638,116
J A Gallemore	1	3,174	3,174
D P Murphy	0.005	14,566,016	14,566,016
D P Murphy	1	-	-
I McDonald	0.005	2,505,943	2,189,039
I McDonald	1.000	-	-
Z Byng-Thorne	1	-	750
Z Byng-Thorne	0.005	69,765	-
T Hall	0.005	33,557	-
D Sanders	0.005	21,926	-
		254,280,383	155,868,017

In addition to the shareholdings noted above, the Directors had the following interests in vested Shares issued under previous incentive arrangements at the balance sheet date. These shares carry no voting rights.

		2021	2020	2021	2020
	Date of award	Subscription exercise price £	Subscription exercise price £	Number	Number
M J Moulding	Dec-19	0.23	0.23	43,641,266	43,641,266
M J Moulding	Aug-20	0.33	0.33	20,197,808	20,197,808
M J Moulding	Aug-20	0.28	0.28	7,733,792	30,296,620
M J Moulding	Aug-20	0.26	0.26	-	89,612,682
J A Gallemore	Dec-19	0.23	0.23	185,476	185,476
J A Gallemore	Aug-20	0.33	0.33	2,666,963	2,666,963
J A Gallemore	Aug-20	0.28	0.28	4,000,537	4,000,537
D P Murphy	Dec-19	0.23	0.23	370,953	370,953
I McDonald	Dec-19	0.23	0.23	185,476	185,476
Z Byng-Thorne	Dec-19	0.23	0.23	-	98,673
				78,982,271	191,256,454

The Group has not provided any interest-free loans to the Directors in 2021. In 2020 the Group provided £0.3m of interest-free loans to the Directors for them to subscribe for shares as part of the employee benefit scheme. The share-based payments expense associated with the Directors was nil (2020: £293.6m). Full details of the Directors' shareholdings are detailed in the Directors' Remuneration Report on page 191.

During the year, 89,612,682 H Shares held by M J Moulding were paid up and converted into listed Ordinary Shares, leading to a reduction in the unpaid share capital included within other receivables (note 15) of £30.5m.

On 27 August 2020, the Group entered into a five-year agreement on commercial terms with Moulding Capital Limited (previously named Kingsmead Holdco Limited) to provide property, facilities and project management services to the entity and its subsidiaries. This agreement generates £635,000 for the Group per annum recognised within administrative expenses.

Prior to the IPO which took place in September 2020, THG divested the Propco Group, an entity now wholly-owned by the Group's CEO. The Propco Group owns property assets occupied and utilised by THG and its operating businesses.

The amounts recognised on the Group's balance sheet in relation to the leases with Propco in the year are as follows:

	2021
	£'000
Right-of- use asset	218,279
Lease liability	262,797

The amounts recognised on the Group's statement of comprehensive income in relation to the leases with Propco in the year are as follows:

Depreciation arising on right-of-use assets	12,723
Expense recognised in financing costs	10,663
Impairment arising on right-of-use-assets	6,856
Impairment arising on property plant and equipment	8,156

The charge to the Group's statement of comprehensive income in 2021 for the settlement of obligations under these related party leases was £20.0m (2020: £5.7m), the table below gives further detail around the leases in place:

Number of properties	Residual lease term date divestment	Rent per annum £'000	FY21 rent £'000
9	0 – 5 years	962	962
1	7 years	3,207	3,207
12	13 –15 years	3,285	3,288
8	19 – 25 years	14,065	12,589
30		21,519	20,046

The following table shows the amounts receivable from or payable to Propco which are outstanding at the balance sheet date. These include balances in relation to lease agreements and where the Group has paid suppliers on behalf of the Propco Group, or vice versa. Such situations arise due to Propco suppliers using legacy details to submit invoices or where payments are made on behalf of THG by Propco for property-related costs rechargeable to THG as a tenant per lease:

	2021		2020	
Related party	Amounts owed by related parties	Amounts owed to related parties	Amounts owed by related parties	Amounts owed to related parties
	£'000	£'000	£'000	£'000
Aghoco 1442 Ltd	-	217	13	98
Icon 3 Holdco Ltd	-	-	253	-
FIC Shareco Ltd	-	-	5	-
THG HQ PropCo Ltd	-	-	30	-
Allenby Square Ltd	-	532	71	302
THG Alpha PropCo Ltd	-	192	-	20
THG Omega PropCo Ltd	-	1,243	-	1,120
THG Icon Unit 3 Propco S à r.l.	-	296	-	267
THG Gadbrook PropCo Ltd	-	242	-	218
THG Icon Unit 4 PropCo Ltd	-	217	-	195
THG PV PropCo Ltd	-	-	-	41
THG A&A PropCo Ltd	-	241	-	217
THG GJS PropCo Ltd	-	465	-	401
THG HCC PropCo Ltd	-	355	-	315
THG KS Propco Ltd	-	225	-	269
THG Unit 3 PropCo S.à r.l.	-	-	2,310	-
Moulding Capital Limited	-	47	-	-
THG Wroclaw sp. Z.o.o	-	645	-	-
THG Icon S.à r.l	-	1,101	-	-
THG Icon Unit 2 PropCo Limited	-	953	-	-
	-	6,971	2,682	3,463

28. Subsidiary undertakings

These consolidated financial statements include the results of all subsidiaries owned by THG PLC as listed in the table below. Some of these subsidiaries, which are listed below, have taken the exemption from an audit for the year ended 31 December 2021 permitted by s479A of Companies Act 2006. In order to allow these subsidiaries to take the audit exemption, the parent company THG PLC has given a statutory guarantee, in line with s479C of Companies Act 2006.

At the balance sheet date, the following subsidiaries were controlled by theGroup (a company incorporated in England and Wales).

Subsidiary	Registered office	Country of incorporation	Nature of business
The Hut.com Limited**	1	England and Wales	Online retailing
The Hut Platform Limited**	1	England and Wales	Provision of website development services
The Hut Holdings Limited**	1	England and Wales	Dormant
The Hut com (Trading) Limited**	2	Jersey	Online retailing
Cend Limited**	1	England and Wales	Online retailing
Guco Internet Supplies Limited**	3	Guernsey	Holding company
Iwantoneofthose Limited**	3	Guernsey	Dormant
The Hut Entertainment SL**	25	Spain	Dormant
Ensco 818 Limited**	1	England and Wales	Holding company
Mankind Holdings Limited**	3	Guernsey	Dormant
Mankind Direct Limited**	1	England and Wales	Procurement company
Moo Limited**	1	England and Wales	Online advertising
Active Nutrition International OY**	24	Finland	Dormant
Lookfantastic Group Limited**	1	England and Wales	Holding company
Lookfantastic.com.Ltd**	1	England and Wales	Online retailing
Lookfantastic Franchising Limited**	1	England and Wales	Franchising and consultancy services
Lookfantastic London Limited**	1	England and Wales	Dormant
Lookfantastic Salons Limited**	1	England and Wales	Hairdressing salon
Exante Diet Limited**	1	England and Wales	Dormant
Bike Kit Limited**	1	England and Wales	Dormant
CNP Professional Holdings Limited**	3	Guernsey	Procurement company
MyVitamins Limited**	1	England and Wales	Dormant
HQ Hair Limited**	3	Guernsey	Holding company
Cend International Limited**	1	England and Wales	Online retailing
THGPP LLC**	4	USA	Dormant
THG International LLC**	4	USA	Warehouse and distribution
Mama Mio Limited**	1	England and Wales	Online retailing

Mama Mio Distribution Limited**	1	England and Wales	Dormant
Mama Mio US Inc. **	4	USA	Online retailing
Hale Country Club Limited**	1	England and Wales	Retail and leisure company
Gadbrook Limited**	1	England and Wales	Dormant
THG International Limited**	1	England and Wales	Marketing company
The Hut Group International (Shanghai) Co Limited**	21	China	License holding company
PC Beauty Inc. **	4	USA	Holding company
Ideal Shape LLC**	4	USA	Marketing company
Performance Supplements LLC**	4	USA	Marketing company
Inteladerm LLC**	4	USA	Online retailing
Salu Australia PTY Limited**	5	Australia	Holding company
Skincarestore Australia PTY Limited**	5	Australia	Online retailing
Salu Beauty Inc. **	4	USA	Online retailing
UK2 Limited**	1	England and Wales	Webhosting
Another.com Limited**	1	England and Wales	Webhosting
Virtual Internet Holdings Limited**	1	England and Wales	Dormant
Hosting Services Inc. **	6	USA	Webhosting
UK2 Ukraine LLC**	12	Ukraine	Webhosting
Virtual Internet (UK) Limited**	1	England and Wales	Webhosting
The Hut.com (Poland) sp. z.o.o. **	13	Poland	Warehouse and distribution
RY.com.au Pty Limited**	5	Australia	Dormant
Media Ark Limited**	1	England and Wales	Dormant
THG Studios Limited (formerly known as Hangar Seven Limited)**	1	England and Wales	Visual content producer
H7P Portugal Unipessoal LDA**	22	Portugal	Visual content producer
Illamasqua (Holdings) Limited**	1	England and Wales	Holding company
Illamasqua Limited**	1	England and Wales	Online retailing
Beauty Box Beteiligungen GmbH**	7	Germany	Holding company
Beauty Trend Holding GmbH**	7	Germany	Online retailing
Beauty Trend GmbH**	7	Germany	Online retailing
Jade 1150. GmbH**	7	Germany	Holding company
Beauty Trend S.A.S France**	11	France	Online retailing
GlossyBox Sweden Holding UG**	7	Germany	Holding company
GlossyBox Sweden AB**	14	Sweden	Online retailing
GlossyBox United Kingdom Holding GmbH**	7	Germany	Holding company

Beauty Trend UK Limited**	1	England and Wales	Online retailing
VRB GmbH & Co. B-149 KG**	7	Germany	Holding company
Beauty Trend USA Inc.**	8	USA	Online retailing
El Spa Holdings (UK) Limited**	1	England and Wales	Holding company
ESPA International (UK) Limited**	1	England and Wales	Online retailing
Primavera Aromatherapy Limited**	1	England and Wales	Manufacturing
ESPA International (US) Inc.**	9	USA	Online retailing
ESPA International FZE**	23	UAE	Online retailing
Make Money Limited**	1	England and Wales	Holding company
M Beauty Limited**	1	England and Wales	Online retailing
Language Connect International Ltd**	1	England and Wales	Translation and interpretation
Language Connect, Inc.**	10	USA	Translation and interpretation
THG Ingenuity Singapore Pte. Limited (formerly known as Language Connect Singapore Pte. Limited)**	15	Singapore	Translation and interpretation
Acheson & Acheson Limited**	1	England and Wales	Manufacturing
1010 Products Limited**	1	England and Wales	Dormant
Ameliorate Skincre Limited**	1	England and Wales	Dormant
Eddie Rockers Limited**	1	England and Wales	Holding company
Great John Street Hotel Limited**	1	England and Wales	Hotel operator
King Street Investments Limited**	1	England and Wales	Hotel operator
THG Trustee Limited**	1	England and Wales	Dormant
THG MP, Inc. (formerly THG Nutrition US Inc (formerly. THG MP, Inc.)**	16	USA	Dormant
Myprotein Japan K.K.**	17	Japan	Online retailing
Colorist Christophe Robin S.A.S.**	11	France	Online retailing
Colorist Christophe Robin US, Inc**	16	USA	Online retailing
THG General Trading LLC**	18	UAE	Online retailing
David Berryman Ltd**	1	England and Wales	Online retailing
David Berryman Holdings Limited**	1	England and Wales	Holding company
Fair Juice Limited**	1	England and Wales	Dormant
Claremont Ingredients Ltd**	1	England and Wales	Online retailing
THG 100 KING STREET LIMITED	1	England and Wales	Hotel operator
THG Icon CP Prop LimitedCo**	1	England and Wales	Holding company
The Hut Group Limited**	1	England and Wales	Dormant
THG Hangar Holdco Limited**	1	England and Wales	Holding company

THG Hangar Limited**	1	England and Wales	Holding company
THG Hangar 2 Limited**	1	England and Wales	Holding company
Lion/Wrinkle Holdings, Inc**	1	USA	Holding company
Lion/Wrinkle Parent Corp**	1	USA	Holding company
Lion/Wrinkle Intermediate LLC**	1	USA	Holding company
N.V. Perricone LLC**	19	USA	Holding company
Perricone MD Cosmeceuticals UK Limited**	1	England and Wales	Online retailing
The Hut Group, S.L**	20	Spain	Online retailing
THG Intermediate OpCo Limited**	1	England and Wales	Holding company
THG Operations Holdings Limited**	1	England and Wales	Holding company
THG Intermediate Holdings Limited**	1	England and Wales	Holding company
THG Ingenuity Limited	1	England and Wales	Web Hosting
THG Shelfco Limited**	1	England and Wales	Dormant
Dermstore LLC**	35	USA	Online retailer
Arrow Film Distributors Limited**	1	England and Wales	Motion picture distributor
The Engine House Media Services Limited**	1	England and Wales	Film processing
Indigo Environmental Limited**	1	England and Wales	Trading
Indigo Environmental Holdings Limited**	1	England and Wales	Holding company
Indigo Polymers Limited**	1	England and Wales	Dormant
Three Counties Reclamation Limited**	1	England and Wales	Recovery of sorted metals
The Protein Lab (UK) Limited**	1	England and Wales	Manufacturing
Preston Plastics (Holdings) Limited**	1	England and Wales	Holding company
Preston Plastics Limited**	1	England and Wales	Recovery of sorted metals
Eco Credits Limited**	1	England and Wales	Environmental consulting activities
Brighter Foods Limited**	1	England and Wales	Manufacturing
Bentley Laboratories Blocker Company**	26	USA	Holding company
Bentley Laboratories LLC**	27	USA	Online retailer
Cult Beauty Limited**	1	England and Wales	Online retailer
THG AUS Fulfilment PTY Limited**	28	Australia	Fulfilment
THG AUS PP PTY Limited**	28	Australia	Online retailing
THG Eco Ltd**	1	England and Wales	Holding company
THG EU PP Limited**	29	Ireland	Online retailing
THG Ingenuity Germany GmbH**	30	Germany	Web Hosting
THG Beauty Limited**	1	England and Wales	Holding company
THG AUS Beauty PP PTY Limited**	28	Australia	Online retailing

THG Beauty Singapore PTE Limited**	31	Singapore	Online retailing
THG Beauty PP EU Limited**	29	Ireland	Online retailing
THG Beauty PP US LLC**	26	USA	Online retailing
THG Experience Limited**	1	England and Wales	Holding company
THG Luxury Limited**	1	England and Wales	Holding company
THG Luxury PP AUS PTY Limited**	28	Australia	Online retailing
THG Luxury PP EU Limited**	29	Ireland	Online retailing
THG Luxury PP US LLC**	26	USA	Online retailing
THG Nutrition Limited**	1	England and Wales	Holding company
THG AUS Nutrition PP PTY Limited**	28	Australia	Online retailing
THG AUS Nutrition PTY Limited**	28	Australia	Online retailing
THG Nutrition India Private Limited	32	India	Online retailing
THG Nutrition Singapore PTE Limited**	31	Singapore	Online retailing
THG Nutrition Poland s p.z.o.o**	33	Poland	Online retailing
THG Nutrition PP EU Limited**	29	Ireland	Online retailing
THG Nutrition PP US LLC**	26	USA	Online retailing
THG OnDemand Limited**	1	England and Wales	Holding company
THG OnDemand Germany GmbH**	30	Germany	Online retailing
THG OnDemand Netherlands B.V**	34	Netherlands	Online retailing
THG OnDemand PP AUS PTY Limited**	28	Australia	Online retailing
THG OnDemand PP EU Limited**	29	Ireland	Online retailing
THG OnDemand PP US LLC**	26	USA	Online retailing
THG OnDemand US LLC**	26	USA	Online retailing
THG Shared Services Limited**	1	England and Wales	Holding company
THG Shared Services AUS PTY Limited**	28	Australia	Online retailing
THG Shared Services Poland sp.z.o.o**	33	Poland	Online retailing
THG Shared Services US LLC**	26	USA	Online retailing
THG Beauty Trading LLC	36	UAE	Online retailing

** - 100% owned by THG PLC either directly or indirectly.

1 5th Floor, Voyager House, Chicago Avenue, Manchester Airport, Manchester, England M90 3DQ.

2. 2nd Floor, Charter Place, 23/27 Seaton Place, St Helier, Jersey, JE1 1JY.

3 Sarnia House, Le Truchot, St Peter Port, Guernsey, GY1 4NA.

4. Corporation Trust Center, 1209 Orange Street, Wilmington, DE 19801, USA,

5. G01/38 Atchinson Street, St Leonards, NSW 2065, Australia.

6. 517 West 100 North, Providence, UT 84332, USA

7. Kosterstrasse 62, 10179 Berlin, Germany.

8. Beauty Trend USA inc, 401 Greenwich St, 3 Floor, New York, NY 10013, USA.

9. 100 SE 2nd Street, Suite 2000, Miami, FL 3313, USA.

10. Language Connect, Inc. 79 Madison Avenue, Suite 205, New York, NY 10016, USA

11. 73 rue Sainte-Anne, Paris, France.

12. 58 Zaliznychyna Str, Lviv, Ukraine, 79018.

13. ul. Magazynowa 1, 55-040 Magnice, Poland.

14. Drottninggatan 108,113 60, Stockholm, Sweden.

15. 63 Market Street, 09-01, Bank of Singapore Centre, Singapore, 048942.

16. 06-101, WeWork 115 Broadway, New York, NY 10006, USA.

17. DLA Piper Tokyo, 2-1-1 Marunouchi, Chiyoda-ku, Meiji Seimei Kan 7F, Tokyo, 100-0005, Japan.

18. Office 404, Single Business Tower, Business Bay, P.O. Box 113014, UAE.

19. 600 Montgomery St Ste 2500, San Francisco, CA, 941111-2724, USA.

20. Calle Monte Esquinza 30, Bajo Izquierda (28010) Madrid, Spain.

21. Room 753, Level 7, Building 2, No. 155, Fu Texi 1st Road, China (Shanghai) Pilot Free Trade Zone.

22. Lote D, Área Empresarial de Marim, 8700-122 Olhão, Portugal.

23. Jebel Ali Free Zone, Dubai, UAE.

24. c/o Tilitoimisto Simo Salonen Oy, Teknologiantie 2, 90590 OULU, Finland.

25. Calle Doctor Fleming 3, planta 9, 28036 Madrid (Spain).

26. 300 Creekview Road, Suite 209, Newark, New Castle, 19711.

27. 111 Fieldcrest Avenue, Edison, New Jersey, 0883.

28. Azure Group Pty Level 10, 171 Clarence Street, Sydney, NSW 2000.

29. 1st Floor, The Liffey Trust Centre, 117-126 Sheriff Street Upper, Dublin 1

30. Maximilianstrasse 5480538 Munich.

31. 100 Tras Street, #16-01 100AM, 079027.

32 203, 2nd floor, Time Tower, Gurgaon, Haryana, India 122002.

33. Magazynowa 1 Street, 55-040, Magnice, Poland.

34. Barbara Strozzilaan 2011083 HN Amsterdam, The Netherlands

35. 1960 E GRAND AVE 6TH FLOOR EL SEGUNDO, CA 90245 United States.

36. New Mall Limited, Al Warsan First, 681-0, UAE

Subsidiary audit exemptions

The below subsidiaries have taken the exemption from an audit for the year ended 31 December 2021 permitted by s479A of Companies Act 2006. In order to allow these subsidiaries to take the audit exemption, the parent company THG PLC has given a statutory guarantee, in line with s479C of Companies Act 2006.

Name	Company number	Name	Company number	Name	Company number
Ensco 818 Ltd	7459909	UK-2 Ltd	3550739	David Berryman Holdings Ltd	10392135
Lookfantastic Group Ltd	5381562	Virtual Internet (UK) Ltd	3203095	Claremont Ingredients Ltd	2817306
Illamasqua (Holdings) Ltd	6116121	Beauty Trend UK Ltd	7569585	David Berryman Ltd	2185279
El Spa Holdings (UK) Ltd	9317257	THG International Ltd	10523712	THG Hangar 2 Limited	12746651
Make Money Ltd	5880897	Illamasqua Ltd	6301971	Perricone MD Cosmeceuticals UK	6471993
Eddie Rockers Ltd	3009737	Primavera Aromatherapy Ltd	2053064	THG Intermediate OpCo Ltd	12297092
Eco Credits Ltd	12933421	M Beauty Ltd	5850964	Brighter Foods Limited	08815259
THG Intermediate Holdings Ltd	12526036	THG 100 King Street Ltd	12938227	THE Eco Limited	13400476
Lookfantastic.com Ltd	3519634	Cend International Ltd	8651475	THG Studios Limited	6293681
Mankind Direct Ltd	4112104	ESPA International (UK) Ltd	2742156	Lookfantastic Franchising Ltd	5382066
Cend Ltd	4067712	Language Connect International Ltd	7364250	Lookfantastic Salons Ltd	6310534
The Hut Platform Ltd	6473891	Acheson and Acheson Ltd	2764368	Moo Ltd	5158225
Another.com Ltd	3661600	King Street Investments Ltd	8242806	Mama Mio Ltd	5251791
THG Hangar Ltd	12699915	Great John Street Hotel Ltd	7973960	Hale Country Club Ltd	6970110
Indigo Environmental Holdings Ltd	11738557	The EngineHouse Media Ltd	10597642	Indigo Environmental Ltd	10695826
The Protein Lab (UK) Ltd	8491800	The Hangar Holdco Ltd	12698636	Three Counties Reclamation Ltd	3792922
THG Nutrition Ltd	1340484	Preston Plastics Holdings Ltd	13265838	Preston Plastics Ltd	3377914
THG Ingenuity Ltd	13414244	THG Beauty Ltd	13400467	THG OnDemand Ltd	13400489
THG Shared Services Ltd	13515579	THG Luxury Ltd	13515614	THG Experience Ltd	13515614
THG Icon CP PropCo Limited	12940601	Arrow Film Distributors Limited	02584648		

The below subsidiaries have taken the exemption from an audit for the year ended 31 December 2021 permitted by s480 of Companies Act 2006.

Name	Company number	Name	Company number	Name	Company number
Lookfantastic London Ltd	6338404	Exante Diet Ltd	7126424	Bike Kit Ltd	8317188
Mama Mio Distribution Ltd	7721655	Myvitamins Ltd	8179216	The Hut Holdings Ltd	7002848
The Hut Group Ltd	12526836	Virtual Internet Holdings Ltd	5943486	Media Ark Ltd	6127322
Ameliorate Skincare Ltd	3427037	1010 Products Ltd	3402920	Gadbrook Ltd	9867117
Fair Juice Ltd	6494686	THG Shelfco Ltd	13120197	Indigo Polymers Ltd	11526560
THG Trustee Ltd	10511000				

29. Post balance sheet events

There are no material post balance sheet events. See note 12 for information regarding a non-adjusting event relating to a Freehold building asset that has been reclassified as an asset held for sale under IFRS 5 post year end.

Company only financial statements

Company balance sheet as at 31 December 2021

	Note	2021 £'000	2020 £'000
Fixed assets			
Investments	4	508,846	508,846
		508,846	508,846
Current assets			
Debtors	5	1,406,262	891,368
Cash		282,278	93,227
		1,688,540	984,595
Creditors: amounts falling due within one year	6	(3,147)	(15,637)
Net current assets		1,685,393	968,958
Total assets less current liabilities		2,194,239	1,477,804
Net assets		2,194,239	1,477,804
Capital and reserves			
Called up share capital		6,684	6,061
Share premium		2,022,311	1,287,171
Merger reserve		615	615
Capital redemption reserve		523	523
Loss for the year		(19,328)	(317,335)
Retained earnings		183,434	500,769
Total shareholders' funds		2,194,239	1,477,804

The financial statements on pages 273-278 were approved by the Board of Directors on 20 April 2022 and were signed on its behalf by:

J A Gallemore

Director
Registered number: 06539496

Company statement of changes in equity for the year ended 31 December 2021

	Ordinary shares £'000	Share premium £'000	Merger reserve £'000	Capital Redemption Reserve £'000	Retained earnings £'000	Total equity £'000
Balance at 1 January 2020	4,381	230,718	615	523	169,915	406,152
Loss for the year	-	-	-	-	(317,335)	(317,335)
Issue of ordinary share capital	2,079	1,056,453	-	-	737	1,059,269
Share buy-backs	(399)	-	-	-	(1,506)	(1,905)
Share-based payments	-	-	-	-	293,604	293,604
Capital contribution	-	-	-	-	38,019	38,019
Balance at 31 December 2020	6,061	1,287,171	615	523	183,434	1,477,804
Balance at 1 January 2021	6,061	1,287,171	615	523	183,434	1,477,804
Loss for the year	-	-	-	-	(19,328)	(19,328)
Issue of ordinary share capital	623	735,140	-	-	-	735,763
Balance at 31 December 2021	6,684	2,022,311	615	523	164,106	2,194,239

Notes to the Company financial statements

1. Accounting Policies

The principal accounting policies have been applied in accordance with "Financial Reporting Standard 101 Reduced Disclosure Framework" (FRS 101) and are detailed below. The policies have been applied consistently throughout both the current and preceding year.

a. Basis of preparation

The consolidated financial statements, and the Company financial statements, have been prepared in accordance with UK-adopted international accounting standards (IFRS) and, as regards the parent company financial statements, as applied in accordance with the provisions of the Companies Act 2006. The Company has taken advantage of section 408 of the Companies Act 2006 not to present the parent company profit and loss account. The loss for the financial year in the financial statements of the Company is £19.3m (2020: £317.3m loss). The financial statements have been prepared on the historical cost basis, except for derivatives which are held at fair value.

In accordance with FRS 101, the Company has taken advantage of the following disclosure exemptions:

- Company cash flow statement and related notes.
- Disclosures required by IFRS 2 Share-based payments.
- Disclosures required by IFRS 7 Financial Instrument Disclosures.
- Disclosure of related party transactions.

The accounting policies adopted by the Company in the current year are consistent with those adopted during the year ended 31 December 2020, except for the adoption of new accounting standards and amendments to existing standards in 2021 as set out below:

- Amendments to IFRS 4, IFRS 7, IFRS 9, IFRS 16 and IAS 39 Interest Rate Benchmark Reform Phase 2.

The amendments noted above do not have a significant impact on the Company's financial statements. There are no standards, interpretations or amendments to IFRS that have been issued but are not yet effective that are expected to have a material impact on the Company's financial statements.

b. Taxation and deferred taxation

Current tax including UK Corporation Tax is provided at amounts expected to be paid or recovered using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

Deferred taxation is provided in full on timing differences that result in an obligation at the balance sheet date to pay more tax, or a right to pay less tax, at a future date, at rates expected to apply when they crystallise based on current tax rates and law.

Temporary differences arise from the inclusion of items of income and expenditure in taxation computations in periods different from those in which they are included in the financial statements. Deferred tax assets are recognised to the extent that it is regarded as more likely than not that they will be recovered. Deferred tax assets and liabilities are not discounted.

c. Financial instruments

Financial assets and financial liabilities are recognised on the Company's balance sheet when the Company becomes a party to the contractual provisions of the instrument.

The most significant financial asset relates to an intercompany debtor, representing funding requirements within the Group. Management have considered all aspects of IFRS 9 with respect to recognising the appropriate value of these financial instruments at the balance sheet date, including credit risk, and have concluded that this has not adversely changed since initial recognition.

d. Financial liabilities and equity

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered. An equity instrument is any contract that evidences a residual interest in the assets of the Company after deducting all its liabilities.

e. Investments in subsidiaries

Investments in subsidiaries are held at cost, less any provision for impairment. Where equity settled share-based payments are granted to the employees of subsidiary companies, the fair value of the award is treated as a capital contribution by the Company and the investments in subsidiaries are adjusted to reflect this capital contribution.

f. Share-based payments

The Company operates a share-based compensation plan, under which the Company and the Group subsidiary entities receive services from employees as consideration for equity instruments of the Company. The fair value of the employee services received in exchange for the grant of the equity instruments is recognised as an expense in the statement of comprehensive income. The total amount to be expensed is determined by reference to the fair value of the equity instruments granted.

Non-market vesting conditions are included in assumptions about the number of equity instruments that are expected to vest. The total expense is recognised over the vesting period, which is the period over which all the specified vesting conditions are to be satisfied.

At the end of each reporting period, the entity revises its estimates of the number of equity instruments that are expected to vest based on the non-market vesting conditions. It recognises the impact of the revision to original estimates, if any, in the statement of comprehensive income, with a corresponding adjustment to equity. When the equity instruments are exercised or growth shares in THG are issued to employees, the Company issues new shares. Of the proceeds received on exercise or issue of growth shares, an amount equal to the nominal value of the shares issued is credited to the share capital account and an amount equal to the share premium, net of directly attributable transaction costs, is credited to the share premium account.

The grant by the Company of equity instruments to the employees of subsidiary undertakings in the Group is treated as a capital contribution. The fair value of employee services received, measured by reference to the grant date fair value, is recognised over the vesting period as an increase to investment in subsidiary undertakings with a corresponding credit to equity.

g. Critical accounting judgements and key sources of estimation uncertainty

Impairment of investments

The carrying amounts of the Company's investments are reviewed at each reporting date to determine whether there is any indication of impairment in accordance with the accounting policy set out in note 1 of the consolidated financial statements. The Company considers impairment of its investments in subsidiaries by estimating the recoverable amounts of its investments. The impairment review for the Company's investments was performed using the same projections used in the impairment review in relation to the Group's goodwill. Note 11 in the consolidated financial statements details the assumptions used together with an analysis of the sensitivity to changes in key assumptions.

Recoverability of intercompany debtors

The Company uses estimates to determine the recoverability of amounts due from its subsidiaries. Under IFRS 9, the carrying amounts of receivables from other Group subsidiaries are required to be assessed for recoverability on a forward-looking basis through the recognition of an expected credit loss (ECL) provision. This requires the estimation of expected loss at default (ELD) and probability of default (PD) to compute the ECL, which is deemed to reflect the irrecoverability of intercompany debtors.

2. Employee costs and numbers

The average number of employees during the year was 2 (2020: 6).

	2021	2020
	£'000	£'000
Short term employee benefits	50	2,274
Social security costs	3	311
Share-based payments	-	293,604
	53	296,189

3. Auditor remuneration

Amounts paid to the Company's auditors are disclosed in note 5 of the Group's consolidated financial statements.

4. Fixed asset investments

Fixed asset investments comprise investments in subsidiary undertakings.

	2021	2020
	£'000	£'000
At 1 January	508,846	88,044
Additions	-	382,783
Capital contribution	-	38,019
At 31 December	508,846	508,846

5. Debtors

	2021	2020
	£'000	£'000
Trade and other receivables	596	392
Amounts owed from Group undertakings	1,373,336	825,927
Unpaid share capital	27,026	57,660
Corporation tax asset	4,687	4,687
Other taxation and social security	379	277
Prepayments and accrued income	238	2,425
	1,406,262	891,368

Amounts owed by Group undertakings are unsecured, non-interest bearing and repayable on demand.

At 31 December 2021, there were 161,439,766 fully vested, but partly paid and unlisted Shares (31 Dec 2020: 301,321,600). The average amount of unpaid share capital per fully vested but partly-paid and unlisted Share is £0.16 (2020: £0.19) representing a receivable to the Group of £27.0m (2020: £57.7m). The movement in the year is all due to certain fully vested but partly paid and unlisted Shares being paid-up and converted to Ordinary Shares.

6. Creditors: amounts falling due within one year

	2021	2020
	£'000	£'000
Trade creditors	919	9,256
Accruals and deferred income	2,228	3,600
Other creditors	-	2,781
	3,147	15,637

7. Share capital and reserves

THG PLC is a public company limited by shares and incorporated in England and Wales. It has a standard listing on the London Stock Exchange and is the holding company of the Group. The Company has ten classes of shares; Ordinary Shares of £0.005 each, all of which are fully paid; D1 Shares of £0.005 each; D2 Shares of £1 each, all of which are fully paid; E Shares of £0.005 each; F Shares of £0.005 each; G Shares of £0.005 each; H Shares of £0.005 each; the Special Share of £1, which is fully paid up; Deferred 1 shares of £0.005 each; and Deferred 2 shares of £0.005 each. As at 31 December 2021 and 2020, the Company's issued share capital comprised

Class	2021 Number	Nominal value £ each
Ordinary Shares	1,220,897,947	0.005
D1 Shares	56,082,651	0.005
D2 Shares	17,812	1
E Shares	49,266,539	0.005
F Shares	27,219,640	0.005
G Shares	17,710,851	0.005
H shares	-	0.005
Special Share	1	1
Deferred 1 Shares	312,226	0.005
Deferred 2 Shares	21,563,860	0.005
	1,393,071,527	

During the financial year ending 31 December 2021 the following took place:

(i) 124,686,698 listed Ordinary Shares were issued for cash consideration of £743,132,720; (ii) 2,373,540 listed Ordinary Shares were converted from 2,373,540 D1 Shares; (iii) 607,500 listed Ordinary Shares were converted from 47,500 E Shares, 470,000 F Shares and 90,000 G Shares; (iv) 375,769 E Ordinary Shares, 146,526 F Shares and 747,270 G Shares were converted into 1,269,565 listed Ordinary Shares and 33 D2 Shares were subdivided into 6,600 D2 shares of £0.005 each, 6,121 of which converted to 6,121 listed Ordinary Shares and 479 were reclassified as Deferred 1 Shares; (v) 21,763 listed Ordinary Shares were converted from 13,000 E Shares, 3,524 F Shares and 5,239 G Shares; (vi) 116,101,671 listed Ordinary Shares were converted from 1,570,427 F Shares, 24,918,562 G Shares and 89,612,682 H Shares; (vii) 3,839,729 listed Ordinary Shares were converted from 959,283 D1 Shares, 370,952 E Shares, 1,003,798 F Shares and 1,505,696 G Shares; (viii) 98,673 E Ordinary Shares were converted to listed Ordinary Shares and 750 D2 Shares were subdivided into 150,000 D2 shares of £0.005 each, 139,107 of which converted to 139,107 listed Ordinary Shares and 10,893 were reclassified as Deferred 1 Shares; (ix) 1,707 D2 Shares were subdivided into 341,400 D2 shares of £0.005 each, 316,608 of which converted into 316,608 listed Ordinary Shares and 24,792 were reclassified as Deferred 1 Shares; and (x) 790,418 listed Ordinary Shares were converted from 64,093 F Shares and 726,325 G Shares.

8. Related party transactions

The Company has taken exemption under FRS 101 not to disclose transactions with wholly-owned subsidiary companies.

Alternative performance measures ("APMs")

The Group tracks a number of alternative performance measures in managing its business, which are not defined or specified under the requirements of IFRS because they exclude amounts that are included in, or include amounts that are excluded from, the most directly comparable measure calculated and presented in accordance with IFRS, or are calculated using financial measures that are not calculated in accordance with IFRS.

The Group believes that these alternative performance measures, which are not considered to be a substitute for or superior to IFRS measures, provide stakeholders with additional helpful information on the performance of the business. These alternative performance measures are consistent with how the business performance is planned and reported within the internal management reporting to the Board.

These alternative performance measures should be viewed as supplemental to, but not as a substitute for, measures presented in the consolidated financial information relating to the Group, which are prepared in accordance with IFRS. The Group believes that these alternative performance measures are useful indicators of its performance. However, they may not be comparable with similarly-titled measures reported by other companies due to differences in the way they are calculated. Profit-related APMs frequently exclude significant recurring business transactions (e.g., restructuring charges, acquisition-related costs and certain share-based payments) that impact financial performance and cash flows.

The Audit Committee have reviewed the overall presentation of APMs to ensure that these are not given undue prominence, challenged the nature and amount of adjusting items and evaluated the reconciliations used by management.

In determining whether an item should be presented as an allowable adjustment to IFRS measures, the Group considers items which are significant either because of their size or their nature, and which are non-recurring. For an item to be considered as an allowable adjustment to IFRS measures, it must initially meet at least one of the following criteria:

- It is a significant item.
- It has been directly incurred as a result of acquisition related restructuring and integration costs, transportation, delivery or fulfilment costs in relation to Covid-19.
- It is unusual in nature or linked to a one-off agreement signed outside of the normal course of business.

Purpose

The Group uses APMs to improve the comparability of information between reporting periods, either by adjusting for uncontrollable factors or special items which impact upon IFRS measures.

Their use is driven by characteristics particularly relevant to THG Group:

- Adjustments to operating profit – the Group has a significant non-current asset base and consequently incurs a high proportion of depreciation and amortisation. APMs are used to provide adjusted measures for users of the financial statements to evaluate our operating performance.
- Acquisition related activity - the Group is in a growth phase in its lifecycle and has made several acquisitions in the current and previous reporting periods. Consequently, a high volume of transaction, restructuring and financing costs are incurred within the Group which do not reflect its underlying business. APMs are used to provide an adjusted measure for users of the financial statements to consider performance after such items.

APM	Closest equivalent IFRS measure	Adjustments to reconcile to primary statements	Purpose
Gross profit (before depreciation and amortisation)	Gross profit	• Depreciation • Amortisation See the Chief Financial Officer review footnote 1 for a reconciliation.	To show gross profit before depreciation and amortisation charged due to its nature to aid comparability.
Adjusted distribution costs	Distribution costs	• Adjusted items • Depreciation and amortisation See the Chief Financial Officer review footnote 1 for a reconciliation.	To show distribution costs before adjusted items and depreciation and amortisation charged due to their nature to aid comparability.
Adjusted administrative expenses	Administrative expenses	• Adjusted items • Depreciation and amortisation See the Chief Financial Officer review footnote 1 for a reconciliation.	To show administrative expenses before adjusted items and depreciation and amortisation charged due to their nature to aid comparability.
Adjusted EBITDA	Operating profit	• Adjusted items • Depreciation and amortisation See the Chief Financial Officer review for a reconciliation.	EBITDA is a useful measure for investors because it is a measure closely tracked by management to evaluate THGs operating performance and to make financial, strategic and operating decisions and may help investors to understand and evaluate, in the same manner as management, the underlying trends in operational performance on a comparable basis year on year
Adjusted finance costs	Finance costs	• Adjusted items See the Chief Financial Officer review for a reconciliation.	To show finance costs before adjusted items due to their nature to aid comparability.
Net cash before lease liabilities	Cash	• Loans and other borrowings • Foreign exchange (Retranslate debt balance at swap rate where hedged by foreign exchange derivatives) • Lease liabilities See the Chief Financial Officer review for a reconciliation.	To show the cash balance after the deduction of the loans and other borrowings balances but before lease liabilities are deducted and after retranslation of debt balance at swap rate. This measure is tracked by management when reviewing liquidity and the indebtedness of the Group which is then used to drive any strategic or acquisition related decisions.
Net cash	Cash	• Loans and other borrowings • Foreign exchange (Retranslate debt balance at swap rate where hedged by foreign exchange derivatives) See the Chief Financial Officer review for a reconciliation.	To show the cash balance after the deduction of the loans and other borrowings balances and after retranslation of debt balance at swap rate. This measure is tracked by management when reviewing liquidity and the indebtedness of the Group which is then used to drive any strategic or acquisition related decisions.

Glossary

The definitions set out below apply throughout this document, unless the context requires otherwise.

Term	Meaning
2020 Annual Report	means the Annual Report and Accounts of the Company in respect of the financial year ending 31 December 2020
2021 AGM	means the annual general meeting of the Company held on 24 June 2021
2030 Sustainability Strategy	means the Group strategy, THG x Planet Earth, for a better, sustainable future with targets centred around three key priorities (i) protecting climate and nature; (ii) strengthening our supply chain and circularity; and (iii) empowering people and communities
Active Customers	means customers who have purchased at least once in the financial year ending 31 December 2021
Adjusted EBITDA	means the non-GAAP measure which is defined as Earnings Before Interest, Taxes, Depreciation, and Amortisation and adjusting items as detailed in note 4 of the financial statements contained within this Annual Report
Admission	means the admission of all the Ordinary Shares to both the standard listing segment of the Official List of the FCA and the London Stock Exchange's main market for listed securities, which took place on or around 16 September 2020
AGM	means the annual general meeting of the Company that will be held on 10 June 2022
Annual Report	means this Annual Report and Accounts of the Company in respect of the financial year ending 31 December 2021
API	means Application Programming Interface
Articles of Association	means the Articles of Association of the Company, as adopted by special resolution on 9 September 2020
Autostore	means AutoStore AS, a warehouse robotics company
B2B model	means business to business model
BCMS	means Business Continuity Management System
Bentley	means Bentley Laboratories LLC, an innovative developer and manufacturer of prestige skincare and haircare products that was acquired by THG on 15 June 2021
Berryman	means David Berryman Limited, the fruit-based ingredient business that was acquired by THG on 8 December 2020
Brighter	means Brighter Foods Limited, a specialist developer and manufacturer of snack bars that was acquired by THG on 11 May 2021
Board	means the Board of Directors of the Company (or its subsidiaries as the context may require from time to time)
Board Committees	means the Company's Board-constituted Committees comprising the Audit Committee, the Risk Committee, the Remuneration Committee, the Nomination Committee, the Related Party Committee and the Sustainability Committee
Brexit	means the UK's decision to leave the European Union following the referendum on 23 June 2016
BRC	means the British Retail Consortium
CAGR	means Compound Annual Growth Rate
Carbon Neutral	means achieving a net-zero release of carbon dioxide into the atmosphere
Chair or Independent Chair	means Charles Allen, Lord Allen of Kensington, CBE, independent non-executive chair of the Company, appointed on 22 March 2022
Chief Executive Officer or CEO	means Matthew Moulding, the Company's Chief Executive Officer and co-founder
Chief Financial Officer or CFO	means John Gallemore, the Company's Chief Financial Officer and co-founder
Claremont	means Claremont Ingredients Limited, the leading independent flavour manufacturing, sports nutrition and beverages development business that was acquired by THG on 10 December 2020

Code	means The UK Corporate Governance Code (July 2018) published by the FRC
Companies Act	means the Companies Act 2006 (as amended from time to time)
Company	means THG PLC, a public limited company incorporated in England and Wales with registered number 06539496, whose registered office is at 5th Floor Voyager House, Chicago Avenue, Manchester Airport, Manchester, M90 3DQ, United Kingdom
Company Secretary	means James Pochin, the Company Secretary of THG PLC
Constant currency	means without taking into account fluctuations in the exchange rate; therefore showing the figures as if the exchange rate remained constant
Covid-19	means the disease caused by Severe Acute Respiratory Syndrome Coronavirus 2, responsible for the global pandemic that has impacted the Group's operations
CPG	means Consumer Product Groups
CRM	means Customer Relationship Management
Cult Beauty	means Cult Beauty Limited, the UK-based online beauty retailer of prestige and emerging independent brands that was acquired by THG on 3 August 2021
D&I	means diversity and inclusion
D1 Shares	means the D ordinary shares of £0.005 each in the capital of the Company, having the rights and being subject to the restrictions set out in the Articles of Association
D2 Shares	means the D ordinary shares of £1.00 each in the capital of the Company, having the rights and being subject to the restrictions set out in the Articles of Association
D2C	means direct to customer
Deferred 1 Shares	means the deferred 1 shares in the capital of the Company, having the rights and being subject to the restrictions set out in the Articles of Association
Deferred 2 Shares	means the deferred 2 shares in the capital of the Company, having the rights and being subject to the restrictions set out in the Articles of Association
Dermstore	means Dermstore LLC, the pure play online prestige skincare business that was acquired by THG on 2 February 2021
Directors	means the directors of the Company from time to time and "Director" means any one of them
Disclosure Guidance and Transparency Rules or DTRs	means the disclosure guidance and transparency rules made by the FCA under Part VI of the Financial Services and Markets Act 2000 (as amended from time to time)
Division	means business units within the overall single operating segment of the Group
EBITDA	means the non-GAAP measure which is defined as Earnings Before Interest, Taxes, Depreciation and Amortisation
EBT	means earnings before tax
EHO	means Environmental Health Office
ERM	means Enterprise Risk Management
ESG	means environmental, social and corporate governance factors which are non-financial and are used in assessing the sustainability and societal impact of the Company and its operations
EU	means the European Union
E Shares	means the E ordinary shares of £0.005 each in the capital of the Company, having the rights and being subject to the restrictions set out in the Articles of Association
Executive Leadership Team	means, collectively, those individuals holding executive management positions within the Company
Executive Directors	means the executive directors of the Company from time to time, being the Chief Executive Officer and the Chief Financial Officer at the date of this Annual Report, and "Executive Director" means any one of them
EY or External Auditor	means Ernst & Young LLP, the Group's statutory auditor and advisor in respect of non-audit services
FCA	means the Financial Conduct Authority
FDA	means the Food and Drug Administration, a US federal agency of the Department of Health and Human Services
FIR/ST	means fulfilment, inventory, retrieval and storage technology

FMCG	means fast moving consumer goods
FRC	means the Financial Reporting Council
F Shares	means the F ordinary shares of £0.005 each in the capital of the Company, having the rights and being subject to the restrictions set out in the Articles of Association
GAAP	means Generally Accepted Accounting Principles
GDPR	means the General Data Protection Regulation (EU) 2016/679
General Counsel	means James Pochin, the General Counsel of the Company
GHG	means greenhouse gases
GMP	means Greater Manchester Police
GMV	means Gross Merchandise Value
Group or THG	means the Company and its subsidiaries and subsidiary undertakings from time to time
G Shares	means the G ordinary shares of £0.005 each in the capital of the Company, having the rights and being subject to the restrictions set out in the Articles of Association
HMRC	means Her Majesty's Revenue and Customs
H Shares	means the H ordinary shares of £0.005 each in the capital of the Company, having the rights and being subject to the restrictions set out in the Articles of Association
IAS	means International Accounting Standards
ICON Technology campus	means the Manchester ICON Technology Campus
IFRS	means International Financial Reporting Standards
IPO	means the initial public offering of Ordinary Shares by the Company in September 2020
ISO	means the International Organization for Standardization
KOL	means key opinion leader
KPI	means key performance indicator
Listing Rules	means the Listing Rules made by the FCA under Part VI of the Financial Services and Markets Act 2000 (as amended from time to time)
London Stock Exchange	means the London Stock Exchange PLC or its successor
LTIP	means any long-term incentive plan operated by the Company from time to time
MarTech	means Marketing Technology
M&A	means mergers and acquisitions
NEDs	means the Non-Executive Directors of the Company and "NED" means any one of them
NHS	means the UK's National Health Service
Notice of Meeting	means the notice of AGM circulated to Shareholders on or around the date of posting of this Annual Report
NPD	means new product development
OECD	means the Organisation for Economic Cooperation and Development
Operational emissions	means GHG emissions associated with direct (scope 1) and indirect (scope 2) operations but excluding scope 3 (value chain emissions)
Ordinary Shares	means the voting ordinary shares of £0.005 each in the capital of the Company, having the rights and being subject to the restrictions set out in the Articles of Association
Perricone	means Perricone MD, the US prestige skincare brand that was acquired by THG on 29 September 2020

PHE	means Public Health England
PPE	means personal protective equipment
PR	means public relations
Premium Listing	means a listing where the issuer is required to comply with Chapter 6 of the Listing Rules and the other requirements in the Listing Rules that are expressed to apply to securities with a premium listing
Propco Group	means Moulding Capital Limited (formerly Kingsmead Holdco Limited), a company incorporated in Guernsey (registered no. 51762), whose registered office is at Sarnia House, Le Truchot, St Peter Port, Guernsey, GY1 1GR ("Propco"), and its subsidiaries from time to time, which together hold certain property assets that are used or occupied by THG under leases between the relevant Group company and the relevant subsidiaries of Propco
Propco Transaction	means the sale of the Propco Group prior to Admission to Moulding Group Limited (formerly FIC Holdings Ltd), which is wholly owned by Matthew Moulding, the CEO
RCF	means revolving credit facility
Regulations	means the Companies (Miscellaneous Reporting) Regulations 2018 (as amended from time to time)
Related Party Transaction	means a transaction, arrangement or relationship to which the Company or any of its subsidiaries will be a participant and where any related party has a direct or indirect interest
Remuneration Policy	means the Shareholder-approved policy which sets out the remuneration arrangements for Directors (as amended from time to time)
SaaS	means software as a service
Section 172	means section 172 of the Companies Act, which relates to the duty of a company's directors to promote the success of a company
Senior Management	means the Executive Leadership Team and its direct reports
Separation Committee	means the committee established to oversee the co-ordination, delivery and execution of a reorganisation of the THG corporate structure, specifically regarding the formation of six sub-groups relating to THG *Beauty, THG Nutrition, THG Luxury, THG On Demand, THG Ingenuity and THG Experience*
Shareholder	means a holder of Ordinary Shares
Shares	means together the Ordinary Shares, D1 Shares, D2 Shares, E Shares, F Shares, G Shares, H Shares, Deferred 1 Shares, Deferred 2 Shares and the Special Share or any or a combination of each as the context requires
SID	means the Board's senior independent NED, currently Zillah Byng-Thorne
SKU	means stock-keeping unit
Softbank	means SB Management Limited, a subsidiary of SoftBank Group Corp.
Special Advisors	means the independent special advisors appointed by the Company to provide additional resource and specialist support to the Board Committees in respect of areas such as tax risk governance, sustainability, cyber risk and regulatory compliance
Special Share	means the "special" share of £1.00 in the capital of the Company, having the rights and being subject to the restrictions set out in the Articles of Association
Standard Listing	means a standard listing under Chapter 14 of the Listing Rules
THG Beauty	means a key division and market of the Company relating to beauty products, commerce and distribution
THG Commerce	means a key division and market of the Company relating to the hosting of leading third-party brands on THG Ingenuity
THG Detect	means a SaaS platform feature created and used by the Company that identifies and protects against all aspects of fraud and risk online, safeguarding business critical data and customer information

THG Digital	means the Company's end-to-end digital brand services
THG (eco)	means the Company's sustainability solutions division
THG Experience	means a key division and market of the Company relating to influencer marketing and commerce
THG Fluently	means the Company's proprietary translation services
THG Ingenuity	means a platform created and used by the Company to achieve global e-commerce competitive advantage
THG Luxury	means the luxury fashion retail division of the Company
THG Nutrition	means a key division and market of the Company relating to nutritional products, commerce and distribution
THG Studios	means a division of the Company which produces digital content
THG Technology	means a key division and market of the Company
THG Values	means the Company's values, namely leadership, innovation, decisiveness and ambition
WAEP	means weighted average exercise price
WMS	means warehouse management systems
YoY	means year on year