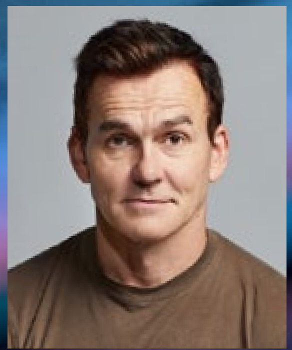
THG Annual Report

2022

AMBITION
LEADERSHIP
DECISIVENESS
INNOVATION
COLLABORATION

Contents



Matthew Moulding
Chief Executive Officer

"With a strong balance sheet and category leading positions within substantial end markets that continue to benefit from long-term structural growth, we have confidence in our ability to deliver long-term value for shareholders.

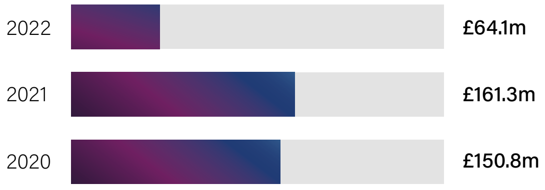
Our entrepreneurial culture is prevalent across the organisation, with our people rising to the challenges presented to them during the year with resilience and tenacity, with high-performing, diverse teams being central to our ongoing success."

Click here to watch our review of the year

Highlights

Revenue

Adjusted EBITDA



Adjusted EBITDA margin

Reported operating loss

Strategic progress

- THG Ingenuity gaining momentum following the pivot to focus on higher value and ultimately higher margin contracts
- Successful completion of the divisional reorganisation with cost savings and efficiencies implemented in FY 2022
- Simplification of the Group leading to a strategic review of loss-making categories and territories, underpinning FY 2023 profitability improvements
- Strategic partnerships and alliances entered into across THG Beauty, THG Nutrition and THG Ingenuity

Financial performance

- Record sales of £2.2 billion
- Significant investment in price strategy impacting gross margins to support long-term customer retention
- Lower level of profitability due to challenging macroeconomic environment and significant cost inflation across major cost lines
- New £156 million term loan further strengthened the balance sheet with c. £640 million of cash and available facilities at year end

THG Awards

#1 CIO in the UK (Joanna Drake)
CIO UK 100 Awards

Contact Centre Support Team of the Year (Silver) (Group)
Call Centre Management Association Awards

Most Exciting Partnership (Hotel Chocolat X Myp)
European Specialist Sports Nutrition Alliance

10th in Top Customer Service Experience, Non-Grocery Retail (Lookfantastic)
KPMG Customer Experience 2022

Winner in the Shopping App Campaign category
App Growth Awards 2022

Chair's *introduction*

Charles Allen,
Lord Allen of
Kensington CBE

Independent
Non-Executive Chair

Introduction

Welcome to our 2022 Annual Report. Having been appointed just over a year ago, I am delighted to have had the opportunity to get to know the business over that period and remain highly impressed with the talent and culture which is evident throughout the organisation.

The past year has been marked by a number of external challenges – from Covid-19 and its various impacts still lingering in certain territories, to rising inflation and the war in Ukraine. And whilst these external factors have impacted consumer confidence and added inflationary pressures to our cost base, the management team have worked hard to mitigate their effects, pivoting to focus on cash generation, strengthening the balance sheet, reducing costs and, in turn, delivering a robust set of financial results.

More than that, though, these past 12 months have been one of change and development for THG. I joined the Group as Chair with a clear mandate: to strengthen the governance and with Matt Moulding, the Group CEO, review and refine the Group's strategy. We have refreshed THG's Board and with Matt, developed the management team. There is still more to do but we've made significant progress as I will set out below.

Board composition and management

We continued to strengthen our Board composition during 2022, seeking to enhance the skills, experience, knowledge and diversity and were pleased to welcome Dean Moore and Gillian Kent as independent NEDs in September 2022, both of whom bring significant experience and insight from their previous industry roles. Following a review of THG's leadership needs, we announced two changes to the Executive Leadership Team at the beginning of 2023 – the appointment of Damian Sanders, former independent NED and chair of the Audit Committee, to CFO and the appointment of John Gallemore, the incumbent CFO, to COO.

During 2022 we also saw Dominic Murphy, Tiffany Hall, Zillah Byng-Thorne and Dr Andreas Hansson step down from the Board and I, together with my other Board members, would like to thank them all for their valuable contributions during their tenures with THG. Further information on the Board changes which took place during 2022 can be found within the Governance Report and the Nomination Committee Report.

Organisational development

In July 2022 we announced the legal completion of the internal separation of our key trading Divisions, an important landmark in the continued development of the Group and a significant undertaking that was completed on track and on time. The Board believes that this separation provides material optionality and flexibility for our key trading Divisions to enter into future strategic partnerships, generating value accretion for all shareholders. As you will see from our published accounts for FY22, the separation allows us to report on a divisional basis (with comparative figures for FY21 provided also), adding a new level of transparency to our financial reporting, and providing the opportunity to demonstrate the true value of our three world-class businesses: THG Beauty, THG Nutrition and THG Ingenuity.

People and diversity

Our values, culture and people have, collectively, allowed us to make substantial progress against our strategic priorities. The Senior Management team has demonstrated its experience and keen ability to drive progress, and I have been pleased to see the impressive work undertaken across all our operating Divisions, as they grow and expand their respective customer and client propositions.

Our ambitions to drive sustainable, profitable growth and long-term value creation are supported by a dedicated and diverse workforce. Retaining and developing talent is a key priority for THG and we empower our colleagues to make a difference.

During 2022 we set out to add a fifth Company 'value' – alongside Leadership, Innovation, Decisiveness and Ambition – and were incredibly pleased with the level of engagement from our global colleagues who overwhelmingly suggested Collaboration as the value most reflective of their THG experience. This selection is testament to the central place that collaboration plays in the culture of THG, from how we view our relationships with each other as colleagues, to the partnerships we form with our clients to drive mutual success.

Stakeholder engagement

As Chair I have been fortunate to spend time with many of our shareholders, particularly consulting on their views when the Board was appraising the bid approaches received during the first half of 2022. As we announced to the market at the time, the Board was unanimous that the offers were unacceptable and significantly undervalued the Company. I have listened to Shareholder feedback and have begun to implement positive changes to our engagement and communications strategy which will continue over the course of 2023.

Continued strategic delivery

Against all this, we have continued to execute our strategy successfully and have done so whilst continuing to invest in our future growth, rolling out fulfilment and manufacturing infrastructure around the globe, ensuring we are well-placed in our key territories to meet the growth demands both of our own-brands and of our Ingenuity clients.

Our Divisions have established meaningful positions in their respective markets and we continue to refine their strategic focus, ensuring they are well-tuned for continued delivery for all stakeholders. THG Beauty and THG Nutrition remain relevant to a global consumer base who are living longer, more digitally connected lives than ever before.

Following a change of leadership, THG Beauty is exiting certain geographies, simplifying the offer and focusing on higher margin products. THG Nutrition has undertaken a strategic reframing, further diversifying from its traditional protein-based product focus and broadening its offering to deliver for the entire 'wellness' market.

This is all powered by our technology and physical infrastructure platform, THG Ingenuity, which continues to deliver for our stakeholders – whether they be customers, consumers, clients or strategic partners – working with them to support and deliver their digital commerce journeys. Throughout the year it has gained momentum as its strategic pivot to focus on higher value and higher margin contracts has begun to bear fruit. Following a detailed review of each of our divisions we have reduced the headcount and attracted and retained the best talent.

Sustainability

As a business we are committed to driving environmental and societal change, both through our own operations and as a key partner for our stakeholder groups. This is driven by our 2030 Sustainability Strategy, 'THG x Planet Earth', which details our goals and targets as we pledge to use our global scale, world-class talent and dedication to innovation to act as a force for good.

In 2021 we invested in building our recycling capabilities, and during 2022 we broadened the services we provide to our Ingenuity clients through THG Eco. When it comes to sustainable development, we understand that real impact requires collaborative, coordinated and collective action between businesses, the public sector and individuals. THG Eco, part of THG Ingenuity, supports our clients, partners and suppliers in navigating the changing environment and demonstrating to their own suppliers and employees their sustainability commitments.

Looking ahead

2022 saw THG – together with almost all businesses – face inflationary challenges from a range of sources, from the cost of raw materials, to labour, to operational fulfilment and energy. In both facing, and trying to mitigate these challenges, we have kept a firm focus on what sits at the heart of THG: the customer; and, in recognising the pressures faced by consumers globally, we made the decision not to pass on the full extent of inflationary cost increases to our customers. We believe that this strategy will secure customer loyalty, retain customers within the THG ecosystem and in turn deliver market share growth in key territories over the longer-term.

Looking to the current financial year, I believe our category leadership positions, our culture of innovation, our dynamic Senior Management team, our well-invested global footprint and our robust balance sheet will, collectively, ensure we are well placed to deliver further growth and capitalise on strategic opportunities at the appropriate time. All with the ultimate goal of delivering shareholder value.

The Group's intention to apply for a Premium Listing remains and we are well prepared internally to progress upon completion of the FCA's ongoing review of the current listing regime.

This past year has been one of change and development for THG, and I am enthused by the prospects that lie ahead for us as we further progress our strategic priorities in 2023.

Further information can be found within:

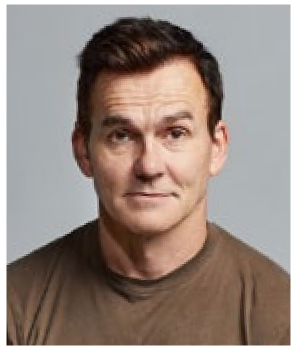
Chief Financial Officer Review
See page 37

Section 172 Statement Stakeholder Engagement
See page 47

Sustainability
See page 57

Governance Report
See page 105

Chief Executive Officer's *Review*



Matthew Moulding

Executive Director
and Chief Executive Officer

Dear Shareholder

2022 was unquestionably the most challenging global environment we've seen since founding THG nearly 20 years ago. An extraordinary backdrop of runaway inflation, rapidly rising interest rates, and major geopolitical events created significant macroeconomic and consumer uncertainty. I'm incredibly proud of how THG and the team responded to these challenges. For me, there is no doubt that 2022 was our best performance to date, even given the reduction in profitability year-on-year.

THG almost doubled in size during the global pandemic, capitalising on an unprecedented movement of consumers to online retail. As consumer behaviour has normalised, the Group not only held onto the growth achieved during the pandemic but went on to grow further during 2022. This growth in market share, delivered in the most trying of circumstances, is testament to the quality and dedication of our people.

From the start of 2022, the Group and divisions alike undertook decisive action to adapt their business models to a very different market landscape, while maintaining revenue growth in the process.

- Our Beauty and Nutrition divisions committed to shielding consumers from what we believe to be exceptional, short-term inflationary pressures. These actions temporarily reduced gross margins and profitability year-on-year, with the long-term benefits to brand integrity underpinning stronger customer loyalty and financial reward.
- After a careful and lengthy search, Vivek Ganotra joined as CEO of THG Ingenuity in June and was tasked with repositioning the division away from smaller, high-volume clients, to focus resources on our growing base of valuable, large scale, enterprise clients.
- The previous 48 months have seen significant expansion of our global fulfilment and manufacturing infrastructure, with each facility requiring a full depth of stock holding to become fully operational – which is now rationalising as evidenced through the working capital inflow in the year. This strategy has driven an improved service for consumers in international territories.
- In July 2022, we announced the completion of the divisional reorganisation, increasing strategic optionality for the future. The divisional reorganisation has also yielded improved visibility of costs, enabling savings to be made from reducing duplication and greater focus. The project was very comprehensive, and we are well on our way towards broadening our financial reporting to better reflect the divisional performance.
- Group headcount reduced by almost 2,000 people during the year, largely achieved through the careful management of attrition as well as maintaining strong cost discipline and the roll-out of logistics automation.
- To strengthen our liquidity, we agreed a new £156 million banking facility, resulting in the Group having over £640 million of cash and facilities at the year-end. Net debt of £181 million was better than guidance of c.£200 million.
- The Group's Board also underwent some changes, with the appointment of Lord Charles Allen as Non-Executive Chairman, and the subsequent appointment of two Independent Non-Executive Directors.

We see the Group being well progressed to deliver positive free cash flow on a rolling 12 month basis through FY 2024, via ongoing project delivery efficiencies including driving working capital improvements, while not compromising our ability to meet growing demand and deliver top-line revenue growth.

Market outlook

Our Beauty and Nutrition divisions operate in large, resilient and expanding total addressable markets, with each holding prominent positions in many territories. There are long-term trends driving category growth in our core markets (premium beauty, health and wellness), where we have the infrastructure and capabilities to serve following investment in our fulfilment and distribution network.

Both our core consumer markets continued to grow through the previous global financial crisis, and over the last decade benefitted from the exceptional growth of online participation. For example, the UK online share of total retail sales has increased by more than 25% over the last three years – now accounting for around 25% of total retail sales.

Our key categories are supported by favourable dynamics, such as high repeat-purchase rates, stable average order values and very low return rates. This presents THG with opportunities to grow within existing markets, and in targeted new markets where we will be able to rapidly scale up our presence.

Customer proposition

One of our greatest assets is our global customer base of over 16 million THG Beauty and THG Nutrition active customers. Our apps have been downloaded over 10 million times from a standing start in January 2020 with our first-party data advantage a core strength in our model, allowing us to hold direct relationships with our consumers.

The insights gained from these customers informs our daily decision making, and we are investing in growing this network of passionate, engaged beauty and wellness enthusiasts – firmly positioning us as the market leader in this space.

We are constantly striving to become more efficient as an organisation, while optimising the customer experience and minimising delivery times. Through our brands, we have reimagined how we think about beauty and nutrition – and how this integrates into our daily lives as we increasingly look to improve our overall health and wellbeing.

Divisional highlights

I'm pleased with the progress achieved within Ingenuity as we pivot towards a longer-term view for sustainable profitability, supporting major UK and international retailers across a wide range of categories, further supported by our expanding network of partners and strategic alliances.

THG Beauty is now firmly established as one of the leading pure-play online retailers globally delivering over £1.2 billion of revenue. We have set a pathway to rebuild margins in our largest division through a focus on profitable territories, efficient marketing channels and improved localised procurement.

THG Nutrition witnessed one of its most challenging periods in recent times and consequently I'm delighted that we delivered revenue and market share growth across many key territories, in addition to expanding our category reach with new and innovative partners. Our customer base has remained stable, notwithstanding a higher-pricing environment and physical stores reopening, supporting the defensive position of our brand.

Following the strategic investments made through acquisitions during 2021, we have continued at pace with our integration plans, prioritised customer retention, revenue growth and cost efficiencies by reducing previously-outsourced operations. The investments made in nutrition innovation and production facilities have allowed us to accelerate our speed to market, as we continue to expand our range across categories and markets.

Financial performance

Group revenue increased by 4.1% during the year across core divisions (THG Beauty, THG Nutrition and THG Ingenuity), including a contribution from acquisitions within THG Beauty. A credible result considering the major events that have impacted the global economy, and compared to the prior year where the pandemic continued to impact access to traditional retail channels resulting in a tough comparable period.

The cost environment in 2022 has been unusual, with high inflation across most cost lines and foreign exchange headwinds applying pressure to margins. Whey costs were unusually elevated which has compressed gross margins in THG Nutrition as we have sought to protect customers and invest in retention and growth for the longer term. We have been encouraged by demand in a higher-pricing environment, with strong repeat purchase rates from our loyal customer base of above 80%.

This strategy has driven an improved service for consumers in international territories. As we approach completion of this fulfilment network investment, we are well positioned in major territories to meet the growth demands of our own-brands and our Ingenuity clients. We continue to move towards increased automation in our major hubs, driving distribution cost efficiencies for the Group to help offset inflation.

Whilst we have reported a significant non-cash impairment charge relating to Beauty and Ingenuity, this is a one-off item relating to a combination of rising interest rates leading to a higher discount rate, combined with other macroeconomic pressures resulting in an impairment of historic goodwill balances.

Core commodity prices used within our Nutrition division have already seen significant deflation since their record highs in 2022, giving us confidence in our ability to rebuild divisional margins to previous levels. In addition, we have taken measures to further improve profitability by exiting certain loss-making categories which are discussed in more detail in the CFO report.

Our strong liquidity position following the cash inflow in the second half of the year, including the new £156 million banking facility, means we are well positioned for further operational and strategic progress, notwithstanding the continued macroeconomic uncertainty.

People and purpose

As THG evolves, we recognise that we must review our purpose, vision, and values to ensure they align with our strategy and reflect who we are, what we do, and why we exist. Our purpose and vision reflect the diversity in our business model and the impact we can drive through our innovation and digital expertise. Based on our success building THG Beauty and THG Nutrition into category leaders, we remain committed to reinventing how brands connect to consumers globally and supporting them to be best-in-class at building, growing and accelerating brands.

In 2022, we submitted our emissions reduction targets to the Science Based Targets initiative (SBTi) for validation - this is an important step towards our goal to achieve net zero by 2040. We also source 63% of the electricity used in our operations from renewable sources and we are on track to reach 100% by 2025. We have continued to make good progress across the people and communities pillar of our THG x Planet Earth Sustainability strategy and are proud that we have 45% female and 26% ethnic minority representation within our Graduate and Apprenticeship schemes, against a target of achieving 50% and 20% respectively by 2025.

Our people are the heartbeat of THG, and I was exceptionally pleased to reward some of our loyal and talented colleagues with share awards during the year totalling c.£19m across 33.9 million shares, in addition to a number of promotions as we continue to invest in and develop digital talent.

Finally, I'm particularly proud of THG's contribution to the communities in which we operated during 2022, in terms of both taxes and charitable efforts. In the 18th year since founding THG, the Group made a record global tax contribution of £153.4m, up from £123.4m in 2021. The contribution in 2022, from starting THG less than 18 years earlier, shows the importance of start-ups to the UK economy.

Outlook

With the completion of the divisional reorganisation, and decisive cost reduction action undertaken, the Group enters 2023 with improving momentum to achieve substantial margin expansion. Earnings recovery is supported by continued operating leverage, reducing consumer price protection, and the full-year effect of operating efficiencies and cost savings arising from the divisional reorganisation.

Our vertically integrated model enhances our ability to react to periods of economic uncertainty, and the profit improvement initiatives undertaken as part of the strategic review give us added confidence in driving margin recovery in 2023 and beyond.

We are well capitalised to advance our strategy of building a strong, sustainable global platform supporting THG brands and Ingenuity clients, and we have outlined our core levers for driving margin accretion and positive free cash flow over the near-term.

We remain confident that our business is underpinned by strong investment and strategic growth plans which will drive long-term value for our shareholders.

Our purpose and vision

As THG evolves, we recognise that we must review our purpose, vision, and values to ensure that they align with our strategy and reflect who we are, what we do, and why we exist.

We identified three things as enablers to our impact: digital transformation, innovation, and expertise.

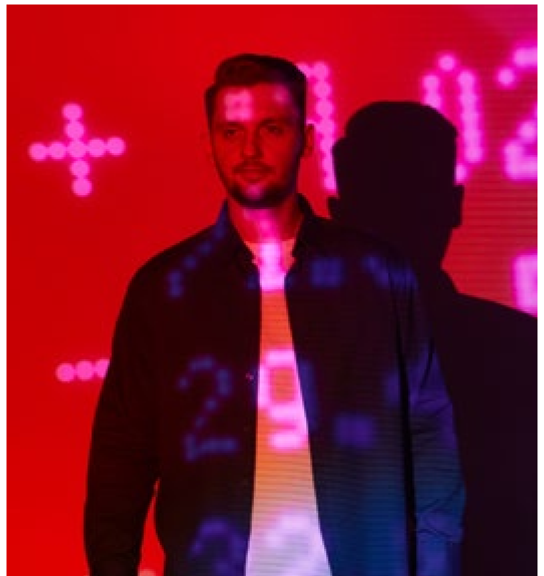
Through Ingenuity, digital transformation creates value for our stakeholders as it improves efficiency, enhances the customer experience, and increases agility. Our innovative and entrepreneurial mindset allows us to develop new products, enter new markets, and find solutions to challenging problems.

Finally, we take pride in being experts in what we do and use our expertise to make bold decisions and deliver bigger and better outcomes for our stakeholders.

Our previous purpose – to reinvent how brands connect digitally to consumers – remains true and is encompassed in our new purpose; we reinvent how brands connect digitally to consumers through digital transformation, innovation, and expertise.

Our purpose is to make an impact through digital transformation, innovation, and expertise.

Making an impact is what we do; it's why we exist. We strive to make an impact for our people, our customers, our Ingenuity clients, our suppliers and partners, our shareholders, and our communities.



Our vision is to create and grow category-leading brands on a global scale.

Our simplified vision – to create and grow category-leading brands on a global scale – encompasses all areas of the Group and defines our ambitions for the future.

Our values

We're incredibly proud to celebrate our diverse workforce and the unique experiences, skills, and qualities everyone brings to the table. However, there are a few attributes that we all share.

01/

Ambition

We think big

We set ourselves ambitious goals, seeing opportunities where others see obstacles. We take pride in our work and view our setbacks as valuable learning experiences. Our progressive mindset allows us to deliver better outcomes for our people, our brands, our clients, our customers, and our communities.

02/

Innovation

We do things differently

We celebrate experimentation and champion entrepreneurial thinking. We find solutions, not problems, and use our creativity and resilience to drive continuous improvement.

03/

Leadership

We lead by example

We inspire, motivate, and encourage each other to push the boundaries of what is possible. We set a positive example and promote a culture of meritocracy so that everyone at THG, no matter their background, age, or experience, has the opportunity go further, faster.

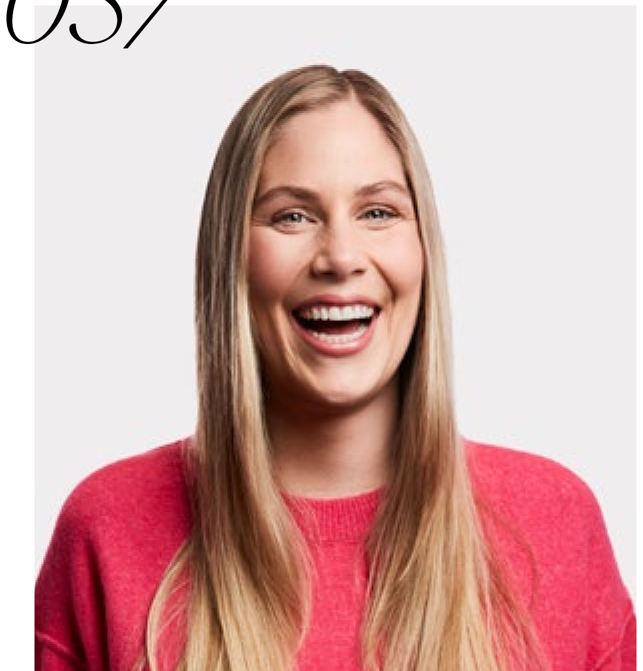
04/

Collaboration

We work together

We share ideas, insights, and skills to create a meaningful impact and drive positive results for our business. We listen to each other, we trust each other, and we strive to create an environment where everyone feels heard.

05/



Decisiveness

We make bold decisions

We use robust data to make quick, informed, and confident decisions. We take calculated risks and we're not afraid to take accountability for our actions.

THG colleagues captured at ICON Studios. Q1 2023

Our strategy

Strategic Priorities

Build category leadership positions in beauty, health and wellness

To make Ingenuity the partner of choice for commerce transformation and sustainability solutions

Deliver engaging content and innovative products to our global customer base

Accelerate growth in core international territories, leveraging our local infrastructure

Drive positive change with our stakeholders, through an entrepreneurial, values-led culture

Medium-term Financial Priorities

- Revenue growth
- Return to historical adjusted EBITDA margin of 9%+
- Free cash flow generation
- Strong balance sheet
- Market-share growth

Our Stakeholders

We have built a strong, global business. Investments made to date support further sustainable growth, creating value across our key stakeholders.

Customers and Consumers

We enable brands to have direct relationships with consumers by providing a high-quality retail experience and establishing a relationship of trust

Our Suppliers and Partners

We promote open and transparent working practices and collaborate for mutual commercial success

Shareholders

We create value for shareholders and through our purpose, vision, values and strategy, deliver long-term, sustainable growth

Our *Stakeholders*

THG Ingenuity Clients

We support clients on their digital transformation journeys

Our People

We aim to ensure THG is a supportive environment with career development opportunities at all levels, focused on building the skills of tomorrow

Society & Communities

We aim to build skills and develop talent to promote greater social mobility, whilst protecting the environments we operate in and source from

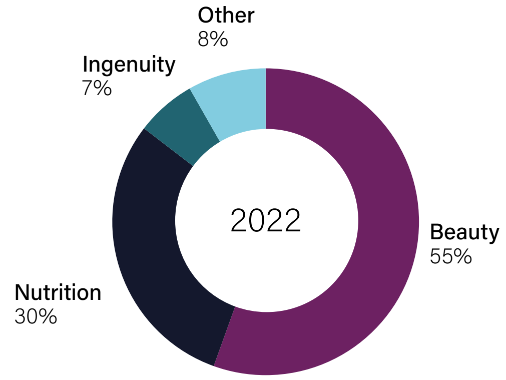
For further information please see the following sections: THG Beauty, THG Nutrition, THG Ingenuity, Chief Financial Officer Review, Section 172 Statement Stakeholder Engagement.

Our business model

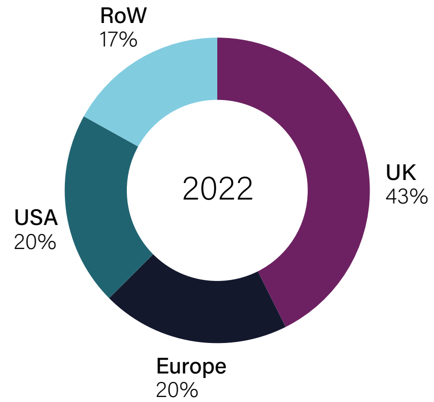
THG is a leading vertically integrated, global e-commerce technology group and brand owner, powered by its proprietary technology platform, Ingenuity, through which it also provides end-to-end e-commerce solutions for brands to reach a global e-commerce consumer base.

THG operates under three core divisions (THG Beauty, THG Nutrition and THG Ingenuity), each operating in resilient, growing markets. These divisions leverage the Group's specialisms: the development of a portfolio of leading consumer brands; and the acceleration of D2C growth for third-party clients. Following the simplification of the Group during the year, each division is now operated in separate and distinct legal entities.

Divisional revenue



Territory revenue



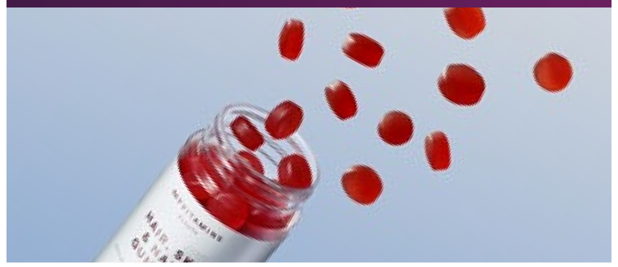
THG

THG / BRANDS

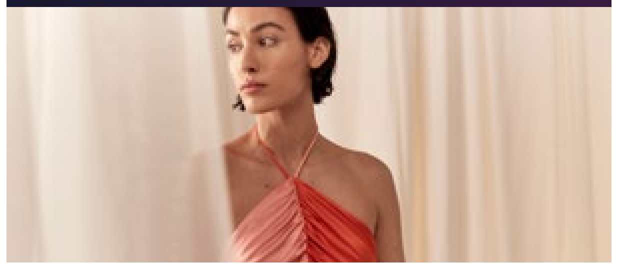
A powerful portfolio of category-leading consumer brands focusing on beauty and nutrition

THG / BEAUTY

THG / NUTRITION & WELLNESS



THG / LIFESTYLE



THG / EXPERIENCE

THG / INGENUITY

Accelerating D2C brand growth on a global scale via proprietary e-commerce infrastructure

TECHNOLOGY

OPERATIONS

DIGITAL

THG operates under three core divisions: THG Beauty, THG Nutrition and Wellness and THG Ingenuity.

THG / BEAUTY

The #1 online pure-play prestige beauty retailer Lookfantastic, and several other popular online prestige beauty retailers.

A portfolio of eight owned digital-first prestige brands addressing primarily skincare, haircare and cosmetics.

THG / INGENUITY

Proprietary complete e-commerce platform that powers digital experience and retail for FMCG, beauty and retail brands globally, creating a seamless experience for consumers.

Clients can purchase end-to-end or modular services to meet their needs, drawing on the Group's digital brand building capability, extensive proprietary e-commerce technology and physical infrastructure.

THG / NUTRITION & WELLNESS

Myprotein, the world's #1 direct-to-consumer sports nutrition brand and its brand family, offering products across several associated categories, including protein and sports nutrition, vegan alternatives, health snacks, vitamins and athleisure.

Other divisions

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 for both THG and third-party brands.

THG Luxury, the online retail of over 200 fashion and lifestyle brands, including the websites Coggles.com, Mybag.com and Thehut.com.

From 1 January 2023, THG Experience and THG Luxury will be reported within the THG Beauty division.

THG OnDemand, entertainment products and subscription services for clothing, gadgets and vinyl, with a focus on personalisation and licensing arrangements with global publishing houses. THG OnDemand was under strategic review at the year end. The strategic review is now complete and the Board has subsequently decided to discontinue the operations of this division. See more information within the CFO report.

THG / INGENUITY

As well as being a third-party e-commerce solution, THG Ingenuity is the operational infrastructure and digital hub which supports THG Beauty and THG Nutrition, delivering excellence throughout the supply chain and customer experience. THG operates a vertically integrated model, allowing the Group to control the entire customer journey, from design, manufacturing, product education and discovery, to purchase and fulfilment.

Its capabilities sit within three sub-divisions:

THG Technology

Since inception 18 years ago, the Group has continually invested in building its own e-commerce software specifically designed for the retail of consumer goods globally. Solutions include the Group's highly scalable enterprise platform that powers e-commerce for brands; hosting infrastructure ranging from dedicated servers and cloud hosting to managed services; fulfilment technology including warehouse and delivery management systems and warehouse automation; and fraud management and detection software.

THG Operations

Encompassing global fulfilment from a network of sixteen warehouses in strategic locations across the world, manufacturing of nutrition and beauty products in owned and operated BRCAA/A grade facilities in the UK, US and Poland, customer services and sustainability solutions from carbon offsetting and consultancy to plastic recycling.

THG Digital

THG's integrated marketing ecosystem brings together digital marketing, media, creative content production, translation and digital services to create a holistic, data-driven digital marketing strategy across channels, driving scalable and cost-effective customer acquisition.

TECHNOLOGY

CORE COMMERCE PLATFORM

CLOUD SERVICES

VOYAGER
- Warehouse Management System

DELIVERED
- Courier management

FIR/ST
- Fulfilment Inventory Retrieval & Storage Technology

ORBIT
- Customer experience

OPERATIONS

GLOBAL FULFILMENT

MANUFACTURING

ECO
- Climate action
- Waste reduction
- Recycling
- ESG data & performance
- Re-forestation

DIGITAL

STUDIOS

SOCIETY

FLUENTLY

OTHER
- Strategic GTM consultancy
- Trading services
- Brand partnerships
- Performance marketing

Core Operating Model

THG operates a vertically integrated model to deliver products and services to customers, giving greater control over revenue growth and costs to deliver profits and cash in the medium-term.

Revenue

THG Beauty and THG Nutrition sell products direct to consumers across the world. Revenue is generated on the sale of products and recognised when received by the customer.

THG Ingenuity generates revenue selling services to business customers through a combination of one-off fees for services such as initial website build, recurring fees for regular services such as marketing, fulfilment or software licences, and revenue share on Ingenuity websites.

Costs

Input costs relate primarily to raw materials for goods manufactured in-house (e.g. whey used in the manufacture of whey protein within the Nutrition division) and finished goods purchased for resale (e.g. third-party beauty products retailed by the Beauty division).

Distribution costs relate to the fulfilment and shipping of orders to customers. THG has delivered efficiencies during the year through an innovative warehouse automation solution, despite the inflationary cost environment.

Administrative costs relate primarily to marketing and people costs.

Adjusted EBITDA

THG's core divisions of Beauty, Nutrition and Ingenuity are profitable when considering Adjusted EBITDA from continuing operations.

The Group's medium-term Adjusted EBITDA target is 9%+ which is supported by identified cost savings and in line with historical periods.

Cash

The Group is targeting to be broadly free cash flow neutral in 2023 and free cash flow positive from 2024 onwards, with the strategy to reinvest for growth.

Our marketplace

THG / NUTRITION & WELLNESS

Market description

THG Nutrition's total addressable market, including the sports nutrition, vitamins, weight management products and sportswear categories, is estimated to amount to £350 billion globally. THG Nutrition's core focus is on the sports nutrition market, which is estimated to amount to £17 billion, however the focus has been expanded in recent years to address wider segments of the global nutrition market.

Products

THG Nutrition's products span a number of categories of the global nutrition market, including protein powders, supplements, vitamins & minerals, bars & snacks and drinks. In addition, THG Nutrition offers performance clothing through its activewear brand MP. THG Nutrition's products are primarily distributed direct to consumer through its own websites, such as Myprotein.com. This allows for close engagement with the brand's customers, while also enabling the brands to offer a wider assortment of products than is typically available through traditional retail channels, where the product range is confined by shelf space.

Key trends

The global nutrition market's growth is supported by the long-term trend of consumers becoming increasingly health conscious, and looking to consume more nutritional products. This is common across a wide range of product categories.

The rate of adoption of healthier products is impacted by income levels, with higher income countries typically consuming more nutritional products. As lower income countries develop, we would therefore expect to see higher consumption of nutritional products, in line with the trends seen in higher income countries.

The adoption of online channels has also been increasing in the nutrition market, in line with that seen in many other retail categories. In addition, e-commerce penetration is expected to grow significantly in a number of key markets as the online channel in these markets matures.

Consumers are not only turning to online channels for their purchasing, but also using the internet to inform and educate themselves of the benefits of nutritional products. Brands that invest in producing engaging and educational content for their consumers therefore stand to benefit through offering value to consumers beyond the purchasing of products.

Our position

The competitive landscape within sports nutrition, our primary market, is fragmented globally, comprising a very small number of international brands of scale including Myprotein, alongside a number of smaller brands that operate principally in their local markets.

Myprotein is the largest online sports nutrition brand globally,[1] and the most internationally diverse. THG Nutrition is therefore uniquely positioned to capitalise on this long-term channel shift towards e-commerce.

In addition, we see THG Nutrition's online direct to consumer model as a strategic benefit as consumers increasingly turn to the internet to educate themselves on the benefits of nutritional products. THG Nutrition's connection with consumers through its websites and apps enables direct engagement with consumers that traditional retail brands cannot achieve, positioning THG Nutrition as a valuable source of engaging and educational content for consumers.

THG Nutrition is positively differentiated from competitors through its digitally-native direct to consumer model, its global reach, the extent of its vertically integrated model, and its broader focus, spanning the sports nutrition, vegan products, vitamins, bars and snacks and sportswear categories.

Outlook

The total addressable market is expected to continue to grow, reaching approximately £25 billion by 2025, representing a 11% CAGR (2021 and 2025). The online segment of the sports nutrition market has historically grown faster than the overall market; the drivers of this structural growth include the increasing long-term trend towards healthier lifestyles, an increased awareness of nutrition, and greater online engagement of consumers, both in terms of purchasing and educating themselves on the category.

1. According to management estimates.

THG / BEAUTY

Market description

The global total addressable market for beauty and Personal care was £414 billion in 2022, which grew +8% year-on-year. THG Beauty is focused on the premium segment of the market, which was valued at £120 billion in 2022 and grew +9% year-on-year.

Products

THG Beauty's portfolio encompasses multiple categories across the beauty and personal care market through its online beauty retail destinations, vertically-integrated prestige brands and subscription-based beauty boxes.

Supported by a network of global and local influencers, and over 30 localised websites powered by THG Ingenuity, our pure-play online retail destination sites provide a critical route to market for over 1,300 brands across haircare, skin and bodycare, cosmetics and fragrance.

THG Beauty Brands seek to capitalise on the trend of digital channel shift across skincare, haircare and cosmetics using the THG Ingenuity platform to scale, and THG Labs for full control over new product development (NPD) and supply chain.

Key trends

The online global beauty and personal care market's growth is supported by increased accessibility to the e-commerce space and improvements in the delivery of the in-store customer experience online.

Premiumisation is a continuing trend within the global beauty and personal care space with prestige beauty growing c.5% per annum, faster than mass market at c.3% per annum. This growth is being driven by long-term, increasing demand for higher quality products, as well as increasing wealth globally.

Online penetration in the beauty and personal care market was 18% as of 2021[1], having increased from 8% in 2016. Whilst the pandemic boosted global e-commerce, it has continued its upward trajectory, supported by improvements in technology and global infrastructure.

Our position

Our diverse proposition across retail destination sites, THG-owned beauty brands, subscription services and manufacturing capabilities provides a complementary network of product and service offerings, creating a competitive advantage through strong brand partner relationships and an enhanced customer experience. Operating globally provides wide exposure, not only for THG Beauty, but also for brands who are able to access multiple markets through one partner, supporting our leading positions in the UK, US and Europe.

A broad range of 1,300 beauty brands across our sites allows us to capture the opportunities that lie with the emergence of fast growing, independent beauty brands and the long-term, sustainable growth of established global players.

Consumers are increasingly looking for brands that align with their personal values and allow them to express themselves, often perceiving emerging brands as exciting and relevant. THG Beauty is well positioned to support the growth of these brands through unlimited shelf space, NPD capabilities and unique insights into both consumer and customer trends. These emerging brands, alongside the larger, more traditional players, create an important layer of diversity in our portfolio that enables us to adapt to customer needs and a dynamic trend environment, whilst continually supporting the fundamental demands of the wider beauty and personal care consumer.

Acting as a gateway into THG Beauty for our customers, our beauty boxes represent global sampling opportunities for a range of brands, with category leadership in UK and EU markets. The use of monthly surveys enables us to gather vital behavioural insights for THG and its brand partners to enhance the customer purchase journey and support customer retention across our sites.

Traditional brand discovery, such as department stores and magazines, is becoming outdated and is currently in decline with consumers increasingly turning to online platforms, such as advice forums, online reviews and social media, for information gathering and product discovery. Our leading positions in online beauty retail and subscription services allow THG Beauty to capitalise on this evolution.

Outlook

The global total addressable beauty and personal care market is estimated to grow to c. £530 billion by 2026, at a CAGR of 6% between 2022–2026, with online adoption continuing to grow, having risen to 18% in 2021 from 8% in 2016. Premium beauty and personal care is expected to grow to £162 billion by 2026, representing a CAGR of +8% between 2022-2026.

1. Source: Euromonitor.

THG / INGENUITY

Market description

The total addressable market for D2C across the three core categories we operate within (Beauty, FMCG and Retail) is $277 billion[1].

Across our three solution areas of Technology Solutions, Digital Solutions and Operations, we expect double digital growth of 10% for fulfilment, 13% for Technology Solutions and 16% for Digital Solutions by 2025[1].

Products

Technology Solutions comprises our core commerce platform and the infrastructure required to run and maintain the platform; hosting, security, data and analytics.

Digital Solutions comprises managed services that are designed to build and grow brands in new markets, on a global-local scale: trading & marketing services, creative strategy, content production, translation & localisation, and access to Society; our global Creator network.

Operations includes our fulfilment capabilities and courier management, sustainability and our customer contact solution.

Key trends

Retail organisations are facing significant headwinds. "Retailers and digital direct-to-consumer businesses are strapped for staff, forced to move faster than ever, and heavily reliant on technology. That reliance, coupled with lightning-fast changes to consumer expectations, drives them to seek constant technological innovation." (The Forrester Wave™: B2C Commerce Solutions, Q2 2022)

Commerce is moving beyond traditional channels to a world of everywhere, any mindset commerce. Online and offline are merging, social and advertising content are fusing, and community commerce is thriving through social networks and online marketplaces as well as physical stores and retail hubs.

With 45% of online consumers prioritising convenience, brands will make direct shopping experiences a priority, building a commerce presence in every possible moment.

However, as 57% of B2C e-commerce sales flowed through marketplaces in 2020, we expect brands to fight back and regain their customers away from marketplaces, investing in their own commerce stack to make every touchpoint a shoppable moment.[2]

Our position

Ingenuity has high relevance and proven capabilities to address these market shifts, delivering speed, scale and channel expansion whilst minimising execution risk for brands. We support our customers across three main scenarios:

1. Replatforming and transformation of a customer's existing B2C digital commerce solution where the customer is looking to accelerate digital brand experience through improved platform functionality, increased scalability of the platform solution whilst reducing existing technical complexity and overall technology costs.
2. Rapidly standing up a B2C digital commerce solution to test brand and product propositions. Using our out-of-the-box platform capability, we can quickly execute a complete B2C digital commerce solution for clients to have a site fully live and operational, at speed.
3. D2C internationalisation / new market entry supported by our global digital commerce capabilities and infrastructure (translation, product and content localisation, local payments and local courier integration) means launching into new markets with minimal cost, risk and complexity.

Outlook

E-commerce sales are expected to reach $6.03 trillion in 2023 with a CAGR of 11% by 2027, amounting to $9.04 trillion.

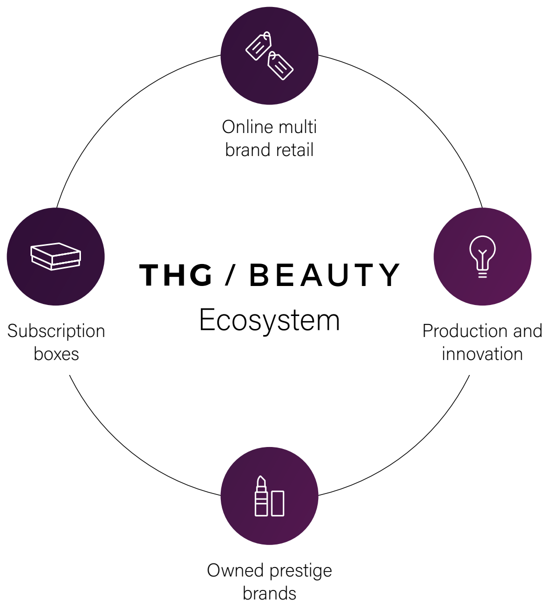
The global market for digital commerce platforms is estimated at $12.8 billion in 2022 and projected to reach $38 billion by 2023, growing at a CAGR of 15% from 2022-2030.[3]

1. Sources: Accenture Grow Digital Commerce, Euromonitor passport, Marketsandmarkets.com, e-commerce platform market, 2022, Globalnewswire, e-commerce fulfilment services, September 2022, Global web hosting market share, 2022, Globalnewswire, Global Content Marketing Industry, 2021, represents global content market industry.
2. Sources: THG Ingenuity; The Top Consumer Trends Impacting DTC Today, October 2022, Forrester; Digital Commerce Predictions, 2022.
3. Source: statista, digital commerce worldwide, 2022, Digital Commerce Platform: Global Strategic Business report, 2023.

THG / BEAUTY

THG Beauty operates leading pure-play online retailers such as Lookfantastic, Cult Beauty and Dermstore, providing a diverse offering of over 1,300 premium brands, alongside a portfolio of prestige, THG-owned beauty brands and subscription box services, with leading market positions in core territories such as the UK, US and Europe. THG Beauty's proposition is complemented by in-house product development and manufacturing in the UK and USA through THG Labs, which develops and manufactures products for THG-owned brands, in addition to third-party beauty brands. It is the distinct positioning of each of our retail sites that enable us to engage with specific segments and address their associated needs.

Our ecosystem...



- Accelerates value creation from data, and generates superior consumer engagement
- Makes us a trusted brand partner providing deeper relationships and enhanced offering
- Supports a highly engaged, digitally native workforce equipped with best-in-class digital tools
- Creates a source of global advantage for our retail banners and drives consumer engagement
- Is the enabler to value-accretive and advantaged beauty brand acquisitions

LOOKFANTASTIC

World's #1 online pure-play retailer for prestige beauty products with wide range

"Broad appeal to typical prestige beauty consumer (age, income, engagement)"

cult BEAUTY

First-to-market choice for indie brands; advice lead for the beauty enthusiast

"Younger, highly engaged prestige beauty consumer; on-trend matters"

DERMSTORE

US leading online retail for professional skincare brands

"Older, more affluent consumers who are highly engaged in skincare"

THG's online multi-brand sites each have a unique market position driving growth and category leadership, not only through the delivery of prestige brands across skincare, haircare, cosmetics and fragrance categories, but also by retailing THG-owned brands and subscription services alongside their direct-to-consumer sites and third-party channels.

The integration between beauty retail destination sites, THG-owned beauty brands and subscription services, powered by THG Ingenuity, has allowed for a better focus on customers' needs through enhanced segmentation, improved targeting and more engaging content delivery.

Active engagement and educational content have enabled THG Beauty to reach a wider international audience and drive a strong sense of brand loyalty.

THG Beauty's fully integrated digital model continued to be a key driver in the establishment and strengthening of brand relationships throughout 2022, enhancing the positioning of core categories such as skincare and haircare with continuous new brand launches on THG's retail sites, ensuring that THG Beauty continues to address the evolving needs of its customers and stays at the forefront of the beauty market.

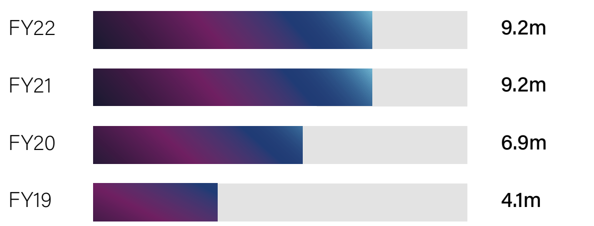
Operational Review

Key performance indicators, which include the impact of the prior year acquisitions, have continued to improve throughout the year, illustrating the resilience of the division, given the challenges presented by the macroenvironment in 2022. We maintained an active customer base of 9.2 million, demonstrating the effectiveness of our customer engagement and retention strategy following enhanced new customer acquisition throughout the COVID-19 pandemic. We continued to expand our beauty share of wallet, reflected in higher average order values and increased order numbers.

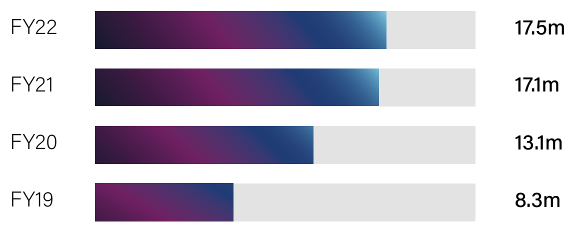
Revenue

Average order value[1]

Active customers[2]



Number of orders[3]



1. Average Order Value is defined as the average order value per customer order on a gross revenue basis, inclusive of any shipping revenue.
2. Active customers is defined as customers who have purchased at least once within the period.
3. Number of orders is defined as orders fulfilled within the period.

Strategic Highlights

Engagement and Retention

Existing customers drive over 75% of revenue within THG Beauty and engagement and retention strategies are vital in enriching their customer experience and deepening the relationships that drive repeat purchase behaviour and enable category leadership.

LF Premier, introduced in February 2022, allows customers to pay a one-off fee for a 12-month recurring subscription plan offering unlimited free delivery on most delivery options – creating a new subscription model for the site, with LF Premier customers representing over 12% of orders in December 2022. Both spend per account and average order frequency have increased over 130% when compared to non-premier customers in 2022.

A further example of Lookfantastic's investment in engagement and retention is the October 2022 launch of loyalty programme 'LF Beauty Plus+.' Customers are rewarded with points for engagement on site, such as purchases and reviews, exclusive access to promotional events and enhancements to personalised marketing communications through an improved customer profile.

Since the launch, over 900,000 members have driven positive changes across transactional key performance indicators such as spend per account, order frequency and units ordered.

In addition to the KPI improvement, our loyalty programme has driven customer engagement and is continually refining our level of customer insight and understanding, aiding in the continual improvement of value creation for our brand partners.

Territory Expansion

As well as continuing growth in our core territories, we have seen growth in new markets following investment in the Group's global distribution network. This has allowed us to identify growing market opportunities through the localisation of our proposition in the MENA (Middle East and North Africa) region.

Using our ability to fulfil within the region and utilising our experience from market entry into parts of Europe, we have accelerated our brand awareness in the fast-growing region for premium beauty, resulting in double digit growth across MENA in 2022.

The UK, our largest market, also delivered a robust performance in 2022, against an uncertain economic backdrop and the normalising of customer spending behaviour following the pandemic.

Fragrance Category Expansion

In 2022, fragrance continued to demonstrate its resurgence. The fragrance market is estimated to have grown 9% year-on-year, outperforming the global beauty and personal care market which grew 8% between 2021 – 2022.

Growth in online penetration of the fragrance market has echoed that of the beauty and personal care market, rising from 7% in 2016 to 17% in 2021.

Expansion into this growing category allows us to fulfil more of our customers' needs, as well as deepening our relationships with brand partners. Despite its sensory nature, customers are increasingly making fragrance purchases online, and we will continue to support the category's evolution through initiatives such as the Lookfantastic scent edit, which was launched using our subscription boxes to access our highly engaged beauty customers and introduce innovative ways of shopping the fragrance category online.

THG SUBSCRIPTION BOXES

THG Beauty's subscription boxes have been an important component in supporting THG x Planet Earth in 2022. Lookfantastic Beauty Box introduced an initiative to reduce excess packaging in the thousands of beauty boxes sent out monthly to our subscribers. To protect the climate and nature, delivery has been reduced to contain one reformatted outer corrugate box, and booklets featuring information and articles on the month's edition have been digitalised. This change in packaging will result in a 70% decrease in carbon footprint when compared to previous packaging, and the 100% recyclable boxes has resulted in a 61% reduction in material end-of-life waste. This has enabled us to improve customer experience as well as source the reduced packaging more locally.

THG Brands

ILLAMASQUA
GROW GORGEOUS INTELLIGENT HAIRCARE
CHRISTOPHE ROBIN PARIS
Perricone MD
AMELIORATE SMOOTH • SKIN • SCIENCE
eyeko LONDON
mio
ESPA

ESPA

Positioned at the top end of the 5-star market, with a portfolio of over 500 spas across 55 countries, ESPA have continued to lead the wellness space by creating deeply sensorial and personalised wellness experiences with leading partners, as well as in the sanctuary of the home through its expertly crafted products and treatments.

In 2022, ESPA's Design and Consultancy service delivered their bespoke wellness concepts to two of the world's most luxurious spas and resorts. Overseeing everything from concept to build development and interior design, two state-of-the-art spas were brought to life in the form of ESPA Life Waldorf Astoria in Lusail, Doha and the Ritz-Carlton New York, NoMad.

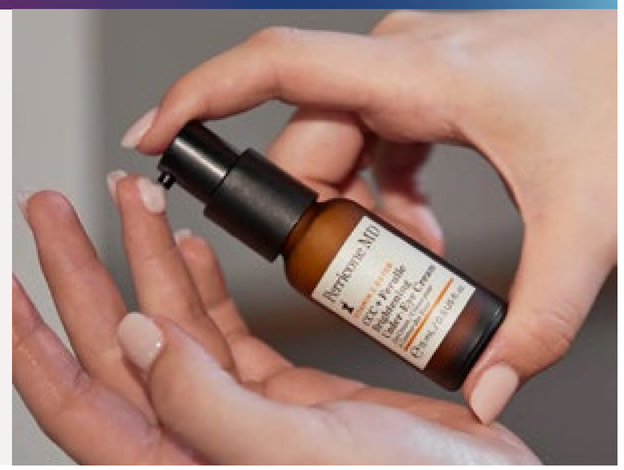
The pioneering concept in Qatar is the new flagship for the Middle East and represents the future of wellness, whilst at the same time reflecting the unique character of Doha, having taken inspiration from the luxury world of yachting in its elegant spa with a 180-degree view of the bay and Lusail skyline.

Offering holistic wellbeing in the heart of New York, the spa at the Ritz-Carlton New York, NoMad creates meaningful wellness journeys centred around the mind, body and skin, with treatments incorporating mindfulness modalities and techniques that allow guests to unwind from life in the city.

PERRICONE VITAMIN C ESTER CCC + FERULIC BRIGHTENING UNDER-EYE CREAM

Winner of Allure Beauty Expert Best of Beauty 2022 Best Brightening Eye Cream, this breakthrough product designed and manufactured by THG Labs illustrates the effectiveness of our in-house development and manufacturing capabilities.

Ophthalmology-tested, its unique concept dramatically reduces under-eye discolouration and addresses concerns such as dullness, uneven texture and dark circles, with 89% of women reporting firmer-looking skin and 87% seeing brighter, more radiant skin and an improvement in the appearance of fine lines and wrinkles.[1]



1. Source: The Benchmarking Company, 2022.

Fantastic Futures

Launched in July 2022, Fantastic Futures is an initiative dedicated to supporting niche start-ups by boosting online exposure to their business. After pitching to Fantastic Futures' experts, the successful brand then gains access to the global retail platform alongside THG's suite of brand solutions, including THG Ingenuity's direct to consumer technology, content and marketing, and digital strategy capabilities in order to grow, support and strengthen their brand, and THG Beauty's product manufacturing capabilities.

Aligning with THG x Planet Earth, the debut brand on the Fantastic Futures platform was Fiils, a beauty brand at the forefront of the refillable beauty space since 2020, championing sustainable beauty products and encouraging more conscious consumerism. Fiils aims to overhaul bathrooms of single use plastic and minimise waste while offering a luxe range of refillable, everyday essentials that are made with the best ethical, natural and organic ingredients.

Since its on-site launch in July 2022, orders including Fiils products have reached over 500, demonstrating the impact of Lookfantastic as an incubator for smaller brands by driving engagement, as well as continuing to strengthen its own position by bringing relevant new brands to consumers.

PROVENANCE X CULT BEAUTY

In response to shoppers' demands for more transparency when shopping for beauty online, Cult Beauty began using Provenance to embed sustainability badges on-site, introduce impact-focused search filters and curate best-selling edits such as the Cult Conscious beauty box.

Protecting long-term value relies on clearly communicating social and environmental impact information to shoppers, and in doing so, Cult Beauty aims to grow the market for truly sustainable brands and help establish benchmarks for new brands joining the retailer.

Provenance is a software solution that provides accessible and trusted information about a product's origin and its impact on people and the planet, empowering shoppers to drive progress through their purchasing power as well as encouraging brands to surface the proof of their sustainability impact claims.

By connecting participating brands with conscious shoppers and improving their product page conversion, Cult Beauty is not only empowering customers to shop in line with their personal values, but powerfully rewarding brands for their transparency and sustainability commitments.

Cult Beauty X Provenance has proven successful in driving key performance indicators such as increased order numbers and higher purchase rates across more than 110 brands using the software.

Future Outlook

Alongside building upon leading positions in core territories, THG Beauty will utilise its global customer base to focus on driving profitable and sustainable growth in territories where we have medium-market positions and localised infrastructure.

We will continue to leverage brand relationships to be the first-to-market with products, supported by THG Labs driving product innovation and newness for our brands. As we maintain category leadership in haircare and skincare, there will also be a focus on the development of our fragrance and cosmetics categories through leading brand and product assortment, engaging content and best-in-class customer experiences.

We will continue to invest in engagement and retention strategies by focusing on our understanding of the customer and developing deeper insight to evolve our targeting and personalisation strategy across our retail destination sites.

Our diverse proposition, including our end-to-end platform, global footprint and multi-branded retail offerings will allow us to leverage our competitive advantage to become the digital partner of choice for the world's biggest beauty brands and the leading digital destination for beauty consumers.

THG / NUTRITION & WELLNESS

THG Nutrition comprises a collection of sports nutrition and wellness brands, that includes the Myprotein brand family.

Our leading nutrition and wellness brands empower our consumers to live healthier lives and deliver on their personal nutritional goals. Our brands are delivered to our consumers through a network of localised direct to consumer websites, enabling consumers from all over the world to experience the nutritional benefits of our products. We continue to invest in localising our brands, technology and operations to bring our products to an increasingly global customer base.

Our brands are also aspirational brands, with the growth of our activewear range, which now accounts for 8% of total brand sales. This is further evidenced by the increasingly premium focus of our Myvitamins brand, which now targets the "beauty-from-within" category within the beauty market, through a range of products, such as retinol, collagen and hyaluronic acid.

Our commitment to product quality is demonstrated through the investments we have made in best-in-class product innovation and production facilities in the UK, US and Poland, ensuring our products remain at the forefront of innovation, and our manufactured to the highest quality standards. This is complemented by investment in more sustainable product and packaging forms as part of THG x Planet Earth.

E-commerce is the winning channel within sports nutrition, accounting for 35% of global sports nutrition sales in 2021. In addition, e-commerce penetration is expected to grow significantly in a number of key markets as the online channel in these markets matures. Myprotein is the largest online sports nutrition brand globally,[1] and the most internationally diverse. THG Nutrition is therefore uniquely positioned to capitalise on this long-term channel shift towards e-commerce.

Myprotein is positively differentiated from competitors through its digitally-native direct to consumer model, its global reach (75% of the brand's 2022 sales were outside the UK), the extent of its vertically integrated model (supported by 7 manufacturing facilities), and its broader focus, spanning the sports nutrition, vegan products, vitamins, bars and snacks and sportswear categories.

The brand is currently the category leader (online and offline) in the UK and Western Europe, with 2022 market shares of approximately 18% and approximately 14% respectively, according to Euromonitor data. In addition, based on the rapid sales growth THG Nutrition has delivered in Asia historically, we believe there is a significant growth opportunity in Asia, where the sports nutrition category is currently underpenetrated and there is rapidly increasing adopting of digital channels. Our market share in the US also remains low relative to other territories, with this representing a significant expansion opportunity in future years.

Myprotein has increased its market share of the sports nutrition category over recent years,[2] with significant headroom for further growth, particularly given the structural market tailwinds supporting our growth, such as consumers becoming increasingly health conscious and increasing online penetration within the category. We therefore remain highly confident in our ability to continue to grow market share in existing markets and further expand into new markets.

MYPROTEIN™

MYVITAMINS MY PRO

MYVEGAN MP

1. According to management estimates.
2. Source: Euromonitor

Operational Performance

Revenue

2022	£675.1m
2021	£659.5m
2020	£562.3m
2019	£412.9m

Average order value[1]

FY22	£50
FY21	£46
FY20	£47
FY19	£48

Active customers[2]

FY22	7m
FY21	7.2m
FY20	6.3m
FY19	4.3m

Number of orders[3]

FY22	13.2m
FY21	13.9m
FY20	12.3m
FY19	8.7m

1. Average Order Value is defined as the average order value per customer order on a gross revenue basis, inclusive of any shipping revenue.
2. Active customers is defined as customers who have purchased at least once within the period.
3. Number of orders is defined as orders fulfilled within the period.

In 2022, THG Nutrition revenue grew 2.4% YoY to £675m, with this growth principally driven by the performance of Myprotein, the largest online sports nutrition brand globally, alongside continued growth in manufacturing revenues.

Our broad customer base is evidenced by our community of over 8 million social media followers, with our multi brand approach enabling us to capture a much greater share of each consumer's health and wellness spend, while also encouraging cross category purchases. Regular consumer engagement and educational content have enabled the Group to reach an increasingly wider international audience. THG Nutrition finished the year with 7 million Active Customers globally, reflecting the strong brand loyalty of existing customers and the successful acquisition of new customers across a number of strategic markets.

Strategic highlights

Territory expansion

THG Nutrition's growth in 2022 was driven by growth across the Myprotein brand family, alongside growth of our manufacturing revenues. In the UK market, we remain the #1 brand in the market[1], and continue to grow sales through bringing the brand to a broader range of customers, new product development, and partnerships, such as the recently announced Iceland partnership.

Myprotein takes a fully localised approach to brand development, operating over 60 localised websites supported by localised content, product catalogues, trading, marketing, influencers, payment options, fulfilment and customer service. This approach has proven to be highly effective and has facilitated rapid international growth, with Myprotein holding leading market shares in the UK and Western Europe, while rapidly scaling its presence in Asia and North America, which represent significant opportunities for further market share expansion.

We continue to invest in localising our proposition, with a notable example being the investment made in local operations in Australia in 2021, which helped drive a rapid acceleration of our sales in Australia in 2022. These investments included a new warehouse in Melbourne, powered by THG's proprietary WMS, Voyager. The move has led to delivery times reducing from 10 days to 3 days, and postage costs decreasing by -75%. Since the move, Myprotein has acquired and retained more customers (+47% new customers vs 2020), and observed an uplift in orders (+81% orders vs 2020) and site conversion (+45% increase in site conversion vs 2020). The localised operations are also complemented by the use of local influencers and affiliates to help build brand equity in the region, establishing a footprint for future brand partnerships and localised new product development.

Category expansion

Since we acquired Myprotein in 2011, we have taken it from a small UK-focused brand with a limited number of product lines, to become a leading online global nutrition and lifestyle brand with over £600 million revenue.

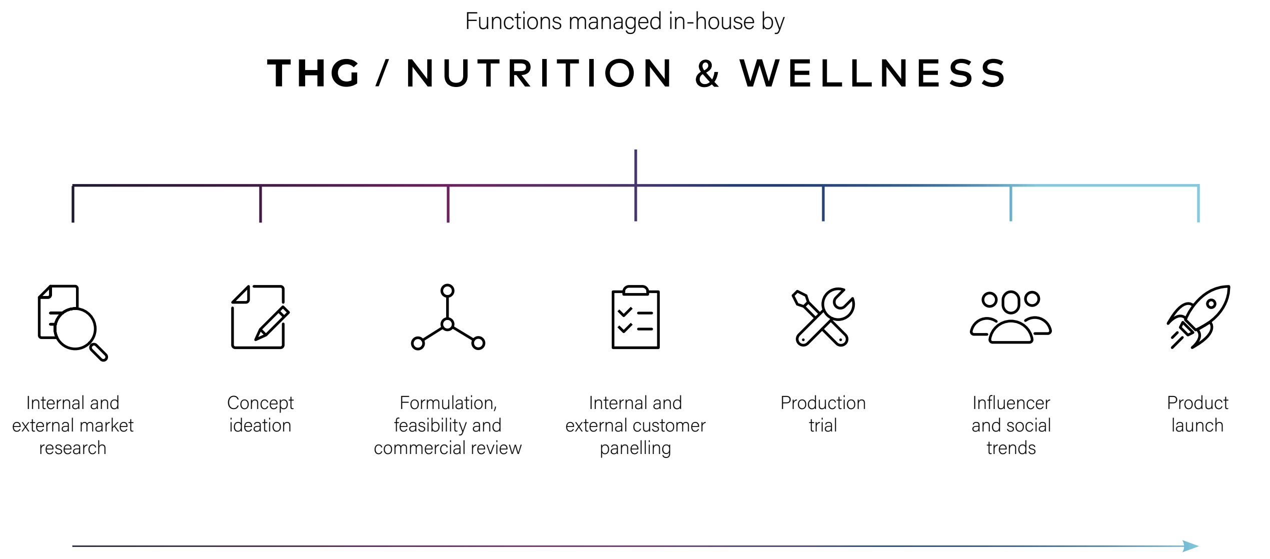
In 2023, we will deliver the next major evolution of our brand family, with the launch of a new holistic wellbeing brand addressing the vegan, natural and organic nutrition categories. The brand will build on the success of Myvegan, which is our current flagship brand in this category, while expanding its reach to the adjacent categories of organic and natural nutrition. As with our other Nutrition brands, the new brand will sit within the Myprotein brand family, leveraging the brand equity and awareness of the master Myprotein brand, while creating cross-selling opportunities across the various brands when customers shop through the Myprotein website. This approach enables us to catch a much greater share of a customer's total nutrition purchases than if we were to just sell a narrow product range, while also enabling us to bring a wider range of customers into our ecosystem.

New product development

Our vertically integrated business model enables us to be at the forefront of innovation and new product development, informed by millions of data insights from our global markets. We research, develop and manufacture ourselves, and Myprotein is renowned for being first to market with new products and formats, such as with our Clear Whey protein variants and with Multivitamin gummies. The capabilities we now have in-house continue to support incremental sales growth opportunities across a broad range of categories, enabling more consumption occasions, while enabling us to accelerate speed to market and launch new products more quickly in response to changing market conditions.

A notable highlight in 2022 has been the development of new ranges of innovative bars through Brighter Foods (acquired in 2021), a leading product developer and manufacturer of sports nutrition bars and healthy snacking products. This included the development of our new Impact Bar, our improved Layered Bars, and our first-to-market Breakfast Layered bars.

The launch of Whey Forward in the US market is an example of our ability to launch first-to-market products within the sports nutrition category. This animal-free performance protein caters for a broader range of dietary requirements, whilst not compromising on taste and performance. With Perfect Day, the creator of the world's first animal-free dairy protein, we have developed a formula which is identical in composition to the whey protein found in cow's milk. Whilst core whey products remain a growth category, sustainable alternatives with lower exposure to commodity prices are a key development area, and we are excited to follow our US launch with a recent launch into the Asia market.



1. Source: Euromonitor.

PARTNERSHIPS

We have built Myprotein into a category-leading brand in the 10 years since its acquisition. The unrivalled brand equity we have developed is now being brought to new product formats and retail channels through a range of partnerships. These new partnership help move THG Nutrition towards its strategic ambition of becoming a lifestyle brand group that addresses a broad range of consumers.

A notable expansion is our partnership with Hotel Chocolat, where we have co-developed a range of premium protein bars. These bars have proven highly successful with our customers since they were launched in November 2021, and are now a top 5 best-selling bar range within THG Nutrition.

We have also recently launched strategic global & localised partnerships with Mike & Ike in the United States, Vimto in the United Kingdom, and Jelly Belly globally, which bring these household brands into the nutrition space for the first time. In 2023, we will launch a further partnership with Perfetti Van Melle under its Chupa Chups brand, a global leading confectionary brand.

These new partnerships offer our brands opportunities to extend into new categories, sales channels, increase brand touchpoints and engage consumers in new ways, while extending their purchasing of the brands to new purchasing occasions.

Retail

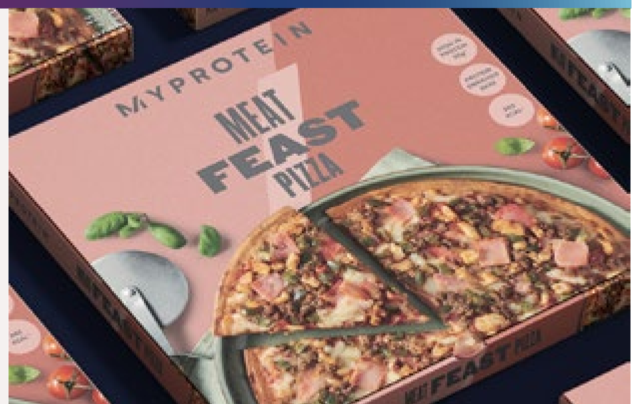
THG Nutrition brands are pursuing selective expansion into retail channels, principally in the UK, Japan and USA. In the UK, Myprotein holds prominent listings in Asda, Tesco, Iceland and Co-Op. Our protein bars, snacks and drinks are also now stocked in PureGym, the largest gym chain in the UK, with expansion across further gym groups a strategic priority for 2023. In Japan, Myprotein products are sold across the Don Quijoite, Costco, and Family Mart retail chains, with further distribution opportunities being explored across a range of international territories. In the USA, Myprotein recently launched on The Vitamin Shoppe, one of the leading specialty nutrition retailers in the USA, as we continue to scale the reach of the Myprotein brand in the USA market, which is a key strategic focus going forward.

MYPROTEIN X ICELAND

In 2022, Myprotein signed a five-year partnership deal with Iceland Foods to launch a range of frozen ready meals. The ready meals launched in 1000+ Iceland stores and online in January 2023. The new range is jointly developed by Myprotein and Iceland and will provide healthier and more nutritionally complete versions of many popular meals, and will include fully prepared meals, pizzas, wraps, ingredients, desserts and ice creams.

Iceland, the second largest frozen food retailer by market penetration, was selected as a partner given its reputation for the highest product quality, with 96% UK coverage, and its award-winning track record as a licensing partner. Myprotein's licensing strategy further builds non-digital channel brand awareness and product range expansion, complementing its UK and global store-based distribution network through retailers such as the Co-operative Group in UK and Don Quijote in Japan.

The partnership underlines the strength of the Myprotein brand, the largest online nutrition brand globally, and the potential to further expand the brand across strategic partnerships in future periods.



Customer

The THG Nutrition customer base is highly engaged, with over 80% of revenue coming from repeat customers. In addition, in recent years an increasing share of revenue has been driven through channels that incur no or very low marketing costs. A key driver of this has been the launch of our mobile apps in 2021; mobile apps have contributed an increasing share of revenue and now account for 15% of THG Nutrition online revenue.

Influencers remain at the heart of our customer engagement strategy, and the regular and highly engaging content they produce is a significant asset to our THG Nutrition brands. The content they produce is regularly fed into our own marketing channels, providing authenticity that complements our own marketing content. Given consumers are increasingly turning to online channels to educate and inspire themselves around nutrition and fitness, influencers play an increasingly important role in engaging with and educating our customer base.

An example of our successful investment in content is our in-house The Supplement magazine, which is provided for free to our online customers. Since its launch in 2021, The Supplement has proven highly popular with our customers, and is now one of the highest circulation magazines in the UK, with our most recent issue reaching a digital circulation of over 500,000. To further expand the reach and engagement of The Supplement, we are developing a new range of "recipe" magazines in 2023.

Our broad customer base is evidenced by our community of over 8 million social media followers, with our multi brand approach enabling us to capture a much greater share of each consumer's health and wellness spend and encouraging cross category purchases. We continue to develop highly engaging and educational content to ensure high levels of customer satisfaction and brand awareness. The results of this can be seen through market research that shows Myprotein ranks either #1 or #2 in aided brand awareness in 8 key markets, with significant increases in aided awareness seen in the territories such as the UAE and Australia.

We continue to explore new ways of reaching our customers, with our expansion onto Tiktok, where we now have more than 0.5m followers and host regular shopping events, being a notable example, and which demonstrates the relevance of our brand to new consumers. While we look to leverage new retail and marketing channels to grow our brand awareness and market share, our direct channels, such as our website, app and magazine, create a hub for our community that allows direct engagement with our customers, which is key to building long-term brand equity and customer loyalty. We continue to invest in strengthening our direct channels and see this as a key source of competitive advantage for our brands.

Future outlook

We will continue to evolve the Myprotein brand through building out and launching new sub-brands where opportunities exist for further category expansion. Within our existing categories, we are focused on delivering innovative and highly targeted new product development through our in-house capabilities with a focus on more sustainable ingredients and materials. By continually evolving our portfolio of products and brands to better suit consumers needs, we capitalise on new opportunities and expand our addressable markets.

Our nutrition brands are accessible to a wide range of customers, not just the regular gym goer. We intend to further broaden the appeal of Myprotein through a rebrand in the second half of 2023 that will further strengthen our identity as a brand that resonates with a wider audience and subsequent consumption occasions.

In addition, continued expansion into traditional retail channels through our convenience ranges will enable us to reach new customers, and drive incremental consumption, while continuing to raise brand awareness. Licensing partnerships leverage the power of the Group's brand portfolio and digital first business model. It offers our brands opportunities to extend into new categories, increase brand touchpoints and engage consumers in new ways.

We are able to leverage our D2C capabilities to elevate partnerships to new levels, further driving visibility and brand equity.

THG / INGENUITY

2022 saw an evolution in Ingenuity's growth strategy as we progressively pivoted away from small business customers to deliver transformative e-commerce solutions for larger organisations across our three focus categories of beauty, FMCG and retail.

This transition has been made possible through the development of Ingenuity's headless solution (the decoupling or 'detaching' of the user experience (front-end) layer of the website from the back-end functionality of the platform) and modular platform capabilities. This offers greater choice and flexibility to larger-sized customers looking to upgrade all, or some, of their existing e-commerce technology stack, as well as offering customers the ability to design more bespoke, branded user experiences by managing the front-end of the website themselves. As we increasingly support these larger customers in the e-commerce technology decision-making process, THG Ingenuity has found itself naturally playing a more significant role right at the heart of these customers' transformation agendas, frequently broadening the project scope across all elements of digital business change.

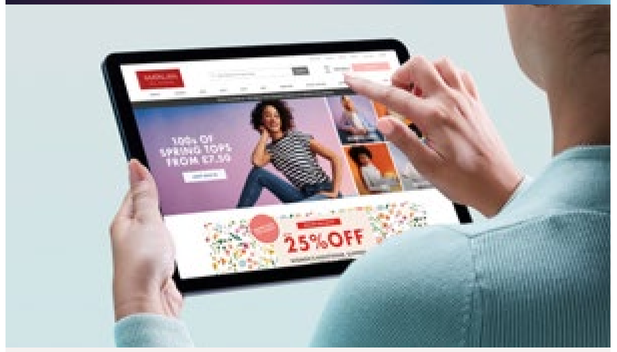
With this shift towards larger, more strategic customers comes another evolution in the form of our commercial model as we place greater focus on generating recurring revenues through platform license fees and full-service contracts where the customer adopts our suite of service offerings across our three core solutions: technology, operations and digital.

Expanding the customer base

In 2022, we confirmed new customer partnerships with brands across our core categories of beauty, FMCG and retail including Philip Morris International, Kraft Heinz and Anastasia Beverly Hills. We see customers commissioning an increasing number of services across our unified product offering including D2C website design and build, international site rollout, translation, creative and content production, performance marketing and strategy.

As the number of brands live on the platform increased through 2022, we saw the positive impact of recurring revenue and uptick in GMV from these live sites.

CLIENT CASE STUDY



Matalan

Through 2022, THG Ingenuity delivered a large-scale digital transformation project for Matalan – replatforming Matalan's existing e-commerce store and building true omnichannel capabilities for one of the UK's leading value retailers. The project, launched in March 2023, will enable Matalan to fulfil online orders from its stores as well as 'endless aisle' functionality (the ability to display store stock availability, online.) Through our solution, Matalan is also utilising THG Ingenuity's Order Management System, which is replacing its legacy system, and integrating our customer service software, THG Orbit, into its customer service centres.

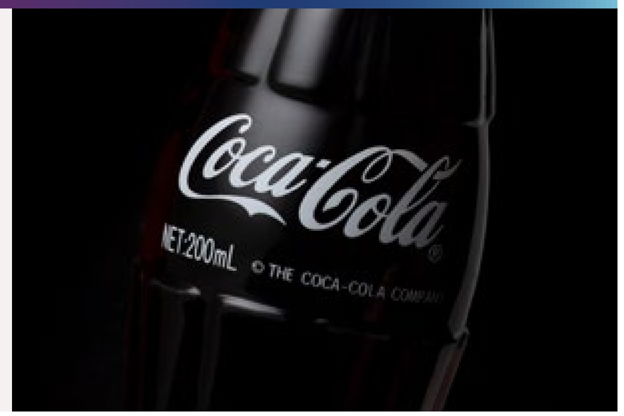
As well as enhancing the customer experience on site and in stores, THG Ingenuity's app platform will ensure Matalan maximises engagement opportunities from its always-on customer approach. In addition, the integration of the Matalan Me Loyalty Programme into the Ingenuity platform will allow Matalan's popular loyalty programme to be truly omnichannel – a first for Matalan. THG Ingenuity will integrate with Mirakl, to offer Dropship & Marketplace capability, significantly increasing the product range available for Matalan customers.

And finally, to ensure the delivery of a truly world-class digital experience, Matalan is leveraging THG Studios to develop and deliver all on-site fashion product photography from July 2023.

CLIENT CASE STUDY

Coca-Cola Europacific Partners

Since launching on the Ingenuity platform in November 2020, Coca-Cola Europacific Partners (CCEP) has continued to experience strong performance across key metrics. Conversion rate increased 1.15 percentage points, average order value increased 17.4% and revenue increased by 92.2% year on year. This, in large part, has been achieved through the continuous collaborative testing and optimisation of trading strategies by the client and THG Ingenuity's e-commerce team.



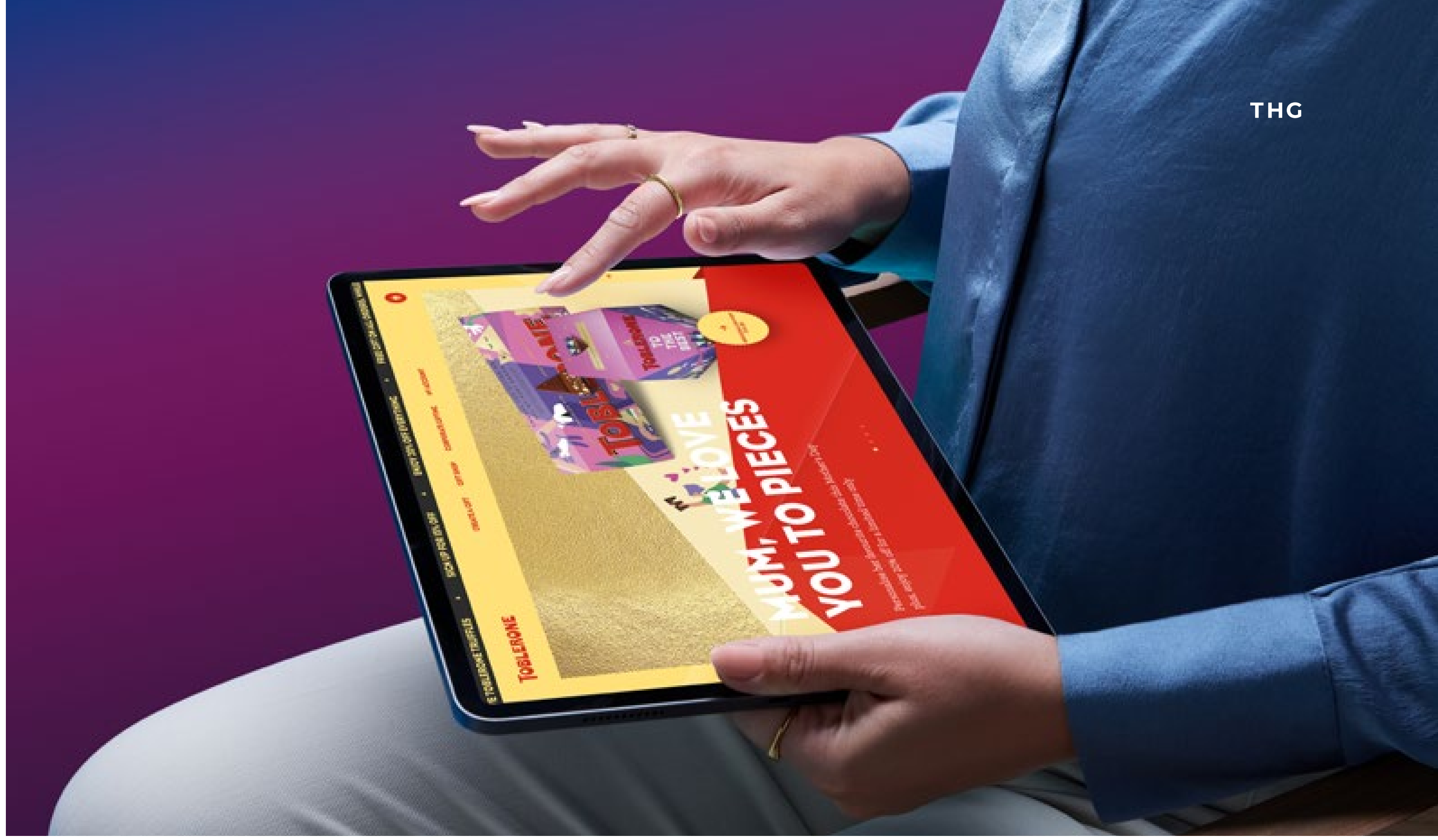
Platform evolution

Through 2022, we continued to invest extensively in our platform, with one of our most significant evolutions being the release of our headless solution.

Coggles, THG's own-brand luxury online fashion store offering aspirational third-party brands access to an international customer base, was the first site to be relaunched on Ingenuity using a new headless solution. The front-end flexibility offered by the headless solution enabled greater customisation and tooling options for rich feature creation without the need for development changes. The relaunch resulted in higher traffic, average session duration and conversion and, in turn, greater revenue for the brand.

This shift in our platform strategy offers our customers new and greater flexibility, while extending the reach of our addressable market to a larger network of enterprise customers, alliances, and partner agencies – those looking for a more flexible solution to build a custom, front-end whilst benefiting from THG Ingenuity's extensive back-end capabilities and applications. Mondelēz International was THG Ingenuity's first customer to launch a D2C website utilising this headless solution, working with a third-party agency to design the front-end brand experience for Mondelēz International's Toblerone website and integrating this into THG Ingenuity's commerce capabilities.

In addition, the modularisation of the THG Ingenuity platform has enabled a new type of customer to consume THG's breadth of microservices, all of which can be integrated into a customer's existing or future technology-stack, independently. This opens up further opportunities for THG Ingenuity to be selected as the e-commerce provider by larger-sized customers who are looking to upgrade certain elements of their existing e-commerce ecosystem without the need of a full replatform, saving the customer cost, time and reducing complexity.



Web Shopper Facing - Front End

Attractive & Easy Navigation	Inspiring Engagement	Frictionless Checkout	Secured Order Processing	Fast & Reliable Delivery	Helpful Customer Assistance

Behind The Scenes - Back End

Data-driven Insights	Resilient Architecture	Secure & Performant

ELYSIUM	THG/APP	THG/PERSONIFY	THG/CHECKOUT	THG/DETECT	THG/DELIVERED
Web Commerce	Mobile Commerce	Customer & Loyalty	Payments, Tax & Duties	Fraud	Couriers & Tracking

Web Commerce / Mobile Commerce
- Mobile, Web & App
- Special Offer Engine
- AI Recommendations
- Wishlist
- Product Reviews
- Shoppable Blog
- Returns
- Referrals
- Subscriptions
- Headless
- Powerful CMS
- Order Management System
- Product Information Management
- Marketplace

Customer & Loyalty
- Email Marketing
- Segmentation
- Campaign Management
- Customer Loyalty Programmes
- Audience Management Across Channels & Media
- Optimised Workflows To Retain & Grow Customer Base

Payments, Tax & Duties
- Optimised Basket
- Conversion
- 50+ Payment Options
- Global Payment Offering
- Local Alternatives
- Tax & Duty Calculation

Fraud
- ISO Certified
- AI Powered
- Human Interactions For High-Risk Orders
- 400+ Rules
- Class Leading Detection

Couriers & Tracking
- Carrier Management
- End To End Tracking
- Next Day Delivery
- Over 200 Courier Services

THG/VOYAGER	THG/MMS	THG/OMNI	THG/ORBIT	THG/IQ	THG/CLOUD SERVICES
WH Fulfilment	Marketplace Order Fulfilment	Store Order & Fulfilment	Customer Services	Data, Analytics & M/L	Cloud

WH Fulfilment
- Warehouse Management System
- D2C Fulfilment & Returns Handling
- Multiple Pack Types
- MHE

Marketplace Order Fulfilment
- Range Curation
- Attribute Management
- Inventory Publish
- Order Processing
- Amazon Connector

Store Order & Fulfilment
- Click & Collect
- Pick From Store
- Ship From Store
- Instore Ordering
- Returns To Store
- Omnichannel Transaction Support
- Share Stock Online

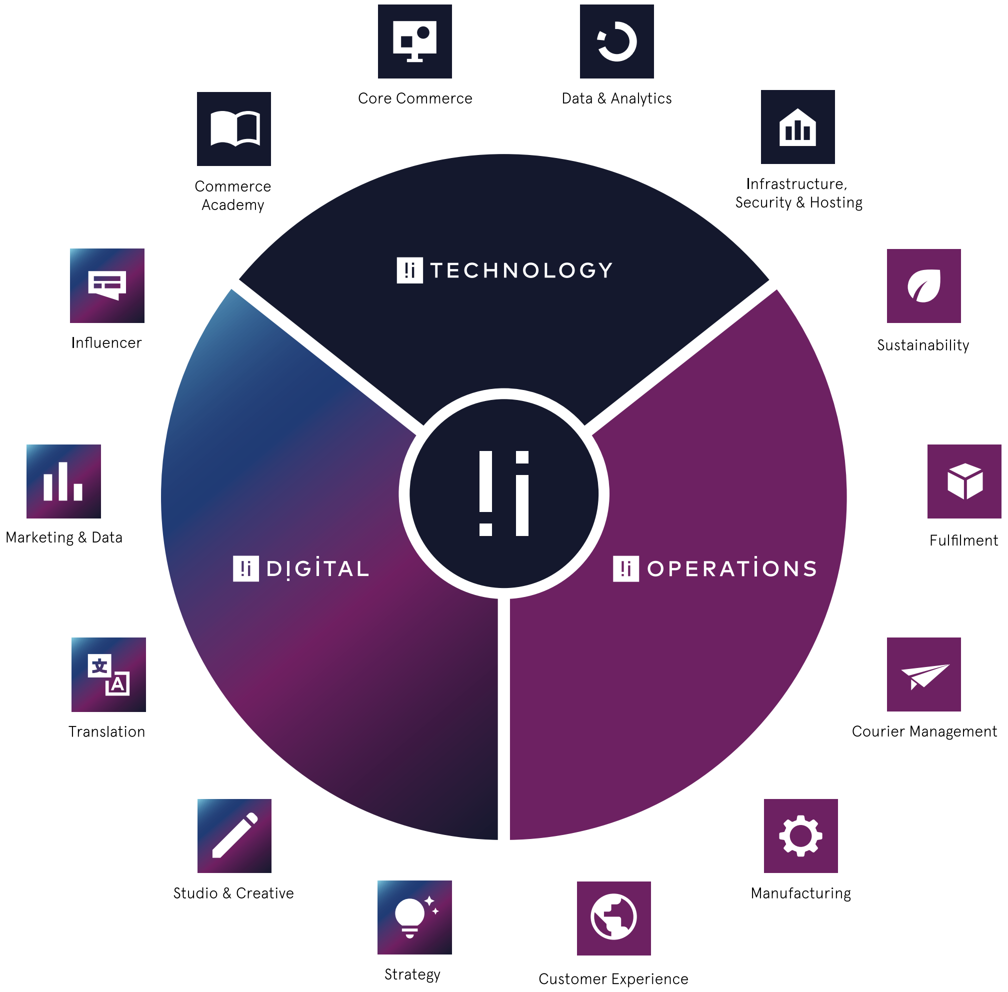
Customer Services
- Multi-Channel Incl. Live Chat, Whatsapp & Social
- Machine Learning Powered Response Tools
- Returns
- Telephone Ordering

Data, Analytics & M/L
- Real-Time Data
- AI & ML Capabilities
- One Business Data View
- SKU-Level Analytics
- Customer Feedback

Cloud
- Global Infrastructure
- Secure Global Coverage
- High Performance
- Managed Hosting
- Automation & Control
- Active-Active Sites
- Global Operation Centre

Product evolution

As part of our product evolution, we've simplified the go-to-market proposition of our complete e-commerce platform and service capabilities into three core solutions: Technology which encompasses the core commerce platform, data, hosting and security; Digital, which encompasses the peripheral brand-building capabilities of creative and campaign, marketing and data, strategy, translation and influencers, and finally; Operations, neatly bringing together the three core offerings needed to build a digital business: e-commerce technology, brand experience and fulfilment.



Within this, we continue to further evolve the offering of individual propositions, with particular spotlight on:

Data Analytics (THG IQ): The IQ data proposition has traditionally supported our THG customer base across a number of facets including consumer insights, analytics and reporting. More recently, the team has expanded to support customers across a number of additional areas in line with the increasing necessity for data driven and programmatic digital strategies. To this effect, we have developed a more comprehensive audience insight, segmentation and technology function as well as broader consultative and data services to support customers generating a better understanding of consumers and consumer behaviour. This has included more recent partnerships with platforms such as Liveramp and Qubit and further opportunities across the Customer Data and Machine Learning space being considered.

Strategy: Our experienced strategy team has developed go-to-market propositions for some of THG Ingenuity's largest customers, consulting on 'where to play and how to win' strategies in the e-commerce ecosystem and creating a point of differentiation to deliver profitability in the space. In 2022, we evolved our strategy offering with our 'D2C playbook' proposition which brings together insight-driven and experience-based recommendations to provide customers with a step-by-step guide for successful e-commerce execution.

Fulfilment: We continue to build a best-in-class complete e-commerce fulfilment solution powered by THG's proprietary technology, with AutoStore automation at its core. Bringing together Voyager, THG's Warehouse Management System (WMS) and Warehouse Control System (WCS), THG Delivered's courier integrations and THG Orbit's omnichannel customer support solution with AutoStore's proprietary automation hardware and software, THG FIR/ST's frictionless fulfilment environment is disrupting the market and bringing a highly efficient end-to-end fulfilment solution to customers of all sizes.

Partnership evolution

Throughout 2022, we continued to integrate select, strategic partners such as Liveramp, Bynder and ContentSquare onto the platform, increasing platform extensibility for Ingenuity customers looking for best-in-class solutions to data enablement, asset management, testing and optimisation and social integration. These partners, whilst providing additional revenue streams, offer choice for Ingenuity customers looking to utilise our complete e-commerce platform whilst retaining elements of flexibility.

The evolution of the Ingenuity platform into a headless and modularised solution has opened new opportunities for partnerships with technology consultancies, systems integrators and development agencies looking to work with a proven, API-first, cloud-based e-commerce platform for their own customers' solutions. THG Ingenuity's alliance programme identifies like-minded partners to go to market with, selling together to enter new markets and acquire new customers. In December 2022, THG Ingenuity announced its first partnership with UK-based technology consultancy; AND Digital.

CASE STUDY

Brand evolution

In 2022, we renewed our investment in marketing with a heightened focus on building awareness for the THG Ingenuity brand in our focus markets of the UK and Europe, the USA, Australia, India and the Middle East. Content has been a key driver of this approach, and in October we launched our first consumer trends whitepaper: "The Future Consumer Trends Impacting D2C Business." This coincided with our inaugural Future of Commerce Event.

Day one's agenda at The Future of Commerce Event commenced with the launch of our whitepaper. Following this, headline speakers Meta, Microsoft and TikTok shared their thoughts on how commerce businesses can meet the heightened needs of today's consumers. In addition, THG Ingenuity's own customers, Homebase and Nestlé, shared their thoughts on what D2C means for the future of their organisation. Day two's agenda focused on the key capabilities required to accelerate change through digital commerce. In a fireside chat, our keynote speaker, Diary of a CEO's Steven Bartlett, shared his advice on leadership capabilities. Ending two fantastic days of talks, the event culminated with a panel discussion bringing together THG's own perspectives on the future of commerce.

With over 100 attendees, the event enabled guests to come together, network and share their challenges and ambitions for their own future of commerce.

Future outlook

Over the next three years, THG Ingenuity will transform into a multi-category and multi-channel D2C provider with a global footprint:

FROM...	TO...
Business focused on domestic UK market	Truly global leader with increasing revenues coming from outside UK
Beauty specialist & emerging retail and FMCG player	Strong player in beauty, retail & FMCG
D2C exclusivist	Multichannel digital commerce provider generating revenues from non D2C channels & services
Limited selectiveness of customer size	Targeting medium, large and enterprise clients
Internal capacity building	Extensive partnership ecosystem
Resource-intensive managed services model	High-value added digital services

Chief Financial Officer *review*

"We have taken decisive action over the last year, to reduce the Group cost base, provide strategic optionality and a stronger platform for growth in the context of a tough trading comparative period and a challenging macroeconomic backdrop."

Damian Sanders
Executive Director and Chief Financial Officer

	Year ended 31 December 2022			Year ended 31 December 2021		
	Before Adjusted Items	Adjusted Items	Total	Before Adjusted Items	Adjusted Items	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Consolidated income statement						
Revenue	2,239,229	-	2,239,229	2,179,910	-	2,179,910
Cost of sales	(1,333,737)	(25,517)	(1,359,254)	(1,225,506)	-	(1,225,506)
Gross profit	905,492	(25,517)	879,975	954,404	-	954,404
Distribution costs	(380,652)	(22,117)	(402,769)	(386,928)	(43,012)	(429,940)
Administrative costs	(674,626)	(298,145)	(972,771)	(575,711)	(86,216)	(661,927)
Operating loss	(149,786)	(345,779)	(495,565)	(8,235)	(129,228)	(137,463)

Alternative performance measures

The following table provides adjusted measures. The Group believes that these alternative performance measures, which are not considered to be a substitute for 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 monitored and reported through internal management reporting to the Board.

The below table summarises the result from operations before depreciation, amortisation, share-based payments and SaaS change in accounting policy costs. These amounts are also reconciled back to the nearest IFRS measure within this table:

	Year ended 31 December 2022	Year ended 31 December 2021
	£'000	£'000
Adjusted gross profit	925,488	974,767
Adjusted distribution costs	(353,412)	(369,120)
Adjusted administrative costs	(507,962)	(444,371)
Adjusted EBITDA	64,114	161,276
SaaS change in accounting policy	10,183	-
Adjusted EBITDA pre SaaS change in accounting policy	74,297	161,276
EBITDA losses from discontinued categories	14,582	8,348
Adjusted EBITDA (continuing)	88,879	169,624

Note: The table on the previous page shows financial results for gross profit, distribution costs and administrative costs before the impact of depreciation, amortisation and share-based payments. The impact is as follows:

- For statutory presentation gross profit includes charges of £20.0m (2021: £20.4m) for amortisation and depreciation.
- For statutory presentation distribution costs include charges of £27.2m (2021: £17.8m) for amortisation and depreciation.
- For statutory presentation administrative costs include charges of £155.9m (2021: £131.3m) for amortisation and depreciation and £10.7m (2021: £nil) for share-based payments.

Reconciliation from Adjusted EBITDA to Operating loss

	Year ended 31 December 2022	Year ended 31 December 2021
	£'000	£'000
Adjusted EBITDA	64,114	161,276
Depreciation	(94,191)	(70,478)
Amortisation	(108,975)	(99,033)
Share-based payments	(10,734)	-
Operating loss before adjusted items	(149,786)	(8,235)
Adjusted items – impairment	(275,422)	(55,990)
Adjusted items – other	(70,357)	(73,238)
Operating loss	(495,565)	(137,463)

Revenue

Group revenues grew by 2.7% to £2,239m (2021: £2,180m). THG Beauty sales grew +4.5% to £1,235m (2021: £1,182m), THG Nutrition grew +2.4% to £675m (2021: £660m) and THG Ingenuity delivered +9.1% growth in external revenue to £160m (2021: £146m). The contribution from acquisitions – predominantly in the Beauty division - was in line with expectations at c.£125m. Organic performance was pleasing relative to peers and against tough comparatives as the world re-opened, with stable customer metrics.

International sales accounted for 57% (2021: 58%) of total Group revenue. The US continues to be a strong growth area for the Group delivering c10% revenue growth in the year with sales of £447m (2021: £406m) representing 20% of the Group, following on from the successful integrations of US acquisitions in recent years including Dermstore, Bentley Laboratories and Perricone MD. THG Nutrition continues to perform well in the US albeit from a moderate base, with the UK delivering sales growth in excess of the Group, reinforcing our strong position and continued ability to increase sales demonstrably in our more mature markets.

Revenue growth was driven by a higher pricing environment, particularly in THG Nutrition, but was offset by challenges in respect of the reopening of physical retail, pressures on the consumer environment driven by the emerging cost of living crisis, along with disruption to the UK courier network in the final quarter of the year, the latter being more acute in THG Beauty.

Note that during 2022, revenue generated from the discontinued categories totalled £119m (2021: £147m). More information on these categories is included later in the report. Excluding these areas, the revenues from the continuing operations delivered growth of +4.3% year on year.

Gross profit

Adjusted gross profit was £925m (2021: £975m) equating to a gross profit margin of 41.3%, 340bps adverse year on year.

Gross profit on a statutory basis decreased to £880m from £954m with a margin of 39.3% (2021: 43.8%). One key driver of the reduction on a statutory basis is the £26m inventory provision and costs of decommissioning facilities recognised in 2022, both of which are adjusting items given their one-off nature. At the year end, certain loss-making categories and territories primarily within THG OnDemand were placed under strategic review. This review is now complete and these operations will be fully exited by the end of Q3 2023. This has led to this provision relating to the expected discounting and disposal of inventory following the exit of unprofitable websites and warehouses.

The cost environment in 2022 has been unusual, with elevated whey commodity prices and other raw materials experiencing high inflation, notably labour and energy, across most major cost lines which has applied pressure to margins. Measured price increases were implemented to mitigate a proportion of the impact of this temporarily elevated input cost, however the Group also invested in consumer price protection, particularly in Nutrition, which has reduced margins during the year.

These margin headwinds began to abate across the second half of the year, a trend which we have seen continue into early 2023.

Operating expenses

Distribution costs on a statutory basis reduced as a percentage of sales by 170bps compared to 2021, culminating in a cost of £403m (2021: £430m), which is 18.0% (2021: 19.7%) of revenue. Included within statutory distribution costs are £22m of costs relating to incremental delivery fees in respect of Covid-19 and commissioning of new facilities. In 2021, these costs totalled £43m. The substantial decrease is due to lower incremental Covid-19 costs this year following the impacts of the pandemic lessening on the supply chain and a reduction in costs for new site commissioning as the Group network expansion programme draws to a conclusion, generating substantial capacity for growth. Adjusted distribution costs of £353m (2021: £369m) were 15.8% (2021: 16.9%) of revenue. This improvement was driven by the Group's continued focus on network optimisation, and the expanded usage of warehouse automation utilised to combat high levels of labour inflation in the market.

Administrative costs on a statutory basis totalled £973m (2021: £662m) with the increase driven by three key factors. The first being a non-cash impairment charge in respect of THG Beauty of £183m (2021: £nil) and THG Ingenuity of £87m (2021: £nil). A result of the divisional reorganisation is that additional cash-generating-units were identified during 2022 which has led to the impairment reviews being completed at a significantly more granular level than in prior periods. This combined with more challenging global markets where the market price of many technology businesses has fallen over the last 18 months, macroeconomic, inflationary and interest rate pressures along with the substantial amount of assets included within THG Beauty from recent acquisitions, and THG Ingenuity following the continued investment in the global infrastructure and platform has led to the impairment of historical goodwill balances. Secondly, a £10m charge (2021: £nil) for software-as-a-service has been recognised within administrative costs in 2022 compared to being capitalised within intangible assets in 2021, following the change in accounting policy during the prior year. Finally, in 2022 a share-based payment charge of £11m was also incurred following the new employee incentive schemes launched in the year which were £nil in the prior year.

Adjusted administrative costs as a percentage of revenue, increased by 230bps year on year, driven by well-documented global inflationary increases, primarily in respect of marketing costs driven by significant paid media and cost per click inflation. This impact was partially offset by the Group's technology-focused marketing approach and influencer model, alongside the execution of an extensive cost-reduction program across the second half of the year. The Group's cost-reduction programme delivered a reduction in headcount of almost 2,000 heads through technology investment, and simplification of operations within its core divisions across THG Beauty, THG Nutrition and THG Ingenuity. The full impact of this will continue to flow through into 2023 as it annualises.

Adjusted EBITDA and Adjusted EBITDA (continuing)

£'000	2022	2021
Adjusted EBITDA	64,114	161,276
Margin	2.9%	7.4%
SaaS change in accounting policy	10,183	-
Adjusted EBITDA pre SaaS change in accounting policy	74,297	161,276
EBITDA loss from discontinued categories	14,582	8,348
Adjusted EBITDA (continuing)	88,879	169,623
Margin	4.2%	8.3%

Adjusted EBITDA fell to £64m with a margin of 2.9% (2021: £161m, margin of 7.4%) with adjusted EBITDA from continuing operations totalling £89m compared to £170m in 2021.

Adjusted EBITDA (continuing) represents a margin of 4.2% (2021: 8.3%) reflective of the challenging environment that we have seen in 2022 and the Group's strategy to, as far as possible, protect consumers from these inflationary pressures in addition to adverse foreign exchange, together with administrative cost inflation across payroll and marketing.

SaaS change in accounting policy

Following the IFRIC agenda decision in 2021, the Group updated its accounting treatment and policy for IAS 38 Intangible Assets accordingly. The impact of this was that costs in relation to SaaS solutions have been recognised within administrative costs during the year. Comparative costs were recognised within intangible assets and amortised in line with the previous accounting policy. An alternative performance measure (APM) has been presented this year to provide a like-for-like comparison reflective of the prospective treatment. This APM will not be repeated in future years.

Discontinued categories

During the year, and as previously announced, a strategic review was undertaken in the year to review our non-core operations. As a result, the Group proactively chose to discontinue certain loss-making territories and categories.

A new APM has been presented this year to provide information as a result of this decision. The categories that have been discontinued – notably THG OnDemand and ProBikeKit - contributed revenue of £119m (2021: £147m) and an EBITDA loss of £15m (2021: £8m). The strategic review is now complete with these operations expected to be fully exited by the end of Q3 2023.

Depreciation and amortisation

Total depreciation and amortisation costs were £94m and £109m respectively (2021: £70m and £99m), an increase of 19.9% on the prior year. Depreciation increased as a result of the previous investment made in the global warehouse expansion program which is almost complete, with the automated beauty fulfilment facility at Manchester Airport (Icon 2) finalising its commissioning phase in early 2023.

Amortisation increased primarily due to the full year impact of the charge in respect of intangibles recognised on acquisitions during 2021, plus the continued investment in our proprietary technology platform during the period which totalled £60.7m (2021: £47.6m). This investment is focused on the technology to support both internal and external customers and ensures that we continually enhance the functionality and capability of the platform.

Operating loss

Operating loss before adjusted items totals £150m (2021: £8m). This loss was a result of the challenging macroeconomic environment (principally cost inflation and commodity prices) and our focus on price protection to customers. These costs are expected to be partially transitionary in nature and are showing promising signs of abating as we move into 2023. Furthermore, the Group has responded with a number of pricing and cost initiatives during the year to ensure the cost base is appropriately rebalanced and these will continue to annualise into 2023.

The Group incurred an operating loss in the period of £496m (2021: £137m). This is primarily driven by the increase in costs as set out above which have compressed gross margins, along with one-off costs incurred during the year. These costs relate mainly to the non-cash impairment charge and costs related to the discontinuation of loss-making categories.

Non-cash impairment totals £275m. This was driven by the factors set out in the adjusted items section later in this report and in more detail within note 11. The impairment relates to charges in respect of THG Beauty and THG Ingenuity totalling £269m, other intangibles within discontinued categories of £4m and assets held for sale totalling £2m.

Costs incurred in respect of the discontinuation of loss-making categories are a result of inventory provisions in respect of discounting and clearance along with disposal of impacted inventory, costs of warehouse exits and other non-recoverable assets. These costs total £32m.

Finance costs net of finance income

Finance costs net of finance income have increased to £54m (2021: £49m) driven principally by higher lease charges as the new facilities from the warehouse expansion programme contain a full year charge in 2022, vs. part year in 2021 and the additional £156m debt facility drawn in Q4.

Loss before tax and tax rate

Reported loss before tax was £550m (2021: £186m). The effective tax rate is 1.8% (2021: 25.9%), based on a total tax credit of £9.8m (2021: £48.2m). The effective tax rate differs from the average statutory rate of 19.0%. This is primarily due to a movement in deferred tax not recognised (-7.8%), and the impact of goodwill impairment (-9.3%).

At the balance sheet date the total net deferred tax liability is £77m (2021: £74m). The deferred tax liability in respect of intangible assets recognised on consolidation was £151m (2021: £152m). The deferred tax asset in respect of tax losses recognised was £55m (2021: £60m). There were £58m of unrecognised deferred tax assets in respect of tax losses at the balance sheet date (2021: £nil). This non-recognition has an impact on the income statement tax credit, and this is one of the primary reasons for the effective tax rate being below the statutory rate.

Earnings per share

Loss per share was (£0.44) per share (2021: (£0.13) per share). The non-cash impairment charge has a material impact here and if this were to be removed, the loss per share would have been (£0.21) per share.

Segmental Summary

Following the completion of the divisional reorganisation during the year, the Group reports 31 December 2022 results on a divisional basis. This is a change in the current year and the prior year has also been restated to show a comparative on a like-for-like basis of preparation.

Following the restructure, revenue is now recharged for the services that THG Ingenuity provides to the wider Group in the form of platform fees, customer services, fraud detection services, THG Studios, fulfilment, postage and marketing services. These items are eliminated on consolidation and shown separately in the following tables.

Overview

2022 £m	THG Beauty	THG Nutrition	THG Ingenuity	Other	Central	Inter-group elimination	Continuing Total [1]	Discontinued categories	FY 2022 Total
External revenue	1,235.0	675.1	159.6	50.9	-	-	2,120.6	118.7	2,239.2
Inter-segment revenue	-	-	597.4	-	-	(597.4)	-		-
Total revenue	**1,235.0**	**675.1**	**757.0**	**50.9**	**-**	**(597.4)**	**2,120.6**	118.7	**2,239.2**
Adjusted EBITDA pre SaaS costs	32.9	51.8	29.3	(1.9)	(23.2)	-	**88.9**	(14.6)	**74.3**
Adjusted EBITDA	**32.9**	**51.8**	**19.1**	**(1.9)**	**(23.2)**	**-**	78.7	(14.6)	**64.1**
Adjusted EBITDA margin	2.7%	7.7%	2.5%	-3.7%	-	-	3.7%	-12.3%	2.9%

1. At the year end, certain loss-making categories and territories within non-core divisions were placed under strategic review and subsequently management has decided to exit these areas. The exit doesn't meet the criteria under IFRS 5: Discontinued operations as these categories and territories are not a major component of the Group as defined by the accounting standard, however, to provide further information on the ongoing revenue and Adjusted EBITDA of the Group the result of these operations has been shown separately in the above table.

2021 £m	THG Beauty	THG Nutrition	THG Ingenuity	Other	Central	Inter-group elimination	Continuing Total [2]	Discontinued categories	FY 2021 Total
External revenue	1,181.5	659.5	146.3	46.1	-	-	2,033.4	146.5	2,179.9
Inter-segment revenue [3]	-	-	602.5	-	-	(602.5)	-	-	-
Total revenue	**1,181.5**	**659.5**	**748.8**	**46.1**	**-**	**(602.5)**	**2,033.4**	**146.5**	**2,179.9**
Adjusted EBITDA	**70.2**	**76.6**	**40.4**	**(2.1)**	**(15.5)**	**-**	169.6	(8.3)	**161.3**
Adjusted EBITDA margin	5.9%	11.6%	5.4%	-4.6%	-	-	8.3%	-5.7%	7.4%

2. For the loss-making categories and territories within non-core divisions that have been shown separately within the 2022 table under the discontinued categories heading, the same adjustment has been included for the 2021 result to show a comparative of continuing operations year on year.
3. Internal revenue was not recharged until the completion of the divisional reorganisation, however for illustrative purposes this has been shown above for 2021. This has been calculated using the same charging mechanisms in 2022 to provide a like-for-like comparison.

THG / BEAUTY

£m	2022	2021	Change %
Revenue	1,235.0	1,181.5	+4.5%
Adjusted EBITDA	32.9	70.2	-53.2%
Margin %	2.7%	5.9%	-330bps

THG Beauty sales grew +4.5% year on year to £1,235m despite tough covid comparatives in 2021, due to online retail benefitting in H1 2021, from the closure of physical retail stores. The division successfully integrated Dermstore, Cult Beauty and Bentley Laboratories into THG Beauty in the year, which supported growth across our two key territories, the UK and the US, with the acquisitions delivering in line with expectations.

THG Beauty delivered Adjusted EBITDA of £33m (2021: £70m) with a margin of 2.7% (2021: 5.9%), being a 330bps reduction on 2021. The reduction in margin is an effect of inflation, the consumer environment deteriorating driven by the emerging cost of living crisis and in Q4 material disruption in the UK courier network impacting seasonal gifting and consumers propensity to spend online.

Three key acquisitions being Cult Beauty, Dermstore and Bentley, were integrated in the year, with synergies beginning to be realised in the second half of 2022. Average order values continue to increase totalling £63 per basket for 2022 (2021: £60), this is driven from a focus on customer loyalty (with the launch of LF Beauty+) and continued investment to drive increased customer engagement in both third-party and THG own-brands and growth of market share in our key territories.

THG / NUTRITION & WELLNESS

£m	2022	2021	Change %
Revenue	675.1	659.5	+2.4%
Adjusted EBITDA	51.8	76.6	-32.4%
Margin	7.7%	11.6%	-390bps

THG Nutrition sales grew 2.4% year on year to £675m, with foreign exchange providing headwinds, alongside a particularly strong comparative period from the increase in online retail due to the closure of physical retail stores. Within THG Nutrition, the input cost environment was one of the most challenging we have ever faced. In the context of this exceptionally challenging environment, we are encouraged by the robustness of trading to deliver revenue growth in 2022.

THG Nutrition delivered an Adjusted EBITDA of £52m (2021: £77m) with a margin of 7.7% (2021: 11.6%), being a 390bps reduction year on year and considerably below medium-term norms for this division reflecting exceptional input prices. Measured price increases were successfully implemented during 2022, which has partially mitigated increases in whey input prices, freight costs and foreign exchange rate movements, although we continued to support customers through these record high-cost pressures which temporarily suppressed the margin. When commodity prices normalise, which we are already experiencing in 2023, we expect a return to the historical EBITDA margin within THG Nutrition over the medium-term.

THG / INGENUITY

£m	2022	2021	Change %
External revenue	159.6	146.3	+9.1%
Internal revenue	597.4	602.5[1]	-0.9%
Total revenue	757.0	748.9	+1.1%
Adjusted EBITDA pre SaaS change in accounting policy	29.3	40.4	-27.5%
Margin %	3.9%	5.4%	-150bps
Adjusted EBITDA	19.1	40.4	-52.7%
Margin %	2.5%	5.4%	-290bps

1. Internal revenue was not recharged until the completion of the divisional reorganisation, however for illustrative purposes this has been shown above for 2021. This has been calculated using the same charging mechanisms in 2022 to provide a like-for-like comparison.

THG Ingenuity revenue from external customers increased by 9.1% to £160m, with a strategic re-positioning in Q3 2022, focusing on higher value and higher margin clients which provide improved quality recurring revenue. Total Adjusted EBITDA was £19m after a £10m charge for the SaaS accounting policy change as explained earlier.

THG Ingenuity delivered an Adjusted EBITDA margin of 2.5% (2021: 5.4%), being a 290bps reduction year on year. Following the decision to reposition the division, there was a strategic exit of smaller accounts to implement the new strategy which will continue throughout 2023. As revenue scales and the revenue mix evolves towards the commerce offering we consider margins will return to and exceed those achieved historically.

Ingenuity Commerce revenue of £47m (2021: £45m) includes Software-as-a-Service licence fees, monthly brand building fees, infrastructure service fees, revenue share, translation and creative services, with most of this being recurring in nature, albeit complemented by non-recurring fees. FY22 revenue growth was suppressed while management execute the change in strategy, with smaller contracts paused, and the new customer base on a longer lead time from tender to live site.

Following the announcement of the divisional reorganisation during 2022, THG Ingenuity began to charge for its services to internal customers across the wider THG PLC Group. This generated revenue of £597m, relating to services provided which have previously not been recharged across the group due to the historical corporate structure in place. The revenue relates to platform fees, customer services, fraud detection services, THG Studios, fulfilment, postage and marketing services. This revenue is eliminated on consolidation.

Other

£m	2022	2021	Change %
Revenue	50.9	46.1	+10.5%
Adjusted EBITDA	(1.9)	(2.1)	+11.3%
Margin %	-3.7%	-4.6%	+90bps

Other includes THG Luxury and THG Experience. Revenue growth of 10.5% has been achieved as a result of the reopening of THG Experience venues in 2022, following lockdowns in 2021 driven by the worldwide pandemic, alongside the strong growth achieved within THG Luxury.

Adjusted EBITDA loss of £2m remained consistent with the prior year with margin pressure driven by macroeconomic pressures seen in other trading divisions.

Central costs

£m	2022	2021	Change %
EBITDA loss from central PLC costs	(23.2)	(15.5)	+49.3%

Central costs relate primarily to the PLC Board remuneration, professional services fees, group finance, M&A, risk (insurance) and governance costs that are not recharged to the divisions as they principally relate to the operations of the PLC holding company. The increase in FY22 was driven by an increased cost base as a result of the macroeconomic environment, increased investment in governance, and investment in sustainability initiatives.

Discontinued categories

£m	2022	2021[1]	Change %
Revenue discontinued	118.7	146.5	-19.0%
Adjusted EBITDA from discontinued operations	(14.6)	(8.3)	+74.7%
Margin %	-12.3%	-5.7%	-660bps

1. For the loss-making categories and territories within non-core divisions shown separately within the 2022 table under the discontinued categories heading, the same adjustment has been included for the 2021 result to show a comparative of continued operations year on year.

At the year end, certain loss-making categories and territories primarily within THG OnDemand were placed under strategic review and the Group has subsequently decided to exit these areas enabling management to focus attention on a simplified and streamlined group. The exit doesn't meet the criteria under IFRS 5: Discontinued operations, as these categories and territories are not a major component of the Group as defined by the accounting standard. However, to provide further information on the ongoing revenue and Adjusted EBITDA of the Group, these have been shown separately. The discontinued categories contributed £118.7m of revenue and an Adjusted EBITDA loss of £14.6m in 2022. Management are reviewing the optimal route for exit of these categories with the process expected to be complete by the end of Q3 2023.

Inter-group elimination

Intergroup eliminations relate to revenue recharged for the services that THG Ingenuity provides to the wider Group in the form of platform fees, customer services, fraud detection services, THG Studios, fulfilment, postage and marketing services. These are eliminated on consolidation.

Adjusted Items

	2022 £'000	2021 £'000
Within Cost of sales		
Inventory provision for discontinuation of loss-making categories and decommissioning of facilities following strategic review	25,517	-
	25,517	-
Within Distribution costs		
Transportation, delivery and fulfilment costs in relation to Covid-19	18,504	26,628
Commissioning – new facilities	3,613	16,384
	22,117	43,012
Within Administrative costs		
Other costs following the outcome of strategic review	6,942	-
Restructuring costs to simplify the group structure	6,803	10,233
Acquisitions – legal and professional costs	-	12,225
Acquisitions – restructuring and integration	8,046	5,328
Impairment of goodwill	-	53,008
Impairment of certain intangible and tangible assets associated with Software-as-a-service arrangements	-	2,982
Impairment of assets for discontinuation of loss-making categories	3,763	-
Impairment of assets – macroeconomic impact on valuation	269,828	-
Impairment of assets held for sale	1,831	-
Other legal and professional costs	569	1,350
Donations	362	1,090
	298,145	86,216
Within Finance costs		
Softbank option – non-cash	(601)	601
Total adjusted items before tax	345,178	129,829
Tax impact	(53,949)	(11,901)
Total adjusted items	291,229	117,928

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

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

Following the divisional reorganisation of the Group in the year, the Group has undertaken a strategic review of loss-making categories and territories. At the year end, certain loss-making categories and territories primarily within THG OnDemand were placed under strategic review. This review is now complete and these operations will be fully exited by the end of Q3 2023. This has led to a one-off non-cash inventory provision of £26m recognised within cost of sales. This one-off provision relates to discounting and clearance along with the disposal of impacted inventory within these non-core divisions and disposal of inventory following the decision to decommission some unprofitable warehouse operations within Asia.

Other costs following the outcome of the strategic review totalling £7m are included within administrative costs. These costs include the impact of triggering early lease break clauses for the unprofitable warehouse operations within Asia and marketing costs for pre-releases that will no longer be launched. The full exit of the discontinued areas is expected to be complete by the end of Q3 2023 with costs not recurring after this date.

Additional restructuring charges of £7m were incurred, these being the costs of executing the divisional reorganisation, principally relating to professional fees.

Following the decision to discontinue certain categories and territories, an impairment has been charged totalling £4m against affected assets.

A further impact of the divisional reorganisation is that the assets and cash flows of each division are now separately identifiable. The result being the identification of additional cash-generating-units ('CGUs'), which are reflective of the new corporate structure. The result of more CGUs is that the impairment review has been undertaken at a more granular level than in previous years. Following the significant acquisitions within the THG Beauty division in recent years, a substantial amount of intangible assets are included within the underlying asset base whilst the market price of comparable assets, alongside many technology businesses, has fallen over the last 18 months. This is reflective of more challenging global markets following the macroeconomic, inflationary and interest rate pressures driven by, amongst other things, the Russia-Ukraine conflict. Against this backdrop, the impairment review has led to an impairment of £183m within the Beauty division.

In addition, an impairment charge of £87m has been recognised within the THG Ingenuity cash-generating-unit. This has arisen as the impairment review has been undertaken at a more granular level than in previous years. Following the appointment of our new CEO of THG Ingenuity in 2022, the Group has repositioned its strategy. Management believe they have made conservative growth assumptions which are lower than the growth rate prospects of the sectors in which THG Ingenuity operates given the recent change in strategy. Alongside this, THG Ingenuity has made significant investment for the future in its platform and global infrastructure network. These factors, combined with the challenging macroeconomic environment impacting several of the key assumptions, particularly the discount rate, which have also had a bearing on peer valuations, has led to the impairment of the historical goodwill within this cash-generating-unit.

During the year, there has been a cost incurred in respect of transportation, delivery and fulfilment costs in relation to Covid-19. The ongoing incremental excess cost across accounting periods is driven by the continued lockdowns experienced in Asia which still affect air traffic and key shipping lanes. As the effects of the pandemic lessen and the lockdowns in Asia ease, the service providers will no longer need to charge these incremental costs.

In addition, restructuring and dual-running integration costs of £8m were also incurred in relation to the 2021 acquisitions as they were embedding into the Group infrastructure. These costs are expected to decrease in 2023.

Cashflow

	2022	2021
	£'000	£'000
EBITDA	64,114	161,276
Working capital movements	23,528	(65,322)
Tax paid	(4,857)	(7,095)
Adjusted items	(45,071)	(65,528)
Net cash generated in operating activities	37,714	23,331
Acquisition of subsidiaries net of cash acquired	(5,691)	(769,890)
Purchase of property, plant and equipment	(94,854)	(111,553)
Purchase of intangible assets	(81,564)	(77,620)
Proceeds from issuance of ordinary shares net of fees	(73)	760,230
Proceeds from bank borrowings	156,000	-
Other	(74,576)	(61,252)
Net decrease in cash and cash equivalents	(63,044)	(236,754)
Cash and cash equivalents at the beginning of the year	536,827	773,581
Cash and cash equivalents at the end of the year	473,783	536,827

The total cash outflow for the year was £63m (2021: £237m).

There was an inflow from working capital movements totalling £24m (2021: outflow £65m) primarily driven by a focused reduction in inventory. This reduction followed a prolonged period of investment over recent years, to manage uncertainty around Brexit and subsequently Covid-19, on top of an increased inventory footprint required to expand our global warehouse supply chain which can now be rationalised as the expansion program is approaching completion.

Cash paid on adjusting items totalled £45m (2021: £66m) driven by a reduction in transportation, delivery and fulfilment costs in relation to Covid-19. This has decreased as the effects of global lockdowns have lessened during 2022, alongside the successful integration of 2021 acquisitions, allowing synergies to begin to be realised which will annualise into 2023.

In 2021, there was a cash outflow of £770m for acquisition of subsidiaries. This has reduced to £6m in 2022, solely related to the settlement of contingent consideration due on the acquisitions completed in 2021.

In 2021, there was a one-off £760m cash inflow from share issuance. This did not recur in 2022.

As part of investing and growing the infrastructure of the Group and the distribution network, there has also been investment in property, plant and equipment and intangible assets (primarily the Ingenuity platform) totalling a cash outflow of £176m (2021: £189m). This is lower than initially guided as the group rationalised spend in year.
The expanded global distribution infrastructure and automation is delivering operating efficiencies during a substantial cost inflationary period, and further working capital improvements are expected.

In October 2022, the Group signed an incremental £156m banking facility, provided by existing lenders, for a three year term, illustrating their continued support for the group. This provided additional cash inflows in 2022.

The Group ended the year with cash and cash equivalents of £474m (2021: £537m).

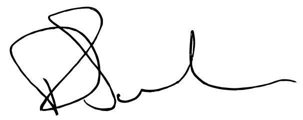
Balance sheet

Cash and cash equivalents and net cash before lease liabilities.

	2022	2021
	£'000	£'000
Loans and other borrowings	(679,189)	(489,865)
Lease liabilities	(334,376)	(349,173)
Cash and cash equivalents	473,783	536,827
Sub-total	(539,782)	(302,211)
Adjustments:		
Retranslate debt balance at swap rate where hedged by foreign exchange derivatives	24,782	(2,548)
Net debt	(515,000)	(304,759)
Net (debt)/cash before leases liabilities	(180,624)	44,414

The Group's balance sheet remains robust closing the period with cash balances of £474m (2021: £537m). The €600m Term Loan B matures in December 2026 and the incremental £156m facility matures in Q4 2025. The Group's revolving credit facility of £170m remains undrawn and has not been drawn post IPO.

Net debt before lease liabilities and adjusted for the impact of hedging was £181m (2021 net cash: £44m). The increase in net debt year on year is driven by the investment in property, plant and equipment, leases and intangible assets in the period totalling £176m.



Damian Sanders
Chief Financial Officer

17 April 2023

Capital expenditure

Property, plant and equipment totalled £360m (2021: £336m) which increased to £1,276m (2021: £1,506m) when including intangible assets. The movement in the year was driven by additional investment in the THG Ingenuity platform and continued investment in the Group's global warehouse expansion programme which is now nearing completion. These were offset by the depreciation, amortisation and impairment charges incurred.

Section 172 Statement *Stakeholder Engagement*

Stakeholder Engagement

The Directors are collectively responsible under section 172 of the Companies Act to act in the way they consider, in good faith, would be most likely to promote the success of the Company for the benefit of its shareholders as a whole and to take into account wider stakeholder needs when doing so. In its considerations and decision-making processes the Board therefore has regard to certain key matters including, but not limited to, the long-term impact of the Company's operations on local communities and the environment and the need to preserve the Company's reputation for high standards of business conduct.

The Board understands the importance of active engagement with its stakeholders across the entire value chain, including its employees, external suppliers and partners, and through THG's purpose and strategic priorities is focused on delivering sustainable, long-term growth enabling the business to generate positive and impactful change. 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 facilitate this.

Six internal and external stakeholder groups have been identified as critical to THG's future success. Details of these stakeholder groups are provided below alongside why they matter to THG and how THG and its Board has engaged with them throughout the 2022 reporting period. The values of leadership, innovation, decisiveness, ambition and collaboration drive the engagement strategy across these stakeholder groups.

Stakeholder	How THG Engages	How The Board Engages	Find Out More
Customers and Consumers We enable brands to have direct relationships with customers and consumers by providing a high-quality retail experience and establishing a relationship of trust	• Through its brands via social media platforms • Consumer surveys with insights shared with and analysed by Senior Management • Global digital content including THG Media's branded magazine portfolio and mobile apps • Award-winning customer contact centre • Rebrand strategy for THG Nutrition devised considering consumer and market insights, with roll out planned for 2023 • Launch of loyalty scheme LF Beauty Plus+	Indirect: • Board presentations on customer satisfaction scores and process improvements via the Chief Experience Officer • Monthly updates on key cybersecurity enhancements via the Chief Technology Officer • Monthly review of operational priorities in place to deliver a high-quality customer experience via the Chief Operating Officer • Monthly updates from Divisional chief executive officers on strategic priorities, including innovation and brand partnerships with a focus on understanding the benefits for customers and consumers	THG Beauty See page 21 THG Nutrition and Wellness See page 26
Shareholders We seek to create value for Shareholders and through our purpose, vision, values and strategy, deliver long-term, sustainable growth	• Annual report & accounts and RNS announcements • Scheduled investor presentations and conference calls • Corporate website • One-to-one and group investor meetings • Site tours	Direct: • Annual general meetings • The Chair and SID are available to meet Shareholders upon request • The Chair has engaged with institutional Shareholders regarding Board composition and continues to do so • The CEO and CFO have an ongoing programme of meetings with institutional Shareholders, supported by relevant members of Senior Management Indirect: • The Board review and approves material communication to investors, such as trading updates results announcements, the annual report and accounts, and significant business events	Governance Report See page 105

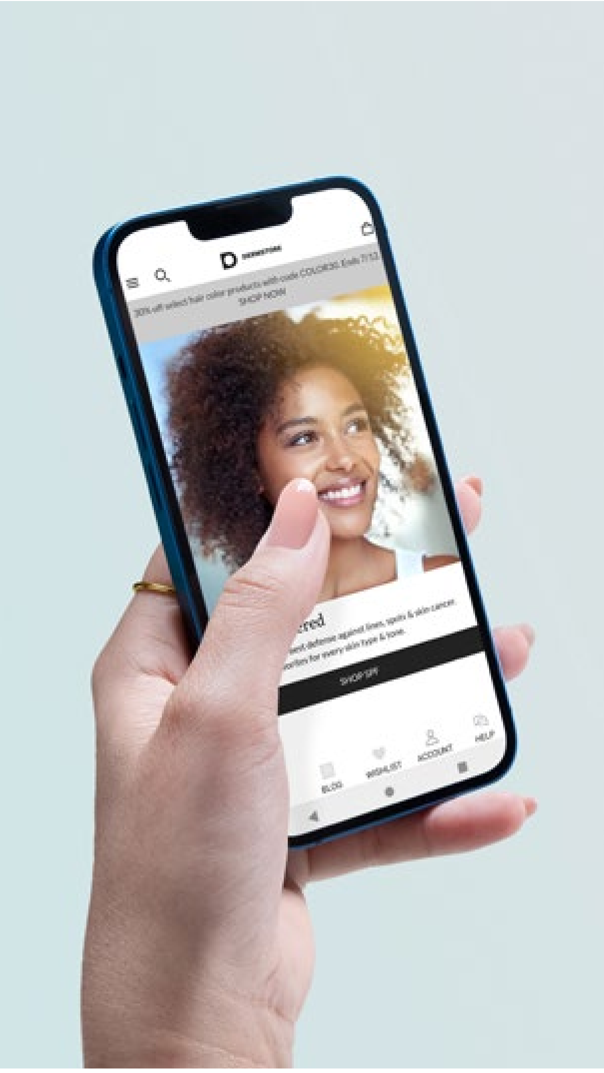
Stakeholder	How THG Engages	How The Board Engages	Find Out More
THG Ingenuity Clients We support clients on their digital transformation journeys	• THG Orbit proprietary customer service software • Quarterly business reviews • Customer satisfaction survey and net promoter scores • Face-to-face meetings and site visits • Annual Future of Commerce event • Quarterly webinar programme • Monthly client newsletters • eCRM campaigns	Direct: • Attendance at annual Future of Commerce event • Engagement with clients Indirect: • Review of new and incremental business pipeline • Review of quarterly Ingenuity client satisfaction and net promoter scores • Monthly review of key technology and platform developments	THG Ingenuity See page 32
Our Suppliers and Partners We promote open and transparent working practices and collaborate for mutual, sustainable, and commercial success	• Implemented a programme requiring direct suppliers to be signed up to Sedex from an ethical sourcing perspective • Risk assessment for all suppliers and a process for reviewing and increasing audits for higher-risk suppliers • Strategic partners and suppliers identified and engaged on carbon reduction matters • Annual anti-bribery training undertaken by the Procurement team • Quarterly business reviews with Ingenuity partners to assess sales pipeline, conversion and joint marketing strategies	Indirect: • Regular review of key raw material prices and buying strategy • Approval of development of in-house supplier onboarding platform • Regular review of THG Procure implementation • Approval of the new Ethical Code of Conduct • Regular review of partnerships and alliances, to maximise strategic alignment and client reach • The Board conducted a review of the Modern Slavery Policy, Gifts & Hospitality Policy and Anti-Bribery Policy	THG Nutrition and Wellness See page 26 Supply Chain and Circularity See page 66 THG Ingenuity See page 32
Our People We aim to ensure THG provides a supportive environment with career development opportunities at all levels, with a particular focus on building the skills of tomorrow	• Launch of Leadership & Management Academy • Launch of the Black Community Network • LGBTQ+ & Allies Society • Partnership with Change 100 • THG Value Awards – inviting employees to suggest a fifth company value • Group-wide sustainability training • H2 2022 launch of 'Orbitor' programme which encourages a culture where quality is as important as productivity	Direct: • End-of-year colleague presentation delivered by Executive Directors • Annual Divisional business strategy updates with Senior Management Indirect: • Approval of Group Diversity & Inclusion strategy and policy • Monthly review of attrition and key recruitment matters via the Group Talent Director • The Board supported the addition of the fifth Company value • Reviewed and approved the updated role profiles for the CEO, Independent Chair and SID	Our People See page 74 Diversity and inclusion See page 72
Society & Communities We aim to build skills and develop talent to promote greater social mobility, whilst protecting the environments we operate in and source from	• Engagement with key charities to support those impacted by the war in Ukraine, donating food and supplies • Support for Ukraine-based employees • Supporting local community projects, including tackling homelessness, and women and children's charities • Promoted THG's Graduate Programme to a wide variety of universities to attract diverse talent • Launch of Fantastic Futures	Indirect: • Updates provided to Board on charity donations to Ukraine • Sustainability Committee approved Group Social Impact Strategy • Quarterly review of progress against the 2030 Sustainability Strategy • Support for submission of net zero targets to SBTi	Sustainability Strategy See page 57 Investing in our communities See page 73 Our People See page 74

Stakeholder engagement: Customers and consumers

Our global customer base is served through our direct-to-consumer sites across our portfolio of own-brands and retail destinations. Understanding our customers and how they like to purchase, discover new products, and be made aware of new trends and solutions is essential for developing our brands and ensuring they are relevant to the markets they operate in.

We aim to enable a simplified customer journey, from product discovery to checkout and delivery, which supports our consistently strong online repeat-purchase rates within our Beauty and Nutrition Divisions.

We continue to leverage our technology and operating infrastructure to deliver deep local relevance in the markets we operate in. For our customers and consumers, delivering innovative products relevant to local markets and tastes, together with a localised delivery proposition, has been key to our strategy of domestic and international growth.



This was demonstrated in 2022 through new product development and partnerships across Beauty (Sol de Janeiro), Nutrition (Perfect Day) and Ingenuity (Bynder).

We are passionate about customer experience at THG and our CX Operations became a finalist in the European Call Centre Management Association in 2022, impressing the judges with workload management, efficiency, and process documentation.

Brand building through THG Media

We were proud to win the Shopping App Campaign category at the App Growth Awards 2022. We first launched our apps in 2019, and by the end of 2020, we had almost 2 million downloads. In 2022, we hit 10 million downloads worldwide in multiple languages across our many brands, with app sales accounting for 13% of Group D2C sales (7% in FY 2021).

A huge contributor to this growth has been our marketing strategy which has focused on creating exclusivity in our apps. We also build dedicated plans around campaigns to ensure customers download our apps before key trading events to unlock exclusive offers, early access and new product launches.

Our proprietary customer service solution THG Orbit facilitates effective customer communication and order management across the Group. During 2022, THG Orbit integrated with social media platforms including Facebook and Twitter, enabling brands to manage conversations via those channels all-in-one platform, while delivering an overarching view on key themes and trends. Investment in efficiencies such as artificial intelligence suggested templates and pre-populated content have driven improvements in response times, and importantly, a streamlined process for customer service agents. THG Orbit is evolving into a market-leading contact centre as a service product enabling Ingenuity clients to elevate customer management while driving efficiency gains and supporting customer retention through greater satisfaction levels.

Key Outcomes

- Over 16 million active THG Beauty and THG Nutrition customers
- Improvement in customer service SLA - average customer response rate of 98%+
- CX operations were successful in being a finalist and a silver award winner in the 2022 UK Call Centre Management Association awards
- Passed customer service excellence audit gaining 6 additional compliance+ marks
- Integration with Apple Pay launched across 12 own-brand apps driving higher checkout rates

Stakeholder engagement: Suppliers and partners

THG partners with suppliers to ensure it can continue to address customers and consumers' evolving demands. The Board is committed to fostering and developing supplier relationships in a way that empowers the brands we own and those which 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 THG maintains high standards of business conduct. THG's purpose guides the ambitions of the business to promote 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.

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. All suppliers go through a relevant approval process comprising:

- Finance (financial security and fraud risk review)
- Legal (contractual terms review)
- Ethical (supply chain risk and ethical approval process)
- Supplier quality assurance (technical and quality approval)
- Senior Management (including Procurement director) approval

In 2022, and with Board support, the Group initiated the development of a proprietary supplier onboarding platform within which suppliers will be able to share details to support an open and transparent means of communication with THG. The aim is to establish an efficient supplier set-up process which allows key information to be provided to THG on an ongoing basis (e.g. new social audits at their sites). This platform will minimise the risk of suppliers being onboarded without the relevant internal approvals and completed documents in place. It will also provide a means to communicate, store and update all required documents, audits and updates.

THG Procure, a peer-to-peer (P2P) system, was rolled out across much of the business in 2022 to support timely supplier delivery bookings and payments. This has significantly improved first-time invoice match rates to improve our P2P efficiency and support supplier payment on time performance.

Key outcomes

- THG Procure covers 77% of suppliers and will be rolled out across the remaining suppliers in 2023
- 78% of the Group's own-brand suppliers[1] have signed THG's Ethical Code of Conduct
- 62% of the Group's own-brand suppliers[1] are linked to THG on SEDEX
- Full ethical audits are in place across 45% of own-brand suppliers
- 94% of the Group's own-brand suppliers[1] have been made aware of our 2030 Sustainability Strategy

1. Group's own-brand raw materials and finished goods suppliers.

Principal decisions

The Board keeps under review its governance and operating protocols to ensure long-term value creation is maintained. The application of the Code has reinforced this approach and the underlying governance controls and processes that embed the ethos of Section 172 across the Group.

Detailed below are examples of the key discussions and principal decisions taken by the Board during 2022 in the context of the Group's strategic priorities and the stakeholders considered. In addition, the Board monitors principal and emerging risks. Where such risks impact key stakeholders, the Board will engage with those affected accordingly.

THG Strategic Priorities	Board discussions and principal decisions	Stakeholders considered
Build category leadership positions in beauty, health and wellness	• Oversight of the integration strategy for the acquisitions made during 2021, including Cult Beauty and Brighter Foods • Divisional reorganisation to simplify the Group's operating and reporting structure • Support for the decision to consolidate the UK warehouse network to realise efficiencies from automation • Appointment of Lucy Gorman as Beauty Chief Executive Officer and internal promotion of Neil Mistry to Nutrition Chief Executive Officer	Customers and Consumers Shareholders Our Suppliers and Partners Our People
To make Ingenuity the partner of choice for commerce transformation and sustainability solutions	• Monitoring of the separation of the Group's business units • Appointment of Vivek Ganotra as Ingenuity chief executive officer • Review of the ongoing enhancements to the Ingenuity platform with a particular focus on cybersecurity • Development of THG Orbit, its integration with social media partners and Ingenuity clients	Customers and Consumers Shareholders THG Ingenuity Clients Our Suppliers and Partners Society and Communities
Deliver engaging content and innovative products to our global customer base	• The Board supported the partnership between THG Nutrition and Iceland • Regular review of the innovation and new product development pipeline • Development of THG Media strategy	Customers and Consumers Shareholders THG Ingenuity Clients Our Suppliers and Partners Society and Communities
Accelerate growth in core international territories, leveraging our local infrastructure	• Monitoring progress of the final stages of the expansion of the Group's global warehouse and fulfilment network • The Board reviewed and approved the updated Treasury Policy and Tax Strategy • Support for investment in US warehouse automation in New Jersey	Customers and Consumers Shareholders THG Ingenuity Clients Our Suppliers and Partners Society and Communities
Drive positive change with our stakeholders, through an entrepreneurial, values-led culture	• The Board approved the addition of the fifth Company value 'Collaboration' • The Board approved the evolution of the Company purpose following engagement with employees across the organisation through the employee value proposition • The Sustainability Committee monitored progression against the 2030 Sustainability Strategy and, in line with the Group's climate and nature targets, during 2022 our baseline carbon footprint was established based on 2020 data and net zero targets were submitted to the SBTi for approval	Customers and Consumers Shareholders THG Ingenuity Clients Our Suppliers and Partners Our People Society and Communities

Divisional reorganisation

Stakeholders considered

Shareholders
Customers and Consumers
Our Suppliers and Partners
Our People
THG Ingenuity Clients

Principal decision by the Board

In May 2021, it was announced that the Group was re-organising its legal structure to enable underlying reporting companies to align with business divisions and brands, and support THG's long-term growth strategy.

Board considerations and outcome

The Board considered that reorganisation would accelerate investment in divisional growth plans and support expansion over the medium-to-long term, as in some cases the current structure did not align with the business activities. A Board sub-committee was established to act in the interest of stakeholders which received regular updates on progress and key developments.

The transformation activity which was completed during 2022 delivers value for Shareholders and provides visibility over the profitability of each Division. The Group will disclose further financial information on its segments during 2023.

Strategic review

Stakeholders considered

Shareholders
Customers and Consumers
Our Suppliers and Partners
Our People

Principal decision by the Board

In October 2022, it was announced that the Group had placed THG OnDemand under strategic review, with the objective to scale back dilutive results within non-core divisions. This review is now complete and these operations will be fully exited by the end of Q3 2023. Subsequently; the Board commenced a strategic review of trading activities outside of THG Beauty, THG Nutrition and THG Ingenuity.

Board considerations and outcome

The Board considered that the strategic review would deliver a simplified proposition to ensure the Group can focus resources and capital on delivering the largest opportunities available. Senior Management developed a working group and presented the opportunities available to the Board for further consideration.

Following review, the Board approved the proposal to exit certain categories and territories which were delivering loss-making results. The revenue and EBITDA loss contributed from these areas has been disclosed separately within the financial results to show the impact of these decisions on the outlook of the Group. The exits are underway and are expected to be completed by the end of H1 2023.

Investment in price protection strategy

Stakeholders considered

Shareholders
Customers and Consumers

Principal decision by the Board

In September 2022 it was announced that, in response to the adverse macroeconomic conditions and a period of unusually high-raw material costs (principally whey), the Group had reviewed its trading strategy and a decision to partially shield consumers from inflationary pressures was implemented.

Board considerations and outcome

The decision to pass on input cost inflation at a lower rate to consumers was considered in conjunction with the strategic priority to build category leadership positions in beauty, health and wellness.

Whilst the Board noted the decision would have an impact on gross margins, as commodity prices ease, the Group remains well positioned to expand margins back in line with historical periods. As cost-of-living pressures rise, customers are continuing to prioritise beauty, health and wellness categories and, through investing in bringing them into and retaining them within the THG ecosystem, long-term value for Shareholders is considered.

£156 million term loan facility agreement entered into in October 2022

Stakeholders considered

Shareholders
Customers and Consumers
Our Suppliers and Partners
THG Ingenuity Clients

Principal decision by the Board

In October 2022 it was announced that, following Board approval, the Group had entered into an incremental £156 million banking facility.

Board considerations and outcome

The Board considered the terms and long-dated nature of the facility would provide the Company with considerable financial flexibility and additional capital to drive its strategic priorities, principally accelerating growth in core international territories whilst leveraging our local infrastructure.

The facility was drawn down in October 2022 with the proceeds to be invested for the benefit of customers and Ingenuity clients, in areas accelerating growth namely investment in its capital expenditure programme. The Board also considered the interests of Shareholders and the appropriate balance of capital allocation priorities.

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	Page 57
		• Sustainability Committee Report	Page 141
		• Task Force on Climate-related Financial Disclosures (TCFD)	Page 79
		• Risk - Climate Change, Environmental and Social Responsibility	Page 91
		• Risk – Legal and Regulatory Compliance	Page 90
Employees	• Diversity & Inclusion Policy.	• 'A winning culture' - Chair's Introduction	Page 3
	• HR Handbook including all people-related policies.	• 'Our strategy' & 'Our People'	Page 11, 74
		• Section 172 Statement Stakeholder Engagement	Page 47
		• Diversity – Governance Report	Page 105
		• Risk - Talent	Page 89
		• Risk - Health & Safety	Page 91
Human rights	• Modern Slavery Policy.	• Section 172 Statement	Page 47
	• Health and Safety Policy.	• Risk - Climate Change, Environmental and Social Responsibility	Page 91
	• Whistleblowing Policy.	• Risk - Health & Safety	Page 91
	• HR Handbook.	• Risk - Product Safety and Quality	Page 91
Social matters	• HR Handbook.	• Section 172 Statement	Page 47
	• Environmental Policy.	• 'Empowering people and communities' – Sustainability	Page 71
		• 'Our People'	Page 74
		• Diversity – Governance Report	Page 105
		• Risk - Climate Change, Environmental and Social Responsibility	Page 91
Anti-Bribery and Corruption	• Anti-Bribery Policy.	• Risk – Culture	Page 92
	• Gifts and Hospitality Policy.		
Business model		• Our business model	Page 13
Non-financial KPIs		• Non-Financial KPIs	Page 22, 27
		• Sustainability	Page 57
Principal risks and uncertainties		• Risk Management	Page 87

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 positive change in our business, supply chains, communities and for the planet.
Diversity & Inclusion policy	THG strongly believes that having a diverse workforce and an inclusive workplace creates a more innovative and successful business. In 2022, we launched our Diversity & Inclusion (D&I) strategy, implementing a range of initiatives built around our four pillars: visibility and representation, learning and development, recruitment and progression, and accessibility and inclusion. Our D&I Policy has been implemented as part of the D&I strategy and reflects our ongoing commitment to equal opportunity.
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 operations and supply chains.
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".
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 update provides details on the investigations undertaken and the outcomes of these investigations.
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.

A review of each of the above policies is considered on an annual basis. Following our 2022 review, a number of policies were updated where appropriate.

An integrated training and policy platform continues to be maintained, which facilitates the rollout of policies to appropriate audiences. 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.

Sustainability

As a global vertically integrated business, we are acutely aware of the impact large organisations have on the planet, and the great responsibility and influence we hold with our people, communities, suppliers and customers both in the UK and internationally. We have always been focused on reinventing online retail for the better and are committed to use our global scale, our world-class talent and our dedication to innovation, to act as a force for good. Collective action is required to address global issues such as climate change and social inequality, and in the past few years we have seen governments and corporates set ambitious goals to tackle such issues. At THG, we are committed to do our part and work with all our partners to become more sustainable, together.

Materiality assessment

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.

In early 2021, a materiality assessment was undertaken which led to the development of the Company's first Sustainability vision and strategy. To define the material topics most relevant to THG, senior internal stakeholders and external investors were engaged to gain an understanding and view 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 complete picture of the environmental and social sustainability impacts, resulting in a set of prioritised material issues. Five key issues were identified including: Climate, Nature, Waste, Supply Chain and People – these formed the foundations of our Sustainability Strategy, THG x Planet Earth.

The full list of issues, and the process behind the materiality assessment, can be found in last year's Annual Report, pages 89-90.

THG x Planet Earth

Against the challenging external backdrop of increasing severe weather events and global economic issues, we remain committed to driving forward the Group's Sustainability Strategy, THG x Planet Earth, to achieve our 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.

Since the launch of THG x Planet Earth in October 2021, we have been laying the foundations to ensure we can deliver the ambitious targets set under each of these priorities. We have made good progress in many areas including; submitting our net zero plans to the Science Based Targets initiative (SBTi) for approval, which is detailed in the Climate section on page 61. We have evolved our sustainability data management and reporting, by building a sustainability data management and reporting platform with an external partner. This has enabled us to gain greater insight into our sustainability performance, allowing us to not only capture and report on data, but also track and analyse progress.

Better sustainability data management and reporting unlocks the ability to report on sustainability-related disclosures and help other parts of the business to deliver sustainability programmes such as energy forecasting and site-level energy efficiency plans. Our enhanced sustainability reporting capabilities have allowed us to report on new sustainability metrics for the first time, such as the number of sites in water-stressed areas. As we develop the platform further, we will report on a greater number of metrics over time which is integral to reaching our goals and targets as set out in THG x Planet Earth.

Throughout 2022, we strengthened our sustainability expertise, building a wealth of skills, knowledge and passion to lead group-wide initiatives within our strategy, alongside the development of our sustainability reporting and data management approach.

There is still more to do, but we remain on track to deliver many of our goals and targets within our THG x Planet Earth Strategy. We are proud to share the progress against the targets in this report.

As previously communicated, to ensure our strategy and targets remain relevant, the targets will be reviewed, and if required, updated, at least every two years (next review scheduled for 2023). As per our sustainability governance process, any changes will be reviewed by the senior leadership team, the Sustainability Committee and submitted to the Board for final approval.

THG Eco

The challenges of taking effective climate action inspired THG to establish THG Eco: a dynamic service solution based on the purpose-led proposition of 'simplifying sustainability.' THG Eco simultaneously powers THG's wider sustainability targets, while also providing uncomplicated and cost-effective sustainability services to our clients, partners and suppliers. We break down the mammoth task of facing an opaque and misunderstood market, facilitating investment in practical and transparent solutions that serve businesses throughout their sustainability journey.

The primary focus of THG Eco in 2022 has been to assist our network in taking climate action. By establishing a cyclical process, we have helped our suppliers accelerate change within their own supply chains to collectively mitigate climate risk, while also reducing operational costs. Our support for our network starts with annual carbon footprint measurement and analysis, life cycle assessments through to net zero target setting and SBTi submissions. We pave the way for emissions reduction through renewable energy certifications, carbon offsetting and net zero road mapping.

Our recent work with Ideal Standard exemplifies how businesses gradually leverage change using our cyclical sustainability model:

CLIENT CASE STUDY

THG Eco supports Ideal Standard to improve GHG reporting

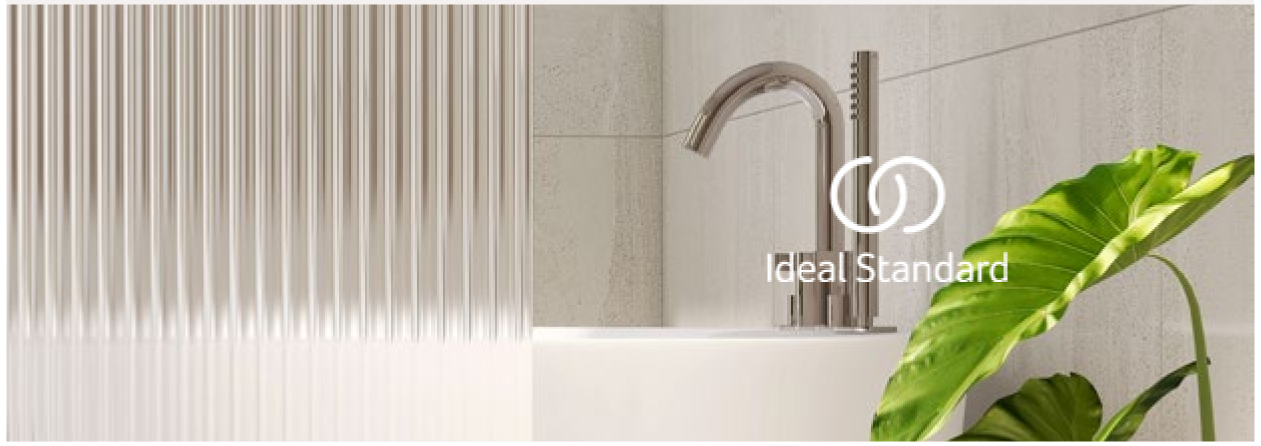
Ideal Standard is a multinational manufacturer of sanitaryware products, headquartered in Belgium. To align with an increasingly environmentally-diligent market, Ideal Standard set out to measure and set meaningful actions and targets to reduce their greenhouse gas (GHG) emissions across their manufacturing network in 2021.

They worked with THG Eco to collect and analyse GHG data across their global network of 13 manufacturing sites and offices. Guided by GHG Protocol requirements, Ideal Standard and THG Eco analysed their Scope 1, 2 and partial Scope 3 emissions, covering fuel and energy-related activities, employee commuting, shipping, waste, inbound water and business travel.

THG Eco worked with Ideal Standard to develop an approach that would produce a meaningful and representative GHG Report. Where data was not available, THG Eco collaborated with local teams to outline alternative solutions. Where this was still not possible, industry-standard emission factors were sought and applied, following extensive research. This data was included in the final GHG Report, along with the source of each emission factor to support calculations and highlight where further clarity could be sought when completing the exercise, the following year.

THG Eco ran a series of virtual workshops for 100+ Ideal Standard employees both before and after the carbon footprinting exercise. The sessions before the activity were designed to educate and encourage participation, while the sessions after delved into the report's results and feasible next steps. Both were very well received.

THG Eco's final GHG report broke down Ideal Standard's emissions by location and scope. This PARETO hotspot analysis pin-pointed areas of the business with concentrated emission output, allowing Ideal Standard to make strategic, operational decisions to reduce their footprint. THG are now exploring next steps with Ideal Standard to recalculate Scope 1, 2 and full Scope 3 emissions across 2022 data to review reduction activities and work towards carbon neutrality.



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 THG x Planet Earth. Our priority around these issues echoes the sentiment shown at COP27 and the 15th Biodiversity Conference, highlighting the need for everyone to take action, including businesses like ours where we have a global footprint. THG operates in multiple categories and across the whole value chain – which is why we have set ambitious targets around carbon, water and nature that apply, not only to ourselves, but also to our supply chain partners.

Targets

Climate and Nature	Performance in 2022	Status
Submit net zero baseline and targets for validation by SBTi by 2022	Science-based targets submitted to SBTi for validation	Complete
Offset all of THG's direct historical emissions by 2025	-	On track
Transition to 100% renewable electricity for own operations by 2025	63% of our electricity is from renewable sources	On track
50% of suppliers and THG Ingenuity partners[1] to set carbon reduction targets by 2025	48% of our own-brand top 50 suppliers (by 2022 spend) are working on carbon reduction and climate-related initiatives. In 2023, we aim to start collecting data on suppliers who have set carbon reduction targets specifically	On track
100% sourced agricultural materials to be deforestation-free for own-brands by 2025	-	Due to commence in 2023
Top 20% of own-brand suppliers (by impact[1]) to introduce restorative agricultural practices by 2030	-	Due to commence in 2023
30% reduction of water use in water stressed and own operation sites by 2030	We identified 13 sites located in water stressed areas and 4 sites located in high-risk flood zones	On track
25% of own-brand product and ingredient suppliers to disclose water usage and adopt water stewardship by 2030	34% of own-brand top 50 suppliers (by 2022 spend) are working on water reduction and stewardship initiatives	On track

1. Measured by % spend.

Climate

Science-based targets

At THG we have set ambitious targets to be climate positive and address the environmental impact of our greenhouse gas (GHG) emissions. Throughout 2022, we established our baseline carbon footprint, based on 2020 data, and submitted our net zero targets to the Science Based Targets initiative (SBTi) for approval. We are scheduled to receive the outcome of our submission in the second half of 2023. In the meantime, we are developing detailed divisional roadmaps to drive delivery of our carbon reduction commitments. We submitted both near-term and long-term targets, with the aim of achieving net zero emissions by 2040. This goal is a further demonstration of THG's desire to make a significant change to the world in which we operate.

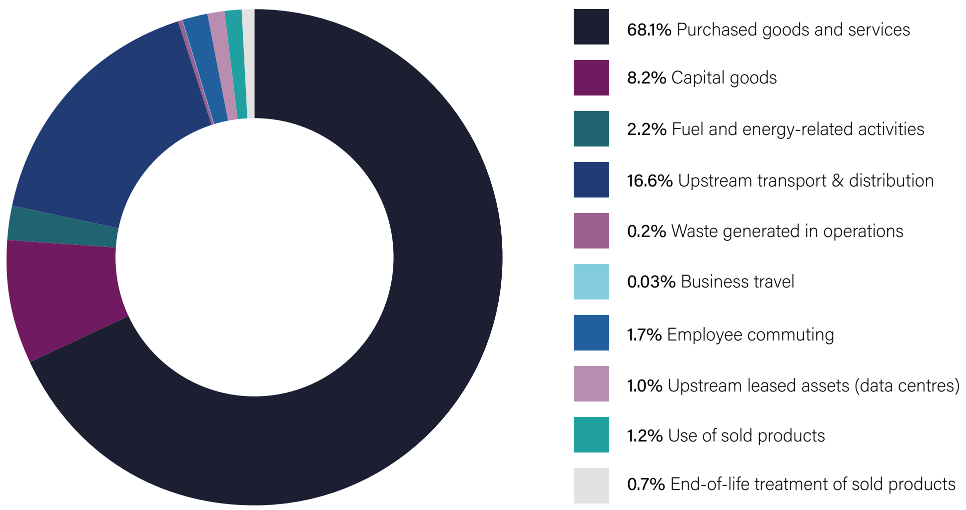
Value Chain (Scope 3) Emissions Baseline

The development of science-based targets requires robust and comprehensive calculation of all greenhouse gas (GHG) emissions to identify where we need to target our efforts. GHG emissions are split into three categories: Scope 1 emissions, which are GHGs released directly from an organisation; Scope 2 are indirect emissions which are released from the energy purchased by an organisation; and Scope 3 emissions, which are also indirect GHG emissions, and aren't directly controlled by the organisation but are related to their activities.

Achieving net zero requires changes across all business areas - Scope 3 emissions comprise the largest portion of our carbon footprint and account for around 98% of THG's total emissions. This is primarily driven by purchased goods and services, alongside upstream transport and distribution. It will require significant, ongoing engagement and collaboration with our suppliers to drive emissions reduction across this category.

We will track our progress against all GHG emission categories, to ensure we achieve our 2040 net zero target and will report our Scope 3 emissions on a periodic basis, alongside our regulatory obligations to report Scope 1 and 2 emissions, providing increased visibility of our performance in this area.

Value Chain (Scope 3) emissions by source for 2020 baseline



Climate risk

Given the significant risks climate change poses to the planet, it is important to understand how this may also impact THG's business activities. We are committed to report in alignment with the Taskforce on Climate-Related Financial Disclosures (TCFD) framework. Our disclosure and progress towards full TCFD alignment can be found on pages 79-82.

Renewable electricity

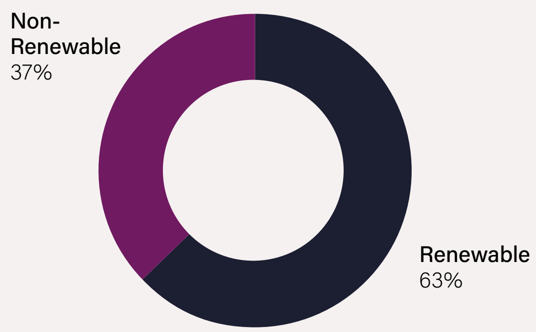
In 2020, we switched many of our UK sites to renewable electricity contracts. This contract was recently extended which will increase the number of sites using renewable electricity over the coming years and is a big driver behind our current figure of 63% of electricity from renewable sources. We also have solar panel installations at some of our manufacturing sites. However, we know there is much more to do. As our international operations continue to grow, we must look at ways of increasing our use of renewable electricity beyond the UK. We are actively investigating employing instruments, such as power purchase agreements and further on-site energy generation from solar, both in the UK and across our international sites as part of our target to achieve 100% renewable electricity usage by 2025.

Supplier engagement on carbon reduction

The majority of THG's carbon emissions lie within our value chain and we recognise the importance of addressing our sustainability targets in this area. Following our carbon footprint measurement and assessment, the need to focus on Scope 3 emission reduction was clear. Scope 3 represents 98% of THG's total emissions, with suppliers of third-party finished goods and raw materials of THG brands contributing a significant proportion of this. During 2022, significant progress was made in gathering data relating to these suppliers, with 48% of these top 50 suppliers (by spend) confirming they are actively engaged in carbon emission reduction and climate-related initiatives in 2022. Focusing on the top 50 suppliers allows us to strategically address those suppliers with the largest impacts. By the end of 2023, we aim to report how many of these suppliers have set specific carbon reduction targets.

We continue to develop systems to support the collection of wider supply chain sustainability data such as supplier attributes; credentials related to carbon emissions, deforestation, water stewardship and waste. This will enable the assessment of a baseline position and tracking performance against supplier-related targets aligned with THG x Planet Earth. We have expanded the supplier sustainability assessment criteria and incorporated it into the newly-developed supplier portal tool which will be rolled out in 2023. All new and existing suppliers will also be engaged and required to complete a more rounded sustainability assessment. In turn, this exercise will provide a deeper understanding of potential gaps and risks in our supply chain, which can then be addressed accordingly. We aim to have all finished goods and raw material suppliers complete the sustainability assessment by the end of 2023.

Electricity used to power our operations in 2022



THG's GHG emissions and energy reporting

The Group's GHG emissions reporting calculation is undertaken in line with our obligations within 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 2022 to 31 December 2022.

GHG emissions (Tonnes of CO2e)	2022	2021	2020[1]
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	5,194[2]	2,309	1,946
Scope 2 emissions Generated from the use of electricity in all buildings from which the Group operates.	13,238[2]	11,605	9,584
Total	18,432	13,914	11,530
GHG Intensity per £1m revenue	8.23	6.39	7.14

Energy use (kWh)	2022	2021	2020[1]
Natural Gas	23,275,342	12,051,833	9,943,330
Electricity	39,358,032	28,653,493	19,649,394
Fleet and On-Site Fuel	3,889,419	590,717	488,578
Total	66,522,793[2]	41,296,043	30,081,302
Energy Intensity per £1m revenue	29,707	18,952	18,638

Energy use (kWh)	2022	2021	2020
UK	42,682,049	23,332,220	16,833,917
Overseas	23,840,744	17,963,822	13,245,455
Total	66,522,793[2]	41,296,042	30,079,372

We reported the above emissions on a location-based approach in line with the GHG Protocol. Following a market-based approach, our Scope 2 emissions for 2022 were 9,157[2] tonnes of CO2e and our total Scope 1 and 2 tonnes of CO2e were 14,351.

1. Minor revisions (not material) to reflect SBTi targets submission.
2. Assured by Bureau Veritas – for further details please see our Reporting Basis document.

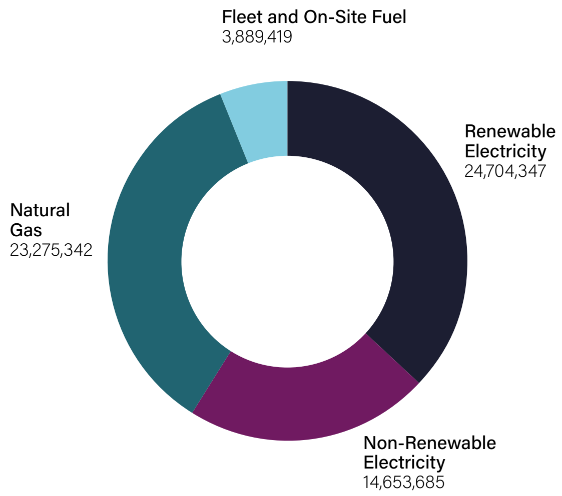
Note: Table subject to rounding.

Emissions and energy consumption figures in 2022 are higher than previous years, due to a combination of factors: 1) increase in operational activity due to business growth and 2) improvement in data-capturing processes, availability and quality.

In 2022, we continued the purchase of renewable electricity certificates at several UK sites, and also installed LED lighting at our acquired sites to improve energy efficiency. By building our sustainability reporting platform we can focus on tackling energy use at our highest consuming sites, and the enhanced data capabilities mean we can also now report on our Scope 2 market-based emissions.

Details on how we calculate our GHG emissions and energy can be found in our Basis of Reporting document.

Energy use by source (kWh) – Scope 1 and 2)



Nature

Responsible sourcing

Supporting our goal to have a net positive nature impact across our brands, we have made the commitment to achieve 100% of our sourced agricultural materials for our own-brands to be deforestation free by 2025. Deforestation continues to drive biodiversity loss, habitat damage and also contributes to global warming, so reducing our impact on this devastating practice will be a key focus for THG in 2023.

As we develop our deforestation strategy, there will be a specific focus on palm oil and palm-derived products, given the widely known concerns between the two. Our approach to sourcing palm oil and palm products will be reviewed and we will develop a group-wide policy, to drive a consistent approach across all areas.

Water

Water use in our operations

In late 2022, we began collecting data around water use across our sites, which has enabled us to start working on calculating a baseline for our water reduction target. To improve water data quality, we are exploring the installation of automatic meter readers across several UK sites, with implementation expected to begin in 2023. We have mapped out sites which are located in water-stressed areas using the WRI (World Resources Institute) Aqueduct tool – the results indicate 13 sites are situated in water-stressed areas. However, we are aware that in the future this may change, and we will continue to look at water efficiency measures across all sites. In addition to water stress, we also looked at sites located in 100-year flood zones, with results showing that only 4 sites are in such zones – again we will monitor this carefully. In 2023, we will undertake climate-risk modelling as part of TCFD recommendations which will further enhance our understanding of climate-related risks such as water stress.

Supplier engagement on water use

Water stewardship across our supply chain is an important area for us to tackle, especially given the growth of our business and global nature of our partners and suppliers. While we have been obtaining data across own-brand raw material and finished goods suppliers, in order to focus our efforts on where we have maximum impact, we have assessed supplier performance associated with water use for those aforementioned Top 50 suppliers (by spend) – in 2022, 34 of those suppliers were conducting activity around water stewardship and reduction.

Strengthening our *Supply Chain* and *Circularity*

We have a duty to ensure our supply chain is responsible, ethical and does not adversely affect people or the planet. The goals we have set within our strategy focus on protecting human rights, eliminating modern slavery within our supply chain, and ensuring we can transform the waste from our operations into resources.

We have made significant progress with our ethical sourcing outreach programme, reaching out to every one of our own-brand suppliers as part of our outreach programme. We have also calculated the baseline position for the packaging to understand the current levels of recyclability, and developed a roadmap to drive towards 100% recyclable packaging by 2025.

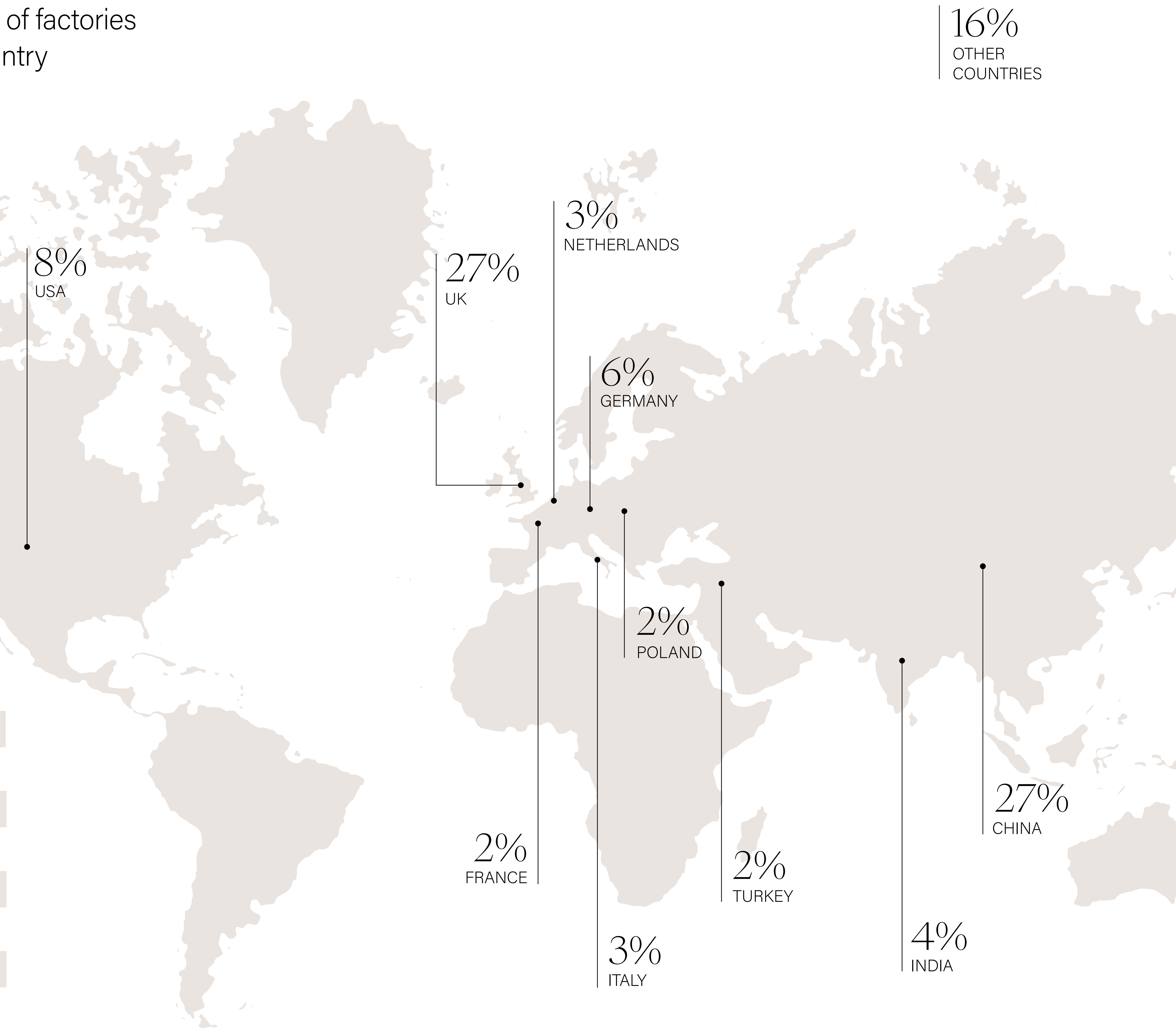
Supply Chain and Circularity targets	Performance in 2022	Status
Implement a progressive Human Rights Policy by 2023	We are developing a standalone Human Rights Policy, and in parallel we have implemented new ethical standards across our supply chain and are embedding the process across internal stakeholder groups.	On track →
All own-brand goods suppliers to commit to THG's ethical sourcing standards by 2025	THG has an extensive supply chain, consisting of finished goods and raw materials suppliers split across THG branded and third-party brands sold on our THG online platforms. In 2022, attention was focused on own-brands' suppliers of finished products, and raw materials contributing to the make-up of these products. Throughout 2022, 78% of these suppliers committed to THG's Ethical Code of Conduct which outlines the ethical sourcing standards.	On track →
100% of own-brand packaging to be recyclable, reusable or compostable by 2025	A baseline assessment of packaging across the three key divisions: THG Beauty, THG Ingenuity and THG Nutrition was undertaken in 2022. Roadmaps have been developed to identify the key milestones and actions to drive target delivery.	On track →
Zero waste to landfill from our own operations by 2030	Collection of waste data across all sites began towards the end of 2022. Full waste data collection and analysis relating to all global sites will be completed in 2023. In 2022, our Poland facility, one of our largest manufacturing and fulfilment sites, sent zero waste to landfill.	On track →
We recycle more plastic than we produce by 2030	The amount of plastic we use was collated in 2022, based on 2021 data, as part of the data collection to assess recyclability of our own-brand packaging. This work will continue in 2023 to establish our baseline position as we compare this with the plastic recycled across THG's three recycling centres.	On track →
70% of packaging from third-party brands to be recyclable, reusable or compostable by 2030	Many of the brands THG partners with are already taking positive action and increasing the recyclability of their packaging. During 2023, a baseline position will be established to understand and determine where further engagement is required.	On track →

Supply Chain *Mapping*

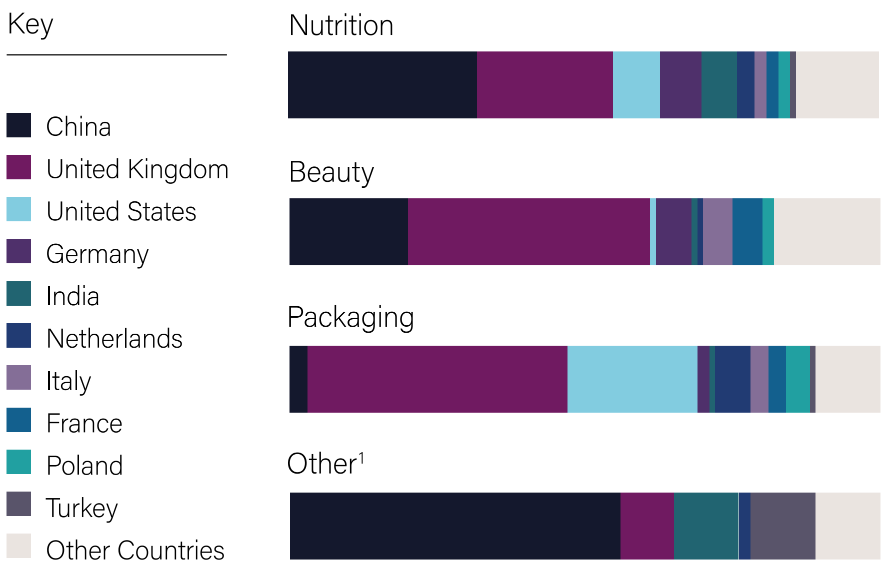
Percentage of factories in each country

In line with our Supply Chain Mapping & Ethical Outreach Programme, at the beginning of 2022, supplier outreach work started on own-brand raw materials and finished goods suppliers (excluding acquisitions). From June 2022, the programme was extended to include all THG acquisitions.

As of 2022, we have reached out to every own-brand raw materials and finished goods supplier and successfully mapped out production units among 62% of suppliers. A breakdown of manufacturing units across the top-10 sourcing countries is illustrated on the map:



Divisional breakdown by country



1. Gifts, Luxury, Homeware & Apparel.

Human Rights

During 2022, the supply chain sustainability team focused extensively on implementing new ethical standards across our supply chain and embedding the process across internal stakeholder groups. Legacy suppliers were engaged alongside all new suppliers. Our key areas of focus were:

- Supply chain ethical sourcing process development and implementation including - due diligence and prerequisites such as new supplier validation, continuation of our SEDEX (an international ethical supply chain assessment platform) membership, capabilities and accreditation assessments, and mandatory third-party ethical audits.
- Modern slavery and human rights – including development and implementation of THG's Ethical Code of Conduct and ethical requirements agreement, internal audits, a tailored labour & modern slavery audit, as well as a supply chain ethics onboarding policy for direct & indirect procurement.
- Supply chain mapping and transparency programme – engaged THG branded goods and raw material suppliers in a global outreach programme designed to successfully map our supply chain.
- Supplier onboarding portal – development of THG supplier portal expected to be rolled out and integrated into supplier onboarding/management in 2023.
- Awareness and training – procurement teams received training on the importance of human rights across the supply chain and their role in ensuring THG responsibly source new suppliers across procurement.

Supplier commitment to our ethical sourcing standards

We have been building the foundations and outlined the principles of THG's ethical sourcing programme, an Ethical Code of Conduct, with reference to International Labour Organisation (ILO) standards. Own-brand suppliers are expected to acknowledge the values and standards set out around ethics and supply chain transparency, by signing, as well as delivering the requirements to their corresponding upstream suppliers.

The programme includes the ethical sourcing onboarding process, whereby all new suppliers are required to fulfil minimum requirements. Pre-requisites comprise validation of credentials, supply chain mapping, SEDEX membership, third-party ethical audit and risk assessment.

Current approved suppliers are also held to the same standards within their approved life cycle. All suppliers must adhere to the standard set out within the ethical programme on a continuous basis. Suppliers not committed to the programme are escalated to Senior Management for business review.

In the first year of our ethical supply chain programme, 514 suppliers, equivalent to 78% of our own-brand raw materials and finished goods suppliers, signed up to our Ethical Code of Conduct. Looking beyond 2022, we are striving towards having 100% of our own-brand finished goods and raw material suppliers engaged in the programme and aligned to our ethical audit requirements. In 2022, we obtained and reviewed 390 ethical audits from supplier factories - 44% of our factories were audited and all new factories onboarded are now subject to audit. As our ethical supply chain programme develops, we will continue to build our audit and engagement capabilities with our suppliers.

Zero waste

Own-brands plastics and packaging

Plastic pollution is a world-wide issue, requiring urgent and consistent action to reduce the volume of plastic waste which significantly impacts natural habitats on land and in the ocean. Around 36% of all plastic produced is in packaging and around 85% of this ends up in landfill or as unregulated waste, which isn't subject to waste controls. The issue around plastic is not only about waste; most plastic is derived from fossil fuels and therefore the continued increase in the use of plastic, and particularly virgin plastic, results in greater greenhouse gas emissions.

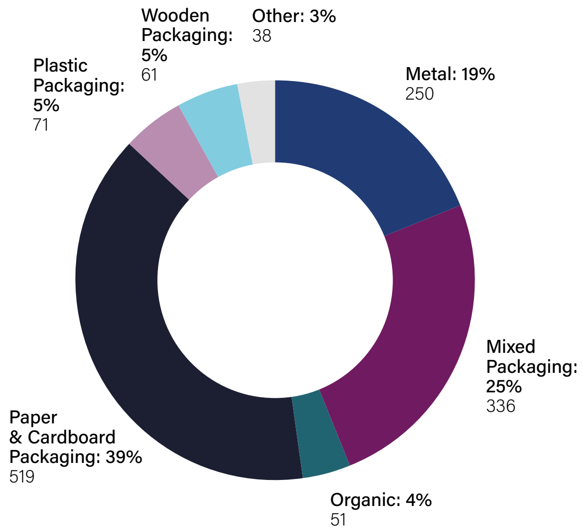
At THG, we are committed to playing our part in addressing this global issue by ensuring our own-brand packaging is 100% recyclable by 2025. THG is a member of the UK Plastic Pact, and along with more than 120 businesses and organisations from across the entire plastics value chain, has also committed to increase the level of recycled content within our packaging to at least 30%, which will see a reduction in the amount of virgin plastic placed on the market, but also a reduction in carbon emissions. In 2022, we assessed the recyclability of all packaging across our largest divisions to establish a baseline position and have developed roadmaps to drive the delivery of the targets over the next three years. We have already made changes to our Lookfantastic Subscription Beauty Box to reduce the amount of packaging and ensure the outer box is 100% recyclable – read our case study on page 23.

Waste in our operations

The ability to manufacture products in-house gives us an edge, being able to quickly develop innovative and improved products by responding to consumer demands and changes. However, manufacturing operations produce waste, and it is important that organisations take responsibility for the waste they produce. In 2022, a group-wide waste assessment was initiated (which will be completed in 2023) to understand the total quantity of waste produced by THG, as well as where it is produced and the differing types of waste. By applying the waste hierarchy and circular economy principles, we aim to reduce the amount of waste produced across the business, reduce costs and ensure any waste that is produced does not end up in landfill – in line with our target of zero waste to landfill by 2030.

An example of our commitment to achieving this target is illustrated by the fact that THG's Polish fulfilment and manufacturing facility sent zero waste to landfill in 2022. Similarly, Myprotein studied how to utilise unused protein powder which would have ended up as waste. By partnering with a specialist waste recycling company, the powder is now repurposed to become fish food used by the angling community. Innovative initiatives such as this further demonstrates our commitment of reducing waste and applying circularity principles. Our responsibility doesn't stop with our own operations; we have also committed to addressing our downstream waste - Lookfantastic, ESPA and Cult Beauty have introduced refillable products - giving consumers the ability to reduce their own waste footprint. We are committed to waste reduction and circularity and will continue to explore opportunities where we can reuse waste and materials.

Waste types in our Poland facility in 2022 (tonnes)



Recycling our plastics

During 2022, the baseline position for the packaging we place on the market was established using 2021 data. In 2023, our aim is to compare the amount of plastic recycled through our THG Eco recycling companies with the amount of plastic placed on the market by THG brands. This will include assessment of the differing polymer types to ensure like-for-like comparisons and enable the development of roadmaps to deliver the target by 2030.

Third-party brands packaging

In addition to setting packaging recyclability targets for all own-brand products, THG has also committed to engaging with suppliers with the aim of improving the recyclability of packaging used in third-party finished products. Many third-party suppliers have already started to make changes to their packaging and in 2023 THG will commence a proactive programme to engage with the suppliers of third-party brands to fully understand what level of change is required to drive progress in this area, ahead of 2030.

Empowering *People* and *Communities*

As a global business, we operate across many countries, impacting not only the 8,000+ people that work within the business, but also across the whole value chain from our supply chain to local communities. The third priority within our THG x Planet Earth Strategy focuses on three areas – diversity and inclusion, employee wellbeing and development and investing in our communities. In 2022, we've solidified the foundations of reaching our goals – developing our first diversity and inclusion strategy and social impact strategy - further details can be found on pages 77-78.

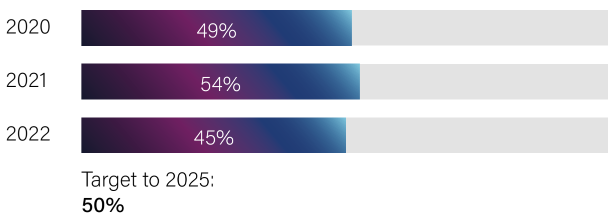
Empowering People and Communities targets	Performance in 2022	Status
Achieve 50% female representation and at least 20% ethnic minority representation in Graduate and Apprenticeship schemes by 2025	45% female and 26% ethnic minority representation in Graduate and Apprenticeship schemes	On track
Achieve 50% female representation and at least 15% ethnic minority representation on the Board and Senior leaders by 2030	22% female and 6% ethnic minority representation on the board and senior leadership team	On track
Eliminate gender and ethnicity pay gaps across all THG divisions by 2030	Gender Pay Gap information can be found on the UK Government online Gender Pay Gap service portal. Ethnicity pay gap to be determined in the future as we continue to improve on gathering more data in this area	On track
Achieve at least 15% improvement in employee engagement score by 2025	We will be undertaking our baseline for employee engagement scores in 2023	Due to commence in 2023
Pay all direct staff, agency workers and contractors a living wage by 2025	70% of UK direct staff (excluding agency workers and contractors) are paid a Real Living Wage	On track
All Tier 1 suppliers to pay a living wage by 2025	Primary focus in 2022 has been on direct staff and we will review this target in 2023	Due to commence in 2023
Provide 10,000 people in the community with technology and life skills training by 2030	With the introduction of the Social Impact Strategy, we will aim to identify opportunities to support communities through training of these important skills in 2023	Due to commence in 2023
Introduce two days volunteering per year for every THG employee by 2025	Our approach to colleague volunteering is outlined in our Social Impact Strategy. This will be rolled out in 2023	Due to commence in 2023

Diversity and inclusion goals

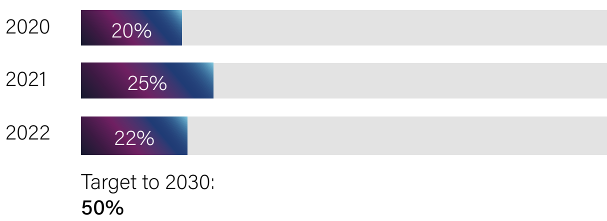
The Group's D&I vision is to further create a diverse, inclusive and supportive work environment, reflective of the communities within which THG operates and comprising talented and motivated individuals.

As part of THG x Planet Earth, we set ambitious targets around diversity and inclusion - the performance and progress towards these targets can be found below:

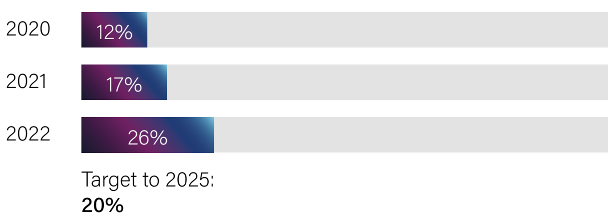
Percentage of female representation in our Graduate and Apprenticeship programmes



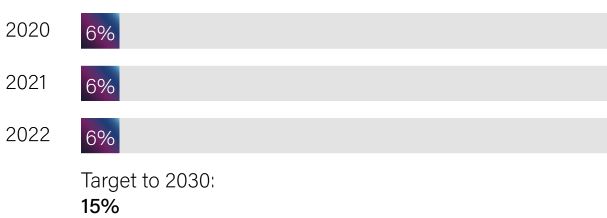
Percentage of female representation at Board and senior leadership level



Percentage of ethnic minority representation in our Graduate and Apprenticeship programmes



Percentage of ethnic minority representation at Board and senior leadership level

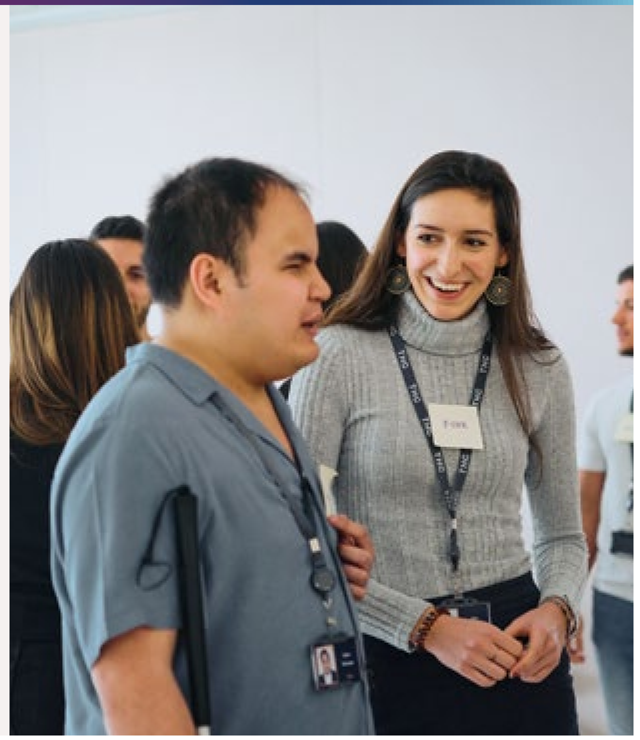


CASE STUDY

Engaging our people around diversity and inclusion

In 2022, we organised several events which aimed to bring attention and understanding to groups which can face discrimination and inequality. Providing these engagement opportunities which celebrated the identity and different backgrounds of our staff, we hope to increase their sense of belonging and educate the wider workforce on being more inclusive and respectful in the workplace.

Some of the events held in 2022 included panel and lunchtime sessions for International Women's Day, Lunar New Year, Pride Month and Mental Health Awareness Week. We also hosted our first Black History Month forum where external speakers shared their experience and achievements in their careers. To deepen engagement and to drive impact, in 2022 we set up the Black Community Network alongside our LGBTQIA+ and Allies Network which was set up in 2021.



Gender and ethnicity pay gap

In 2022, the focus was on improving the quality of employee data including gender and ethnicity which has helped improve our diversity target progress. Better measurement of the current situation against targets and development of programmes allows us to build a workplace where all employees can thrive. We report on our gender pay gap via the UK government gender pay gap service every year. Efforts to collect a greater range of diversity data will continue throughout 2023 with a goal to report on our ethnicity pay gap in the near future.

Employee wellbeing and development

Sustainability training

Ensuring that THG's Sustainability Strategy remains at the heart of our business and is a clear focus for all colleagues will continue to drive successful delivery. In 2022, a new induction session was introduced for all colleagues so that they understand the strategy from day one and are clear how they can play a part in its delivery. To maintain this momentum, a series of six sustainability learning modules were introduced, designed to enhance colleagues' understanding and engagement in sustainability, the first of which was launched in late 2022. The remaining learning modules will be delivered throughout 2023, building awareness and increasing knowledge in various sustainability topics.

Employee engagement

Throughout 2022, colleague engagement at a divisional level was measured - driving actions to improve our performance where necessary. The goal is to move to a more consistent approach across the group and business-wide colleague surveys will be introduced in 2023, developing a deeper understanding of colleagues' views, to learn from our successes and take actions where we need to. Employee engagement KPIs will form part of our People strategy moving forward.

Living wage

In 2022, 70% of UK THG staff (excluding contractors and agency workers) were paid a Real Living Wage, which is an hourly rate calculated according to the cost of living in the UK by the Living Wage Foundation. In 2023, additional data will be collected regarding agency and contractor staff, as well as staff outside the UK. We will also build a roadmap to help achieve our target of paying all THG staff a Real Living Wage by 2025. The initial focus around living wage is on our own staff, contractors and agency workers where we have greater control and influence. With regards to suppliers, this is significantly more complex given the international nature of our supplier base and the lack of living wage standards in many countries. During 2023, we will continue to assess the best approach to deliver against the target.

Investing in our communities

Training in our communities

Our innovation in technology and digital platforms allows us to leverage our knowledge and expertise to benefit local communities. With the development of our Social Impact Strategy, we will aim to identify opportunities to support communities through training of these important skills.

In 2022, THG made significant efforts to provide aid and support to those affected by the conflict in Ukraine. Our People teams worked diligently to provide physical and mental health support to our Ukrainian colleagues around the world, and our security teams helped to safely relocate those colleagues and their families who made the difficult decision to leave their homes in Ukraine. We also supported our Ukrainian colleagues in the UK, including assisting those who were making arrangements for their loved ones to join them.

In addition to supporting our own colleagues, we recognised the urgent need for broader assistance in the region. Through partnering with national and international organisations, we were able to provide product donations via our fulfilment centre in Poland. These donations included essential items such as food, clothing and hygiene products, which were distributed through local partners to the areas of greatest need.

Our approach to colleague volunteering is outlined in our Social Impact Strategy. This will be rolled out in 2023, providing colleagues with a clear framework for community engagement and volunteering.

Our *people*

In 2022, we focused on developing our people and reducing operational costs to future-proof the Group and streamline our processes to benefit our global teams.

We developed our people through targeted training and development programmes, focusing on digital skills, data analysis, and leadership, all of which are critical for our teams to succeed in today's fast-paced environment.

We reduced costs by streamlining our processes and optimising our people operations. This included implementing new technology solutions such as automation in our distribution centres which helped us to reduce manual workloads and improve efficiency.

Supporting our people

Our goal is, and always will be, to foster a workplace culture that prioritises our people, their personal wellbeing, and their professional development.

To achieve this, our in-house doctor provides personalised and virtual GP services for all THG employees globally and delivers initiatives to support people who are struggling with their mental health. Not only does this service give our people access to free medical support and advice, but it also helps us to create a culture of empathy and awareness.

Our Employee Assistance Programme (EAP) also supports the wellbeing of our UK-based employees by providing 24/7 access to information, advice, and support.

In response to the cost-of-living crisis, we introduced free lunches for all apprentices based on our catered sites throughout November and December. Following positive feedback from our apprentices and their managers, we have extended this initiative until March 2023.

Finally, we awarded £36m of shares to 564 employees in 2022, reinforcing our meritocratic culture.

THG colleagues captured at ICON Studios. Q1 2023.

THG colleagues captured at ICON Studios. Q1 2023.

Culture

As THG evolves, we recognise that our employee value proposition (EVP) must evolve too, and so last year, we invited our global workforce to suggest a fifth company value and help shape the future of THG. We received over 650 suggestions, all of which gave us a fantastic insight into what makes THG so special, but the suggestion that seemed to resonate with our teams regardless of role, division, or location was "collaboration".

Collaboration underpins everything we do at THG; it's why we're a global leader that continues to challenge what is possible. Over the next 12 months, we will be embedding our newest value, collaboration, in everything we do whilst continuing to bring our existing values, innovation, ambition, decisiveness, and leadership, to life.

We will continue to develop our unique and vibrant culture, tracking progress against employee feedback obtained from group-wide surveys, pulse surveys, onboarding surveys, and exit surveys, and HR data such as attrition rate, absenteeism and employee referral rate. In 2023, we will establish a baseline engagement score before working towards our target of improving scores by at least 15% by 2025. To find out more about our sustainability goals and targets, visit our Sustainability section.

Culture is a principal risk and the Board has overall responsibility for risk management. However, as reflected in its Terms of Reference, the Risk Committee has delegated responsibility for the monitoring and review of the processes and procedures in place to manage or mitigate principal risks, including Culture.

Recruitment

Our talent team adapted to the demanding job market, delivering a recruitment strategy that engaged both active and passive candidates globally. A key part of our strategy involved utilising our network of employees and industry partners to identify and attract top talent. We also invested in recruitment technology and tools to streamline the hiring process and make it easier for top talent to apply and connect with us.

We secured a listing in The Times Top 100 Graduate Employers for a second consecutive year, reinforcing our position as a top employer in the graduate market. We proactively engaged with students from a variety of educational backgrounds, resulting in over 250 graduate and undergraduate hires from 56 universities.

We continued our commitment to creating an inclusive and accessible hiring process that gives everyone an opportunity to showcase their skills and talents, regardless of their background or personal circumstances. This involved delivering diversity and inclusion training to our talent team and entering a partnership with Change 100, an award-winning internship programme of paid summer work placements and mentoring for disabled students and recent graduates. Through Change 100, we have developed our knowledge and understanding of accessible recruitment, taking learnings from genuine experts and applying them to our own processes.

CASE STUDY

Meet *Hannah*

Early Careers Assistant at THG

Hannah joined THG in August after successfully securing a place on Change 100, Leonard Cheshire's award-winning internship programme for university students and recent graduates with a long-term health condition and/or disability.

During her 3-month internship at THG, Hannah shadowed our L&D team, designed training sessions, delivered workshops, and attended university events. She also worked with the other interns we hired through Change 100 to create 'The Neurodivergent Forum', a place for people across the Group to find out more about neurodivergent conditions, share ideas, and socialise.

After completing her internship, Hannah received an offer to join THG as a permanent member of the Early Careers team, supporting and developing our grads, interns, and apprentices as they navigate the transition from campus to office.

We asked Hannah what advice she would give to someone completing a Change 100 placement.

"Invest in your personal development and say yes to as much as possible, especially if it involves pushing yourself out of your comfort zone. Being open-minded is important in any role, but it's definitely something to prioritise when you're an intern.

I'm so glad that I've been able to get involved in new projects, make new connections, and really shape my role into something I'm incredibly passionate about. I can't wait to see what the future holds for me at THG."

Learning & development

From our early careers talent to our senior leaders, we're passionate about supporting and developing our people at every stage of their career. In 2022, our Learning & Development (L&D) team delivered a variety of initiatives to enhance soft skills and technical expertise across the Group. This training was supplemented by over 5,000 hours of self-led online learning, 2,336 LinkedIn Learning course completions, and 76,737 LinkedIn Learning video completions.

We delivered the latest iteration of our 12-month development programme, supporting the personal and professional development of our graduates, interns, and apprentices as they navigated the transition from campus to office. Underpinned by social learning, our 2022 early careers development programme consisted of in-person networking events, workshops, industry talks and online learning, giving our early careers talent access to a variety of learning opportunities to help them go further, faster.

THG Accelerator continues to go from strength to strength with 47 graduates joining the programme in 2022. From Computational Neuroscience with Cognitive Robotics to Journalism & Communications, our Accelerator cohort introduces a wealth of diversity, experience and knowledge to our Technology division. To date, our Accelerator programme has developed over 150 graduates in-house, giving THG access to homegrown tech talent whilst addressing the digital skills gap and making tech careers more accessible.

Watch our THG Accelerator In Focus video here

We launched our Leadership & Management Academy in partnership with industry-leading training provider, Corndel. Through the Academy, managers at all levels across the UK were invited to apply for a place on our Level 3, Level 5 and Level 7 qualifications, all of which are accredited by the Chartered Management Institute (CMI). Each qualification blends coaching, training and personal development that is tailored to our business and the individual learner, giving our people a fantastic opportunity to develop the knowledge, skills and behaviours needed to become a transformational leader at THG. Our Level 7 programme, delivered in partnership with Imperial College Business School, gives our senior leaders access to world-class learning opportunities and Imperial College Associate Alumni status.

THG/Orbit, our award-winning global customer service solution, also launched the Orbitor Programme to develop their teams, encourage engagement, and recognise top talent. The initiative has been embedded into THG/Orbit's performance management process as team leaders use the 4-point scale each month to help agents identify areas for improvement, develop their skills, and celebrate their success. This provides a structured and consistent measure of performance based on quality and quantity of customer responses, reinforcing THG's meritocratic culture.

Internal mobility

We know that giving our people an opportunity to grow and develop with us is essential for having a productive, passionate and efficient workforce. That's why we're committed to promoting internal mobility and providing our employees with opportunities to move between different departments and roles. Not only does this benefit our people as individuals, but it helps to create a more dynamic and knowledgeable workforce.

One of the ways we support internal mobility is through our professional development programmes as they give our people the soft skills and technical knowledge that they need to take on new roles and responsibilities. We also have a strong culture of collaboration, evidenced by the introduction of our new company value, which helps employees to build relationships and gain exposure to different areas of the Group.

In addition, we have a clear and transparent promotion process that gives employees the chance to move up within their current department or to switch to another one that aligns better with their career goals. Our People team works closely with managers to identify potential opportunities and provide support and guidance to employees throughout the process.

Ultimately, our focus on internal mobility helps to create a more engaged and motivated workforce, as well as a more resilient and adaptable business. By investing in our employees and supporting their career growth, we can attract and retain top talent whilst also creating a positive and supportive work environment.

Creating a diverse & inclusive workforce

We strongly believe that having a diverse workforce and an inclusive workplace creates a more innovative and successful business. We're proud to have a strong gender split across our workforce with 48% of our employees identifying as female and 48% identifying as male (4% not disclosed), and we are continuing to improve data around the ethnicity of our workforce. Please see below.

2022 Gender

	Male	Female	Not Disclosed	Total
Board	7	1	0	8
Senior Leadership	18	6	0	24
Other	3,937	3,979	340	8,256
Total	**3,962**	**3,986**	**340**	**8,288**

2022 Ethnicity

	BAME	Non BAME	Not Disclosed	Total
Board	0	2	6	8
Senior Leadership	2	11	11	24
Other	941	3,752	3,563	8,256
Total	**943**	**3,765**	**3,580**	**8,288**

In 2022, we launched our Diversity & Inclusion (D&I) strategy, implementing a range of initiatives built around our four pillars: visibility and representation, learning and development, recruitment and progression and accessibility and inclusion. To find out more about our progress to date, visit page 72.

Visibility & Representation

Recognise and celebrate the success of our diverse workforce and partnerships, ensuring every employee feels represented and heard.

Data Optimisation

Minority Representation

Learning & Development

Delivering effective and relevant D&I training tailored to each and every employee to further their education or help them progress at THG.

Educational Training

Accessible Content

Recruitment & Progression

To hire diversity fairly, sourcing the best talent regardless of background and supporting our employees throughout their journey at THG.

Diverse Recruitment

Progression Support

Accessibility & Inclusion

Providing virtual and physical experiences, opportunities and work environments which are accessible to all.

Accessibility Optimisation

Inclusive Benefits

Social impact

Finally, we laid the foundations to deliver our Group Social Impact strategy in 2023.

Underpinned by three key pillars, championing inclusion, disrupting inequality and creating opportunity, our strategy aims to address social issues in our communities and drive positive change for our people and the things that matter most to them.

These pillars determine which causes we focus on and what activities we do both at Group-level and in division.

Our commitments within each pillar will allow us to tackle complex social issues and create a bigger impact in our local communities.

In 2023, we will work towards achieving our target of allowing all THG employees to take 2-days volunteering leave by 2025 and providing 10,000 people in the community with technology and life skills training by 2023. To find out more about our sustainability goals and targets, visit the Sustainability section.

1. Championing *inclusion*

We're committed to championing digital inclusion & disability inclusion.

2. Disrupting *inequality*

We're committed to disrupting housing inequality and health inequality.

3. Creating *opportunities*

We're committed to creating opportunities through education and employment.

Health and safety

Nothing is more important than the health and safety of our people. We continue to make solid progress strengthening and enhancing our workplace health and safety arrangements which ensure our people are safe and well at work. During 2022, we invested in strengthening our Global Health and Safety support team to ensure our business operations have access to best-in-class competent Health, Safety and Environment (HSE) support and advice to ensure we provide a safe and healthy place work of work. In addition, our company health and safety programme delivered:

- Safety leadership refresher training for our Internal Executive team
- Over 90 THG Managers successfully completed the Institution of Occupational Safety and Health (IOSH) Managing Safely training course
- New HSE Management Standards for the control of contractors

During 2022, we have strengthened our focus on the prevention of workplace accidents which includes the robust reporting and investigation of workplace accidents. Our group-wide Lost time accident frequency rate for 2022 was 0.12[1]. Our plan for 2023, includes continually improving our processes and procedures for the reporting and investigation of accidents along with the effective sharing and learning of accident causes and preventive measures across the business.

In 2023, our focus will continue to make progress on ensuring there are common HSE standards in place across our high-risk activities and strengthen our arrangements for the control of environmental risk and the mobilisation of our new Occupational Health Provider.

Health & Safety is a principal risk and the Board has overall responsibility for risk management. However, as reflected in its Terms of Reference, the Risk Committee has delegated responsibility for the monitoring and review of the processes and procedures in place to manage or mitigate principal risks, including Health & Safety.

1. Per 100,000 working hours.

Task Force on Climate-related Financial Disclosures (TCFD)

The Company is required to disclose against the recommendations of TCFD (as required by Listing Rule (LR) LR 14.3.27R).

As stated in last year's Annual Report, we have chosen to adopt a phased approach to achieve full alignment with TCFD recommendations as THG is progressing on in its sustainability journey - launching the Group's first Sustainability Strategy, THG x Planet Earth, in late 2021.

We set out in the table below our responses to the TCFD recommendations and recommended disclosures - all disclosures are considered to be material. Although we are not yet in position to align and report fully against all of the TCFD recommended disclosures, we have provided the actions taken so far and the next steps to enable full disclosure. In the table below, we have summarised the Group's ongoing work programme, set against the core elements of the TCFD reporting recommendations and guidelines:

Governance

Recommendation	Response
a) Describe the board's oversight of climate-related risks and opportunities (Disclosure level: Full)	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. Environment, social and governance (ESG) matters (including climate change) arising from the Sustainability Committee are communicated and updated to the Board by the Chair of the Sustainability Committee in person or virtually using minutes and summarised updates from the Sustainability Committee meetings. For example our net zero science-based targets were communicated to and approved by the Board – these targets will undergo validation by SBTi (the global body enabling businesses to set emissions reduction targets in line with climate science) in 2023. The Sustainability Committee meets at least three times annually and 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 targets. Key duties include reviewing and monitoring the Group's systems, strategies, policies and targets in relation to, amongst other things, energy and carbon management, and climate change. Further details can be found on pages 141-143. The Board also 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. One of the principal risks is Climate Change, Environmental and Social Responsibility. 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. At least four Risk Committee meetings take place annually. Further details on risk management can be found on page 83.
b) Describe management's role in assessing and managing climate-related risks and opportunities (Disclosure level: Full)	The Group's Chief Sustainability Officer is accountable for the ongoing development, management 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 Sustainability related matters (including climate-related risks and opportunities) to ensure the Group has appropriate and effective strategies, policies and operational controls in place to conduct its business in a responsible manner. In 2022, the TCFD governance structure and process was established. This includes a cross functional Working Group focusing on alignment with TCFD recommendations which meets at least fortnightly. The Working Group feeds into the TCFD Steering Committee, consisting of senior representatives from Sustainability, Finance, Procurement and Risk, which meets at least six times a year. The Steering Committee ensures the Working Group's progress on TCFD alignment and manages the overall direction of the workstreams associated with TCFD. Outcomes from the TCFD Steering Committee are communicated to the Sustainability Committee. TCFD Working Group → TCFD Steering Committee → Sustainability Committee → Board

Focus and actions for 2023 and beyond

We will communicate progress and outputs towards full TCFD alignment to the Board – including:
1) Outcome of climate-related risks and opportunities assessment.
2) Climate scenario modelling and analysis.
3) Progress against climate-related targets.

Key | Disclosure level: Full | Partial | Omitted

Strategy

Recommendation	Response
a) Describe the climate-related risks and opportunities the organisation has identified over the short, medium, and long-term b) Describe the impact of climate-related risks and opportunities on the organisation's businesses, strategy, and financial planning c) Describe the resilience of the organisation's strategy, taking into consideration different climate-related scenarios, including a 2°C or lower scenario	To achieve full implementation of the reporting recommendations of the TCFD over the course of the next few years, one of the first steps we took in 2022 was the formation of the TCFD governance structure and process – details can be found in the TCFD Governance Section. This allowed us to focus and pull together resources to conduct a 'gap analysis' to full TCFD alignment and create an action plan (summarised below in 'Focus for 2023 and beyond'). In 2021, as part of the Group's work to develop the THG x Planet Earth Strategy, high level material ESG issues including climate and GHG emissions were identified – details of our last materiality assessment can be found in our 2021 Annual Report, pages 89-90. This year, we reviewed those issues alongside the ESG risks and opportunities and extracted the climate-related risks and opportunities. Examples of the types of climate-related risks and opportunities that are now being considered, and which will be further reviewed, defined and input into future climate scenario modelling and analysis in 2023 are summarised below: **Transition risks** • Policy and legal – Changes in climate-related regulations may affect carbon price, carbon offset/credits and carbon tax. • Markets – Increase in carbon prices may impact cost of energy and other resources/materials. **Physical risks** • Chronic/Acute – Acute and chronic weather events (e.g floods and storms) may disrupt supply chains and operations, impacting prices of agricultural raw materials and commodities. **Opportunities** • Products and services – Increase in demand for more sustainable product alternatives and services such as THG Eco. • Markets – Investment thesis for low carbon transition grows as governments and investors commit to a greener economy. To understand the impacts of climate-related risks and opportunities as identified above, we must conduct climate-related scenario modelling (using short, medium and long-term time periods which will be determined as part of the overall climate scenario modelling project in 2023). Given the expertise and software required to undertake such an exercise we must partner with external experts and therefore have not been able to undertake it this year but will plan to do so for 2023 (as detailed in the section below). As our TCFD work progresses, we will consider the extent to which these climate-related risks and opportunities are already taken into account within THG's business strategy and financial planning and how they may help to inform future decision making.

Focus and actions for 2023 and beyond

Further work on climate risks and opportunities, impacts and scenario analysis will be undertaken over the next few years. Our progress and timeline is summarised below:

Phase 1 (2022) - Complete
- TCFD Gap analysis – Identifying gaps in current processes, structure and programmes against TCFD recommendations.
- TCFD Action Plan – Identify the actions and resources required to achieve full alignment with TCFD recommendations.
- Climate-related risk and opportunities identification – Review and extract the climate-related risks and opportunities from previous ESG materiality assessment.

Phase 2 (2023)
- Climate risk and opportunities refinement and assessment – Refine, score/prioritise and input the climate-related risks and opportunities.
- Climate-related risk and opportunities modelling and impact analysis – Quantify the possible impacts of climate-related risks and opportunities across three time horizons using at least two different climate-related scenarios.
- Net zero roadmaps to be created for our Beauty and Nutrition divisions.

Phase 3 (2024+)
- Climate risk and opportunities integration – Utilising and embedding the outputs of climate related risks and opportunities into the wider business and divisions – including business strategy, financial planning and risk management.
- Working towards our GHG emissions reduction targets (which are awaiting SBTi validation in 2023) using the net zero roadmaps for divisions.

Key | Disclosure level: Full Partial Omitted

Risk management

Recommendation	Response
a) Describe the organisation's processes for identifying and assessing climate-related risks	Climate-related risk is embedded in Climate Change, Environmental and Social Responsibility risk which is one of the Group's principal risks (see further detail on page 91). 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. Current and emerging regulatory risks (such as TCFD and Extended Producer Responsibility (EPR)) are taken into consideration when determining principal 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.
b) Describe the organisation's processes for managing climate-related risks	The Sustainability team and others across the business including Legal and Property undertake a monthly review of the Climate Change, Environmental and Social Responsibility risks. This process involves the identification and assessment of various Climate Change, Environmental and Social Responsibility risks. Also, during the monthly reviews, mitigation actions and workstreams for climate risks are monitored and high risk items are flagged to be raised in the Risk Committee. The impacts (financial and non-financial) and likelihood of identified risks are scored on our Group Risk scoring matrix which incorporates environmental and social impacts. Further information can be found in the Risk Management section (pages 87-95). In 2021, a high level ESG materiality assessment was undertaken (including climate change related risks identification and prioritisation). The assessment took into account the likelihood and impact of such risks. Examples of the climate-related risks and opportunities are summarised in the Strategy section above. We aim to expand and go into further detail of the identified climate-related risks during 2023 as part of our climate scenario modelling workstream. As THG's climate-related risks and opportunities are reviewed and assessed further, we will enhance and refine the non-financial (including climate) elements of the Group risk assessment process including the risk matrix.
c) Describe how processes for identifying, assessing, and managing climate-related risks are integrated into the organisation's overall risk management	As part of monthly risk updates as described in the above section, the output feeds into the Group risk monthly update meetings between the Chief Risk Officer and accountable risk leads from across the business. High risk items are escalated to the Risk Committee (which meets quarterly) for comment and scrutiny (further detail can be found in the Governance section, page 80).

Focus and actions for 2023 and beyond

The Group will be determining the short/medium/long-term time horizons for climate-related risks and opportunities, with intent to align with existing THG frameworks so the significance of the climate risks and opportunities can be determined in relation to other risks. This work will be undertaken as part of the climate scenario modelling exercise in 2023.

We will also look at updating the non-financial descriptors in the risk matrix after climate scenario modelling has been undertaken to reflect factors and thresholds to be considered when assessing the severity of a risk (from a non-financial impact perspective).

Metrics and targets

Recommendation	Response
a) Disclose the metrics used by the organisation to assess climate related risks and opportunities in line with its strategy and risk management process	In 2022, we developed our Science-based targets, which includes reduction targets for Scope 1, 2 and 3 emissions. The targets were submitted to SBTi (Science Based Targets initiative) for validation in 2022 and are expected to be approved and published in 2023. GHG emissions (including intensity ratios) and energy metrics are currently calculated and disclosed in compliance with SECR (Streamlined Energy and Carbon Reporting) – please see page 63 and our Basis of Reporting – GHG emissions document. These are used to inform our THG x Planet Earth Strategy and various processes such as CAPEX planning. Other climate-related metrics (e.g water and waste) will be determined and used more widely as we undertake climate scenario modelling in 2023 and further align with TCFD recommendations.
b) Disclose Scope 1, Scope 2, and, if appropriate, Scope 3 greenhouse gas (GHG) emissions, and the related risks	THG calculates and discloses Scope 1 and 2 emissions (market and location-based), further information can be found on page 63. In 2022, we also calculated our Scope 3 baseline emissions for 2020, details can be found on page 61. We will continue to develop our approach to Scope 3 calculations in 2023 as part of our THG x Planet Earth Strategy and targets.
c) Describe the targets used by the organisation to manage climate related risks and opportunities and performance against targets	In late 2021, we launched THG x Planet Earth where we published our goal to be carbon positive by 2030. To achieve this we have submitted Scope 1, 2 and 3 emissions reduction targets to SBTi for validation and will be published in 2023. In 2022, ESG metrics (including setting SBTi targets) were linked to executive remuneration, further details can be found on page 147. In future years, specific emissions reduction targets will also be embedded into the ESG component of executive remuneration after our science-based targets have been validated. We are also currently in the process of developing an implementation plan for our divisions to achieve these targets. The methodology used to calculate our Scope 1, Scope 2 emissions and energy use metrics can be found in our Basis of Reporting – GHG emissions document.

Focus and actions for 2023 and beyond

In 2022, we prioritised establishing the reporting processes and framework for capturing energy and emissions data. We also undertook limited assurance on our Scope 1 and 2 emissions and associated energy use – details can be found on page 63. In 2023, we will be expanding to other climate-related metrics such as water and waste as detailed in THG x Planet Earth.

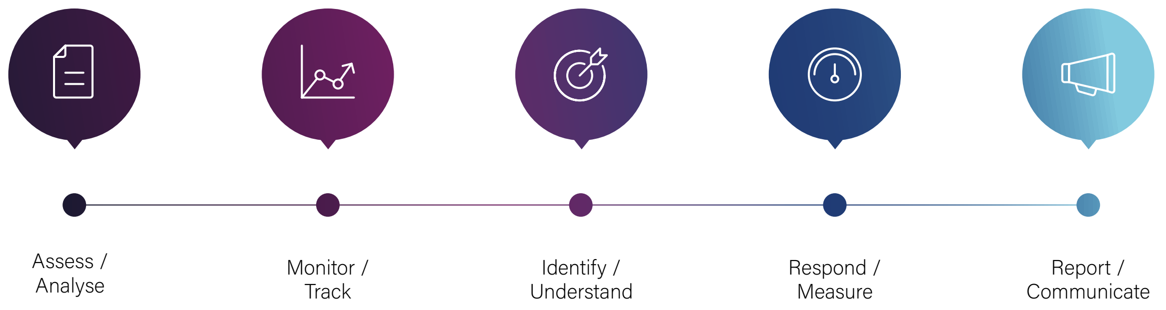
Furthermore, over the next few years we will be developing more specific intensity and efficiency ratios which is part of the plan to reduce our emissions as per our SBTi targets and climate goals.

Risk management and informed decision making

THG's Enterprise Risk Management (ERM) Framework 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. We continuously seek to embed and improve the use and adoption of the THG ERM Framework, to ensure it is integral to our day-to-day activities. This helps us to deliver our strategic objectives and goals through risk-informed decision making and the effective management of risk.

In 2022 we continued the maturing of our approach to risk management, including a further refresh of our principal risks, the embedding of divisional risk management processes and the alignment of insurance within our risk function, including the creation of THG Insurance Limited.

Figure 1 – ERM Framework



Risk appetite and risk tolerances

Our risk appetite reflects our ability and 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.

How we identify risks

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; and
- 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.

How we assess risks

All identified risks are assessed for likelihood and impact using a range of financial and non-financial criteria aligned to the business and its respective divisions. The assessment considers risk before any mitigations (inherent risk) and after current mitigations (residual risk). The key benefit of assessing inherent risk is to highlight potential risk exposure in the event of control or mitigation failure.

How we manage risks

Eliminating risk is often not feasible or desirable, so we use risk appetite to make informed decisions on the appropriate level of risk that can be taken to support achievement of our strategic objectives. Our overall risk appetite is approved and measured by the Board.

All our principal risks are assigned to Executive Owners. The Executive Owner is responsible for the overall management of the risk, ensuring the adequacy of control and the robustness of action plans to maintain the risk within appetite. Principal and emerging risks are supported, as appropriate, by in-depth reviews.

Business risks are identified and captured divisionally and functionally, being owned and managed within their respective management teams and reviewed on an ongoing basis.

Risk reporting and monitoring

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, see pages 93-95.

Business risks are consolidated and escalated in accordance with our Risk Management Policy and via the ERM Framework to the Risk Committee. This provides organisational visibility to emerging, strategic, commercial, operational, financial and compliance risks. The risks are considered in context of our existing principal risks and to drive accountability and action.

Principal risks are managed, mitigated and monitored against risk appetite in line with our Risk Management Policy and evaluated throughout the year to ensure they remain aligned to our strategic objectives. They are continually reviewed by our Risk Committee, who also consider the results of 'in-depth' testing of key controls supporting each principal risk.

Risk governance

THG operate a formal risk governance structure ensuring risk management is at the forefront of decision making and creating clear points of escalation.

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 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 2022 is set out in the Risk Committee Report on pages 130-132.

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 2022 is set out in the Audit Committee Report on pages 123-129.

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.

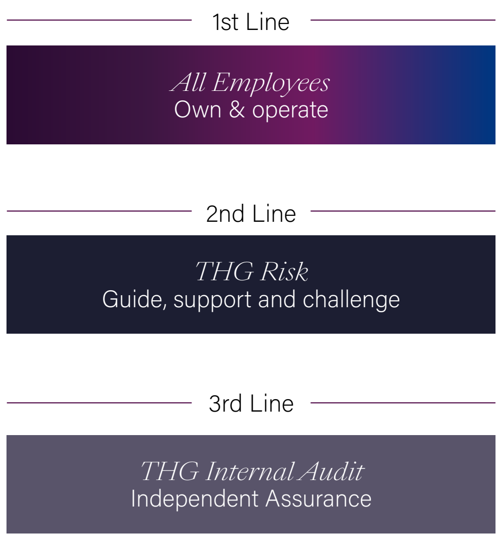
THG Risk

THG Risk supports the effective operation of the ERM 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 127.

Figure 2 - Three Lines Governance Model



Our three lines governance model 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.

The First Line represents all employees, giving them responsibility for management of their risks and the subsequent deployment of risk strategies, thus supporting risk-based decision making. They hold the necessary skills and knowledge to help with the identification and management of risks within our business.

The Second Line consists of THG Risk, who are responsible for setting the framework, policies, tools and techniques to enable the First Line to effectively manage risk. As part of this role, THG Risk are on hand to provide support and guidance to ensure a consistent approach to managing risk is maintained. 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.

The Third Line is THG Internal Audit, the main role of which is to assess whether the first two lines are operating effectively.

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 emerging risks faced by the Company;
- 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; and
- 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 during the year.

You can read more about our risk management and internal control systems in our Strategic Report on pages 83-95 and the associated work of the Audit and Risk Committees on pages 123-132.

A changing risk landscape

The current macroeconomic and geopolitical environment has created a more challenging risk landscape for all organisations. Our ERM Framework equips us to monitor, understand and respond to external uncertainties and events. The external risk landscape is reviewed regularly to ensure we proactively respond to external events with potentially material impacts.

The war in Ukraine heightened uncertainty for our employees, customers and investors. In response, we rapidly evaluated the risks, determined potential impacts to our business and made changes to our business operations and supporting processes. We also used our existing cyber security capability to strengthen our resilience against potential cyber threats. Through our risk governance channels we continue to monitor the possible wider effects of the conflict.

We also considered our wider approach to resilience and business continuity planning, with a focus on preparedness for energy supply issues, and any potential impact on employees, business operations and customers.

Whilst the Covid-19 pandemic has stabilised, we continue to monitor its long-term effects through the principal risk process, together with the impact of the war in Ukraine, energy supply issues and rising interest rates and their combined impact on increasing the potential risk of recession in key markets. Throughout 2022, the global pandemic continued to produce challenging conditions across many sectors of the global economy. THG's priority has been, and remains, to protect the health, safety and wellbeing of our employees.

Emerging risks

We define emerging risks as uncertainties arising from trends that are on our radar, but whose full extent and associated implications are not yet completely clear. These types of risk continue to be identified through both the Principal and Operational Risk processes. Additionally, emerging risks are identified, prioritised and understood via an 'identify, filter and prioritise, and investigate and understand' approach. This approach utilises internal and external sources, including business leaders and subject matter experts, 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 explored further, they are investigated and understood by an allocated Emerging Risk Owner, working with THG Risk. The work to understand emerging risks will vary depending on the risk, but ranges from basic qualitative assessment to modelling and quantitative assessment.

Principal risks

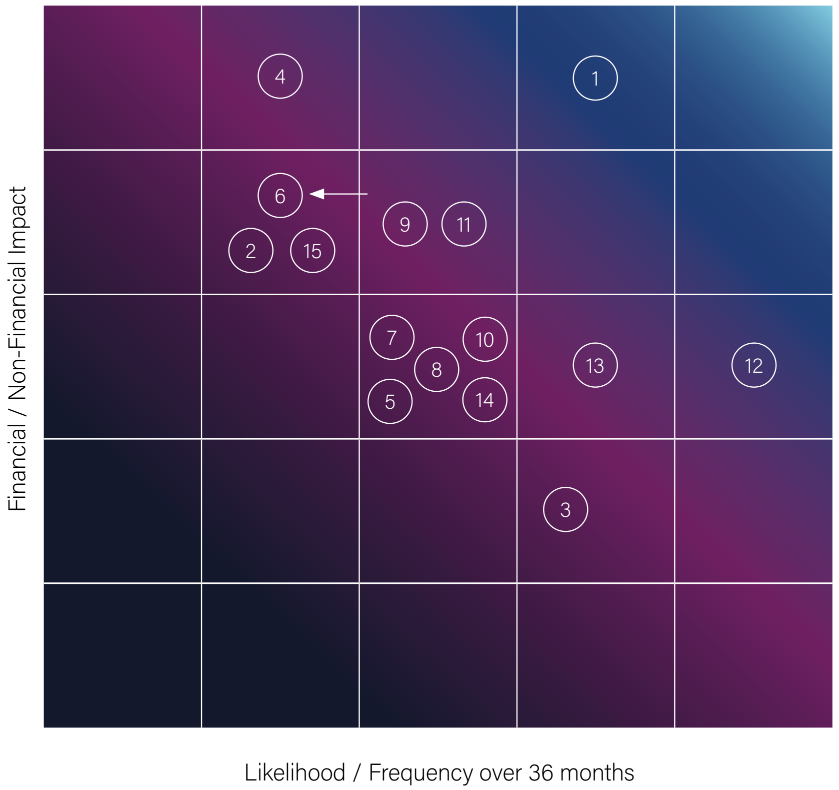
The Board and the Risk Committee carry out a robust and ongoing assessment of the principal and emerging risks facing the Group throughout the year. The assessment considers those risks that would threaten THG's business model, future performance, solvency or liquidity, and ensures that the risks continue 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.

In reviewing the principal risks, we have split 'Regulatory Compliance' into 'Health and Safety', 'Product Quality and Safety' and 'Legal and Regulatory Compliance' to better reflect the complexities of our regulatory landscape and the key risks that may impact our strategy. In addition, our 'Infrastructure' and 'Onboarding and Integration' risks have been merged to reflect the focus on exploiting our significant investment over the past two years, alongside additional focus on supply chain to become 'Infrastructure and Supply Chain'. Our 'Environment, Social and Governance' risk has been refocussed as 'Climate Change, Environmental and Social Responsibility', better reflecting our continued commitment to the wider community and the progression of our Sustainability Strategy.

The continued maturing of our risk management approach has seen the removal of 'Corporate Structure' given the successful restructuring of the business during 2022 and the addition of 3 new principal risks: 'Geopolitical and Economic Uncertainty' reflecting the current changing risk climate; 'Liquidity and Funding', to reflect external stakeholder focus on e-commerce funding and liquidity; and 'Strategic Optionality', reflecting the importance of making optimal strategic decisions to continually transform our portfolio of businesses.

We manage principal risk in line with our risk management policy and approach, as set out in risk management on pages 83-86. In 2022, we monitored and reported on 15 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.

Risk heat map



Key

1. Cyber Security & Data Privacy
2. Third Party Reliance
3. Talent
4. Ingenuity e-commerce Platform
5. Customer Needs
6. Infrastructure and Supply Chain
7. Innovation
8. Legal and Regulatory Compliance
9. Product Quality and Safety
10. Health and Safety
11. Climate Change, Environmental and Social Responsibility
12. Geopolitical and Economic Uncertainty
13. Culture
14. Liquidity and Funding
15. Strategic optionality

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 obligations, and losing the trust of our stakeholders. **Link to strategic priority** **Executive Owner(s):** Chief Technology Officer, General Counsel **Direction of Travel -** ↔	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.	• 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 data protection strategy, framework and methodology, ongoing data mapping and impact assessment procedures. • Formally-deployed information security risk management methodology to provide objective reviews and monitoring of our assets and systems. • 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. **Link to strategic priority** **Executive Owner(s):** Group Procurement Director **Direction of Travel -** ↔	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.	• All new suppliers go through a rigorous selection and onboarding process. • Procurement team monitors supplier performance on an ongoing basis, against third-party contract service-level agreements. • Dual sourcing for most supply categories and in all business units, reducing dependencies on sole suppliers. • Ongoing development of global site standards and monitoring 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. • Business Continuity strategies include an assessment of potential third-party impacts. • Increasing our supply chain capacity by building new additional fulfilment centres globally, with less reliance on third-party warehouses (see 'Infrastructure and Supply Chain').

Key

Group strategic priorities

- Build category leadership positions in beauty, health and wellness.
- To make Ingenuity the partner of choice for commerce transformation and sustainability solutions.
- Deliver engaging content and innovative products to our global customer base.
- Accelerate growth in core international territories, leveraging our local infrastructure.
- Drive positive change with our stakeholders, through an entrepreneurial, values-led culture.

Direction of travel

↑ Increasing ↓ Decreasing ↔ Stable New Risk

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. **Link to strategic priority** **Executive Owner(s):** Chief People Officer **Direction of Travel -** ↔	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 required 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.	• 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.
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. **Link to strategic priority** **Executive Owner(s):** Chief Technology Officer, Chief Executive Officer - Ingenuity **Direction of Travel -** ↔	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 our customer products, a hosting platform, together with the governance to ensure optimal service availability, performance, security protection and restoration (if required).	• Ongoing investment in our Ingenuity platform services to ensure the THG estate evolves to support the business as it scales and changes. • Continuous enhancement of our data protection strategy, framework and methodology, ongoing data mapping and impact assessment 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.
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. **Link to strategic priority** **Executive Owner(s):** Chief Marketing Officer, Chief Experience Officer **Direction of Travel -** ↔	As THG continues to grow its business and brand, 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.	• 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. • Developments in e-commerce trends are monitored to keep abreast of the latest developments and innovations. • 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. • Managed International Customer Service - 24/7 Customer Service for a global audience across live chat, calls, email and social. • Highly-competent buyers and merchandisers are adept at interpreting and acquiring desirable brands. • 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.

Principal Risk	Risk context	Management and mitigation
Infrastructure and Supply Chain If we fail to scale our infrastructure, systems and wider supply chain at pace, whilst maintaining service levels, it will impact our ability to meet demand, attract customers and support territorial expansion. **Link to strategic priority** **Executive Owner(s):** Chief Operating Officer **Direction of Travel -** ↓	World-class infrastructure and supply chain 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. The risk is compounded by demands for incremental functionality and the need to deploy this across a larger footprint.	• Operational Excellence team delivering strategic programmes to ensure all aspects of the THG estate achieve operational excellence, seamless integration, conform to a unified standard and evolve to support the business as it scales and changes. • Capex Committee oversees THG's Capital Projects team to support and monitor transformation programmes, including management of programme risks and dependencies. • THG Risk are involved in these steering groups to ensure the cross-functional execution of infrastructure projects are successful and reduce the risk that projects do not deliver their desired outcomes on time or fail to maximise the expected benefits. • Comprehensive disaster recovery and business continuity plans in place across the Group. • Continuous monitoring of 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. • Extensive and up-to-date knowledge of supplier base to ensure we can scale our supply chain appropriately and at pace.
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. **Link to strategic priority** **Executive Owner(s):** Chief Operating Officer **Direction of Travel -** ↔	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.	• Strategic investments, alliances and partnerships in our fulfilment infrastructure, such as the Autostore. • A fully vertically integrated business model, with full control over new product development, 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.
Legal and Regulatory Compliance Failure to anticipate, understand and implement our legal and regulatory requirements, will result in us failing to meet our obligations, impacting our ability to deliver our strategy and losing the trust of our stakeholders. **Link to strategic priority** **Executive Owner(s):** General Counsel **Direction of Travel -**	We continue to operate in a global market with numerous legal and regulatory requirements. Remaining aware of changing regulation and ensuring compliance is key to ensuring we protect both THG and our customers and partners.	• Compliance teams with reporting lines into Chief Risk Officer and Deputy General Counsel. • Defined Risk Appetite metrics and Key Risk Indicators which are monitored and updated at each Risk Committee. • Emerging risk processes, including horizon scanning, to anticipate potential changes in the legal and regulatory landscape. • Legal and regulatory compliance reviews are an embedded part of the annual assurance plans delivered by our 3rd line of defence. • See "Cyber Security and Data Privacy" for related regulatory compliance mitigations.

Principal Risk	Risk context	Management and mitigation
Product Safety and Quality Failure to manufacture and provide safe, compliant and quality products to our consumers, may prevent them making informed purchasing decisions, compromise their safety and result in us failing to meet our obligations, negatively impacting our brand and reputation. **Link to strategic priority** **Executive Owner(s):** Chief Operating Officer **Direction of Travel -**	Ensuring the ongoing quality and safety of our product portfolio is vital for our brands and our reputation. The quality and safety of the products within our portfolio are at risk of becoming compromised at any stage in the supply chain if we fail to adequately monitor the associated processes.	• Product safety and quality is embedded in our processes and controls, from product design to customer. • Rigorous testing and regularly monitoring performance indicators that drive improvement activities. • External certification and auditing of key suppliers. • Regular monitoring and quality controls over material received to ensure that THG product safety and quality standards are met. • Activation of incident management teams in the event of an incident relating to the safety of our consumers or the quality of our products . • Oversight from our extensive team of product quality, regulatory compliance and technical experts across each of the markets in which we operate.
Health and Safety Failure to implement and monitor appropriate policies and procedures and support a continually improving safety culture across all parts of the business could lead to accidents or incidents resulting in loss of life or serious injury. **Link to strategic priority** **Executive Owner(s):** Chief Operating Officer **Direction of Travel -**	Health and safety is of paramount importance and THG must provide a safe environment for all stakeholders. Failure to implement and monitor stringent health and safety procedures and policies across all parts of the business could lead to accidents or site-related incidents resulting in loss of life or serious injury to employees, subcontractors, visitors, customers or members of the public. Our global footprint and evolving infrastructure further compound this risk.	• Clear, effective and regular communications of all relevant safety updates. • Regular and documented training. • Ongoing updates to our risk assessments and safe systems of work by trained and competent staff to raise awareness and knowledge. • Experienced and competent health and safety professionals to guide, challenge and support. • Ongoing monitoring of culture and regular reviews of compliance against relevant safety regulations, policies and procedures. • Oversight by the Board and regular review of safety reports and safety performance.
Climate Change, Environmental and Social Responsibility Failure to achieve our sustainability related aims, objectives and obligations, will impact our ability to deliver our Sustainability Strategy and result in us failing to meet our regulatory obligations and public commitments, losing the trust of our stakeholders. **Link to strategic priority** **Executive Owner(s):** Group Commercial Director **Direction of Travel -**	We are committed to investing in our people, partners, technology and communities to give individuals, businesses, and our planet the opportunity to thrive. Our vision is to act as a force for good in leaving the world a better place than we found it. If we do not act on climate change, associated governmental actions and energy transition could disrupt our operations and increase our costs.	• Sustainability is integral to the group ethos with a team, headed at an Executive level, to focus on creating more sustainable products and supply-chain operations and reduce environmental impact. • Multiple workstreams designed to respond to specific risks and opportunities as part of our Sustainability Strategy. • Sustainability data and reporting platform which allow us to comply with regulations and measure performance against targets. • Governance structures, such as the internal TCFD (Task Force on Climate-Related Financial Disclosures) Steering Committee and working group, ensure there is adequate and regular oversight, with additional independent oversight via the Sustainability Committee. • A series of sustainability training modules are being rolled out to all employees. In addition, all new starters undertake sustainability inductions as part of their onboarding. • Oversight from our team of sustainability experts. • External third-party assurance of our operational energy and emissions data.

Principal Risk	Risk context	Management and mitigation
Geopolitical and Economic Uncertainty Failure to anticipate, understand and successfully respond to changes in geopolitical and economic uncertainly on a timely basis, may impact our ability to meet our strategy. **Link to strategic priority** **Executive Owner(s):** Chief Financial Officer **Direction of Travel -**	Adverse changes to economic conditions could affect one or more countries and result in reduced customer spending, higher interest rates, adverse inflation in our cost base, adverse FX movements and limited debt refinancing options. All the above could negatively impact our operating cashflows.	• Diverse product portfolio and geographic reach which mitigates our exposure to any localised risks and uncertainties. • Adaptable portfolio of existing products and an ability to develop new products that suit consumers' and customers' changing needs when economic conditions change. • An ability to respond to the inflationary pressures on both inputs and product pricing. • Currency and interest rate hedging arrangements in line with the Group's Treasury Policy. • Regular reforecasting of business results and cash flows, and rebalancing of investment priorities where necessary. • Financial resilience and liquidity with significant cash on hand at year-end and our undrawn revolving credit facilities.
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. **Link to strategic priority** **Executive Owner(s):** Chief People Officer **Direction of Travel -**	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 to sustain our shared Values and Behaviours. THG also supports a culture of empowered leaders that develops ideas and solutions, and provides employees with a safe environment allowing for honest disclosures and discussions. Such a trusting and empowering environment can help sustain innovation, enhance customer success and drive the engagement that results in increased market share.	• 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 (D&I) Committee, a platform to further improve the employee journey and workplace culture to ensure we are a truly inclusive workplace. • Training including anti-bribery and corruption training which continues to be delivered across our business units based on assessed risk. • Whistleblowing and incident reporting mechanisms in place to allow issues to be formally reported, investigated and monitored. • Employee engagement surveys & follow ups. • KPIs and People Dashboards at a divisional level, including D&I metrics and attrition analysis.
Liquidity and Funding Failure to adequately manage our cash, debt and overall liquidity and funding requirements over the short, medium and long-term, could negatively impact our ability to deliver our strategy. **Link to strategic priority** **Executive Owner(s):** Chief Financial Officer **Direction of Travel -**	Our ability to generate and manage our cash, control expenditure and other expenses underpins our ability to repay debt and fund working capital investment.	• Treasury operations are managed and monitored in line with a Board-approved Treasury Policy. • Maintenance of cash reserves and equivalents, together with access to undrawn, revolving credit facilities. • Close monitoring and stress testing of projected cash, debt capacity and overall liquidity, including sensitivity analysis, to assess the impact of the changing economic environment. • Through our Profit Improvement and Capex Committees, there is ongoing scrutiny and challenge of discretionary expenditure and capital spend. • Broader working capital management to continually improve cash flow and reduce reliance on bank facilities. • Frequent engagement and dialogue with the market and rating agencies.

Principal Risk	Risk context	Management and mitigation
Strategic optionality Failure to make the optimal strategic decisions and transform our portfolio of businesses accordingly, may limit our ability to maximise returns and value for our shareholders. **Link to strategic priority** **Executive Owner(s):** Group Commercial Director **Direction of Travel -**	As part of the continued maturing of our business and to support our ongoing growth and strategic aims, we must continue to utilise our corporate structure in a way which maximises returns and value creation for our shareholders. We must also ensure that our corporate structure continues to evolve to support the strategic decisions we may choose to make in future.	• Opportunities to optimise and streamline our portfolio are continuously monitored. • Opportunities to generate and realise value from our assets are assessed on an ongoing basis. • Acquisition and disposal activity is driven by a portfolio strategy with a clear, defined evaluation process. • Resources are prioritised towards the areas of our portfolio and markets that have the greatest potential.

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 £170 million in an undrawn Revolving credit facility ("RCF") due to mature in December 2024, along with £473 million readily available cash held on the balance sheet. Net debt at this date was £516 million (31 December 2021: net cash £305 million), with net debt of £181 million (31 December 2021: net cash £44 million) before the inclusion of IFRS 16 lease liabilities that mature over a period of up to 25 years.

The Group holds a €600 million seven-year loan facility agreement due to mature in December 2026 and during the year an incremental £156 million banking facility was provided by the Group's existing lenders ranking pari passu with the existing facility. This new facility expires in October 2025. While there are no financial covenants attached to the €600 million or £156 million loan facilities, 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. This facility is not forecast to be drawn in the future period.

The going concern assessment period is the twelve months from the date of this report to 30 April 2024.

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 30 April 2024.

Refer to the Viability statement for further information on the stress test scenarios that have been applied to the Group's forecast.

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 2025, 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 (pages 13-20), strategy (pages 11-12) and its principal risks and mitigating factors (pages 87-93). 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 2022 to December 2025 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 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

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 Chair and CEO providing further direction to align strategic initiatives. Following the completion of the separation of the business units in the year, more detailed granular information has also been available which has supported decision making on strategic initiatives. Forecasts have been prepared on a divisional level. 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 £473m readily available cash held on the balance sheet. Net debt at this date was £516m (note 18) and net debt of £181m 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. During the year an incremental £156 million banking facility was provided by the Groups existing lenders ranking pari passu with the existing facility. This new facility expires in October 2025. There are no key covenants attached to the €600m or £156m loan facilities which are 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:

- Nutrition gross profit margin remains at historic lows seen in FY22 for a further prolonged period;
- Beauty revenue declines by 10%;
- 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 high inflation and various global recessions, the Group has a number of mitigating actions available to it to provide suitable cash headroom in the event of a declining sales and depressed margin scenario as noted above, including but not limited to deferring non-essential capex, along with certain cost control actions.

Reverse stress test

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.

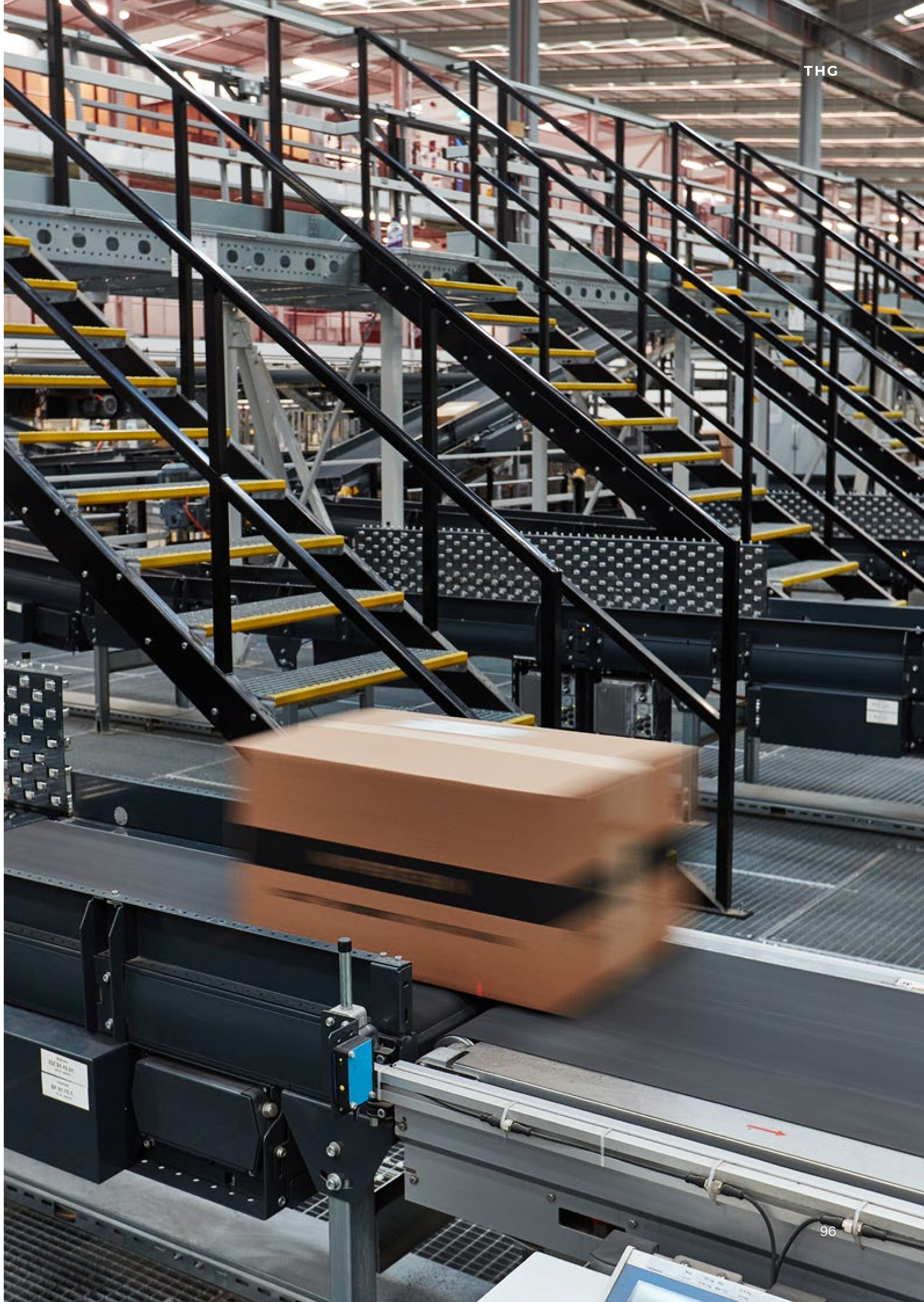
Assessment of viability

In making the Viability Statement, the Board, supported by the Audit and Risk Committees, 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 87-93, which could impact the business model taking into account:

Factor	Link to principal risks
Stress test scenarios involving a depression in margin, a below revenue performance within Ingenuity Commerce and Beauty, 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 impact of the current macroeconomic climate (including the impact of the Russian invasion of Ukraine) with high inflation and various global recessions.	Note associated potential impacts were considered within the following principal risks review: Cyber Security & Data Privacy; Third Party Reliance; Talent; Infrastructure and Supply Chain; Ingenuity E-Commerce Platform; Customer Needs; Innovation; Legal and Regulatory Compliance; Liquidity and Funding, Geopolitical and Economic Uncertainty, Strategic Optionality, Culture; and Climate Change, Environmental and Social Responsibility.

The worst case scenario outlined 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 2022. 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 105-122, 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	Pages 83-95
Going concern statement	Strategic Report	Page 93
Post balance sheet events	Directors' Report	Page 104
Future developments of the Company	Strategic Report	Throughout the Strategic Report Pages 3-104
Greenhouse gas emissions	Strategic Report	Pages 59-64
Directors' biographies	Governance Report	Pages 108-110
Corporate governance arrangements	Governance Report	Pages 105-122
Directors' conflicts of interest	Governance Report	Page 120
Related Party Transactions	Financial Statements	Pages 213-215
Statement of engagement with employees	Strategic Report	Pages 47-54
Statement of engagement with suppliers, customers and others in a business relationship with the Company	Strategic Report	Pages 47-54

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: https://www.thg.com/investor-relations/key-governance-documents.

Annual General Meeting

The AGM will be held at The Bowdon Rooms, The Firs, Bowdon, Altrincham WA14 2TQ on 21 June 2023 at 1:00 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 2022 reporting period and who were in office at 31 December 2022, and remain in office as at the date of this Directors' Report, are contained in the Governance Report on pages 108-110. All of these Directors held office throughout 2022 with the exception of Charles Allen, who was appointed on 22 March 2022, and Gillian Kent and Dean Moore, who were both appointed on 15 September 2022. Further, on 24 January 2023 NED Damian Sanders was appointed to the role of CFO and John Gallemore, the incumbent CFO, was appointed to the role of COO. All Directors will offer themselves for election or re-election (as appropriate) by Shareholders at the AGM.

Directors' interests

Details of Directors' beneficial and non-beneficial interests in the Shares are detailed in the Directors' Remuneration Report on page 151. No share awards were granted to Executive Directors under the Company's share schemes during the 2022 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 2022 reporting period and up to the date of this Directors' Report. The Company also maintained Directors' and Officers' Liability Insurance throughout the 2022 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 2022 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 2022 reporting period or in the period from 1 January 2023 to the date of this Directors' Report. This buyback authority will expire at the conclusion of the AGM, when the Directors intend to propose 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 £2,291,231.67 and to allot securities, without the application of pre-emption rights, up to a nominal amount of £343,684.75 and a further £343,684.75 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 2022 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	1,265,377,243	88.06
Allotted, issued and partly paid D1 Shares	56,082,651	3.90
Allotted, called up and fully paid D2 Shares	17,741	n/a
Allotted, issued and partly paid E Shares	48,995,797	3.41
Allotted, issued and partly paid F Shares	27,122,287	1.89
Allotted, issued and partly paid G Shares	17,494,614	1.22
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	313,257	0.02
Allotted, issued and partly paid Deferred 2 Shares	21,563,860	1.50
Total	1,436,967,451	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 2022 Matthew Moulding was also interested in 198,744,095 Ordinary Shares, representing 15.71% of the total issued Ordinary Shares; 50,550,450 D1 Shares, representing 90.14% of the total issued D1 Shares; 360 D2 Shares, representing 2.03% of the total issued D2 shares; 43,641,266 E Shares, representing 89.07% of the total issued E Shares; 20,197,808 F Shares, representing 74.47% of the total issued F Shares; 7,733,792 G Shares, representing 44.21% 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, as applicable, one Ordinary Share per D1 Share or E Share or 185 Ordinary Shares per D2 Share).

(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, as applicable, one Ordinary Share per F Share, G Share or H Share). The put options may be exercised for a period of 10 years from the end of the performance period (which ended on 31 December 2022).

(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.

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 2022 (2021: £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

The Company has established an employee benefit trust ("EBT") to hold Ordinary Shares to satisfy awards made under the Employee Incentive Plan. At the date of this Directors' Report the EBT currently holds 77,762,418 Ordinary Shares.

Substantial shareholdings

Disclosable interests of 3% or more in Ordinary Shares as at 31 December 2022 and 31 March 2023 were as follows:

Shareholder	Percentage of Ordinary Shares as at 31 December 2022	Percentage of Ordinary Shares as at 31 March 2023
Matthew Moulding	15.71	15.30
Sofina Capital S.A.	9.13	8.89
Balderton Capital (UK) LLP	7.66	7.46
Qatar Investment Authority	7.52	7.32
THG PLC EBT	3.47	5.90

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/investor-relations/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 their 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: (i) a senior facilities agreement (Term Loan B, December 2019); and (ii) a £156m facilities agreement (October 2022), both of which are 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 2022 reporting period the Group made several charitable donations totalling £0.4m (2021: £1.3m). THG did not make any political donations during 2022 (2021: £nil).

Overseas branches

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

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 IFRS 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 IFRS (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 financial position and financial performance of the Group and Company;
- in respect of the Group financial statements, state whether UK-adopted IFRS 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 the 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.

The Directors are also responsible for safeguarding the assets of the Group and parent company and thus 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 108-110 of the Governance Report confirms that, to the best of their knowledge:

- the consolidated financial statements, prepared in accordance with UK-adopted IFRS, 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, providing the information necessary for Shareholders to assess the Company's position, performance, business model and strategy.

Outlook and market demand

The Board anticipates FY 2023 Group revenue growth across continuing divisions of low to mid-single digit. Adjusted EBITDA is expected to be in line with the company consensus, with a significant weighting to the second half of the year.

The profitability and cashflow improvements during the first quarter support the expectation for significant margin recovery through the year. The decision to discontinue non-core categories, coupled with ongoing deflation in whey commodity prices and business model efficiencies driving improved operating leverage, underpins the margin confidence for FY 2023.

These factors provide operational leverage for the Group to rebuild towards historical adjusted EBITDA margins of around 9.0% over the medium-term. This is supported by the expected return to historical margins within THG Beauty and THG Nutrition. THG Ingenuity adjusted EBITDA margin will scale over time as the revenue mix evolves and all service lines are sold either individually or as a complete solution, with management targeting an aspirational 5-year margin of c.7.5%.

Our focus over the last few years has been on investment as we scaled our infrastructure to meet the step change in demand during the pandemic. Whilst we continue to selectively scale the business, it is clear that we can begin to enjoy the benefits of past investment from a cash and profitability perspective. Capital expenditure for the Group is therefore expected to be up to £135m in FY 2023 (FY 2022: £176m), and in the range of £130m to £140m in FY 2024, remaining between 5.5% to 6.5% of revenue over the medium-term.

Margin accretion, reduced capital expenditure and cash adjusting items (c.£15m in FY 2023, a 65% reduction on FY 2022) and working capital rationalisation all support a clear path to being free cash flow neutral in FY 2023, turning positive in FY 2024.

Post balance sheet events

At the year end, certain loss-making categories and territories primarily within THG OnDemand were placed under strategic review. Post year end, and following completion of the strategic review (further details on which are included in the "Section 172 Statement Stakeholder Engagement" section), the Board approved the exit from THG OnDemand. In Q4, the Board approved the exit of ProBikeKit. These operations will be fully exited throughout the course of 2023. The optimal exit route remains under review. The result of this decision has led to an inventory provision totalling £25.5m, other costs of £6.9m and impairment of £3.8m which have been recognised within cost of sales and administrative expenses respectively and included within Adjusted Items (note 4). This has been concluded as an adjusting post balance sheet event.

On 28 February 2023, the sale completed in respect of one of the non-core freehold assets recorded within the assets held for sale category (note 12.2). The sale generated cash proceeds of £5m which reflected the carrying value of the asset.

No other post balance sheet events have occurred.

Audit and External Auditor

At the date of approval of this Directors' Report each Director 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

17 April 2023

Governance *Report*

Dear Shareholders

I have pleasure in introducing this year's Governance Report, the third since Admission, which details the key governance items considered and changes implemented during 2022 (and to the date of this Governance Report). Whilst application of the Code is only mandatory for companies with a Premium Listing, the Company chose to report against it following Admission to reinforce its commitment to establish a robust governance framework that supports the successful delivery of its strategic aims and objectives. Throughout the 2022 reporting period the Group's governance standards and infrastructure remained subject to ongoing review to ensure they continued to evolve, as appropriate, for an organisation of the size, nature and stage of development of THG.

Code compliance

As you will note from the Corporate Governance Statement which follows, the Company complied in full with the Code during the 2022 reporting period with the exception of three departures, one of which has been rectified since my appointment to the Board in March 2022. This improved Code adherence evidences the Company's desire to further enhance its governance practices and it is anticipated that the remaining two Code departures will, in time, also be rectified following the appointment of additional independent NEDs (further details on which follow).

Board and Board Committee composition

The Board recognises the importance of strong corporate governance to underpin the long-term, sustainable prospects of the Group and considers that a fundamental component of this is securing a suitably skilled and experienced leadership team to oversee and guide THG through the next stage of its governance journey. Accordingly, a principal focus of the Nomination Committee during 2022 was to enhance Board composition through the appointment of suitable independent NEDs and, in this regard, we were pleased to welcome Gillian Kent and Dean Moore to the Board in September 2022. Additionally, following a review of THG's leadership needs and the balance of skills, knowledge and experience on the Board, we announced two changes to the Executive Leadership Team at the beginning of 2023 – namely, the appointment of Damian Sanders, former independent NED, to CFO and the appointment of John Gallemore, the incumbent CFO, to COO. Further information on these appointments, together with details on the other Board changes which took place during 2022, can be found within this Governance Report and the Nomination Committee Report on pages 133-137.

Board Committee composition was also a key focus of the Nomination Committee during 2022 to ensure that membership remained appropriate in light of the various Board changes which took place throughout the year. These changes are detailed within the respective Board Committee Reports on pages 123-157, together with current Board Committee composition. Notably, in stepping down as an independent NED Damian Sanders simultaneously stepped down from certain Board Committees, including as Audit Committee Chair and as a member of the Risk Committee. As the Board currently comprises only two independent NEDs, Gillian Kent and Dean Moore (excluding the Chair), this has resulted in the non-satisfaction of the membership requirements of these Board Committees since the date of Damian Sanders' appointment as an Executive Director. This position is temporary and expected only to continue until the appointment of at least one new independent NED in the coming months.

The year ahead

It is anticipated that the search for suitable independent NEDs will continue throughout 2023 and, more generally, the structure, size and composition of the Board will remain subject to ongoing oversight (with specific reference to its collective balance of skills, knowledge, experience and diversity) to ensure membership is fit for purpose and the Group's leadership needs are satisfied.

Further, and as noted at the outset of this Annual Report, the intention remains to seek a Premium Listing, with timing subject to the outcome of the FCA's ongoing review vis-a-vis reform of the current listing regime. Until the outcome of this review is known, we will continue to review and make further improvements to our corporate governance arrangements to ensure the Group's governance framework is suitably mature and robust and we are well-placed to make the step-up at the appropriate time.

We once again look forward to welcoming and meeting with investors at the forthcoming AGM, details of which are contained in the Notice of Meeting. We consider this a key opportunity to engage with our Shareholders and a suitable forum within which ongoing and constructive dialogue can take place.

Charles Allen, Lord Allen of Kensington CBE
Independent Chair

17 April 2023

Corporate Governance Statement

Upon Admission the Company elected to report against the Code. Whilst this is not mandatory for a company with a Standard Listing, the Company recognises the value of effective and robust corporate governance in its continued growth and development and in generating sustainable value creation for its Shareholders. Aside from the following departures, the Company complied in full with the Code during the 2022 reporting period:

Provision 9 and Provision 19:

(Departure rectified on 22 March 2022)

Having been appointed as CEO upon the Company's incorporation in 2008 and serving as Company chair from 2019 until the appointment of the Independent Chair in March 2022, Matthew Moulding's dual role resulted in a departure from Code Provisions 9 and 19 during this period (and, in the current context, from 1 January 2022 until 21 March 2022). As detailed in the 2021 Annual Report, the need to demonstrate the clear division of responsibilities between the leadership of the Board and the executive leadership of the business (with respect to, for example, appropriate levels of challenge and independence) had previously been subject to detailed consideration but at the same time the Nomination Committee remained cognisant of its core responsibility to ensure that the Company's leadership needs were satisfied to oversee the effective delivery and execution of the Group's strategic aims and objectives. Indeed, the analysis undertaken recognised the instrumental role which Matthew Moulding's entrepreneurial and dynamic leadership had played in the Group's expansion and evolution into a global e-commerce technology group, together with the risks associated with the wrong appointment being made.

Nevertheless, a review of the Group's corporate governance arrangements was undertaken during the 2021 reporting period which subsequently identified the need for an independent chair and, in turn, align the Company with the relevant Code Provisions. Following a comprehensive recruitment process (further details on which are contained in the Nomination Committee Report on pages 133-137), 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:

Excluding the Independent Chair from the calculation (as required by the Code), three of the seven Directors were deemed to be independent at the end of the 2022 reporting period, thus representing a departure from Code Provision 11. Following the appointment of Damian Sanders as an Executive Director on 24 January 2023, two of the eight Directors are considered independent as at the date of this Governance Report.

As detailed within this Governance Report, and as noted in the Nomination Committee Report on pages 133-137, the Nomination Committee (and the Board more generally) remains mindful of this departure and, with particular regard to the Independent Chair's mandate to, amongst other things, improve independence and diversity, hopes to rectify it during 2023 as a matter of priority. The structure, size and composition (including diversity) of the Board will remain under ongoing review, with due regard being given to the balance of Executive Directors/NEDs, overall independence and the need for appropriate succession planning to be undertaken.

Provision 32:

As detailed within the "Board independence" section of this Governance Report, Iain McDonald is not deemed to be independent with reference to the tenure provisions of the Code. However, during the 2022 reporting period Iain McDonald was a member of the Remuneration Committee (and remains so at the date of this Governance Report), despite the Code recommendation that a company's remuneration committee should comprise only independent NEDs.

The Board has considered the risks associated with this Code departure and whilst, as stated in the 2021 Annual Report, it recognises the need for independent membership of the Remuneration Committee to demonstrate objective oversight of, and independent challenge to, the remuneration of Executive Directors, it remains of the opinion that, at the present time and in the particular circumstances of THG, it would not be in the best interests of the Company and its Shareholders for Iain McDonald to step down from the Remuneration Committee. Whilst his independence may be deemed to be impaired under the Code, the Board nonetheless considers that Iain McDonald's broad remuneration experience and extensive financial expertise and investment acumen make him well-equipped to serve on the Remuneration Committee and enhance its overall balance of knowledge and skillsets.

Membership of the Remuneration Committee has been carefully reviewed and, as detailed within the Remuneration Committee Report on pages 144-157, various membership changes took place during 2022 (and at the beginning of 2023) to reflect changes in Board composition. It is anticipated that 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, albeit the matter will be kept under ongoing review with regard to, for example, the timing and independence of future Board appointees.

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 is 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 2002 Manchester Commonwealth Games. In 2002 he was awarded a CBE for his services to Sport and Community and in 2012 he was 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

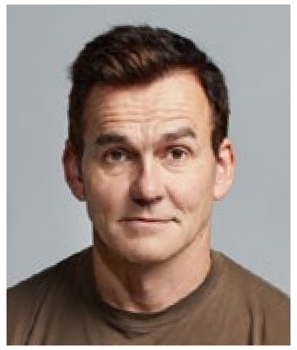
Chair of Nell Homes Limited

Director of IGF Trading Limited

Director of Malch Limited

Committee membership

N Chair



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 £365 million.

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 skills, make him best-placed to most effectively drive THG's strategy whilst working in alignment with its Shareholder base.

Current external roles

None

Committee membership

n/a

Committee membership key:

A Audit · N Nomination · Rem Remuneration · S Sustainability · R Risk · RP Related Party

Board of Directors (continued)

Damian Sanders

Executive Director & CFO

Date of appointment: 24 January 2023

(having previously served as an independent NED from 17 November 2020)

Damian is a member of the Institute of Chartered Accountants in England and Wales 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 of the retail and technology sectors and has acted as an adviser and corporate governance specialist to a number of international listed companies.

Damian brings a wealth of experience to the Board across audit, accounting, commercial and risk matters and also business strategy. His strong financial background, depth of advisory experience and knowledge of the Group acquired during his two-year tenure as a NED, including serving as interim SID and as chair and a member of various Board Committees, make him well qualified to serve as CFO.

Current external roles

Senior independent director of Victorian Plumbing Group plc

Committee membership

n/a

John Gallemore

Executive Director & COO

Date of appointment: 24 January 2023

(having previously served as CFO from 24 June 2008)

Prior to co-founding THG in 2004 and serving as its CFO until January 2023, 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 business and accounting background, strong commercial acumen and tenure in international trading provided the requisite experience to initially serve as CFO and now as COO, a role which will allow him to drive the operations of the Group and build on the progress he has overseen in the Group's global fulfilment footprint.

Current external roles

None

Committee membership

n/a

Dean Moore

Independent NED & interim SID

Date of appointment: 15 September 2022

Dean is a chartered accountant with over 35 years of public company experience and brings with him a depth of City and finance knowledge, together with significant expertise in the financial services and retail sectors.

He was previously chief financial officer at Cineworld Group plc, N Brown Group plc, T&S Stores PLC and Graham Group plc and formerly non-executive chair of Tuxedo Money Solutions Limited. Dean is currently the interim chief financial officer of Dignity plc (having been an independent non-executive director upon appointment), a non-executive director of Griffin Mining Limited, and senior independent director at both Cineworld Group plc and Volex PLC. His financial and City background make him a valuable addition to the Board and suitably qualified to serve as interim SID and as chair of the Remuneration Committee, interim chair of both the Audit Committee and the Related Party Committee and as a member of the Risk Committee.

Current external roles

Interim chief financial officer of Dignity plc

Senior independent director of Cineworld Group plc

Senior independent director of Volex PLC

Non-executive director of Griffin Mining Limited

Committee membership:

A Interim Chair Rem Chair R RP Chair

Iain McDonald

NED

Date of appointment: 27 March 2010

Iain is the founder and chief investment officer of Belerion Capital Group 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.. Iain 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 chief investment officer roles.

Current external roles

Chief investment officer of Belerion Capital Group Limited

Chair of the UK Digital Business Association

Non-executive chair of CentralNic Group PLC

Non-executive director of boohoo group plc

Committee membership:

N Rem S Chair

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

n/a

Gillian Kent

Independent NED

Date of appointment: 15 September 2022

Gillian has had a far-reaching career in software, internet, digital media and mobile technology businesses and formerly held various senior roles at Microsoft, including Managing Director MSN UK, where she was responsible for creating one of the UK's largest online services businesses. Both at Microsoft and in other roles, including as chief executive officer of the real estate portal Propertyfinder, she established her expertise in building markets and brands for products and services.

Gillian is currently a non-executive director of Ascential plc, Mothercare plc, Marlowe plc and SIG plc, and former positions include non-executive director at NAHL Group PLC, Pendragon PLC and Dignity plc and a director of Portswigger Ltd., a leading software solution company within the web security industry. Her executive career and broad PLC experience ensure Gillian is well-equipped to serve as Risk Committee Chair and as a member of the Audit Committee, Nomination Committee, Related Party Committee and Remuneration Committee.

Current external roles

Non-executive director of Ascential plc

Non-executive director of Marlowe plc

Non-executive director of Mothercare plc

Non-executive director of SIG plc

Committee membership:

A N Rem R Chair RP

Committee membership key:

A Audit N Nomination Rem Remuneration S Sustainability R Risk RP Related Party

Role of the Board

As mandated by the Code, a formal Schedule of Matters Reserved to the Board ("Schedule of Reserved Matters") has been published on the Company's website detailing those items of business, including certain strategic items and corporate and capital structure approvals, which are expressly reserved for the Board's collective consideration, ratification and/or oversight (as appropriate). The overriding responsibility of the Board is, however, to promote the long-term, sustainable success of the Company, generating value for Shareholders and contributing to wider society, an obligation which sits at the core of Board discussions and decision-making processes.

The Board seeks to discharge this primary duty through the successful delivery of the Company's five strategic priorities which flow from the Company's stated purpose, namely to drive impact through scale, innovation and expertise. THG's purpose, together with its vision and values, are considered within the "Our purpose, vision and values" section of the Strategic Report on pages 8-10 but, notably, the purpose has been determined with reference to the diversity of the Company's stakeholder base and formulated to guide a strategy that aims to deliver long-term, sustainable growth, whilst promoting environmental and social responsibility. THG's core values of leadership, innovation, decisiveness and ambition, together with the recently launched value of collaboration, underpin this approach and inform an entrepreneurial and values-led Group culture that supports the delivery of THG's strategic aims and objectives, thereby generating value for stakeholders (further details on which are included within the "Our strategy" section of the Strategic Report on pages 11-12).

In seeking to provide the effective and entrepreneurial leadership required by the Code, the Board recognises the importance of active stakeholder engagement to ensure it remains fully apprised of the views of all relevant parties and is therefore suitably equipped to properly discharge the responsibilities incumbent upon it. Six key stakeholder categories have been identified as critical to THG's future success and further information on these categories, together with details of the Company's stakeholder engagement framework, can be found within the "Section 172 Statement Stakeholder Engagement" section of the Strategic Report on pages 47-54. From a more focused perspective, the Company maintains its "open door" policy with Shareholders to allow ongoing and constructive dialogue to take place throughout each calendar year, thus ensuring that Shareholders' objectives, interests and views are understood and appropriately factored into the Board's consideration of key financial, operational, strategic and ESG matters. Additionally, the Company's annual general meeting affords Shareholders the opportunity to engage in person with Board members, whilst the maturing Investor Relations programme seeks to improve dialogue with investors and analysts alike.

Under the terms of the Schedule of Reserved Matters and in accordance with the Code, ultimate responsibility for the management of risk within the Company rests with the Directors; specifically, the Board is responsible for ensuring that a sound system of internal controls and risk management framework are in place which allow risk to be effectively identified, assessed and managed. In discharging its risk management responsibilities, including overseeing the Group's controls framework, determining organisational risk appetite and undertaking a robust and ongoing assessment of the principal and emerging risks facing the Group, the Board was supported during the 2022 reporting period by the Audit Committee and the Risk Committee (the activities of which are contained in the respective Committee Reports on pages 123-132).

Full details of the Group's risk management framework, risk appetite and risk identification process can be found within the "Risk management and informed decision making" section of the Strategic Report on pages 83-95. This section includes confirmation that, during the 2022 reporting period, the Board (assisted, as appropriate, by the Audit Committee and the Risk Committee) reviewed the effectiveness of the risk management framework and internal control systems and identified no instances of significant control failings or weaknesses.

Board composition and responsibilities

Further to a review of the Group's corporate governance arrangements, the need for an independent chair was identified 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. Following an extensive recruitment process, further details on which are contained in the Nomination Committee Report on pages 133-137, Charles Allen was recommended as a suitable candidate and thereafter appointed Independent Chair in March 2022. From the start of the 2022 reporting period until the appointment of the Independent Chair, the Board was led by Matthew Moulding who had been appointed chair of the Company in 2019 and who has continued to serve as CEO since his appointment in 2008.

Acknowledging the Independent Chair's mandate to refresh and strengthen the Board by improving its independence and diversity, Board composition remained an ongoing focus of the Nomination Committee throughout 2022, with particular consideration being given to overall independence and the balance of Executive Directors / NEDs (and noting that two former independent NEDs, Tiffany Hall and Dominic Murphy, stepped down from the Board in, respectively, March 2022 and June 2022 and, thereafter, Zillah Byng-Thorne, former SID, and Andreas Hansson, a former NED, also stepped down in September 2022). Significant progress was made in this regard during the year and, following a twin-track external and internal recruitment search, Gillian Kent and Dean Moore were appointed as independent NEDs in September 2022. Additionally, in light of the in-depth understanding of the Group's businesses, People and culture which Damian Sanders had acquired during his tenure as an independent NED, it was considered appropriate to appoint him to the position of CFO at the start of 2023 and, simultaneously, appoint John Gallemore, the incumbent CFO, to COO. The considerations of, and process followed by, the Nomination Committee in recommending these appointments and Board changes are detailed within the Nomination Committee Report on pages 133-137.

A summary of these Board changes is as follows:

NED/ Former NED	Appointment	Resignation	Date
Tiffany Hall		x	18 March 2022
Charles Allen	x		22 March 2022
Dominic Murphy		x	8 June 2022
Gillian Kent	x		15 September 2022
Dean Moore	x		15 September 2022
Zillah Byng-Thorne		x	15 September 2022
Andreas Hansson		x	15 September 2022
Damian Sanders	n/a	n/a	24 January 2023[1]

1. This is the date on which Damian Sanders stepped down as a NED and was appointed an Executive Director.

In addition to discharging their mandated duties under the Code (as reflected within the published SID role description), the SID is expected to provide independent, objective and robust oversight of and, where necessary, challenge to all matters which come before them. Indeed, prior to the appointment of the Independent Chair, the SID function was viewed as affording a critical governance overlay within the Group providing, as it did, an important safeguard where any conflict may have been perceived to arise from Matthew Moulding's dual role.

During the 2022 reporting period (and noting the various Board changes which were enacted), ongoing discussions took place between the SID and the NEDs to ensure Board relations were suitably fostered and Board effectiveness optimised, including a SID-led discussion in December 2022 to appraise the Independent Chair's performance (further information on which can be found in the "Board evaluation" section of the Nomination Committee Report on pages 133-137). It is expected that the current interim SID, Dean Moore (appointed to the position on 24 January 2023), will continue to serve as a trusted intermediary for Directors and Shareholders alike and meet with the NEDs, as and when considered necessary and/or appropriate, throughout 2023 (until such times as a permanent SID appointment is made).

More generally, Board coherence and effectiveness is cultivated through informal debate and discussion outwith the confines of Board and Board Committee meetings. Such unstructured interaction amongst Board members is considered a key means through which Board relations can be developed, fostered and enhanced and it is encouraged through, for example, the annual Board dinner and biannual NED-only sessions (as introduced by the annual Board planning cycle, referred to in the "Board meetings and activities" section which follows).

The current Board comprises three Executive Directors (i.e. the CEO, the CFO and the COO) and five NEDs, three of whom (including the Chair) are deemed to be independent in character and judgement (as considered further in the "Board independence" section of this Governance Report).

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

Independent Chair
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 Senior Management, oversees the effective implementation of Group strategy
- Engages with key Shareholders and stakeholders

Chief Financial Officer
Damian Sanders

- 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

Chief Operating Officer
John Gallemore

- Oversees the day-to-day management of the Group's global operations
- Monitors operational performance and provides the necessary strategic advice to ensure delivery of operational targets
- Ensures the implementation of business strategies and operational capabilities to drive operational efficiencies and alignment with the Group's strategic aims and objectives

SID
Dean Moore (interim)

- 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

NEDs
Edward Koopman, Iain McDonald and Gillian Kent

- 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 activities

A minimum of eight Board meetings are scheduled per annum, with additional meetings convened on an ad hoc basis to ensure there is ongoing and effective Board oversight of all time-sensitive and/or material Group matters throughout any financial year, including in respect of key strategic, commercial and financial performance items. During 2022 the Board met on 14 occasions, with Board member attendance set out in the table which follows. Director attendance at Board Committee meetings is detailed within the various Board Committee Reports, contained on pages 123-157 of this Annual Report.

Director	2022 Attendance
Charles Allen[1]	10/11
Matthew Moulding	14/14
John Gallemore	14/14
Damian Sanders	14/14
Iain McDonald	14/14
Edward Koopman[2]	13/14
Gillian Kent[3]	2/3
Dean Moore[4]	3/3
Zillah Byng-Thorne[5]	9/11
Andreas Hansson[6]	11/11
Dominic Murphy[7]	6/6
Tiffany Hall[8]	3/3

1. Charles Allen attended 10 of the 11 Board meetings which took place following his appointment on 22 March 2022. He was unable to attend the Board meeting immediately following his appointment due to a prior commitment.
2. Edward Koopman was unable to attend one of the 14 Board meetings which took place during 2022 due to a conflicting commitment.
3. Gillian Kent attended two of the three Board meetings which took place following her appointment on 15 September 2022. She was unable to attend the Board meeting immediately following her appointment due to a prior commitment.
4. Dean Moore attended the three Board meetings which took place following his appointment on 15 September 2022.
5. Zillah Byng-Thorne attended nine of the 11 Board meetings which took place prior to her stepping down from the Board on 15 September 2022.
6. Andreas Hansson attended the 11 Board meetings which took place prior to him stepping down from the Board on 15 September 2022.
7. Dominic Murphy attended the six Board meetings which took place prior to him stepping down from the Board on 8 June 2022.
8. Tiffany Hall attended the three Board meetings which took place prior to her stepping down from the Board on 18 March 2022.

As disclosed in the 2021 Annual Report, the Company launched a new online tool during the 2021 reporting period which allows for the distribution of all Board and Board Committee documentation via a secure electronic platform. This platform also serves as a centralised storage facility through which documentation can be stored and accessed by Directors on an ongoing basis. During 2022 the use of this platform became more deeply embedded within the enhanced governance processes of the Company, providing, as it does, increased security around information distribution and storage, and is now the standard means by which monthly Board packs and Board Committee papers are circulated.

As detailed in the Nomination Committee Report contained within the 2021 Annual Report, the form and content of monthly Board meetings was an area highlighted for consideration in the 2021 Board evaluation, including the proposal to streamline and invert the standard Board agenda by, for example, restricting the more fulsome Divisional updates and thereby allowing increased focus on key topics such as People, Sustainability and Investor Relations. Following the appointment of the Independent Chair in March 2022 this output was given further consideration and during 2022 certain changes were effected vis-à-vis the format and content of Board meetings.

Whilst monthly Board packs continue to incorporate the previous month's financial results, on a Group and Divisional basis, content has been refined, as considered appropriate, and the agenda streamlined and inverted as proposed. Senior Management now present on a "taken as read" basis in terms of Board pack material, with a more focused Q&A element having been introduced into meetings. Regular "deep dives" also take place into key Divisional and/or Group topics on which Directors have requested further insight/discussion. This is an item which remains subject to ongoing Board consideration, as detailed within the "Board evaluation" section of the Nomination Committee Report on pages 133-137.

To ensure that Directors have sufficient time to prepare for meetings and read and evaluate any supporting papers, Board and Board Committee documentation is generally issued no later than three working days in advance of a meeting, together with the meeting agenda which is agreed between the Company Secretary and relevant Board Committee Chair (albeit timings may be impacted on occasion by the volume, source and/or availability of information). The minutes of any previous Board meeting(s) are included within monthly Board packs and these are tabled for approval (subject to any comments/required amendments), as is the case for Board Committee minutes which will also be circulated with supporting papers and tabled for approval.

In addition to addressing the standard items of business detailed within the aforementioned Schedule of Matters, the Board also considered a number of other matters during 2022 including (but not limited to):

- **Corporate activity and Group structure:** overseeing the completion of the internal Divisional reorganisation (including the subsequent hypercare process) resulting in a simplified Group structure and providing material optionality and flexibility to enter into future strategic partnerships and generate value accretion for stakeholders; detailed consideration of indicative third-party proposals for the Group and unanimously concluding that such proposals significantly undervalued the Group and its future prospects and should therefore be rejected; and overseeing the mutual termination of the option and collaboration agreement with Softbank in light of global macroeconomic conditions.

- **Governance:** ongoing review of certain corporate governance arrangements including a continued focus on preparing to step up to the Premium Segment of the London Stock Exchange's Main Market at the appropriate time, with timing subject to the outcome of the FCA's ongoing review vis-a-vis reform of the current listing regime; further to the Nomination Committee's recommendations, considering and approving the appointment of Damian Sanders as CFO, John Gallemore as COO and three independent NEDs, including the Independent Chair, to the Board; and, as previously detailed, considering the format and content of Board meetings/packs to ensure enhanced Board effectiveness, together with implementation of an annual Board planning cycle incorporating monthly deep dives and certain key Board activities.

- **Strategy:** ongoing consideration of the Group's strategic aims and objectives in light of the challenging macroeconomic backdrop including: (i) regularly reviewing the impact of inflationary pressures, elevated commodity pricing, FX headwinds and ongoing supply chain issues (and in conjunction with the general risk management approach); and (ii) focusing on the Group's growth strategy across a number of large global sectors, anticipated to deliver long-term value for Shareholders and ensure the Group remains on track to be cash flow positive in 2024.

- **General:** against the backdrop of a number of global factors, including the war in Ukraine, Covid-19 related lockdowns in Asia and unprecedented inflationary pressures, ongoing oversight of market guidance and consensus and the Group's profit improvement initiatives; and considering and approving a new £156m banking facility, provided equally by three existing lenders.

Further information on the key discussions and principal decisions taken by the Board during the 2022 reporting period, including stakeholder considerations, can be found in the "Section 172 Statement Stakeholder Engagement" section of the Strategic Report on pages 47-54.

Board Committees and governance structure

Pursuant to the Schedule of Reserved Matters previously referred to, the Board is authorised to establish the Board Committees which, through the delegation of authority narrated within their Terms of Reference, support the Board in the proper and effective discharge of its duties and responsibilities.

Accordingly, to ensure the most robust governance structure exists within the Group to comprehensively support the Board and promote long-term, sustainable value creation for Shareholders, a Board-constituted Nomination Committee, Audit Committee and Remuneration Committee were established at the time of Admission (in compliance with the Code), together with the Related Party Committee, the Sustainability Committee and the Risk Committee (the latter two being established during 2021). As detailed within the "Board evaluation" section of the Nomination Committee Report on pages 133-137, and in line with the Company's ongoing PLC transition, the scheduled monthly Board meeting agenda continued to evolve during 2022 resulting in, amongst other things, the inclusion of Board Committee updates as a standing agenda item.

Further information on the composition and activities of the Board Committees during 2022 can be found within the respective Board Committee Reports on pages 123-157, together with details of the membership changes which took place to reflect outgoing and incoming NEDs. The Nomination Committee was responsible for making recommendations to the Board in respect of Board Committee membership (where appropriate, following consultation with the relevant Board Committee Chair) and, in doing so, took into account not only the specific skillsets and experience of individual NEDs but also the time commitment expected of them and their external commitments.

The governance structure within the Group at the end of the 2022 financial year, and as at the date of this Governance Report, is as follows:

Board
Chair: Charles Allen

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

Nomination Committee
Chair: Charles Allen

- Regularly reviews structure, size and composition of the Board Committees and the Board, including the Board's 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 and with due regard to applicable D&I targets

Remuneration Committee
Chair: Dean Moore

- 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 and scope of pension arrangements for Executive Directors
- Reviews and has regard to pay and employment conditions across the Group and considers any major changes in employee benefit structures

Audit Committee
Chair (interim): Dean Moore

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
Chair: Gillian Kent

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
Chair: Iain McDonald

- 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
Chair (interim): Dean Moore

- 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

Board appointments, recruitment and succession

Board composition is monitored on an ongoing basis to ensure that the Directors, collectively, have the necessary skillsets to effectively deliver the Group's strategic aims and objectives and the balance of skills, knowledge and experience remains appropriate for a company of the size, nature and stage of development of THG. Accordingly, and as previously detailed within this Governance Report, Board composition remained subject to scrutiny throughout 2022 (and up to the date of this Governance Report), with particular consideration being given to overall independence and the balance of Executive Directors / NEDs.

The need for an independent chair was recognised pursuant to a review of corporate governance arrangements and, following the Nomination Committee's recommendation, the Board considered and approved the appointment of Charles Allen as Independent Chair, effective from 22 March 2022. Subsequently, and with a particular focus on the Independent Chair's mandate to refresh the Board and strengthen it by improving its independence and diversity, Gillian Kent and Dean Moore were appointed independent NEDs on 15 September 2022. With both appointees bringing extensive and relevant sector and PLC board experience, and demonstrating strong track records in business growth, these appointments were viewed as enhancing not only the skillsets and experience on the Board but also overall independence (noting that former SID Zillah Byng-Thorne stepped down contemporaneously with these appointments, together with non-independent NED Andreas Hansson). Additionally, in January 2023 and as considered further in the Nomination Committee Report on pages 133-137, independent NED Damian Sanders was appointed CFO and the incumbent CFO, John Gallemore, appointed COO.

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

	Skills						Leadership			
Name	UK listed PLC	Technology/ e-commerce	Marketing/ branding	Retail industries	M&A	Global operations	Governance	Finance & accounting	Risk management	Strategy & development
Charles Allen	x	x	x	x	x	x	x	x	x	x
Matthew Moulding		x	x	x	x	x		x	x	x
John Gallemore		x		x	x	x		x	x	x
Damian Sanders	x	x		x	x		x	x	x	
Edward Koopman			x	x	x	x		x		x
Iain McDonald	x	x		x	x		x	x		x
Gillian Kent	x	x	x	x			x	x	x	x
Dean Moore	x			x	x	x	x	x	x	x

The process followed by the Nomination Committee in recommending the three aforementioned Board appointees is detailed within the Nomination Committee Report on pages 133-137. As disclosed, appointments were made on the basis of merit, with potential candidates assessed against objective criteria, and with regard to the need to promote diversity in the boardroom (including with respect to gender, as reflected in Axon Moore's search mandate for suitable independent NEDs). Indeed, the breadth of benefits which a diverse board can bring to a company, including a more inclusive culture and improved corporate governance generated via a broader insight/knowledge base, are recognised and, as disclosed in the 2021 Annual Report, the Board remains 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 (Guidance on Board Effectiveness (July 2018)). Therefore, in considering and recommending Board appointments, the Nomination Committee seeks, as appropriate, to promote, amongst other things, diversity of gender, ethnic background and personal strengths to ensure Board effectiveness is maximised through enhanced decision-making which, in turn, results in enhanced value creation for stakeholders.

Details of how potential Board appointees are identified are also included within the Nomination Committee Report and, as required by the Code, an independent search consultant was formally appointed to assist with the recruitment of an independent chair. Recruitment consultancy firms may also be engaged to facilitate a search for a particular position and, on occasion, the Board and Senior Management may be asked for candidate recommendations from within their professional networks. Whilst the Nomination Committee remained cognisant of the need to ensure the Company's leadership was appropriately structured to effectively oversee the delivery and execution of the Group's strategic aims and objectives during 2022, it also gave due consideration to the skills and experience that might be required to effectively address and manage upcoming challenges and opportunities. Additionally, in considering the balance of skills, knowledge and experience on the Board (and the Board Committees), a related responsibility of the Nomination Committee was to ensure appropriate succession planning was undertaken from a Board and Senior Management perspective to satisfy any potential leadership needs that could arise both in the short and the medium to long term.

Board induction, training and support

Throughout 2022 the Company continued to develop and refine its Board induction and training arrangements to ensure all Directors possess and/or acquire the requisite market and operational knowledge to oversee the successful delivery of the Group's strategy.

A structured onboarding programme is now in place for all new Board members which includes both internal briefing memorandums on core regulatory and legislative items (such as the UK Market Abuse Regulation, inside information and insider dealing) and face-to-face/ interactive training and update sessions with relevant external advisers (e.g. legal and remuneration) to ensure Directors are fully aware of the duties and responsibilities incumbent upon them as PLC directors and Board Committee members. Whilst one-to-one sessions are typically arranged with members of Senior Management to provide new Board members with a general introduction to all areas of the business, more focused/tailored sessions may also be arranged when, for example, a Director has a particular area of interest or wishes further insight/data on certain Group and/or Divisional items.

Following the induction process, the continuing professional development needs of the Board (both collective and individual) remain subject to ongoing oversight and a number of measures are now in place to keep Directors suitably apprised of applicable legislation, guidance and market practice/developments and any changes to, and/or proposals on, the corporate governance landscape. In addition to the Company's legal advisers attending scheduled Board meetings to run condensed training sessions on topics such as the FCA's proposed audit and governance reforms, the selective disclosure of inside information and the new climate/TCFD and diversity reporting requirements, associated briefing papers are also included within Board packs for Directors' longer-term information/reference. As previously disclosed, the new annual Board planning cycle has introduced regular deep dives which ensure that NEDs are kept up to date on key Group and Divisional items, including operational issues, market challenges and landscape, and People and Sustainability matters, with broker and investor updates incorporated as appropriate.

The Company has arranged membership of the Non-Executive Directors' Association for all Board members (including Executive Directors) to ensure individual knowledge and skillsets are suitably refreshed and via which Directors are provided with technical knowledge updates and have access to a monthly programme of seminars and briefings (including networking opportunities). The Company is fully supportive of Directors attending any such events which may be of interest and/or which address particular training needs.

THG remains committed to ensuring that the necessary resources are available to the Board and Board Committees to allow them to function effectively and efficiently and, more generally, that the Group's corporate governance framework is appropriately structured to meet both its immediate and longer-term needs. The Company Secretary plays a key role in this regard, advising on legal, regulatory and governance matters and ensuring they are available to advise/assist Directors as and when required.

Board independence

The Board currently comprises three Executive Directors (i.e. the CEO, the CFO and the COO) and five NEDs, three of whom (including the Chair) are deemed to be independent in character and judgement following due consideration of their individual circumstances against Code Provision 10. Further to a critical appraisal of the issue by the Board and as previously disclosed in, for example, the 2021 Annual Report, the holding of Ordinary Shares by NEDs is not considered to impair their independence but, rather, is viewed as aligning their interests with those of Shareholders more generally and thus with the long-term interests and success of the Company. Consequently, NEDs may purchase Ordinary Shares at market value via a broker and facilitated by the Company if required. Directors' shareholdings are set out on page 151 of the Directors' Remuneration Report.

Upon analysis of the relevant Code provisions, Edward Koopman is not deemed to be independent, having been 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. Iain McDonald is also not regarded as independent, with reference to the tenure provisions of the Code and noting that he was appointed to the Board prior to Admission in 2010.

At the end of the 2022 reporting period the Board comprised two Executive Directors and six NEDs, four of whom were regarded as independent – namely, Charles Allen, Damian Sanders, Gillian Kent and Dean Moore. On an analysis which incorporates the strict letter of the Code and excludes the Independent Chair, the Code Provision 11 requirement that at least half the Board be independent NEDs was not satisfied at the financial year end.

As discussed in further detail in the Nomination Committee Report on pages 133-137, and in light of the Chair's express mandate to refresh and strengthen the Board by improving independence and diversity, Board composition will remain a key focus throughout 2023, and with particular regard to overall independence and the balance of Executive Directors / NEDs.

Conflicts of interest and time commitment

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. A conflict of interest situation which arose during 2022 related to the Board's consideration of the unsolicited, indicative, non-binding proposal received for the entire issued share capital of the Company from a consortium led by Belerion Capital Group Limited ("Belerion") and King Street Capital Management L.P.. NED Iain McDonald is the founder and chief investment officer of Belerion and, as such, a clear conflict of interest was determined to exist which required that Iain McDonald was not present during any Board discussions relating, directly or indirectly, to the proposal or any other proposals received by the Company.

The NEDs' Letters of Appointment ("Appointment Letters") recognise that NEDs may have business interests outwith those of the Company but require that no NED puts themselves in a position where their duties to any other person, firm or company conflict with their duties to the Company or the wider Group. The Appointment Letters further require that any actual or potential conflict of interest must be communicated to the Board as soon as it becomes apparent, and at least seven days' written notice must be provided to the Chair before a NED accepts an appointment as a director, agent, employee or consultant of any company or firm engaged in a business competing with, or similar to that of, the Company or any Group company.

The Group occupies and utilises property assets which are owned by the Propco Group, which itself is wholly owned by the CEO (who is also a major Shareholder). As a result of these arrangements, the Board-constituted Related Party Committee was established post-Admission to oversee and approve Related Party Transactions and provide the requisite governance structure within which any actual or potential conflicts of interest could be considered and addressed. Whilst officers of the Propco Group were also previously officers of the Company, this situation has been rectified to avoid any perceived or actual conflicts of interest arising. Further information on the responsibilities and activities of the Related Party Committee can be found in the Related Party Committee Report on pages 138-140.

The time commitment expected of, and expended by, NEDs is kept under ongoing review by the Board, in conjunction with the Nomination Committee. Under the terms of their Appointment Letters and pursuant to Code Principle H, NEDs must confirm they have sufficient time to undertake the duties and responsibilities incumbent upon them and have disclosed details of all other significant business (and other) interests and a broad indication of the time required for such commitments. The Board must be kept advised of any subsequent changes to such commitments (and of any new commitments that may have implications on a NED's ability to commit sufficient time to their role) and, again, at least seven days' written notice must be provided to the Chair before a NED accepts any external additional commitments which may impact the time they are able to commit to their Board role. In addition to attending standard Company meetings (including Board meetings, Board Committee meetings and the Company's annual general meeting), NEDs are expected to devote sufficient time to appropriate preparation ahead of such meetings and, generally, to commit additional time to their role as circumstances require (and particularly when the Company is undergoing a period of increased activity).

At the date of this Governance Report the Board is satisfied that the current external commitments of its NEDs, as detailed within their biographies on pages 108-110, do not compromise their effectiveness or performance.

Workforce engagement and D&I

As a People-led organisation THG recognises the importance of robust and consistent workforce engagement to ensure the Board understands, and appropriately considers and addresses, the most salient employee issues and concerns. Falling within the scope of the 2030 Sustainability Strategy, the subject of employee engagement was a combined key focus of the Sustainability Committee and the People team during 2022 (and remains so in 2023), and engagement mechanisms were kept under ongoing review and update to ensure they remained effective and appropriate for a company of the nature and scale of THG (as required by the Code). Whilst further information on engagement measures and progress can be found in the "Empowering people and communities" section of the Strategic Report on pages 71-73, key initiatives included the 'b-Heard Survey' which was run by a workforce engagement specialist and provided employees globally with the opportunity to feed back on all aspects of their working life, from their personal growth and wellbeing through to leadership and management items. The Survey responses are currently being assessed to help identify those areas where the Group excels, whilst highlighting engagement challenges and opportunities for improvement; the feedback from UK-based employees will contribute to THG's 2023 'Best Companies' accreditation submission.

With reference to Code Provision 5, the Board considers that effective arrangements are in place in respect of workforce engagement which ensure clear and transparent lines of communication exist between the workforce, Senior Management and the Board. As detailed in the preceding "Board Committees and governance structure" section of this Governance Report, the inclusion of

Board Committee updates was introduced as a standing agenda item at monthly Board meetings during 2022, in turn ensuring the Board is kept suitably apprised of employee engagement initiatives via the NED Sustainability Committee Chair. Additionally, a People section is incorporated within monthly Board packs and the non-statutory Group Talent Director, who has ultimate oversight of the Group's workforce engagement initiatives, is also in attendance at monthly Board meetings to take questions and report to the Board on the wider People piece. On a day-to-day basis the Group's D&I Committee Champions play a key engagement role, driving general workforce engagement and representation within their Divisions whilst collaborating with, and reporting into, Senior Management. This reporting framework ensures the 'employee voice' is heard at an appropriately senior level within the Group and, as Senior Management typically attends the monthly Board meetings, this further facilitates regular updates and feedback being shared directly with the Board.

In placing its People at the heart of the organisation THG considers that a truly engaged and empowered workforce will result in an enhanced workplace culture, in turn serving to enhance operational resilience and growth. It has recently been agreed that the Group's employee engagement strategy, including implementation thereof, should become a recurring agenda item for the Remuneration Committee which, it is considered, evidences how seriously the Company and the Board view their responsibilities in respect of workforce engagement.

Further details on how engagement strategies positively impact decision-making throughout the organisation, including at Board level, can be found in the "Section 172 Statement Stakeholder Engagement" section of the Strategic Report on pages 47-54.

'Empowering People and Communities' is one of the three key priorities under the 2030 Sustainability Strategy, THG x Planet Earth, which affirms that THG's greatest asset is its People. Indeed, the 2030 Sustainability Strategy recognises that to bring out the best in its People the Group must foster a diverse and inclusive environment to ensure its People feel empowered to make a positive difference in the world. D&I represents another key focus area for the Board and during 2022 a Board-approved D&I Strategy was launched which seeks to enhance THG's meritocratic culture by building upon the Group's approach to inclusion and diversity at every level within, and every location across, the organisation.

The Group's D&I vision is to further curate a diverse, inclusive and supportive work environment - reflective of the communities within which THG operates and comprising talented and motivated individuals - and it is considered that this updated D&I Strategy provides clear direction for achieving this vision. Further information on the Group's approach to D&I-related matters, together with details on how the Group supports the wellbeing and development of its workforce, can be found in the "Empowering people and communities" and "Our people" sections of the Strategic Report. The "Our people" section also includes key D&I data required to be disclosed pursuant to section 414C of the Companies Act.

Board evaluation

Building on the results of the previous Board evaluation which was discussed in the 2021 Annual Report (the "2021 Evaluation"), the Company's second Board evaluation took place at the end of 2022. As before, the Company engaged a third-party market leader within the advanced digital evaluation space and used their online platform to run the evaluation which was aligned with best market practice and the content tailored, as appropriate, to the specific requirements of the Company.

As required by the Code, the evaluation considered not only the effectiveness of individual Directors but also the collective effectiveness of the Board and Board Committees, including specific consideration of, for example, composition and diversity. Certain of the outputs and actions flowing from the evaluation are detailed within the Nomination Committee Report on pages 133-137, together with insights on progress against the 2021 Evaluation. Significantly, the overall conclusion was that the Board and the Board Committees continue to function in an effective manner and each Director continues to contribute effectively to the Board and the Board Committees of which they are a member.

As previously disclosed, and in furtherance of good corporate governance, the Company has committed to undertaking an externally facilitated Board evaluation within three years of Admission (i.e. by September 2023) and at least every three years thereafter, albeit this Code requirement is only strictly applicable to FTSE 350 companies. The Company's first external evaluation will therefore take place later this year.

ESG

As detailed within the "Sustainability" section of the Strategic Report and as set out within the 2030 Sustainability Strategy, the Group's sustainability vision is to act as a force for good and leave the world a better place by using THG's scale, partnerships, access to capital and unique capacity for innovation to promote and embed sustainability into everything the Group does. In seeking to discharge its primary responsibility under Section 172, the Board therefore not only takes into account what may be in the best interests of Shareholders but, recognising the responsibility which THG owes to all its stakeholders (and with particular regard to its commitment to act as a force for good), also gives the appropriate consideration to wider stakeholder issues (further information on which can be found in the "Section 172 Statement Stakeholder Engagement" section of the Strategic Report on pages 47-54). Indeed, through striving to deliver on THG's purpose and strategic priorities, the Board aims to generate long-term, sustainable growth and, in turn, secure positive change for all THG stakeholders across the locations and communities within which it operates.

Evidencing THG's commitment to embed sustainability best practice at the heart of the business, Executive Directors and Senior Management 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. However, to ensure that the appropriate foundations are in place for the Group to achieve its vision and deliver effectively on THG x Planet Earth, a Board-approved Social Impact Strategy was developed, with employee input, during the 2022 reporting period. This Strategy will be rolled-out during 2023 and is focused on maximizing THG's impact on, and addressing social issues within, its local and global communities; it comprises three pillars – namely, championing inclusion, disrupting inequality and creating opportunities – each with defined areas of focus which, collectively, ensure THG's social impact is targeted on a group-wide basis. The launch of the Social Impact Strategy, details on which can be found within the "Our people" section of the Strategic Report on pages 74-78, is considered to further demonstrate THG's social conscience and underline its robust commitment to act as a force for good and seek to create a better, more sustainable future for all.

Audit Committee *Report*

"The Committee, together with the Risk Committee, continues to play a leading role in ensuring the integrity of the Group's financial reporting, overseeing external and internal audit functions and monitoring the Group's controls framework. In light of proposed corporate governance reforms, the ongoing evolution of THG's controls environment and oversight from the Committee remain key."

Dean Moore
Interim Chair of the Audit Committee

Members and attendance

Committee member	Position	Attendance
Dean Moore	Chair[1]	1/1
Gillian Kent	Member[2]	1/1
Damian Sanders	Former Chair[3]	6/6
Zillah Byng-Thorne	Former Member[4]	5/5
Dominic Murphy	Former Member[5]	1/3

1. Dean Moore was appointed as a member of the Audit Committee upon his appointment to the Board on 15 September 2022. He thereafter assumed the position of Audit Committee Chair on an interim basis on 24 January 2023 when Damian Sanders stepped down from the Committee upon his appointment as an Executive Director.
2. Gillian Kent was appointed as a member of the Audit Committee upon her appointment to the Board on 15 September 2022.
3. Damian Sanders stepped down as Audit Committee Chair upon his appointment as an Executive Director on 24 January 2023 and was replaced by Dean Moore, a member of the Committee, on an interim basis.
4. Zillah Byng-Thorne stepped down from the Board and as a member of the Audit Committee on 15 September 2022.
5. Dominic Murphy stepped down from the Board and as a member of the Audit Committee on 8 June 2022.

Having been appointed interim Audit Committee Chair on 24 January 2023, I have the pleasure of introducing the Audit Committee Report for the 2022 financial year and confirm that, during the year, and up to the date of this Report, the Committee has continued to discharge a key role within the Group's corporate governance infrastructure.

The ongoing development of the Group's internal controls systems (financial and otherwise) and general control environment (including the Internal Audit function) remained subject to rigorous oversight and, where appropriate, challenge by the Committee during 2022 to ensure their continued effectiveness and integrity.

It is pleasing to report that, as confirmed by the annual Board and Board Committees' evaluation, the Committee continues to operate effectively and deliver against its Terms of Reference. Further details on this evaluation, including the means by which it was conducted, can be found in the "Board evaluation" section of the Governance Report.

Composition and meetings

Pursuant to its Terms of Reference, members of the Audit Committee are appointed by the Board, upon the recommendation of the Nomination Committee and in consultation with myself as Audit Committee Chair. Individually members are expected to possess the skills and experience appropriate for Audit Committee membership, whilst collectively the Committee must have the necessary competence (financial and otherwise) relevant to the sectors in which the Company operates. The Terms of Reference stipulate that the Committee must comprise at least three independent NEDs, one of whom is, where possible, a member of the Remuneration Committee (possessing recent and relevant financial expertise and experience in accounting and/or auditing (as determined by the Board)) and one of whom is a member of the Risk Committee.

At the end of the 2022 reporting period, Audit Committee membership satisfied the relevant provisions of both the Terms of Reference and the Code comprising Damian Sanders, as Audit Committee Chair, Gillian Kent, an independent NED and Risk Committee Chair, and myself, Dean Moore, also an independent NED and Remuneration Committee Chair. As previously detailed, Gillian Kent and I became members of the Audit Committee upon our appointment to the Board on 15 September 2022, when Zillah Byng-Thorne stepped down from the Board and certain Board Committees (including the Audit Committee). Dominic Murphy was also a member of the Audit Committee during the 2022 reporting period until he stepped down from the Board on 8 June 2022.

Upon his appointment to the position of CFO on 24 January 2023 Damian Sanders stepped down as Audit Committee Chair, and from all other Board Committee membership, at which time I was appointed Audit Committee Chair on an interim basis. As the Board currently comprises only two independent NEDs, Gillian Kent and myself (excluding the Chair), this has resulted in the non-satisfaction of the Audit Committee membership requirements since this date. This position is temporary and expected only to continue until the appointment of at least one new independent NED in the coming months which will ensure that the applicable membership requirements are satisfied.

Whilst at least four Audit Committee meetings must take place annually, at appropriate times in the financial reporting and audit cycle (and as otherwise required), six Committee meetings took place during 2022, reflecting the Committee's valuable role within THG's governance framework. Member attendance at these meetings is set out within the preceding table and, although attendance is restricted to Committee members (and any individual entitled to be present as an observer), the Terms of Reference provide that certain individuals (including the CFO, the Head of Internal Audit and the External Auditor's Lead Partner) shall be invited and are expected to attend meetings on a regular basis and may also request a meeting of the Committee should they consider it necessary or desirable to do so. Outside these scheduled meetings and throughout the 2022 reporting period (and up to the date of this Report), the Audit Committee Chair (and other Committee members where appropriate) also maintained an ongoing dialogue with the principal individuals involved in the Group's governance, including the Independent Chair, the CEO, the CFO, the Deputy CFO, the Head of Internal Audit and the External Auditor's Lead Partner.

In addition to attending all Audit Committee meetings, the External Auditor met with Audit Committee members in the absence of Senior Management and also privately with the Audit Committee Chair, as and when considered necessary, 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.

Role and responsibilities

The Audit Committee's Terms of Reference clarify that its purpose is to support the Board in fulfilling its oversight responsibilities by reviewing and monitoring: the independence and effectiveness of internal and external audit functions; the integrity of the Group's financial and narrative statements; and the Group's internal financial and non-financial controls and, as appropriate and in conjunction with the Risk Committee, risk management framework.

The specific duties and responsibilities are detailed therein and include, but are not limited to, the following:

- monitoring the integrity of the Group's financial statements, including its half-year financial statements, annual report and accounts and preliminary announcements, and reviewing and reporting to the Board on significant financial reporting issues and judgements which those statements contain, having regard to matters communicated to it by the External Auditor;
- where requested by the Board, reviewing the content of the annual report and accounts and the interim financial statements and advising the Board on whether, when taken as a whole, each are fair, balanced and understandable and provide the information necessary for Shareholders to assess the Company's performance, business model and strategy;
- assisting the Board with monitoring and reviewing the Group's internal control systems on an ongoing basis, including monitoring material financial, operational and compliance controls;
- monitoring and assessing the role and effectiveness of the Internal Audit function in the overall context of the Group's risk management system and the work of the Compliance and Finance functions;
- monitoring the independence, quality and effectiveness of the external audit process; and
- reviewing the Group's procedures for preventing and detecting fraud, its systems and controls for the prevention of bribery and the adequacy and effectiveness of its anti-money laundering systems and controls.

Activities of the Audit Committee

As noted above, six Audit Committee meetings were convened during the 2022 reporting period, all of which were scheduled. The main matters that the Audit Committee considered during the year are listed below:

Topic	Activity / Review
Financial reporting	• Reviewed the draft and final half-year statement, including key accounting judgements, materiality and the External Auditor's report on the interim statements • Reviewed key judgements and estimates in preparation for year-end reporting • Reviewed year-end matters including the draft Annual Report and Accounts (and assessed the processes which ensure it is fair, balanced and understandable), significant accounting judgements, the draft and final full-year results announcement, the going concern statement and the viability model • Considered the impact of climate risks on the financial statements • Review other reports and updates from management including the Group Tax Strategy, Corporate Reporting Reform, and updates from the AQR Inspection Report
External audit	• Reviewed EY's plan for the audit of the 2022 Annual Report and Accounts and the progress of the audit to date • Reviewed EY's report on the scope of the audit of the 2022 Annual Report and Accounts, including key audit risks • Disclosed relevant audit information to the External Auditors and the required evidence in support of it • Reviewed the final report from EY following completion of the audit of the 2022 annual report
Internal control and assurance	• Reviewed reports from Internal Audit on assurance and audit work • Reviewed other updates from Internal Audit including the Recommendations Tracker and Whistleblowing Updates • Re-approved the Internal Audit annual plan on a quarterly basis • Reviewed the outputs of the fraud risk assessment

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 finance team provided accounting papers to the Audit Committee which detailed the financial aspects surrounding key accounting judgements and areas of focus for THG, including all significant issues outlined in the following table. As part of the year-end reporting process the Audit Committee reviewed this Annual Report, the management papers on key accounting estimates and judgements, going concern and viability review, 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 recent years, the key areas of management judgement include the classification of revenue streams to the Group's Divisions and contract accounting within Ingenuity Commerce. The Committee were presented with the key judgements applied by management for the Ingenuity contracts under IFRS 15. The Committee challenged management on the judgement relating to principal or agent recognition of different revenue streams, being one of the key judgements. Management responded to all challenges and there was no impact on the recognition or disclosure.	The revenue accounting policy is included within note 1c and note 2 within the Consolidated Financial Statements.
Accounting for platform development costs	As a growing technology business, THG incurred £56m in respect of additions to the platform in 2022. The carrying value at 31 December 2022 totals £100m. There is management judgement applied regarding which projects relate to capital spend. This is reviewed on a monthly basis with Senior Management across Finance and Technology teams. 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. Management is in the process of improving controls further in this area and plan to present a plan to the Committee alongside working with the Internal & External auditors to adopt a controls-based audit in this area in future years. In addition, the Committee reviewed the level of spend and carrying values of the platform compared to peers. It was noted that THG's platform has a lower carrying value than its peers due to this being built in house. All items were concluded to be appropriate.	Intangibles note 11 within the Consolidated Financial Statements.
Impairment and cash-generating-units	Following the divisional reorganisation in the year, additional cash-generating-units (CGUs) have been identified. The result is that six CGUs have been identified; THG Beauty; THG Nutrition; THG Ingenuity; THG OnDemand; THG Luxury; and THG Experience. The Audit Committee reviewed management's conclusion of the number of CGUs in existence at the balance sheet date and agreed with the six units. The Audit Committee reviewed management's impairment paper in detail, challenged key judgements including terminal growth rate, forecast growth rate and discount rates and concluded these to be appropriate. The Committee reviewed the impairment charges recognised for THG Beauty and THG Ingenuity and the judgements made thereon agreeing with management's conclusion. The Committee also approved the disclosure for inclusion within the financial statements.	The Intangible assets note 11 is included within the Consolidated Financial Statements.
Presentation and disclosure of adjusted items and APM's	To allow the Committee to assess the policy, presentation and disclosure applied, Management presented a detailed category by category analysis of adjusted items to the Committee in the year. The Committee challenged the appropriateness of the classification of costs including those that were in relation to Covid-19. The Committee also considered the presentation of APMs including Adjusted EBITDA from continuing operations 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 consistently. 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 2023. The Committee concluded that management had made clear announcements to the market in FY22 regarding the loss-making areas of the business under review and that showing an additional APM for those categories that had been exited explained the impact of this to the users of the financial statements. The Committee concluded that the use of APMs were satisfactory.	The adjusted items note 4 is included 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. Where relevant, detailed accounting papers were also shared with the Audit Committee during the year for review. 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. As noted in the 2021 Annual Report, officers of the Propco Group were also officers of the Company and certain of its subsidiaries. Acknowledging the conflict of interest that may arise from such a position, the decision was taken to resolve this crossover in officer appointments by 31 December 2022. The necessary action was taken during the reporting period such that Propco Group officers are now fully independent of the Group.	More details on related parties are included within the Related Parties Committee Report. The related parties' details is included within note 27 within the Consolidated Financial Statements.
Taskforce on Climate-Related Financial Disclosures	A significant change to the annual report and accounts in 2022 is the inclusion of TCFD. During 2022, THG formed a TCFD governance structure and process to support compliance and disclosure. Regular updates were shared with the Committee. In addition, the proposed disclosure was reviewed and approved by the Committee.	Task Force on Climate-related Financial Disclosures (TCFD) section.

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.

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 93-95 of the Strategic Report.

Risk management and internal controls

In accordance with the 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).

During the year, the Committee considered the UK Government's consultation on 'Restoring Trust in Audit and Corporate Governance' and reviewed management's strategy for delivering the necessary control framework enhancements.

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 83-86 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; cyber; ESG; projects and M&A; global site audits; operations and commerce. Audit engagements were undertaken in each of these areas during 2022.

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 87-93).

Independence, performance and effectiveness of External Auditor

The External Auditor confirmed its independence and objectivity from THG during the 2022 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 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 skepticism 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, 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.

There are independent reporting lines from the External Auditor to the Committee and the External Auditor is afforded the opportunity for sessions with the committee throughout the year.

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 2022 AGM. When considering whether to recommend the reappointment 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 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. The External Auditor has been appointed since the 2011 reporting period to the date of this Annual Report.

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.

The only non-audit services performed in the year related to the interim procedures in accordance with International Standard for Review Engagements (UK and Ireland) 2410. The total fees were £0.1m being a 1:23 ratio to the audit fee. It is widely accepted that such procedures would be completed by the Group's auditor. The Committee have therefore concluded the objectivity and independence of the external auditor is safeguarded.

Focus for 2023

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 the UK Government's 'Restoring Trust in Audit and Corporate Governance' reforms when they are published and subsequently monitoring the progress of the proposed control framework enhancements
- 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

Dean Moore
Interim Chair of the Audit Committee

17 April 2023

Risk Committee *Report*

"The Committee, together with the Audit Committee, continues to play a key role in governing THG's risk management and internal controls. This oversight is increasingly important, keeping pace with the dynamic nature of change, both within THG and the external economic environment. "

Gillian Kent
Chair of the Risk Committee

Members and attendance

Committee member	Position	Attendance
Gillian Kent	Chair[1]	2/2
Dean Moore	Member[2]	n/a
Damian Sanders	Former Member[3]	4/4
Zillah Byng-Thorne	Former Chair[1]	2/2
Dominic Murphy	Former Member[4]	0/1

1. Zillah Byng-Thorne stepped down from the Board and as Risk Committee Chair on 15 September 2022 and was replaced by Gillian Kent who was appointed to the Board with effect from this date.
2. Dean Moore was appointed as a member of the Risk Committee on 6 December 2022.
3. Damian Sanders stepped down as a member of the Risk Committee upon his appointment as an Executive Director on 24 January 2023.
4. Dominic Murphy stepped down from the Board and as a member of the Risk Committee on 8 June 2022.

Having been appointed as Chair of the Risk Committee upon joining the Board in September 2022, I am pleased to introduce the Risk Committee Report for the financial year ending 31 December 2022.

The Risk Committee was established to ensure an appropriate framework exists within the Group for robust and effective risk oversight and governance and this is reflected within the Committee's Terms of Reference which align with current market practice (including in respect of the Committee's scope of responsibilities and duties).

The Committee, as confirmed by the annual Board and Board Committees' evaluation, continues to operate effectively and deliver against its Terms of Reference. Further details on this evaluation, including how it was conducted, can be found in the "Board evaluation" section of the Governance Report.

Composition and meetings

As detailed within the Terms of Reference, members of the Risk Committee are appointed by the Board, upon the recommendation of the Nomination Committee and in consultation with myself, as Risk Committee Chair. The Terms of Reference provide that the Committee is composed of at least three independent NEDs, one of whom is a member of the Audit Committee, with the quorum for any Committee meeting being any two of its members. Whilst, collectively, the Risk Committee must possess the necessary competence (risk, financial and otherwise) relevant to the sectors in which the Company operates, individual members are also expected to have the requisite skills and experience appropriate to such membership.

At the end of the 2022 reporting period, Committee membership satisfied the relevant provisions of the Terms of Reference comprising Gillian Kent, as Risk Committee Chair, Damian Sanders, a former independent NED and former Audit Committee Chair, and Dean Moore, also an independent NED and Remuneration Committee Chair. As detailed above, Gillian Kent became a member of the Committee upon her appointment to the Board on 15 September 2022, replacing Zillah Byng-Thorne as Committee Chair, and Dean Moore was appointed to the Committee on 6 December 2022. Dominic Murphy was also a member of the Committee during the 2022 reporting period until he stepped down from the Board on 8 June 2022. Upon his appointment to the position of CFO on 24 January 2023, Damian Sanders stepped down as a member of the Risk Committee and from all other Board Committees. As the Board currently comprises only two independent NEDs, Gillian Kent and Dean Moore (excluding the Chair), this has resulted in the non-satisfaction of the Risk Committee's membership requirements since this date. This position is temporary and expected only to continue until the appointment of at least one new independent NED in the coming months which will ensure that the applicable membership requirements are satisfied.

At least four Risk Committee meetings must be held annually, at appropriate times in the financial reporting and audit cycle (and as otherwise required), and any Risk Committee member, the Chief Risk Officer (CRO) or the Head of Internal Audit may request a meeting of the Committee if they consider it necessary or desirable to do so. In accordance with the Terms of Reference and as can be seen from the preceding attendance table, four meetings of the Risk Committee took place during the financial year under review, all of which were scheduled. Whilst only members of the Committee (and any individual entitled to be present as an observer) have the right to attend Committee meetings, typically the CFO, Deputy CFO, CRO and the Head of Internal Audit will also be in attendance, together with the External Auditor.

Roles and responsibilities

The Risk Committee's Terms of Reference detail the specific duties and responsibilities of the Committee and clarify that its purpose is to not only assist the Board in its oversight of risk throughout the Group and advise on its overall risk appetite, tolerance and strategy (including the principal and emerging risks it may be willing to accept to achieve its long-term strategic objectives) but to review and monitor:

- the principal risks and identify the emerging risks facing 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); and
- 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.

As disclosed in the 2021 Annual Report, the Risk Committee is also responsible for approving the role and mandate of the Group Risk function and monitoring and assessing the effectiveness of its work, including in the overall context of the Group's risk management systems. The CRO has always open and direct access to the Risk Committee, an arrangement which is viewed as key in maintaining the independence of the CRO and Group Risk reporting line from that of the Executive Leadership Team.

As required under the Terms of Reference, arrangements are in place to ensure that the Risk Committee has sufficient resources at its disposal to allow it to properly and effectively discharge its duties and responsibilities including, if considered appropriate, the ability to seek specialist input and expertise from external advisors.

Activities of the Risk Committee

As detailed above, four Risk Committee meetings took place during the reporting period and, as was the case during the 2021 financial year, both Risk Committee Chairs continued to meet with the CRO on a one-to-one basis to discuss the ongoing development, refinement and embedding of the Group's risk management framework and associated processes.

A summary of the key activities undertaken by the Committee during the 2022 financial year is as follows:

- Received and challenged scheduled risk updates outlining both the principal risks and any escalated operational risks. The Committee also received detail of escalated sub-risks as well as the outcome of principal risk 'deep dives'
- Consideration of the ongoing evolvement of group and principal risk appetites and consideration of emerging risks
- Consideration of the role of THG Insurance in supporting risk mitigation activities
- Received and challenged the ongoing refresh of the principal risks and their continuing relevance and alignment to the business
- Review of the results and remedial actions arising from the annual Fraud Risk Assessment and any summary reports of escalated incidents and instances of fraud
- Consideration of the potential impact of the UK Government's consultation on 'Restoring Trust in Audit and Corporate Governance' upon both the committee and the wider group risk management framework

Additionally, throughout the reporting period and pursuant to the Terms of Reference, the Risk Committee Chairs, together with other Committee members (to the extent appropriate), remained in ongoing dialogue with key individuals involved in the Group's governance, including the Chair, the CRO and the Head of Internal Audit, to ensure the necessary intra-functional transparency and alignment.

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).

Information on the Group's risk management framework can be found on pages 83-93 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 93-95 of the Strategic Report.

Focus for 2023

During the current financial year it is anticipated that key areas of focus for the Risk Committee will be as follows:

- Oversee the management and reporting of principal and operational risks and the application of our risk appetite
- Monitor the identification and quantification of emerging risks and the business response
- Receive updates, as applicable to risk, on the key elements of the UK Government consultation on proposed audit and corporate governance reforms

On behalf of the Risk Committee

Gillian Kent
Chair of the Risk Committee

17 April 2023

Nomination Committee *Report*

"The Nomination Committee remains committed to ensuring that the Company's leadership is, at all times, appropriately constituted to oversee THG's continued growth and deliver on its value creation plans. Further independent NED appointments are therefore expected during 2023 as we continue to enhance and strengthen the Group's governance standards and infrastructure."

Charles Allen,
Lord Allen of Kensington CBE

Chair of the Nomination Committee

Members and attendance

Committee member	Position	Attendance
Charles Allen	Chair[1]	2/2
Iain McDonald	Member	6/6
Gillian Kent	Member[2]	1/1
Zillah Byng-Thorne	Former Member[3]	5/5
Dominic Murphy	Former Chair[4]	4/4

1. Charles Allen was appointed Nomination Committee Chair on 10 June 2022.
2. Gillian Kent was appointed to the Nomination Committee upon her appointment to the Board on 15 September 2022.
3. Zillah Byng-Thorne stepped down from the Board and as a member of the Nomination Committee on 15 September 2022.
4. Dominic Murphy stepped down from the Board and as Nomination Committee Chair on 8 June 2022.

Having been appointed as Nomination Committee Chair in June 2022, I would like to welcome you to the Nomination Committee Report for the 2022 financial year and convey my gratitude to my predecessor, Dominic Murphy, for his strong leadership of the Committee since the IPO and to Zillah Byng-Thorne for her contribution as a Committee member.

As we indicated in the 2021 Annual Report, Board composition was expected to be a key focus throughout 2022 and, pleasingly, significant progress was made in this regard. Acknowledging my mandate to improve independence and diversity and heedful of the Committee's responsibility to keep the structure, size and make-up of the Board under ongoing review, a successful recruitment process was undertaken which resulted in the appointment of two independent NEDs during the year with certain Executive Director changes also taking place in January 2023 (further information on which follows).

The Nomination Committee nonetheless remains mindful of Code Provision 11, discussed in detail within the "Corporate Governance Statement" section of the Governance Report; in conjunction with the Board, the Committee will continue to seek alignment with this Code Provision as a matter of priority during 2023 and having regard to, amongst other things, the FCA's D&I targets (as incorporated within Listing Rule 14.3.33R) and the need to ensure the necessary succession plans are in place and the Company's leadership is, at all times, properly constituted to oversee the delivery of the Group's strategic aims and objectives. In recommending any potential appointee, the Nomination Committee recognises the importance of promoting diverse and inclusive Board membership, but always comprising individuals who are considered the 'right THG fit', and, in line with the relevant Code Provision, appointments will continue to be made on the basis of merit with potential appointees assessed against objective criteria.

Role and responsibilities

To ensure it is well-placed to execute its principal functions within the Group's governance infrastructure, the Nomination Committee's Terms of Reference incorporate the salient elements of the Code in respect of Board appointments, orderly succession planning and the oversight of a diverse succession pipeline. Stated duties and responsibilities which were considered and discharged, as appropriate, throughout the 2022 reporting period included:

- as noted above, the ongoing review of the structure, size and composition (including the skills, knowledge, experience and diversity) of the Board and identifying and nominating potential Board appointees as required;
- recommending suitable SID candidates to the Board (discussed in further detail in the "Board composition" section which follows); and
- reviewing Board and Senior Management succession plans, taking into account both the challenges and opportunities facing the Group and the skills, experience and knowledge required within the Company and the Board to effectively manage and exploit such challenges and opportunities.

To ensure that suitable and timely Board and Senior Management appointments are made, the Terms of Reference expressly provide that the Nomination Committee must remain abreast of strategic and commercial issues affecting the Group and the markets within which it operates. Accordingly, in addition to the Board strategy session which took place in November 2022 following the appointment of the new independent NEDs, Gillian Kent and Dean Moore, commercial knowledge and insights were shared with all Board members on an ongoing basis through the provision of strategic and market updates at scheduled monthly Board meetings.

Composition and meetings

Reflecting the equivalent Code Provision, the Nomination Committee's Terms of Reference provide that a majority of its members must be NEDs who are independent in character and judgement and free from any relationships or circumstances which are likely, or could appear, to affect their judgement. They further provide that the Nomination Committee Chair should be either the chair of the Board or an independent NED. Membership of the Committee, as set out in the preceding table, therefore aligns with these requirements, with the Nomination Committee Chair, Charles Allen, and Gillian Kent both deemed to be independent upon appointment to the Board during 2022 (and as detailed within the "Board independence" section of the Governance Report). Biographies of all Nomination Committee members can be found on pages 108-110 of the Governance Report.

Whilst the Terms of Reference provide that at least two Nomination Committee meetings must be held annually, additional meetings may take place as either required by the Nomination Committee Chair or as requested by any Committee member should they consider it necessary and, although attendance is restricted to Committee members, others may be invited if considered appropriate and necessary e.g. the CEO and/or external advisers. During the 2022 reporting period, four scheduled meetings took place with two additional meetings convened to consider certain changes to Board composition and the Board recruitment process more generally.

Activities of the Nomination Committee

Board composition

As disclosed in the 2021 Annual Report, a review of the Group's corporate governance arrangements identified the need for an independent chair and Russell Reynolds Associates, an independent search consultant, was formally appointed to assist with the recruitment process. The search for a suitable candidate was launched in the 2021 reporting period and culminated in the appointment of Charles Allen as Independent Chair on 22 March 2022. As further disclosed within the 2021 Annual Report, in recommending Charles Allen to the Board the Nomination Committee had given robust consideration to candidate shortlists and engaged in significant deliberations around, for example, relevant experience, knowledge and skillsets and whether shortlisted candidates could be viewed as the 'right THG fit.' Face-to-face interviews with shortlisted candidates were undertaken by members of the Nomination Committee, and other NEDs and members of Senior Management participated in the process to the extent considered appropriate.

In light of the Independent Chair's mandate to, amongst other things, enhance governance and transparency and refresh and strengthen the Board by improving its independence and diversity, Board composition remained an ongoing focus of the Nomination Committee throughout 2022. Noting that two former independent NEDs, Tiffany Hall and Dominic Murphy, stepped down from the Board in the first half of the year, particular consideration was given to overall independence and the balance of Executive Directors / NEDs.

Leading recruitment consultancy firm Axon Moore was engaged by the Company to assist in the search for suitable independent NEDs, with a mandated brief which acknowledged the benefits which a diverse Board could bring and which sought to identify suitably skilled and experienced candidates who aligned culturally with the organisation. The executive chair and co-founder of Axon Moore is David Moore, a founder investor in the Company. Aside from this connection, Axon Moore has no other connections with the Company or individual Directors.

Following an initial desk search and database review, Axon Moore produced a longlist of potential appointees which they subsequently refined to a shortlist following an extended interview process. At the same time, the Nomination Committee also drew up a shortlist of potential appointees, comprising individuals who had been recommended from the professional networks of the independent NEDs, and thereafter members of the Nomination Committee, wider Board and, as required, Senior Management participated in interviews with candidates from both the external and internal shortlists.

As with the process to appoint the Independent Chair, relevant experience, knowledge and skillsets were considered key factors in identifying potential appointees who were the 'right THG fit' and, following detailed discussions, the Nomination Committee recommended both Gillian Kent and Dean Moore as independent NEDs. In line with the relevant provisions of both the Code and the Committee's Terms of Reference, Gillian Kent and Dean Moore were appointed, following Board approval, on 15 September 2022 on the basis of merit and as assessed against objective criteria, due regard being had to the benefits of a diverse Board (including with respect to gender). As noted in the Governance Report, both of these NEDs possess extensive sector-specific and PLC experience and have demonstrable track records in business growth - their knowledge and insight are considered invaluable as the Company seeks to develop and refine the strategic drivers underpinning THG's future growth.

At the same time as Gillian Kent and Dean Moore were appointed to the Board, Zillah Byng-Thorne, former SID, stepped down from the Board together with NED Andreas Hansson. Pursuant to its Terms of Reference, the Nomination Committee was therefore required to consider suitable candidates for the role of SID, with reference to the then-current composition of the Board and the balance of Executive Directors / NEDs. Following detailed consideration, Damian Sanders was identified as a suitable candidate for the role of SID and his appointment was approved on an interim basis as the Company continued to monitor and reshape its leadership to ensure it was properly constituted to drive long-term, sustainable growth and Shareholder value creation.

As a result of this ongoing review of THG's leadership needs and the balance of skills, knowledge and experience on the Board, the Nomination Committee thereafter recommended certain changes to the Executive Leadership Team – specifically, that independent NED Damian Sanders assume the role of CFO and John Gallemore, the incumbent CFO, remain an Executive Director and be appointed to the newly-created, stand-alone role of COO. In light of the scale and pace of the Group's international growth since IPO, the role of COO is now viewed as integral in developing and driving THG's global fulfilment footprint and the implementation of such changes would allow John Gallemore, who had been covering both the Finance and Operations functions, to focus solely on the latter and continue to evolve and strengthen the Divisional commercial and operating models. Further, the Nomination Committee considered that Damian Sanders was ideally placed to assume the role of CFO having acquired an in-depth understanding of the Group, its People and its culture during his two-year tenure as an independent NED, including serving as interim SID, Audit Committee Chair and chair of the Divisional Reorganisation Committee, and also playing a key role in the internal reorganisation of the Group's principal trading Divisions during 2021/2022.

In assuming the CFO position, Damian Sanders would simultaneously step down as interim SID and as chair and a member of certain Board Committees. Accordingly, upon reviewing Board composition and the balance of Executive Directors / NEDs, the Nomination Committee agreed that Dean Moore was a suitable candidate for the position of SID and recommended his appointment, also on an interim basis and until such times as a suitable long-term candidate was identified (with reference to future independent NED appointments). The Nomination Committee's recommendations were duly considered and approved by the Board and took effect from 24 January 2023.

As also required under its Terms of Reference, the Nomination Committee considered Board composition and the performance of individual Directors in advance of the 2022 AGM and, following the requisite deliberations, recommended to the Board that all Directors be put forward for annual election or re-election (as appropriate) by Shareholders.

Board Committee composition

Board Committee membership was updated at various points during 2022 to reflect the NED changes which took place throughout the year and, as mandated, the Nomination Committee was responsible for making recommendations to the Board in respect of such membership (where appropriate, following consultation with the relevant Board Committee Chair). In making such recommendations, which were ultimately accepted and implemented by the Board, the Nomination Committee took into account not only the specific skillsets and experience of individual NEDs but also the time commitment expected of them and their external commitments.

The Board Committee changes which took place during 2022 are detailed within the respective Board Committee Reports on pages 123-157, together with current Board Committee composition, but key changes included the appointments of Gillian Kent and Dean Moore to, respectively, Risk Committee Chair and Remuneration Committee Chair upon their appointments to the Board on 15 September 2022 and, following Damian Sanders' appointment to CFO, Dean Moore's appointment to interim Audit Committee Chair and Related Party Committee Chair on 24 January 2023.

As the Board currently comprises only two independent NEDs, Gillian Kent and Dean Moore (excluding the Chair), this has resulted in the non-satisfaction of the membership requirements of the Audit Committee and the Risk Committee since the date of Damian Sanders' appointment as an Executive Director. This position is temporary and expected only to continue until the appointment of at least one new independent NED in the coming months which will ensure that the applicable membership requirements are satisfied under the Code and the Terms of Reference of these Board Committees. Throughout 2023 the Nomination Committee, in conjunction with the wider Board, will continue its search for additional independent NEDs to further enhance the composition and diversity of the Board and establish a robust succession pipeline.

Board evaluation

The annual Board evaluation is considered a vital corporate governance tool which serves to both enhance Board effectiveness and maximise Company/Group performance. In recognition of this, and whilst only strictly applicable to FTSE 350 companies, the Company previously committed to undertaking an externally facilitated review within three years of Admission, in addition to conducting the annual performance evaluation of the Board, the Board Committees, the Independent Chair and individual Directors.

The Company engaged a third party during 2021 to provide an online digital platform through which it undertook a formal and rigorous Board evaluation in the first quarter of 2022 (the "2021 evaluation"). The 2021 evaluation was aligned with best market practice and the content tailored, as appropriate, to the particular requirements of the Company, with specific reference to Matthew Moulding's then-dual role of Company chair and CEO. The decision was taken to continue to utilise this platform for Board evaluation purposes and a second evaluation took place at the end of the 2022 reporting period (the "2022 evaluation"). Whilst the content of the 2022 evaluation was substantially similar to the 2021 evaluation, the principal differences related to the appointment of the Independent Chair during 2022 and the clear division of responsibility established between the leadership of the Board and the executive leadership of the business.

An area highlighted for consideration in the 2021 evaluation related to the form and content of monthly Board meetings. Whilst this is considered in more detail within the "Board meetings and activities" section of the Governance Report on pages 105-122, changes effected during the course of 2022 to address evaluation feedback included streamlining Board pack content and the standard Board agenda, Senior Management presenting on a "taken as read" basis and, in line with the Company's ongoing PLC transition, the introduction of regular "deep dives" into key Divisional and/or Group topics on which Directors have requested further insight/discussion.

Whilst the 2022 evaluation outcomes remain subject to consideration at the date of this Annual Report, Board meeting form and content again appear as a theme; for example, suggestions include an increased focus in Board discussions on Group strategy and the evolution of the business model and the further refinement of Board packs from an operational and financial reporting perspective. Improved scoring is evident in areas of the 2022 evaluation relating to value creation and strategy, albeit macroeconomic conditions are recognised as having impacted strategy delivery during the year.

The 2022 evaluation outcomes in respect of the Independent Chair are reflective of the feedback generated through the annual SID-led appraisal which took place amongst the NEDs at the end of 2022; the strong experience, commercial knowledge and facilitative and inclusive manner of the Independent Chair were acknowledged in both the NEDs' discussion and the 2022 evaluation, together with the governance improvements implemented during their tenure to date. Notably, certain of the 2022 evaluation outcomes specifically acknowledge that the Board is in transition and suggest it could be enhanced by increased diversity and the addition of particular skillsets (e.g. e-commerce and/or technology), thus aligning with the Nomination Committee's key recruitment priorities.

Diversity and inclusion

Pursuant to its Terms of Reference the Nomination Committee must ensure that the promotion of diversity, including (but not limited to) diversity of gender and social and ethnic backgrounds, is a key consideration when reviewing leadership appointments and succession planning and, in conjunction with the People team, is expected to take an active role in setting and monitoring Group diversity objectives and strategies. Indeed, the Nomination Committee recognises and embraces the benefits attendant in a diverse Board (and Senior Management) membership and, to the extent practicable and appropriate, is committed to building upon the Group's robust commitment in this area. This is evidenced by the aforementioned NED recruitment brief, the parameters of which not only recognise the need to identify suitably skilled and experienced candidates but also take into account the FCA's D&I targets (as incorporated within Listing Rule 14.3.33R). Whilst the search for independent NEDs remains ongoing, challenges have been encountered to date identifying suitable candidates who also satisfy the diversity criteria.

More generally, as a Disability Confident Committed employer, the Company must ensure that its recruitment processes are inclusive and accessible, including any recruitment activity undertaken from a Board and Senior Management perspective. Recruitment will therefore continue on a meritocratic basis and founded on the principle of fairness for all and with due regard to the D&I targets contained within the 2030 Sustainability Strategy, further details on which are contained in the "Sustainability" section of the Strategic Report on pages 71-73. Key strategic targets under THG x Planet Earth include achieving 50% female representation and at least 15% ethnic minority representation on the Board and in Senior Management by 2030.

To ensure the Nomination Committee (and the Board collectively) remains suitably apprised of material People issues (including D&I items) to allow it to effectively discharge the responsibilities incumbent upon it, the Group Talent Director, who has ultimate oversight of, amongst other things, general workforce diversity, attends scheduled Board meetings to provide regular on-topic updates. Further and as previously discussed within this Annual Report, the Group launched its new D&I Strategy during 2022 with the objective of building upon its approach to D&I at every level within the organisation and becoming an industry pioneer in driving social change. It is anticipated that the Group's D&I Committee, founded as a platform through which to improve the employee journey and establish a truly inclusive Group environment, will be instrumental in driving the progression of the Strategy throughout the organisation.

Further information on the Group's approach to D&I, including strategy, associated objectives and related employee initiatives, is contained within the Governance Report and in the "Empowering people and communities" section of the Strategic Report. The diversity disclosures required pursuant to section 414C of the Companies Act can be found within the "Our people" section of the Strategic Report.

AGM

As in previous years, the Nomination Committee is scheduled to convene ahead of the AGM to review overall Board composition and, pursuant to its Terms of Reference, the continuation (or otherwise) of individual Directors, with reference to their performance and ability to contribute to the Board in light of the knowledge, skills and experience required. Following due and careful consideration of all relevant factors, including (but not limited to) the time committed to discharge the responsibilities incumbent upon them as Directors, the Committee will make its recommendations as to whether Directors should be put forward for election or re-election (as appropriate) by Shareholders.

On behalf of the Nomination Committee

Charles Allen,
Lord Allen of Kensington CBE
Chair of the Nomination Committee

17 April 2023

Related Party Committee *Report*

"The Related Party Committee ensures that strong governance is in place and that any transactions classified as a 'Related Party Transaction' are approved. The key objective is shareholder value protection."

Dean Moore
Chair of the Related Party Committee

Members and attendance

Committee member	Position	Attendance
Dean Moore	Chair[1]	1/1
Gillian Kent	Member[2]	n/a
Damian Sanders	Former Chair[3]	6/6
Zillah Byng-Thorne	Member[4]	5/5

1. Dean Moore was appointed a member of the Related Party Committee upon his appointment to the Board on 15 September 2022. He thereafter assumed the position of Related Party Committee Chair on 24 January 2023 when Damian Sanders stepped down upon his appointment as an Executive Director.
2. Gillian Kent was appointed a member of the Related Party Committee on 24 January 2023.
3. Damian Sanders, previously a member of the Related Party Committee, assumed the position of Chair on 15 September 2022 when Zillah Byng-Thorne stepped down from the Board and as Related Party Committee Chair. He thereafter stepped down as Related Party Committee Chair upon his appointment as an Executive Director on 24 January 2023 and was replaced by Dean Moore, a member of the Committee and interim SID.
4. Zillah Byng-Thorne stepped down from the Board and as Related Party Committee Chair on 15 September 2022 and was replaced by Damian Sanders, a member of the Committee and the then interim SID.

I have pleasure in introducing the Related Party Committee Report for the 2022 financial year. Having been appointed as Committee Chair earlier this year, I would like to take this opportunity to restate the Committee's commitment to ensuring that all Related Party Transactions remain subject to robust evaluation prior to approval (or otherwise) and to confirm that the requisite governance arrangements are in place to allow for the full and effective oversight of both existing and potential conflicts of interest.

As disclosed in previous Annual Reports, prior to Admission to the London Stock Exchange, 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, the CEO 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. Whilst the lease arrangements which operated between the Propco Group and THG and its operating businesses prior to the Propco Transaction were unchanged by the divestment in 2020 and continue to remain in place, certain changes took place during the 2022 reporting period which are explained in further detail below.

Composition and meetings

In recognition of the Related Party Committee's key governance function, its Terms of Reference provide that members must be independent NEDs who are appointed by the Board upon the recommendation of the Nomination Committee (and in consultation with myself as Committee Chair). Current Committee membership is set out in the preceding attendance table and, as noted above, I assumed the position of Committee Chair when Damian Sanders stepped down from the Committee following his appointment as an Executive Director in January 2023.

The Terms of Reference provide that meetings of the Related Party Committee are held at such times as the Committee Chair requires, although any member of the Committee may request a meeting if they consider it necessary. As can also be seen from the attendance table, six meetings of the Related Party Committee took place during the 2022 financial year, in February, March, two meetings in May, August and October, at which certain salient matters were subject to detailed consideration (please refer to the section below entitled "Activities of the Related Party Committee"). Whilst only members are entitled to attend Committee meetings, the Terms of Reference provide that others, including external advisers, may attend by invitation when considered necessary and appropriate.

Role and responsibilities

As detailed within its Terms of Reference, the key function of the Related Party Committee is to oversee and approve (where appropriate) the terms of any Related Party Transaction and to ensure that any such arrangement is conducted on standard commercial terms and at arm's length. The Related Party Committee is cognisant of the critical role which it plays within THG's corporate governance infrastructure and, as required by its Terms of Reference, has regard to certain mandated factors when assessing any Related Party Transaction (such as whether the Related Party Transaction can be viewed as fair and reasonable and in the best interests of the Group (including from the perspective of the Company and minority shareholders)).

Whilst the Terms of Reference provide that Related Party Transactions may not be authorised or implemented by the Board unless they have been positively recommended by the Related Party Committee, they do contain a caveat to this default position; specifically, if deemed to be in the best interests of the Company, the Board may resolve that the Committee's views are not binding but rather of a recommendary nature in respect of certain categories of Related Party Transactions. Noting the important role which the Related Party Committee plays within the Group's governance framework, the importance of ensuring the Committee is operating to maximum effectiveness is acknowledged and this is managed through Board discussions and the annual Board and Board Committee evaluation exercise.

Activities of the Related Party Committee

In addition to the ongoing oversight and approval (where appropriate) of Related Party Transactions, the Committee gave specific consideration to the following matters during the 2022 reporting period and in the period up to the date of this Report:

Officers of the Company

As noted in the 2021 Annual Report, officers of the Propco Group were then also officers of the Company and certain of its subsidiaries. Acknowledging the conflict of interest that may arise from such a position, the decision was taken to resolve this crossover in officer appointments by 31 December 2022. The necessary action was taken during the reporting period such that Propco Group officers are now fully independent of the Group.

Separation of the Group

To ensure the relevant property interests (leases) sat within the appropriate division following the internal Group reorganisation which completed during the 2022 financial year, consent was required to be sought from the Propco Group to reassign and sublet a number of lease agreements to alternative Group entities. The Related Party Committee challenged whether this proposal would involve variations to the existing lease agreements (including in respect of rent payable by the Group). It was confirmed that no variations would be required and thereafter the Committee approved the proposal to seek the relevant consent.

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, ensuring this was appropriate and expenditure expected of a tenant. The Committee concluded that the nature of works and level of spend were appropriate.

Schedule of leases

The leases in place were entered into prior to divestment of the Propco Group to Moulding Capital which preceded 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.

Management charge

Under the terms of a Master Services Agreement ("MSA"), a management charge is levied upon the Propco Group by THG for the provision of specified services. The MSA was updated during the reporting period to reflect the fact that certain processes, historically performed by THG on behalf of the Propco Group, would gradually be transferred over to the Propco Group. The Related Party Committee considered this change in arrangements between THG and the Propco Group was satisfied this increased the independence of Propco and thereafter approved the revised charge due under the MSA.

Other items

The Related Party Committee approved the details of the Company's charitable donation to The Moulding Foundation. The charitable donation is paid by the Company in lieu of Matthew Moulding waiving as much of his annual salary as is legally permissible.

The Committee approved the purchase of fixtures and fittings from Propco where costs had been paid by MCL on behalf of THG in respect of a fitout of one of the properties leased by THG. An extensive review was completed by management and presented to the Committee to ensure that all assets were in existence and that all assets were in use by THG. All assets were then agreed to invoice and physical existence verified. In addition, legal specialists and property specialists were engaged to ensure that this transaction was completed on an arms-length basis. Following completion of this work and after approval by the Related Parties Committee the amount was recognised as an amount owed to related parties (note 27).

On behalf of the Related Party Committee

Dean Moore
Chair of the Related Party Committee

17 April 2023

Sustainability Committee *Report*

"The Sustainability Committee plays a crucial role in ensuring the business is delivering its Sustainability Strategy, THG x Planet Earth, and will continue to oversee future progress towards medium and long-term targets. An enhanced understanding of its environmental and social impact allows THG to create value and opportunities for stakeholders across the Group's value chain."

Iain McDonald
Chair of the Sustainability Committee

Members and attendance

Committee member	Position	Attendance
Iain McDonald	Chair	5/5
Steven Whitehead	Member[1]	4/5
Philip Pratt	Member[2]	5/5
Tiffany Hall	Former Member[3]	1/1

1. Steven Whitehead sits on the Sustainability Committee in his capacity as Group Commercial Director.
2. Prior to his departure from the Company at the beginning of 2023, Philip Pratt sat on the Sustainability Committee in his capacity as Chief Sustainability Officer. Since his departure Philip Pratt has continued to serve as a member of the Committee but in the capacity of external sustainability adviser to the Committee.
3. Tiffany Hall stepped down from the Board, and as a member of the Sustainability Committee, on 18 March 2022.

As Chair of the Sustainability Committee and on behalf of the Board, I am delighted to once again introduce the Sustainability Committee Report for the 2022 reporting period. Last year THG published its 2030 Sustainability Strategy, THG x Planet Earth, which represented a significant step in defining the Company's key sustainability-related priorities and goals and which, importantly, also included medium and long-term targets. As Sustainability Committee Chair, I am very pleased to note that during 2022 good progress was made towards achieving the Group's key sustainability targets, further information on which can be found in the "Sustainability" section on pages 57-73. Notable milestones include:

- submission of THGs net zero targets for validation by the SBTi;
- defining of THG own-brand packaging roadmaps;
- continuation and improvement in supply chain mapping and ethical supply chain roadmap;
- establishing THG Eco with a primary focus on climate action; and
- approval of THG's first Social Impact Strategy.

Composition and meetings

The Sustainability Committee's Terms of Reference provide that the Committee should comprise a minimum of three members, at least one of whom should be a NED, with any two Committee members required for a quorate meeting. Members of the Committee are appointed by the Board, upon the recommendation of the Nomination Committee, and whilst, collectively, the Committee must possess the competence relevant to the sectors in which the Company operates, individual members must also have the skillsets and experience relevant to Sustainability Committee membership. In satisfaction of the relevant provisions of the Terms of Reference, membership of the Sustainability Committee currently comprises myself, Iain McDonald, a NED and Sustainability Committee Chair, Steven Whitehead, Group Commercial Director and Philip Pratt, former Chief Sustainability Officer and now external sustainability advisor to the Committee. As detailed above, Tiffany Hall, a former NED, was also a member of the Committee during the reporting period until she stepped down from the Board on 18 March 2022.

Whilst the Terms of Reference mandate that at least three Sustainability Committee meetings must be held annually, and at such other times as the Sustainability Committee Chair may require, five meetings took place during 2022, with member attendance set out in the foregoing table. As detailed in the 2021 Annual Report and in recognition of the Group's robust sustainability targets and commitments, it is expected that the Committee will continue to convene in excess of the stated requirements during the current financial year.

Additionally, any Sustainability Committee member may request a meeting of the Committee if they consider it necessary and, whilst only members of the Committee (and any individual entitled to be present as an observer) have the right to attend Committee meetings, other external advisers may be invited to attend when appropriate. The Committee also has Board authority to secure the attendance of any other person as and when considered necessary. During 2022, the Chief Risk Officer, the General Counsel and Company Secretary, the Procurement Director and the Group Director of HSE regularly attended meetings at the request of the Committee, along with other members of Senior Management.

Role and responsibilities

The role of the Sustainability Committee is narrated within its Terms of Reference which clarify that its overarching purpose is to ensure that the Group has appropriate and effective strategies, policies and operational controls in place to allow its business to be conducted in a responsible manner and to ensure accountability in respect of performance against the 2030 Sustainability Strategy and applicable targets. The specific duties of the Committee are detailed within the Terms of Reference and include responsibilities such as reviewing and monitoring:

- the Group's strategies, policies and targets in relation to, for example, energy and carbon management, climate change, waste and recycling;
- Senior Management's assessment of the health, safety, security, environmental and social impacts resulting from the Group's operations, with particular regard to the impact on its employees, suppliers, contractors and host communities; and
- the Group's systems for compliance with applicable environmental/sustainability-related legal and regulatory requirements and performance against those requirements.

To ensure the full and effective discharge of its duties, the Terms of Reference provide that the Sustainability Committee will have access to such sufficient resources as are necessary (including advice and assistance from Group Secretariat or the specialist support of external advisers).

Activity during the year

The Committee has a number of standing agenda items which it considers in line with its Terms of Reference including:

- reviewing internal reports on progress towards set targets and KPIs in support of the 2030 Sustainability Strategy and agreeing further targets and KPIs where appropriate;
- assessment, benchmarking and recommendations on policies, processes, and procedures for sustainability;
- overseeing the Group's conduct with regard to its corporate and societal obligations, including reviewing THG's statement on Modern Slavery and Trafficking;
- in conjunction with the Risk Committee, reviewing Climate Change, Environmental and Social Responsibility as a principal risk to ensure relevant sub-risks are identified and the necessary actions taken to mitigate these risks; and
- monitoring and reviewing processes for the risk assessment of corporate responsibility, sustainability, and compliance and ethical conduct.

Activities of the Sustainability Committee

A summary of the key activities undertaken by the Sustainability Committee during the 2022 financial year is as follows:

- sustainability linked remuneration targets for the Executive Leadership Team reviewed and recommended to the Remuneration Committee for approval;
- review of the Group's baseline Scope 1, 2 and 3 emissions, setting net zero targets for submission to the SBTi for validation;
- ethical supply chain update and supplier survey results review;
- approval of Social Impact Strategy and updated D&I Strategy;
- circularity and plastics action plan update;
- Investor Relations – ESG rating agencies perspectives update;
- TCFD and non-financial reporting regulations compliance update;
- THG Eco business model and route to market update; and
- HSE review and progress update.

Focus for 2023

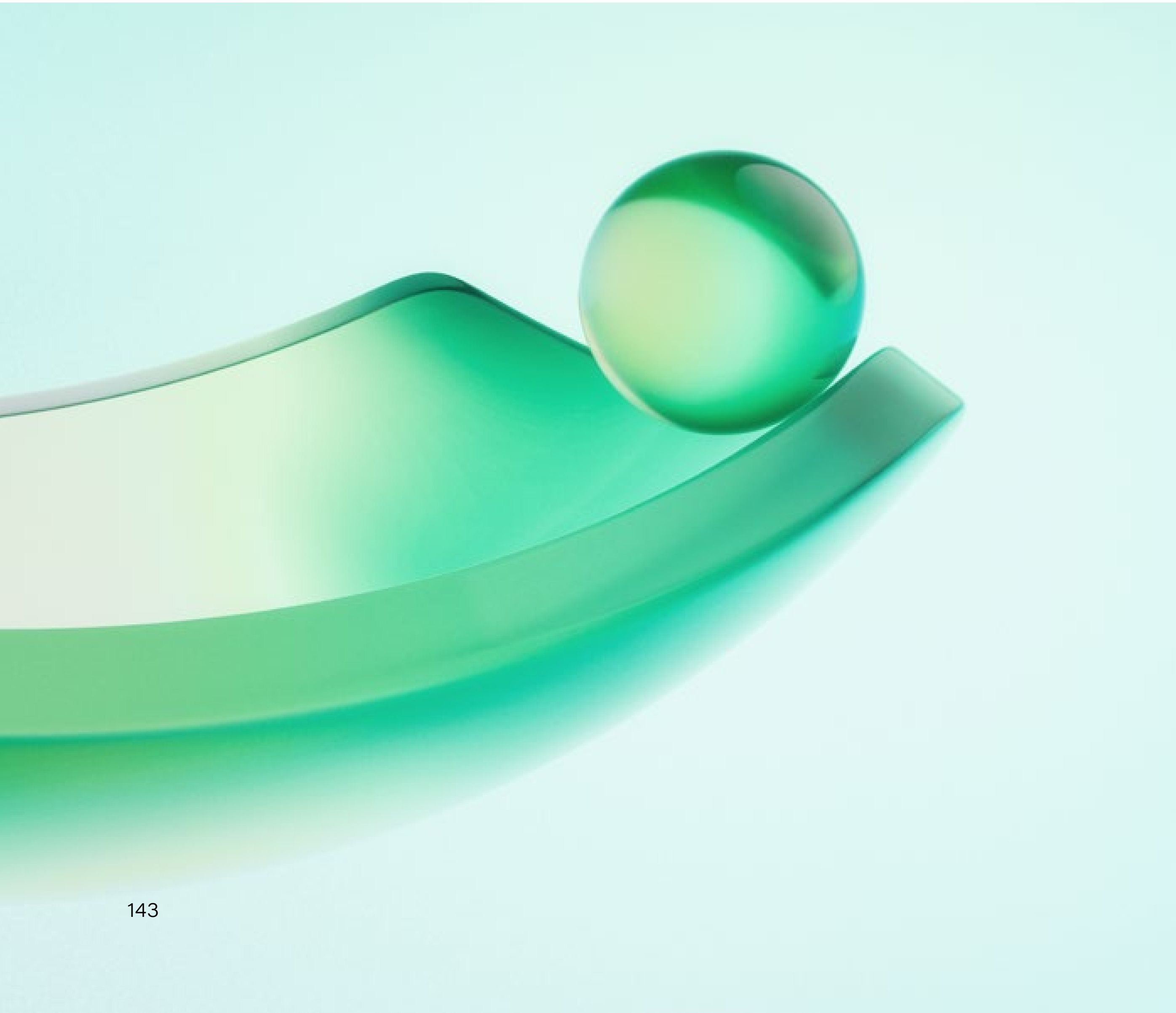
During the current financial year, it is anticipated that key areas of focus for the Sustainability Committee will be as follows:

- oversee and make recommendations to the Executive Leadership Team and the Board for actions to be taken in respect of the Group's sustainability, ethics and compliance strategies, policies, programmes, and activities;
- take a proactive approach in anticipating and preparing for non-financial legislative or regulatory changes and reviewing processes to ensure compliance;
- undertake the bi-annual review of the 2030 Sustainability Strategy, objectives, and targets; and
- monitor and review progress relating to TCFD, particularly in understanding potential risks and uncertainties based on outcomes of the scenario analysis.

On behalf of the Sustainability Committee

Iain McDonald
Chair of the Sustainability Committee

17 April 2023



Directors' Remuneration *Report*

"The Remuneration Committee is committed to ensuring that the Company's leadership is suitably motivated and incentivised to successfully implement the Company's strategy, in turn delivering long-term, sustainable growth for stakeholders, and the current Remuneration Policy has been designed to support these objectives."

Dean Moore
Chair of the Remuneration Committee

Members and attendance

Committee member	Position	Attendance
Dean Moore	Chair[1]	1/1
Iain McDonald	Member	6/6
Gillian Kent	Member[2]	n/a
Damian Sanders	Former Member[3]	6/6
Dominic Murphy	Former Member[4]	3/4
Tiffany Hall	Former Member[5]	3/3

1. Dean Moore was appointed Remuneration Committee Chair upon his appointment to the Board on 15 September 2022.
2. Gillian Kent was appointed to the Remuneration Committee on 24 January 2023 when Damian Sanders stepped down as a member upon his appointment as an Executive Director.
3. Damian Sanders was appointed Remuneration Committee Chair on an interim basis on 18 March 2022 but stepped down from this position upon Dean Moore's appointment to the Committee on 15 September 2022. He thereafter stepped down as a member of the Committee upon his appointment as an Executive Director on 24 January 2023.
4. Dominic Murphy stepped down from the Board and as a member of the Remuneration Committee on 8 June 2022.
5. Tiffany Hall stepped down from the Board and as Remuneration Committee Chair on 18 March 2022. Damian Sanders assumed the position of Chair on an interim basis from this date until Dean Moore's appointment on 15 September 2022.

As the recently appointed Chair of the Remuneration Committee, I am delighted to introduce the Directors' Remuneration Report for the 2022 financial year and would like to thank Damian Sanders for assuming the role of Chair on an interim basis, and leading the Committee, in the period prior to my appointment. I would echo Damian's sentiments in the 2021 Annual Report that the Remuneration Committee remains committed to ensuring that the Group's leadership is appropriately motivated and incentivised to deliver long-term sustainable growth for Shareholders, noting that a key component of this is ensuring that the Group continues to attract and retain talent with the knowledge and skillsets required to maximise the organisation's performance and success.

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 Remuneration Committee Chair;
- the Remuneration Policy; and
- the Annual Report on Remuneration which details payments made to Directors in the 2022 reporting period and which is subject to an advisory Shareholder vote at the forthcoming AGM.

Composition and meetings

The Terms of Reference provide that the Remuneration Committee must comprise not less than three NEDs, the majority of whom must be independent, who are selected by the Board on the recommendation of the Nomination Committee and in consultation with the Remuneration Committee Chair (who must also be an independent NED). With the exception of Iain McDonald, all Remuneration Committee members are deemed to be independent and it is considered that current membership ensures the Committee is well-placed to operate at maximum effectiveness. Whilst recognising the Code's position that only independent non-executive directors should sit on a company's remuneration committee (and as discussed further in the Corporate Governance Statement on page 107), the Board does not consider that it would be in the best interests of the Company and its stakeholders for Iain McDonald to step down from membership of the Committee at the present time. In addition to the fact that the Board currently comprises only two independent NEDs, both of whom are members of the Committee, the Board believes that Iain McDonald's extensive remuneration experience is not only a valuable addition to the Remuneration Committee but also serves to enhance its overall balance of knowledge and skillsets. It is therefore anticipated that Iain McDonald's membership of the Remuneration Committee will continue for the time being, albeit the matter will be kept under ongoing review with regard to, for example, the timing and independence of future Board appointees.

As detailed above, Tiffany Hall stepped down from the Board and as Remuneration Committee Chair on 18 March 2022. Damian Sanders assumed the position of Chair at this time on an interim basis until Dean Moore was appointed to the Board and as Remuneration Committee Chair on 15 September 2022. Damian Sanders remained a member of the Committee until his appointment as an Executive Director on 24 January 2023, at which point Gillian Kent assumed membership of the Committee. Dominic Murphy was also a member of the Committee during the 2022 reporting period until he stepped down from the Board on 8 June 2022.

A summary of these changes, together with the other Board changes which took place during 2022, is as follows (with further details included within the Governance Report):

NED / Former NED	Appointment	Resignation	Date
Tiffany Hall		✓	18 March 2022
Charles Allen	✓		22 March 2022
Dominic Murphy		✓	08 June 2022
Gillian Kent	✓		15 September 2022
Dean Moore	✓		15 September 2022
Zillah Byng-Throne		✓	15 September 2022
Andreas Hansson		✓	15 September 2022
Damian Sanders	n/a	n/a	24 January 2023[1]

1. This is the date on which Damian Sanders stepped down as a NED and was appointed an Executive Director.

At least two Remuneration Committee meetings must take place annually and at such other times as required by the Remuneration Committee Chair or as requested by any Committee member should they consider it necessary. The Remuneration Committee met on six occasions during 2022, with member attendance set out in the foregoing table. The Terms of Reference provide that whilst only Committee members are entitled to attend these meetings others, such as Senior Management and external advisers, may be invited to attend as and when considered appropriate, as was the case during the reporting period.

Role and responsibilities

As detailed within its Terms of Reference, a primary responsibility of the Remuneration Committee is to determine the remuneration package of Executive Directors and the Independent Chair. More generally, it is the responsibility of the Remuneration Committee to ensure that remuneration practices and policies support the Group's strategy and promote its long-term sustainable success. Other key duties of the Committee, as detailed within the 2021 Annual Report, include:

- approving the design of, and determining targets for, any performance-related pay schemes operated by the Company and the payments made thereunder;
- exercising its use of discretion, where appropriate, to override formulaic remuneration outcomes;
- reviewing the ongoing appropriateness and relevance of the Remuneration Policy (further details on which follow), 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.

Remuneration Policy

To ensure the Remuneration Policy was suitably future-proofed for the medium term certain amendments were proposed at the 2022 AGM, including the incorporation of a market standard shareholding requirement for future Executive Directors and the introduction of a LTIP, to allow awards to be granted to certain Executive Directors and thus maximise alignment with long-term Shareholder interests. Whilst these amendments were approved by Shareholders, the Remuneration Committee will, as mandated, continue to review the ongoing suitability of the Remuneration Policy to ensure it remains fit for purpose and evolves as required.

2022 remuneration outcomes

The Remuneration Committee operated the Remuneration Policy broadly as intended during the 2022 reporting period, with the exception that no performance-related pay awards were made in 2022. In light of the global macroeconomic environment both Matthew Moulding and John Gallemore opted to waive their entitlement to participate in the annual bonus plan for the 2022 reporting period (as in prior years). Further, whilst the introduction of a LTIP was approved by Shareholders at the 2022 AGM, the decision was taken to refrain from making any awards under it for the same reason.

No salary increases were awarded during the 2022 reporting period and, as was the case for the 2021 reporting period, Matthew Moulding waived as much as was legally permissible of his base salary in return for the Group making a charitable donation of similar value. John Gallemore also waived as much as was legally permissible of his base salary in return for the Group making a charitable donation of similar value for the period 1 January 2022 to 30 June 2022, after which he was paid his normal contractual salary.

Remuneration for 2023

The Remuneration Committee intends to implement the Remuneration Policy during 2023 as follows:

Base salary

A key activity of the Remuneration Committee during 2022 was the consideration and approval of the remuneration package for Damian Sanders following his appointment to the role of CFO on 24 January 2023. Remuneration for this role will be operated in line with the Remuneration Policy, with a base salary of £500,000 per annum being payable from the date of his appointment.

No salary increases will be awarded to Matthew Moulding or John Gallemore for the 2023 reporting period.

Annual bonus

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, sustainability-linked objectives will be assessed in the annual bonus scorecard for the CEO, members of the Executive Leadership Team and Senior Management.

In line with the Remuneration Policy, annual bonus awards will be granted with a maximum opportunity of 100% of base salary for each of Matthew Moulding, John Gallemore and Damian Sanders. The measures and weightings for the 2023 bonus awards will be:

- Group Sales (20%);
- Group adjusted EBITDA (30%);
- Free Cash Flow (25%); and
- Strategic objectives including ESG metrics (25%).

LTIP

In line with the Remuneration Policy, the Remuneration Committee intends to grant awards of 250% of base salary to each of John Gallemore and Damian Sanders under the LTIP during 2023. Awards will be subject to stretching financial and strategic performance targets which will be disclosed at the time of grant and 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.

Consideration of stakeholder views

Prior to annually reviewing the remuneration of the Executive Directors, the Remuneration Committee considers pay, benefits and share scheme practices for employees across the Group. Whilst no direct workforce engagement took place in respect of the Remuneration Policy changes which were approved at the 2022 AGM, the adoption of a LTIP for Executive Directors is aligned with the approach to Senior Management remuneration. The Group is committed to promoting and maintaining good relations with employees and, where relevant, their representative bodies as part of its broader workforce engagement strategy and intends to enhance the level of its remuneration-specific engagement over the course of 2023.

AGM

I very much look forward to meeting with Shareholders at the forthcoming AGM to discuss any queries or comments on this Directors' Remuneration Report or on Group remuneration matters more generally. If necessary, I can be contacted in advance of the AGM, via the Company Secretary, to discuss any more pressing remuneration questions which Shareholders may have.

On behalf of the Remuneration Committee

Dean Moore
Chair of the Remuneration Committee

17 April 2023

Remuneration Policy

Introduction

As detailed above, certain amendments to the Remuneration Policy were approved by Shareholders at the 2022 AGM (with 99.88% of votes in favour), with the amendments to the Remuneration Policy becoming effective upon approval.

A summary of the Remuneration Policy is set out below for reference to assist with the understanding of this Directors' Remuneration Report. Full details of the Remuneration Policy can be found on pages 183-193 of the 2021 Annual Report.

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) will increase materially over the period for which this Remuneration Policy applies. 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.
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

Annual Report on Remuneration

This section covers the reporting period from 1 January 2022 to 31 December 2022 and provides details of the implementation of the Remuneration Policy during the period, as well as the intended implementation during the current 2023 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 2022, together with comparative figures for the financial year to 31 December 2021. 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 (£'000)	Total variable pay (£'000)	Total (£'000)
Executive Directors										
Matthew Moulding	2022	21	12	0	33	0	0	0	0	33
	2021	20	433[2]	0	453	0	0	0	0	453
John Gallemore	2022	235	5	1	241	0	0	0	0	241
	2021	20	5	0	25	0	0	0	0	25
NEDs										
Charles Allen[3]	2022	328	0	0	328	0	0	0	0	328
	2021	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Damian Sanders[4]	2022	157	0	0	157	0	0	0	0	157
	2021	132	0	0	132	0	0	0	0	132
Edward Koopman	2022	36	0	0	36	0	0	0	0	36
	2021	35	0	0	35	0	0	0	0	35
Iain McDonald	2022	58	0	0	58	0	0	0	0	58
	2021	60	0	0	60	0	0	0	0	60
Gillian Kent[3]	2022	30	0	0	30	0	0	0	0	30
	2021	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Dean Moore[3]	2022	30	0	0	30	0	0	0	0	30
	2021	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Former NEDs										
Tiffany Hall[5]	2022	19	0	0	19	0	0	0	0	19
	2021	81	0	0	81	0	0	0	0	81
Dominic Murphy[5]	2022	29	0	0	29	0	0	0	0	29
	2021	93	0	0	93	0	0	0	0	93
Zillah Byng-Thorne[5]	2022	71	0	0	71	0	0	0	0	71
	2021	100	0	0	100	0	0	0	0	100
Andreas Hansson[5]	2022	25	0	0	25	0	0	0	0	25
	2021	6	0	0	6	0	0	0	0	6

1. From Admission and subject to minimum statutory limits, Matthew Moulding has elected to waive his salary with John Gallemore electing to waive his salary for the period from Admission to 30 June 2022. 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 2021, the salaries waived by Matthew Moulding and John Gallemore were £730,414 and £430,414 respectively. For the financial year ending 31 December 2022, the salaries waived by Matthew Moulding and John Gallemore were £729,331 and £214,328 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. For the financial year ending 31 December 2022, both Matthew Moulding and John Gallemore waived their entitlement to participate in the annual bonus plan, as they did for the financial year ending 31 December 2021.
2. In line with the previous Remuneration Policy, the Company provided private security cover to Matthew Moulding and his family to allow him to carry out his duties as CEO. Whilst the cost of this cover is included within the 2021 benefits figure it has been personally funded by Matthew Moulding from 1 January 2022 onwards and is not therefore included within Matthew Moulding's remuneration figure for the 2022 reporting period.
3. The figures for the 2022 reporting period have been pro-rated to reflect Charles Allen's appointment to the Board from 22 March 2022 and the appointments of Gillian Kent and Dean Moore from 15 September 2022.
4. Damian Sanders was appointed chair of: (i) the Divisional Reorganisation Committee upon its inception on 1 July 2021 and remained as chair until the Committee's dissolution on 31 July 2022; and (ii) the Profit Improvement Committee, established to oversee efficiency projects across the Group, incorporating oversight of cost rationalization programmes and specific review of areas identified for performance improvement (the "PIC"), upon its inception on 1 August 2022. He received a fee of £80,000 (pro-rated as appropriate) in respect of each of these chairships during the 2022 reporting period.
5. The figures for the 2022 reporting period have been pro-rated to reflect Tiffany Hall stepping down from the Board on 18 March 2022, Dominic Murphy stepping down from 8 June 2022 and each of Zillah Byng-Thorne and Andreas Hansson stepping down from 15 September 2022.

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 2022 reporting period. As such, at 31 December 2022 salary levels were as follows:

- Matthew Moulding: £750,000; and
- John Gallemore: £450,000.

As previously stated, Matthew Moulding waived as much as was legally permissible of his base salary during the 2022 reporting period in return for the Group making a charitable donation of similar value. John Gallemore also waived as much as was legally permissible of his base salary in return for the Group making a charitable donation of similar value for the period 1 January 2022 to 30 June 2022. For the financial year ending 31 December 2022, the salaries waived by Matthew Moulding and John Gallemore were £729,331 and £214,328 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 the 2022 reporting period, £433 and £872 were paid into the personal pension plans of Matthew Moulding and John Gallemore respectively. 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 and life assurance. Matthew Moulding has personally funded his private security 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 2022 financial year.

Scheme interests awarded (audited)

No such awards were made to Directors during the 2022 financial year.

Payments to past Directors (audited)

No payments were made to past Directors during the 2022 financial year.

Loss of office payments (audited)

No loss of office payments were made during the 2022 financial year.

External appointments

None of the Executive Directors received 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 2022:

Director	Ordinary Shares	D1 Shares	D2 Shares	Deferred 2 Shares	E Shares	F Shares	G Shares	H Shares
Executive Directors								
Matthew Moulding[1,2]	198,744,095	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								
Charles Allen[3]	2,400,000	0	0	0	0	0	0	0
Damian Sanders[3]	21,926	0	0	0	0	0	0	0
Edward Koopman	0	0	0	0	0	0	0	0
Iain McDonald	2,505,943	0	0	14,524	185,476	0	0	0
Gillian Kent	0	0	0	0	0	0	0	0
Dean Moore	0	0	0	0	0	0	0	0
Former NEDs								
Tiffany Hall[4]	33,557	0	0	0	0	0	0	0
Dominic Murphy[5]	14,566,016	0	0	29,047	370,953	0	0	0
Zillah Byng-Thorne[6]	69,765	0	0	25,417	0	0	0	0
Andreas Hansson[6]	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. 160,486,876 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. Charles Allen and Damian Sanders 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 sit significantly below the notification threshold and therefore do not impair their independence.
4. Tiffany Hall stepped down from the Board on 18 March 2022 and her shareholding is stated as at this date.
5. Dominic Murphy stepped down from the Board on 8 June 2022 and his shareholding is stated as at this date.
6. Both Zillah Byng-Thorne and Andreas Hansson stepped down from the Board on 15 September 2022 and their shareholdings are stated as at this date.

There have been no changes to Directors' shareholdings between 31 December 2022 and the date of this Directors' Remuneration Report.

Directors' share ownership guidelines (audited)

As described in the Remuneration Policy, Matthew Moulding and John Gallemore are both 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 2022 reporting period was as follows:

Director	Shareholding requirement (%age of salary)	Shareholding as at 31 December 2022 (%age of salary)	Shareholding requirement met?
Matthew Moulding	350%	25,200%[1]	Yes
John Gallemore	350%	1,472%[2]	Yes

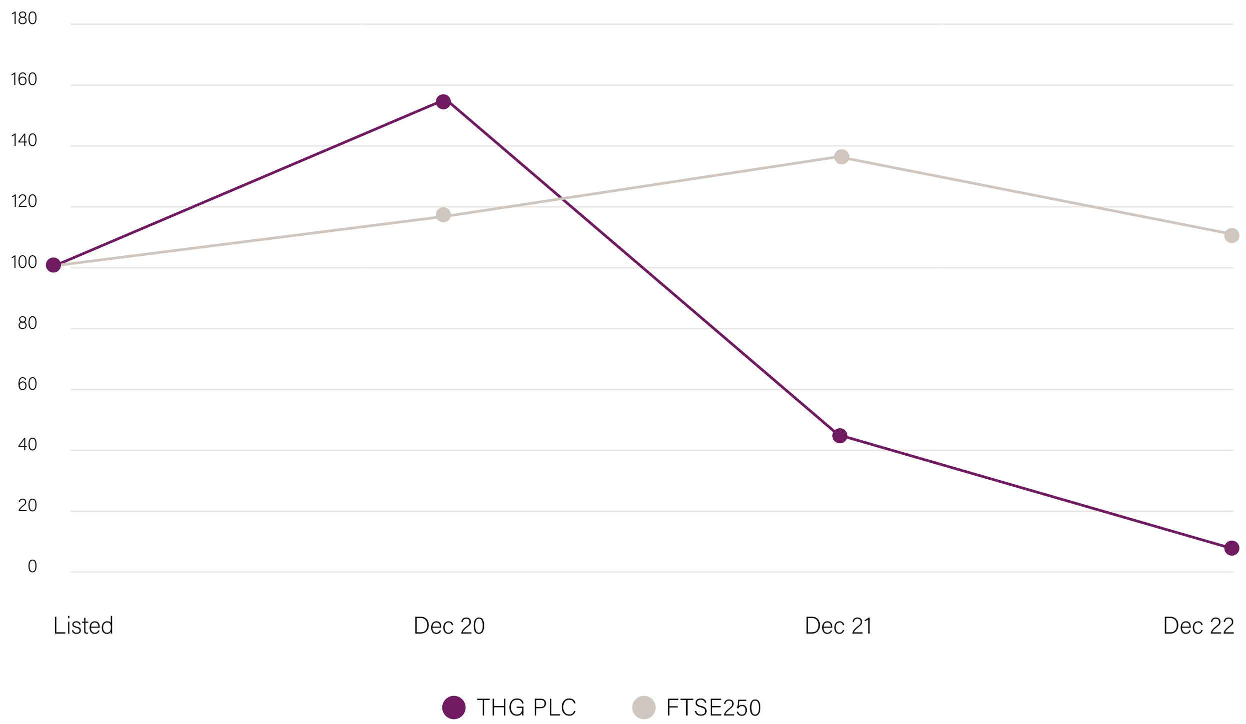
1. Matthew Moulding's aggregated shareholding includes all Shares (i.e. Ordinary Shares, D1 Shares, D2 Shares, E Shares, F Shares, G Shares and Deferred 2 Shares) held by Matthew Moulding, his wife, Jodie Moulding, and FIC ShareCo Limited, a corporate entity wholly owned by Matthew Moulding.
2. John 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 2022 i.e. £0.557.

Performance graph and table

The following graph shows the TSR (i.e. total shareholder return) performance over the period from Admission to 31 December 2022 relative to the FTSE 250 Index. It illustrates the performance of a £100 investment in the Company in that period compared with the value of £100 invested in the FTSE 250 Index over the same period.

While the FTSE 100 Index was used in previous years, the FTSE 250 Index is now considered to be a more 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:

	2020	2021	2022
Single figure (£'000)	870,139	453	33
Bonus outcome as a percentage of maximum	100%	n/a[1]	n/a[1]
Long-term incentive outcome as a percentage of maximum	100%	n/a[2]	n/a[2]

1. Matthew Moulding waived his entitlement to participate in the annual bonus plan for each of the 2021 and 2022 financial years.
2. No LTIP was eligible to vest in respect of either the 2021 or 2022 financial years 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 and 2021 and 2022 financial years, compared with the percentage change in the average of each of these components of pay for all UK employees for each of these periods. The comparison uses a per capita figure.

	2021 to 2022			2020 to 2021		
	Salary / fees	Benefits	Bonus	Salary / fees	Benefits	Bonus
Executive Directors						
Matthew Moulding[1]	5.5%	-97.3%	n/a	-95.8%	17.0%	-100%
John Gallemore[2]	1,100.7%	2.6%	n/a	-91.6%	63.0%	-100%
NEDs						
Charles Allen	n/a[3]	0%	n/a[4]	n/a[3]	n/a[3]	n/a[4]
Damian Sanders	18.8%[5]	0%	n/a[4]	780%	0%	n/a[4]
Edward Koopman	2.1%	0%	n/a[4]	250%	0%	n/a[4]
Iain McDonald	-2.8%	0%	n/a[4]	325%	0%	n/a[4]
Gillian Kent	n/a[3]	0%	n/a[4]	n/a[3]	n/a[3]	n/a[4]
Dean Moore	n/a[3]	0%	n/a[4]	n/a[3]	n/a[3]	n/a[4]
Wider workforce						
Average employee[6]	10.5%	-20.8%	-85.4%	10.1%	217.3%	-37.5%
Former NEDs						
Tiffany Hall	-76.3%[7]	0%	n/a[2]	n/a[8]	0%	n/a[2]
Dominic Murphy	-68.5%[7]	0%	n/a[2]	244%	0%	n/a[2]
Zillah Byng-Thorne	-29.1%[7]	0%	n/a[2]	100%	0%	n/a[2]
Andreas Hansson	313.6%[7]	0%	n/a[2]	n/a[8]	0%	n/a[2]

1. From Admission and subject to minimum statutory limits, Matthew Moulding has elected to waive his salary and the percentage increase stated above reflects changes in these statutory limits rather than changes to salary levels. The reduction in the benefits figure relates to Matthew Moulding's private security cover which was funded by the Company in 2021 and personally funded from 1 January 2022 onwards. As in 2021, Matthew Moulding waived his entitlement to participate in the annual bonus plan.
2. During 2021 John Gallemore elected to waive his salary subject to minimum statutory limits. In 2022 John Gallemore elected to waive his salary to 30 June 2022 and since this date has been paid his standard base salary. The percentage increase stated above reflects John Gallemore electing not to waive his salary during the period 1 July 2022 to 31 December 2022. As in 2021, John Gallemore waived his entitlement to participate in the annual bonus plan.
3. Charles Allen, Gillian Kent and Dean Moore were not Directors during the 2021 financial year. Charles Allen was appointed to the Board on 22 March 2022 and Gillian Kent and Dean Moore were both appointed on 15 September 2022.
4. NEDs are not entitled to participate in the annual bonus plan.
5. Damian Sanders was appointed chair of: (i) the Divisional Reorganisation Committee upon its inception on 1 July 2021 and remained as chair until the Committee's dissolution on 31 July 2022; and (ii) the PIC upon its inception on 1 August 2022. He received a fee of £80,000 (pro-rated as appropriate) in respect of each of these chairships during the 2022 reporting period.
6. THG PLC is the parent company of the Group and, with the exception of the Executive Directors, does not have any employees. The figures detailed here are therefore representative of the Group's UK workforce.
7. Each of these former NEDs stepped down from the Board during the 2022 reporting period. Tiffany Hall stepped down on 18 March 2022, Dominic Murphy stepped down on 8 June 2022 and both Zillah Byng-Thorne and Andreas Hansson stepped down on 15 September 2022.
8. Each of these former NEDs were also not Directors during the 2020 reporting period. Tiffany Hall was appointed to the Board on 12 January 2021 and Andreas Hansson was appointed to the Board on 26 October 2021.

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
2022	Option A	33	1.2:1	1.1:1	0.8:1
2021	Option A	453	21:1	18:1	14:1

The total pay and benefits 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
2022	Salary	£23,018.10	£26,679.32	£38,158.33
2022	Total pay and benefits	£27,872.37	£29,977.27	£39,942.46

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 2022 financial year as the Company believes this is the most robust methodology for calculating these figures (and reflects the approach adopted for the 2021 financial year). The full-time equivalent annualised remuneration (comprising salary, benefits, pension, annual bonus and long-term incentives) was then calculated for those employees for the 2022 financial year.

The ratio continues to reduce year-on-year, primarily as a result of Matthew Moulding waiving as much of his base salary as is legally permissible in return for the Group making a charitable donation of similar value, as well as waiving his entitlement to participate in the annual bonus and not participating in any long-term incentive scheme. Executive Director pay is, typically, more at risk than wider employee pay due to the use of variable pay which is not guaranteed and hence, depending on incentive plan outcomes, can lead to a total pay ratio that varies significantly from year-to-year. The Remuneration Committee notes that the pay ratios for 2022 reflect the fact that the CEO waived most of his remuneration for the financial year. Furthermore, the Committee believes that THG's reward policies are not only aligned with the Group's shared values and culture but also incentivise and drive the right behaviours and ensure all employees are rewarded fairly and competitively for their contribution to the Group's success. For these reasons, the Committee is satisfied that the median pay ratio is consistent with the Group's pay, reward and progression policies.

THG PLC is the parent company of the Group and, with the exception of the Executive Directors, does not have any employees. The pay ratio figures have therefore been calculated with reference to the Group's UK workforce which, the Company believes, is the appropriate comparator being reflective of the wider policies in operation on employee pay, reward and progression across the vast majority of the Group's overall workforce.

Relative importance of spend on pay

The following table details Shareholder distributions and THG expenditure on total employee pay for the 2022 reporting period versus the prior year, together with the percentage change year-on-year.

	2022 (£m)	2021 (£m)	%age change
Profit distributed by way of dividend	0	0	n/a
Total spend on remuneration	336.3	305.3	10.16

Shareholder dilution

Any share incentive plans (including The THG PLC 2022 Executive 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 ordinary shares must not exceed 10% of the issued ordinary share capital in any rolling ten-year period, of which up to 5% may be used to satisfy options under executive share schemes.

As detailed in the 2021 Annual Report and as set out in the Company's published Prospectus, it was intended that any future share awards to Group employees (excluding the Executive Directors), for the purpose of making employee incentive awards, would be satisfied out of the previously authorised but unissued maximum of 9,917,601 F Shares and 14,889,292 G Shares (i.e. a total of 24,806,893 Shares), following admission of the Ordinary Shares to trading on the London Stock Exchange. During 2022 awards were made using 24,128,750 of these F Shares and G Shares to in excess of 500 employees (excluding Executive Directors). As these Shares were already reflected in the fully diluted share capital of the Company, their issuance does not affect overall dilution and thus they have not been included in the dilution percentage which follows.

In October 2022 19,074,902 Ordinary Shares were admitted to trading on the London Stock Exchange to further satisfy employee incentive awards and ensure the Group continues to attract and retain world-class talent. This new issue of Ordinary Shares represented 1.51% of the Company's ordinary issued share capital as at 31 December 2022. To date no Ordinary Shares have been issued to Executive Directors under any executive schemes.

Shareholder voting at 2022 AGM

At the 2022 AGM the resolutions to approve: the Directors' Remuneration Report; the changes to the Remuneration Policy; and the adoption of The THG PLC 2022 Executive LTIP 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)	718,217,975	99.88	885,296	0.12	719,103,271	58.88	14,538,630
To approve the changes to the Remuneration Policy	718,254,407	99.88	827,864	0.12	719,082,271	58.88	14,559,630
To approve the adoption of The THG PLC 2022 Executive LTIP	718,241,430	99.88	859,927	0.12	719,101,357	58.88	14,540,544

Implementation of Remuneration Policy for the 2023 financial year

The Remuneration Committee proposes to implement the Remuneration Policy for the financial year ending 31 December 2023 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 2023, base salaries will be as follows:

- Matthew Moulding: £750,000;
- Damian Sanders: £500,000; and
- John Gallemore: £450,000.

Pension

There is no change in the contribution percentage for Executive Directors for the financial year ending 31 December 2023 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

There is no change in benefits provisions for Executive Directors for the financial year ending 31 December 2023.

Annual bonus

In line with the Remuneration Policy, the maximum opportunity for the financial year ending 31 December 2023 will be:

- Matthew Moulding: 100% of base salary;
- Damian Sanders: 100% of base salary; and
- John Gallemore: 100% of base salary.

The measures and weightings for the 2023 financial year will be:

- Group Sales (20%);
- Group adjusted EBITDA (30%);
- Free Cash Flow (25%); and
- Strategic objectives including ESG metrics (25%).

The specific targets are considered commercially sensitive and will be disclosed in next year's Annual Report on Remuneration.

LTIP

In line with the Remuneration Policy approved at the 2022 AGM, the Remuneration Committee intends to grant a LTIP award to Damian Sanders and John Gallemore during the 2023 financial year equal to 250% of base 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 performance conditions 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 2023 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, Remuneration and Sustainability Committees	£12,000
Additional fee for chairing each of Related Party and Nomination Committees	£8,000
Additional fee for membership of each of Audit, Risk, Related Party, Nomination, Remuneration and Sustainability Committees	£5,000

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 2022 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 2022 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 2021 Directors' Remuneration Report and the proposed amendments to the Remuneration Policy presented therein;
- the remuneration package for the new Independent Chair;
- the remuneration package for the new CFO;
- the design and implementation of the new Employee Incentive Plan; and
- appropriate performance metrics for 2023 incentive arrangements.

Fees charged by PwC for advice provided to the Remuneration Committee for the financial year ended 31 December 2022 amounted to £78,500 (excluding VAT).

On behalf of the Remuneration Committee

Dean Moore
Chair of the Remuneration Committee

17 April 2023

Financial *Statements*

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 2022 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; and
- 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 2022 which comprise:for the year ended 31 December 2021 which comprise:

Group	Parent company
Consolidated statement of comprehensive income for the year ended 31 December 2022	Company balance sheet as at 31 December 2022
Consolidated statement of financial position as at 31 December 2022	Company statement of changes in equity for the year ended 31 December 2022
Consolidated statement of changes in equity for the year ended 31 December 2022	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 2022	
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 the preparation of the Group financial statements 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 assessment period to 30 April 2024.
- We challenged the reasonableness of the key assumptions such as the revenue growth rate 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 that loan repayments have been appropriately included within management's forecasts to the extent they are 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 positions as at 31 December 2022 and 31 March 2023 to bank statements.
- We compared the forecast results for the year to date to 31 March 2023 to management accounts and flash results.
- We identified additional stress tests that were then run by management to determine the impact of changing some of management's key assumptions on the going concern assessment. These key assumptions were in relation to: the revenue growth rate, 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. Management performed these stress tests by sensitising for each key assumption individually based on their 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 then 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 2024.
- 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 Group retained headroom on forecast cash and covenant compliance throughout the going concern assessment period. Nor the base case or sensitised scenario does not assume any draw down of the RCF. The lowest level of cash headroom identified is £253.9m in management's downside scenario, this cash headroom position includes a 40% drawdown of funds from the RCF facility of £170m (less amounts ringfenced for supply chain financing) which expires in December 2024, in addition to cash balances.
- Cash balances as at 31 December 2022 total £474m. The Group is projected to meet all of its covenant tests (which only apply when the Group 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 test which was designed to identify which assumptions would eliminate headroom in the model.

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 2024.

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 or parent company'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 1 component and audit procedures on specific balances for a further 2 components. The components where we performed full or specific audit procedures accounted for 100% of loss before tax (review scope components contained a profit), 98% of revenue, 98% of total expenses and 99% of total assets.
Key audit matters	• Revenue recognition • Impairment of intangible assets • Accounting for platform development costs • Significant disclosures
Materiality	Overall Group materiality of £9.2m which represents 0.4% of total 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 91% of the Group's revenue, 92% of the Group's expenses, and 94% of the Group's total assets. Specific scope components account for 7% of the Group's revenue, 6% of the Group's expenses, and 5% of the total assets. We performed specified or analytical audit procedures on the other components. All audit work 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 2021 Group audit.

Involvement with component teams

There is no involvement of component teams, all audit work performed for the purposes of the audit was undertaken by the Group audit team only. In the prior year, we involved an EY component team to perform specified procedures on a newly acquired component in the US. The work on this component has been performed by the Group audit team in the current year.

Climate change

There has been increasing interest from stakeholders as to how climate change will impact THG plc. The Group has determined that the principal impact will be through transition and physical risks as described in the TCFD section on pages 79-82 and in the Sustainability report, as well as on page 91 within 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 including the Groups disclosure of its assessment of climate change within the critical accounting judgements and estimates section of the Groups accounting policies on page 183.

Whilst the Group has stated its commitment to the aspirations of the Paris Agreement to achieve net zero emissions by 2030, 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.

Based on our work we have not identified the impact of climate change on the financial statements to be a key audit matter or to impact a key audit matter.

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 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 (£2,239m, 2021: £2,180m) *Refer to the Audit Committee Report (page 125); Accounting policies (page 176); and Note 2 of the Consolidated Financial Statements.* THG plc has reported revenue of £2,239m for the year ended 31 December 2022 (2021: £2,180m). Revenue is a key metric when evaluating the performance of the Group and receives significant scrutiny externally and internally. Product revenue (D2C/B2B revenue) is primarily compiled of a large volume of small value transactions. As the Group makes 28% of its sales in the final quarter of the year we have focussed our risk on the final three months of product sales.	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 £2.1bn) at full and specific scope components. This involved tracing a full population of transaction data to cash journals which demonstrated that materially all of the revenue recognised in the year was received as cash. A sample of the related cash journals 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 (between 28 and 60 days depending on customer type), to identify whether appropriate provisions for returns were in place at the year end. For product revenue (B2B) not tested using the data analytics approach (5% of total revenues), we have agreed a sample of transactions to invoice, proof of delivery and subsequent cash receipt. For product revenue (D2C) from marketplace sales not tested using the data analytics approach (1% of total revenues), we have agreed a sample of transactions to the third-party merchant's transaction and settlement reports, as well as 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 in scope.

Risk	Our response to the risk
In regards to the revenue from THG Ingenuity, the risk we have identified is split across both product revenues and other revenues (services, hosting) reported by THG. 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 THG 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 "IFRS15, Revenue from Contracts with Customers".	For the risk identified on Ingenuity and other revenues we performed the following procedures: We performed a walkthrough of each significant class of revenue transactions within THG Ingenuity or 'Other revenue' and assessed the design effectiveness of key controls. For a sample of new 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. We assessed the status of the project and whether the relevant site had 'gone live'. Where these projects were yet to go live, we understood the reasons and considered whether revenue had been recognised in line with IFRS 15. Our assessment included, but was not limited to: • Variable consideration • Services which have been rendered at nil charge • Principal vs agent considerations • Consideration of whether any contracts contain embedded leases (IFRS 16). For a sample of existing contracts, we enquired of the customer managers as to whether there had been changes in the contract terms, including changes in performance obligations and allocation of consideration to each performance obligation identified. 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 segment. We challenged management on the classification of revenue as 'Infrastructure' and 'Commerce' revenue and ensured that different elements of THG Ingenuity are clearly articulated given external interest in this 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

Through our audit procedures on product revenue, we identified a reclassification for discounts amounting to £17m between revenue and cost of sales – this has been corrected by management. Based on the audit procedures performed, we did not identify further 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
Impairment of intangible assets £1,276m (2021: £1,506m) *Refer to the Audit Committee Report (page 126); Accounting policies (page 178); and Note 11 of the Consolidated Financial Statements.* The Group's legal structure was reorganised during the financial year and as a result of this there has been a change in the number of CGUs ("cash-generating units") identified by management for the purposes of their year-end impairment assessment. £1.1bn of the Group's intangible assets is contained within two of the identified CGU's (THG Beauty and THG Ingenuity). There is a risk that these assets recoverable value are below the carrying amount.	Our procedures to respond to the risk of impairment of intangible assets included: We reviewed the basis for the identification of CGUs and concluded that management's identified CGUs were appropriate. 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 key 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 assessed the impairment disclosure presented by management and ensured this was in accordance with the requirements of 'IAS 36 Impairment of Assets' and 'IFRS 13 Fair Value Measurement'. We compared the disclosure with the key assumptions we have audited and ensured these were consistent and that appropriate sensitivities have been disclosed.

Key observations communicated to the Audit Committee

We have highlighted to the Audit Committee the sensitivity of the THG Beauty and THG Ingenuity CGU's (and the disclosed impairment charges) to reasonably possible changes in key assumptions such as the revenue growth rate and the discount rate. Management have considered this in the specific risk premiums adopted in their discount rate, the final impairment charge recorded and the disclosures adopted in the Annual Report and Accounts.

Risk	Our response to the risk
Accounting for platform development costs £100m (2021: £82m) *Refer to the Audit Committee Report (page 126); Accounting policies (page 178); and Note 11 of the Consolidated Financial Statements.* Within capitalised platform development costs we have identified 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 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 Intangible Assets' and 'SIC 32 – Intangible Assets – Web Site Costs.' We reviewed for risk of management 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. We exercised professional scepticism and performed an unusual phrase search on the ledger to identify any operational costs incorrectly capitalised. We performed a trend analysis to assess any unusual fluctuation in the pattern of time capitalised on a month-on-month basis. We made inquiries of the Chief Technology Officer to corroborate our understanding of process and the controls in place to ensure capitalised projects delivered expected results and whether there is appropriate oversight of new projects in place to ensure they meet relevant criteria of IAS 38.

Key observations communicated to the Audit Committee

We reported certain control observations to the Audit Committee which have been acknowledged. Based on the procedures we have performed we did not identify material misstatements in the capitalised platform development costs carried in the statement of financial position.

Risk	Our response to the risk
Significant disclosures *Refer to the Audit Committee Report (page 126); Accounting policies (page 183).* 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 and understandable • Disclosures relating to impairment • Adjusted profit measures • Related party transactions • Narrative related to Ingenuity, and presentation of segmental reporting (including the impact of IFRS 5 discontinued operations) 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. **Disclosures relating to impairment** We assessed the impairment disclosure presented by management and ensured this was in accordance with the requirements of IAS 36 and IFRS 13. We compared the disclosure with the key assumptions we have audited and ensured these were consistent and that appropriate sensitivities have been disclosed. **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 selected a sample of adjusted items and agreed these costs to invoices where relevant.

Risk	Our response to the risk
	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 related parties. We assessed the appropriateness of modifications made to existing related party relationships and contracts to assess whether they were at an arms' length. 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 related party contracts. 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, or that those that are not on a fair market basis are not material to the financial statements. 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 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 ensured appropriate disclosure of all related party transactions in the financial statements. **Narrative related to the Ingenuity business, and presentation of segmental reporting (including IFRS 5 discontinued operations)** We considered whether narrative related to the Ingenuity business was in line with our understanding of our contract testing (see revenue section above). We reviewed judgements on segments and ensured that reportable segments were disclosed appropriately in accordance with IFRS 8. We ensured that the presentation of results for THG OnDemand and Luxury in the segmental reporting note to the financial statements was in line with authoritative guidance on discontinued operations.

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.

The disclosures for related party transactions have been made in accordance with 'IAS 24 Related Party Transactions.' In 2021 we reported control deficiencies in relation to related party transactions. During the year, management have implemented controls to remediate the reported deficiency.

Overall we concluded that the Annual Report and Accounts, when taken as a whole, is considered to be Fair, Balanced and Understandable.

In the prior year, our auditor's report included a key audit matter in relation to 'Valuation of Intangibles' which incorporated our risks on acquisition accounting; capitalisation of platform development costs and impairment of intangibles.

However in the current year, we have only considered impairment of intangibles and accounting for platform development costs as key audit matters given the significance of the judgements taken, impact on the financial statements and the time and resources allocated to these risk areas by the audit team.

The Group has made no acquisitions in the current year (ten in FY21, total spend £0.8bn) and as such this has not been determined to be a key audit matter in 2022.

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 £9.2m (2021: £8.7m), which is 0.4% (2021: 0.4%) 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 the increase in revenue which is the basis for materiality.

We determined materiality for the parent company to be £9.2m (2021: £7.6m), which is 1% of equity (2021: 1% of equity), capped at Group materiality.

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

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% (2021: 50%) of our planning materiality, namely £4.6m (2021: £4.4m). We have set performance materiality at this percentage due to the level of errors identified through the course of the 2021 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 £0.9m to £4.0m (2021: £0.7m to £3.8m), 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 £0.50m (2021: £0.26m), which is set at 5% (2021: 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, 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 the 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 statements 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 93;
- 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 93;
- Directors' statement on fair, balanced and understandable set out on page 127;
- Board's confirmation that it has carried out a robust assessment of the emerging and principal risks set out on pages 86-87;
- The section of the Annual Report and Accounts that describes the review of effectiveness of risk management and internal control systems set out on page 83; and;
- The section describing the work of the Audit Committee and Risk Committee set out on page 123 and 130.

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; or
- 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; or
- 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; or
- 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; or
- 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 103, 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.
- 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 within 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 2018. 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.

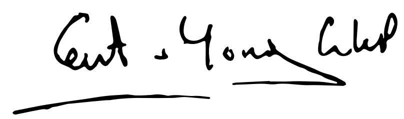
This description forms part of our auditor's report.

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 2022 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 2022.
- 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
17 April 2023

Consolidated statement of comprehensive income for the year ended 31 December 2022

	Note	2022 Total £'000	2021 Total £'000
Revenue	2	2,239,229	2,179,910
Cost of sales		(1,359,254)	(1,225,506)
Gross profit		879,975	954,404
Distribution costs		(402,769)	(429,940)
Administrative costs		(972,771)	(661,927)
Operating loss	3	(495,565)	(137,463)
Finance income	8	2,359	623
Finance costs	8	(56,522)	(49,447)
Loss before taxation		(549,728)	(186,287)
Income tax credit	9	9,771	48,213
Loss for the financial year		(539,957)	(138,074)

Other comprehensive (expense) / income

Items that may be subsequently reclassified to profit or loss:

	Note	2022 Total £'000	2021 Total £'000
Exchange differences on translating foreign operations, net of tax		62,953	(272)
Net gain in cash flow hedges		9,753	11,391
Total comprehensive expense for the financial year		(467,251)	(126,955)
Basic and diluted loss per share (£)	26	(0.44)	(0.13)

Adjusted EBITDA

	Notes	2022 £'000	2021 £'000
Operating loss		(495,565)	(137,463)
Adjustments for:			
Share-based payments	7	10,734	-
Adjusted items - impairment	4	275,422	55,990
Adjusted items - other	4	70,357	73,238
Depreciation	12.1,22	94,191	70,478
Amortisation	11	108,975	99,033
Adjusted EBITDA[1]		64,114	161,276

1. Adjusted EBITDA is defined as operating profit before depreciation, amortisation, share-based payments 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 2022

	Note	31 December 2022 £'000	31 December 2021 £'000
Non-current assets			
Intangible assets	11	1,275,762	1,506,292
Property, plant and equipment	12.1	360,041	335,620
Right-of-use assets	22	294,309	310,282
Investments		1,400	1,400
Other financial assets	14	21,567	-
		1,953,079	2,153,594
Current assets			
Assets held for sale	12.2	21,397	-
Inventories	13	373,271	466,781
Trade and other receivables	15	264,949	263,929
Other financial assets	14	301	2,700
Current tax asset		2,377	-
Cash and cash equivalents	16	473,783	536,827
		1,136,078	1,270,237
Total assets		3,089,157	3,423,831
Equity			
Ordinary shares	23	6,903	6,684
Share premium		2,024,452	2,022,311
Merger reserve		615	615
Capital redemption reserve		523	523
Hedging reserve		(6,221)	(12,964)
Cost of hedging reserve		16,704	13,694
FX reserve		61,859	(1,094)
Retained earnings		(803,096)	(274,015)
		1,301,739	1,755,754
Non-current liabilities			
Borrowings	18	648,197	489,113
Other financial liabilities	14	4,189	-
Lease liabilities	22	290,381	305,831
Provisions	19	18,840	15,623
Deferred tax	21	76,598	73,766
		1,038,205	884,333
Current liabilities			
Contract liability	20	34,256	36,143
Trade and other payables	17	636,440	676,563
Borrowings	18	30,992	752
Current tax liability		-	4,118
Lease liabilities	22	43,995	43,342
Provisions	19	3,530	883
Other financial liabilities	14	-	21,943
		749,213	783,744
Total liabilities		1,787,418	1,668,077
Total equity and liabilities		3,089,157	3,423,831

The financial statements on pages 171-223 were approved by the Board of Directors on 17 April 2023 and were signed on its behalf by

Damian Sanders

Chief Financial Officer
Registered number: 06539496

Consolidated statement of changes in equity for the year ended 31 December 2022

	Note	Ordinary shares	Share premium	Merger reserve	Capital Redemption reserve	FX reserve	Hedging reserve	Cost of Hedging reserve	Retained earnings	Total equity
		£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
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 year		-	-	-	-	(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**
Balance at 1 January 2022		6,684	2,022,311	615	523	(1,094)	(12,964)	13,694	(274,015)	**1,755,754**
Loss for the year		-	-	-	-	-	-	-	(539,957)	**(539,957)**
Other comprehensive income:										
Impact of foreign exchange		-	-	-	-	62,953	-	-	-	**62,953**
Movement on hedging instruments		-	-	-	-	-	6,743	3,010	-	**9,753**
Total comprehensive income / (expense) for the year		-	-	-	-	62,953	6,743	3,010	(539,957)	**(467,251)**
Issue of ordinary share capital		219	2,141	-	-	-	-	-	-	**2,360**
Share-based payments	7	-	-	-	-	-	-	-	10,734	**10,734**
Deferred tax effect in equity	21	-	-	-	-	-	-	-	142	**142**
Balance at 31 December 2022		6,903	2,024,452	615	523	61,859	(6,221)	16,704	(803,096)	**1,301,739**

Consolidated statement of cash flows for the year ended 31 December 2022

	Note	2022	2021
		£'000	£'000
Cash flows from operating activities before adjusted cash flows			
Cash generated from operations	25	**87,642**	95,954
Income tax paid		**(4,857)**	(7,095)
Net cash generated from operating activities before adjusted cash flows		**82,785**	88,859
Cash flows relating to adjusted items		**(45,071)**	(65,528)
Net cash generated from operating activities		**37,714**	23,331
Cash flows from investing activities			
Acquisition of subsidiaries net of cash acquired	10	**(5,691)**	(768,490)
Purchase of investments		**-**	(1,400)
Purchase of property, plant and equipment		**(94,854)**	(111,553)
Purchase of intangible assets		**(81,564)**	(77,620)
Interest received	8	**2,359**	323
Net cash used in investing activities		**(179,750)**	(958,740)
Cash flows from financing activities			
Proceeds from issuance of ordinary shares net of fees		**(73)**	760,230
Interest paid		**(27,923)**	(25,359)
Proceeds from bank borrowings		**156,000**	-
Repayment of lease liabilities	22	**(49,012)**	(36,216)
Net cash flow from financing activities		**78,992**	698,655
Net decrease in cash and cash equivalents		**(63,044)**	(236,754)
Cash and cash equivalents at the beginning of the year		**536,827**	773,581
Cash and cash equivalents at the end of the year	16	**473,783**	536,827

Notes to the consolidated financial statements

Basis of preparation

The consolidated financial statements have been prepared in accordance with UK-adopted international accounting standards ("IFRS"). 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 2021.

There have been no new or amended accounting standards or interpretations adopted during the year that have had 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 2024.

The Group's business activities, together with the factors likely to affect its future development, performance and position, are set out in the Strategic Report on pages 3-104.

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 and Deputy Group CFO along with the Board and Executive Chair and CEO providing further direction to align strategic initiatives. Following the divisional reorganisation of the business units in the year, more granular information has been available which has supported decision making on strategic initiatives. Forecasts have been prepared on a divisional level. 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 £474m readily available cash held on the balance sheet. Net debt at this date was £515m (note 18) and net debt of £181m 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. During the year an incremental £156 million export facility was provided by the Group's existing lenders ranking pari passu with the existing facility. This new facility expires in October 2025. There are no key covenants attached to the €600m or £156m facilities which are 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.

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 the 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 93.

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 2022 and have been applied to 2021 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 2022. 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 are variable and 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 the 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
- Management's 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) 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 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.

The shares issued under the Group's share schemes are held by an Employee Benefit Trust ("EBT"), with the beneficial interest in the shares being held jointly by the EBT and the individual participant until the shares vest. The EBT has been consolidated within the Group's financial statements.

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. Such costs are only capitalised when the criteria within IAS 38 are met.

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	5 years
New product development	1-5 years
Brands	5-20 years
Intellectual property (including customer lists, domain and trade names)	2-20 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.

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 and payment providers 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.

Financial liabilities

Financial liabilities within the scope of IFRS 9 are classified as financial liabilities at amortised cost. The Group measures contingent consideration 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.

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.

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. The business combinations in previous years have given rise to deferred tax liabilities, as a result deferred tax assets are recognised to the extent they offset the corresponding liability. 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 the functional currency at the exchange 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. The key judgement relates to assessing the feasibility and the extent of future economic benefits that will be derived from each project. 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; and
- Significance of the item on the financial results.

Refer to note 4 for details of each class of adjusted items.

Impairment reviews – number of cash-generating units

The Group is required to review intangible assets, including goodwill, 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 change in the number of CGUs in the year following the divisional reorganisation of the Group. More information has been provided within note 11.

Key sources of estimation uncertainty

Goodwill and intangible asset valuation

The Group has made several acquisitions in previous years, 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 were 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.

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, management's 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. A reduction of 10% in online sales selling prices would impact the net realisable value by c£0.7m.

Impairment reviews – key estimates and judgements

When a review for impairment is conducted, the recoverable amount of the CGU is determined based on the higher of value-in-use calculations applying IAS 36 and fair value less costs to dispose applying IFRS 13. The recoverable amount is calculated using management's assumptions and estimates. The key estimates within the value-in-use calculation are growth rates and discount rates applied. The key estimates within the fair value less costs to dispose are the length of forecast period applied, discount rates including any risk premium and growth rates. Refer to note 11 for further details of calculations.

Other judgements and other sources of 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 key impact to THG is the implementation of plastic packaging tax and Packaging Waste Regulations;
- 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 prior year 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

Following the completion of the divisional reorganisation, the Directors have re-assessed the criteria and considerations under IFRS 8 'Operating Segments' in order to identify operating segments within the Group. For 31 December 2022, the Directors have concluded that the Group has six operating segments. Until 31 December 2021, the Group only had one operating segment. During 2022, the Group's activities were divided into the following segments THG Beauty, THG Nutrition, THG Ingenuity, THG OnDemand (disclosed under the discontinued categories segment), THG Luxury and THG Experience. This corresponds to the internal reporting and organisational structure that changed during the year. The THG Luxury and THG Experience segments are aggregated due to being below the quantitative thresholds as set out in IFRS 8. Central costs are disclosed separately.

The prior year segmental analysis for EBITDA has been presented as this measure has been reported to the Chief Operating Decision Maker (CODM) during the current year as a comparative measure following the restructure. The prior year segmental revenue includes an illustrative internal recharge from THG Ingenuity to the wider THG PLC Group as if this was in place throughout 2021 to provide a like-for-like comparison.

The results of each division are reported to the Board of Directors and are treated as reportable operating segments. The following table describes the main activities for each reportable operating segment:

Segment	Activities
THG Beauty	The digital-first brand owner, retailer and manufacturer in the prestige beauty market, combining its prestige portfolio of eight owned brands across skincare, haircare and cosmetics, the provision of a global route to market for over 1,300 third-party beauty brands through its portfolio of websites, including Lookfantastic, Dermstore, Cult Beauty and Mankind and the beauty subscription box brand GLOSSYBOX.
THG Nutrition	A group of digital-first Nutrition brands, which includes the world's largest online sports nutrition brand Myprotein, and its family brands (Myvegan, Myvitamins, MP Activewear and MyPRO), with a vertical-ly-integrated business model, supported by global THG production facilities.
THG Ingenuity	THG Ingenuity provides a complete digital commerce solution for consumer brand owners across its three pillars of technology, digital and operations. Being part of the THG group, a global digital brand owner in Beauty & Nutrition, Ingenuity is uniquely placed to bring relevant, practical, and international expertise in every area of commerce.
Other	Includes THG Luxury and THG Experience. THG Luxury operates D2C websites retailing luxury clothing and homeware. THG Experience comprises prestige events locations at Hale Country Club & Spa, King Street Townhouse Hotel and Great John Street Hotel.
Discontinued categories	At the year end, certain loss-making categories and territories primarily within THG OnDemand were placed under strategic review. This review is now complete and these operations will be fully exited in 2023. The exit doesn't meet the criteria under IFRS 5: Discontinued operations at the balance sheet date, as these categories and territories are not a major component of the Group as defined by the accounting standard, however, management began to report the financial results of these categories separately in their reporting to the CODM, as such the result has also been shown in the same format within this note.

Central costs relate primarily to the PLC Board remuneration, professional services fees, group finance, M&A, risk (insurance) and governance costs that are not recharged to the divisions as they principally relate to the operations of the PLC holding company.

The CODM is the executive Board directors, who makes the key operating decisions for the business. The CODM receives daily financial information at the combined Group level, along with monthly information at a divisional level and uses this information to allocate resources, make operating decisions and monitor the performance of each of the divisions.

The measure of the Group's profit or loss used by THG's management team are both Adjusted EBITDA pre SaaS change in accounting policy and Adjusted EBITDA comprising operating loss less interest, tax, depreciation, amortisation, shared-based payments and adjusted items. This is reconciled to the nearest IFRS measure (loss before tax) in the below table.

2022	THG Beauty £'000	THG Nutrition £'000	THG Ingenuity £'000	Other £'000	Central PLC £'000	Inter-group elimination £'000	Result before discontinued categories[1] £'000	Discontinued categories £'000	2022 Total £'000
External revenue	1,234,977	675,133	159,580	50,878	-	-	2,120,568	118,661	**2,239,229**
Internal revenue	-	-	597,420	-	-	597,420	-	-	-
Total revenue	**1,234,977**	**675,133**	**757,000**	**50,878**	**-**	**(597,420)**	**2,120,568**	**118,661**	2,239,229
Adjusted EBITDA pre SaaS costs	32,866	51,783	29,304	(1,907)	(23,167)	-	88,879	(14,582)	**74,297**
Adjusted EBITDA	**32,866**	**51,783**	**19,121**	**(1,907)**	**(23,167)**	**-**	**78,696**	**(14,582)**	64,114
Margin %	2.7%	7.7%	2.5%	-3.7%	-	-	3.7%	-12.3%	**2.9%**
Depreciation	-	-	-	-	-	-	-	-	**(94,191)**
Amortisation	-	-	-	-	-	-	-	-	**(108,975)**
Share-based payments	-	-	-	-	-	-	-	-	**(10,734)**
Adjusted items	-	-	-	-	-	-	-	-	**(345,779)**
Operating loss	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	(495,565)
Finance income	-	-	-	-	-	-	-	-	**2,359**
Finance costs	-	-	-	-	-	-	-	-	**(56,522)**
Loss before taxation	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	(549,728)

1. At the year end, certain loss-making categories and territories within non-core divisions were placed under strategic review and subsequently management has decided to exit these areas. The exit doesn't meet the criteria under IFRS 5: Discontinued operations as these categories and territories are not a major component of the Group as defined by the accounting standard, however, to provide further information on the ongoing revenue and Adjusted EBITDA of the Group the result of these operations have been shown separately in the above table.

An element of Ingenuity revenue is contract based and therefore is recognised over time; all other revenue streams are recognised at a point in time. Of the total revenues recognised for THG Ingenuity, £73.8m (2021: £75.6m) is recognised over time.

Segment assets and liabilities are not disclosed because they are not yet regularly reported or reviewed by the Board.

In 2021, the Group only had one operating segment. The below information has been included as the comparative disclosure.

2021	THG Beauty £'000	THG Nutrition £'000	THG Ingenuity £'000	Other £'000	Central PLC £'000	Inter-group elimination[3] £'000	Result before discontinued categories[2] £'000	Discontinued categories £'000	2021 Total[4] £'000
External revenue	1,181,529	659,531	146,306	46,062	-	-	2,033,428	146,482	**2,179,910**
Internal revenue	-	-	602,545	-	-	602,545	-	-	-
Total revenue	**1,181,529**	**659,531**	**748,851**	**46,062**	**-**	**(602,545)**	**2,033,428**	**146,482**	2,179,910
Adjusted EBITDA	**70,234**	**76,633**	**40,410**	**(2,137)**	**(15,517)**	**-**	**169,263**	**(8,348)**	161,276
Margin %	5.9%	11.6%	5.4%	-4.6%	-	-	8.3%	-5.7%	**7.4%**
Depreciation	-	-	-	-	-	-	-	-	**(70,478)**
Amortisation	-	-	-	-	-	-	-	-	**(99,033)**
Adjusted items	-	-	-	-	-	-	-	-	**(129,228)**
Operating loss	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	(137,463)
Finance income	-	-	-	-	-	-	-	-	**623**
Finance costs	-	-	-	-	-	-	-	-	**(49,447)**
Loss before taxation	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	(186,287)

2. For the loss-making categories and territories within non-core divisions that have been shown separately within the 2022 table under the discontinued categories heading, the same adjustment has been included for 2021 result to show a comparative of continuing operations year-on-year.
3. Internal revenue was not recharged until the completion of the divisional reorganisation, however for illustrative purposes this has been calculated for 2021. This has been calculated using the same charging mechanisms in 2022 to provide a like-for-like comparison.
4. Following the completion of the divisional reorganisation, the strategy of each segment has been reviewed and redefined where necessary, as a result some services were redefined within THG Ingenuity, THG Beauty and Other segments in 2022. To ensure that the comparative disclosure is consistent this has been restated in the above table. The impact is an increase in THG Beauty external revenue of £63.7m, decrease in THG Ingenuity external revenue of £48.0m and decrease of Other segments external revenue of £15.7m. THG Beauty has been restated to include Acheson & Acheson which was previously recognised within THG Ingenuity due to some services being delivered to THG Ingenuity customers which is no longer the case. THG Ingenuity has been restated to exclude Acheson & Acheson manufacturing and include Arrow Films which has been reclassified following the discontinuation of the other categories within THG OnDemand. The total revenue has not changed as a result of the inter-segment reclassifications.

The Group has provided an analysis of external revenue by region (by destination):

	2022 £'000	2021 £'000
UK	960,535	909,452
USA	446,542	406,489
Europe	449,783	458,027
Rest of the world	382,369	405,942
	2,239,229	2,179,910

The Group's non-current assets by geography are as follows:

	2022 £'000	2021 £'000
UK	1,257,689	1,891,133
Europe	145,057	37,966
Rest of the world	550,333	224,495
	1,953,079	2,153,594

Following the completion of the divisional reorganisation in the year, certain intangible assets have been reclassified between geographies, given the greater granularity of information available.

3. Operating loss

	Note	2022 £'000	2021 £'000
Operating loss has been arrived at after charging / (crediting):			
Adjusted items - impairment	4	275,422	55,990
Adjusted items - other	4	70,357	73,238
Employee costs		275,145	260,892
Share-based payments	7	10,734	-
Depreciation on fixed assets	12	50,896	38,269
Depreciation on right-of-use assets	22	43,295	32,209
Amortisation of intangibles	11	108,975	99,033
Government grants		(1,752)	(1,662)
Net foreign exchange gain		1,422	444

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.

	2022 £'000	2021 £'000
Within Cost of sales		
Inventory provision for discontinuation of loss-making categories and decommissioning of facilities following strategic review	25,517	-
	25,517	-
Within distribution costs		
Transportation, delivery and fulfilment costs in relation to Covid-19	18,504	26,628
Commissioning – new facilities	3,613	16,384
	22,117	43,012
Within Administrative costs		
Other costs following the outcome of strategic review	6,942	-
Restructuring costs to simplify the Group structure	6,803	10,233
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 of assets	269,828	-
Impairment of assets within the discontinued categories	3,763	-
Impairment of non-core assets held for sale	1,831	-
Donations	362	1,090
Acquisitions - restructuring and integration	8,046	5,328
Acquisitions - legal and professional costs	-	12,225
Other legal and professional costs	570	1,350
	298,145	86,216
Total adjusted items before finance costs	345,779	129,228
Within finance costs		
Non-cash – revaluation of SBM option	(601)	601
Total adjusted Items before tax	345,178	129,829
Tax impact	(11,634)	(11,901)
Total adjusted items	333,544	117,928

Inventory provision for discontinuation of loss-making categories and decommission of facilities following strategic review

Following the divisional reorganisation, the Group has undertaken a strategic review of loss-making categories and territories within THG OnDemand and other non-core divisions. In addition, as part of the strategic review in the year, the Group also reviewed its warehousing facilities resulting in some sites being decommissioned. The result of the decommissioning identified inventory where there was no economic benefit of the Group to moving to an alternative warehouse or selling via other channels. The outcome of these reviews has led to a one off inventory provision for the categories being discontinued of £25.5m which has been recognised within cost of sales.

Transportation, delivery and fulfilment costs in relation to Covid-19

In 2022, we continue to be impacted by Covid-19 surcharges from suppliers with routes travelling through and into Asia, although at a lesser rate during 2022 compared to prior periods. 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 main driving factor of the excess cost continuing across accounting periods is the continued lockdowns experienced in Asia which continue to affect air traffic. 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 doesn't consider this to be a recurring part of the Group's cost base. As the effects of the pandemic lessen and the lockdowns in Asia ease, the service providers will no longer need to charge such excess costs. We anticipate the costs to reduce significantly in 2023.

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. As the impact of the pandemic have lessened the requirement to charter flights has dropped away in the first half of 2022 and this cost will not continue.

- Our delivery partners passed on to the Group additional surcharges specifically identified on invoices as a response to operating during the pandemic. This continues for routes relating to Asia where the impact of the pandemic is continuing and this cost has continued to decrease each month during 2022 and post year end.

- 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. This cost will not continue.

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 (inclusive of 3 warehouses) at Manchester Airport, UK ("Icon") and New Jersey, US. Works at New Jersey, US and the Icon facility began in August 2021 and August 2020 respectively. These warehouses are in operation, although further automation is required to be implemented into the sites to reach to optimal efficiency expected of the sites, including Autostore automation in New Jersey in 2023 and automated sortation in Icon in 2022. The costs have significantly reduced year on year as these projects reach completion stages. The majority of the costs incurred in the prior year relate to the commissioning of the multiple ICON warehouses, of which two out of three completed during 2022.

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 on average 18 months 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 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 adjusted 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;

- Costs relating to 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; and

- 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 charges are anticipated as the respective projects are completed, however the quantum of which is expected to continue to reduce year on year as these projects are completed. The key projects ongoing into 2023 are for Icon and New Jersey and are expected to be completed by the end of 2023 at which point these costs will not continue. The costs to date for these two sites total £12.0m with the projects being c90% complete at 31 December 2022.

Other costs following the outcome of strategic review

Other costs following the outcome of the strategic review totalling £6.9m are included within administrative costs. These costs include the costs triggering early lease break clauses for the unprofitable warehouse operations within Asia and marketing costs for pre-releases that will no longer be launched. The full exit of the discontinued areas is expected to be complete by the end of Q3 2023 with costs not recurring after this date.

Restructuring costs to simplify the Group structure

The costs included within restructuring costs of £6.8m (2021: £10.2m) include costs of executing the Group simplification project.

Impairment

Impairment of assets within Experience, Luxury and OnDemand divisions

See impairment of assets within the discontinued categories heading for information relating to 2022.

In 2021, a one-off, non-cash impairment of £53.0m was recognised in respect of THG Experience, THG Luxury and THG OnDemand business units.

Impairment of certain intangible and tangible assets associated with Software-as-a-Service arrangements

There was no impairment of these costs incurred in 2022. SaaS costs incurred in 2022 have been recognised within the underlying administrative expenses.

The Group hold various arrangements for SaaS solutions. Given the IFRIC agenda decision in 2021, the Group updated its accounting treatment and policy for IAS 38 Intangible Assets accordingly in the prior year. We determined that £3.0m of SaaS related costs no longer met the criteria for recognition as an asset under IAS 38. Accordingly, this amount was 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 of assets

A further impact of the divisional reorganisation is that the assets and cash flows of each division are now separately identifiable. The result being the identification of additional cash-generating-units ('CGUs'), which are reflective of the new corporate structure. The result of more CGUs is that the impairment review has been undertaken at a more granular level than in previous years. Following the significant acquisitions within the THG Beauty division in recent years, a substantial amount of intangible assets are included within the underlying asset base whilst the market price of comparable assets, alongside many technology businesses has fallen over the last 18 months. This is reflective of more challenging global markets following the macroeconomic, inflationary and interest rate pressures driven by, amongst other things, the Russia-Ukraine conflict. Against this backdrop, the impairment review has led to an impairment of £183m within the Beauty division.

In addition, an impairment charge of £87m has been recognised within the THG Ingenuity cash-generating-unit. This has arisen as the impairment review has been undertaken at a more granular level than in previous years. Following the appointment of our new CEO of THG Ingenuity in 2022, the Group has repositioned its' strategy. Management believe they have made conservative growth assumptions which are lower than the growth rate prospects of the sectors in which THG Ingenuity operates given the recent change in strategy. Alongside this, THG Ingenuity has made significant investment for the future in its platform and global infrastructure network. These factors combined with the challenging macroeconomic environment impacting several of the key assumptions, particularly the discount rate, which have also had a bearing on peer valuations, has led to the impairment of the historical goodwill within this cash-generating-unit.

More information is included within note 11.

Impairment of assets within the discontinued categories

Following the decision to discontinue certain categories and territories an impairment has been charged totalling £3.7m against affected assets. More information is included within note 11.

Impairment of non-core assets held for sale

An impairment charge of £1.8m has been recognised against non-core assets that meet the criteria to be classified as held for sale under IFRS 5. The net book value of these assets has been reclassified to a current asset and an impairment charge has been recognised for the difference between the selling price and the carrying value.

Donations

In 2022, the Group has donated £0.4m related to aid in the form of nutrition and hygiene products to charities assisting with the war in Ukraine. In 2021, as part of its Covid-19 response, the Group made several charitable donations to the local region, totalling £1.1m.

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 costs that are not related to the underlying trading operations of the Group which are classified as adjusted items. The costs in 2022 relate to the planned integrations of the acquisitions made in 2021. Cult Beauty was acquired in August 2021 and the integration was a key focus of 2022.

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; and
- 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. There have been no such costs incurred in 2022.

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, legal costs for one off matters and other fees associated with investor activities.

Non-cash – revaluation of SBM option

On 10 May 2021, THG entered into a call option with SB Management Limited ("SBM"), a wholly owned subsidiary of SoftBank Group Corp, to purchase 19.9% of the share capital of THG Ingenuity for $1.6bn. On 26 July 2022, the Group announced that in light of global macroeconomic conditions the SBM option agreement had been terminated by mutual agreement. The call option granted by THG to SBM will not therefore be, and will cease to be capable of being exercised. At 31 December 2022, the option has therefore been derecognised.

The option had previously been classified as a derivative instrument, an option that held value for SBM and consequently fell under the provisions of IFRS 9 (Financial Instruments). The impact of the derecognition is a non-cash £0.6m gain recognised on the revaluation. As this is a non-recurring transaction the revaluation effects of this option have been presented as an adjusted item.

5. Auditors' remuneration

	2022	2021
	£'000	£'000
Fees in respect of the audit of the Consolidated and Parent Company Financial Statements	2,300	2,150
Other audit fees, principally in respect of audits of accounts of subsidiaries	-	150
Total audit fees	2,300	2,300
Other services: - other assurance services[1]	100	100
Total non-audit services	100	100
Total fees	2,400	2,400

1. Fees in respect of other assurance services relate to interim procedures in accordance with International Standard for Review Engagements (UK and Ireland) 2410.

6. Employee costs and Directors' remuneration

		2022	2021
	Note	£'000	£'000
Wages and salaries		283,080	270,063
Social security costs		32,091	27,615
Pension costs		10,407	7,606
Share-based payments	7	10,734	-
		336,312	305,284

The aggregate amount of employee costs included above that have been capitalised within platform development costs was £50.5m (2021: £44.4m).

The costs incurred in respect of the Executive Directors and Non-Executive Directors, who are regarded as the key management personnel, were as follows:

	2022	2021
	£'000	£'000
Wages and salaries	1,056	600
Social security costs	124	65
Pension costs	1	-
	1,181	665

No retirement benefits are accruing to any of the Directors at 31 December 2022 (2021: nil).

The average number of employees (including executive directors) during the year was:

	2022	2021
	Number	Number
Retail	3,287	3,023
Administration	1,051	1,285
Distribution	3,834	3,555
Information technology	869	744
	9,041	8,607

The above table reflects the full time equivalent (FTE) number of employees calculated as an average throughout the year. The total staff numbers on a FTE basis at 1 January 2022 were 10,185 and at 31 December 2022 were 8,239.

7. Share-based payments

The Group operates a share-based compensation plan, under which the Group receives services from employees as consideration for equity settled instruments (options) of the Company. Options over Ordinary Shares were granted to participants on 16 June 2022, with top up options awarded to certain participants on 3 October 2022. 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 with the corresponding increase to equity. The option awards will vest in three equal tranches on 31 December 2022, 31 December 2023 and 31 December 2024 provided participants remain in continued employment with the Company at each date. Performance conditions are attached to a small proportion of the awards to a small number of participants.

	2022 £'000	2021 £'000
Expense arising from equity-settled share-based payment transactions	10,734	-

The following table shows the shares granted and outstanding at the beginning and end of the year:

	2022 Number of shares
As at 1 January	-
Granted during the year	43,352,699
Vested during the year	(12,547,412)
Forfeited during the year	(1,556,687)
As at 31 December	29,248,600

The key inputs to calculate the charge are the share price at the date of grant and an assumption around those not remaining in continued employment, spread across the vesting period. Achievement of performance conditions have been considered where appropriate. The range of exercise prices are £0.00 to £0.11, and the weighted average remaining contractual life is 9.6 years.

8. Finance income and cost

	2022 £'000	2021 £'000
Finance income		
Bank interest receivable	2,359	323
Derivative financial instrument	-	300
	2,359	623
Finance costs		
Bank interest payable and charges	42,791	36,496
Interest on lease liabilities	14,332	12,350
Revaluation of SBM option	(601)	601
	56,522	49,447

9. Income tax

	Note	2022 £'000	2021 £'000
Current tax			
Tax charge for the year		2,218	10,057
Adjustments in respect of prior year		(3,025)	4,349
		(807)	14,406
Deferred tax			
Origination and reversal of temporary differences		(6,493)	(50,116)
Adjustments in respect of prior year		(764)	795
Change in tax rates		(1,707)	(13,298)
	21	(8,964)	(62,619)
Total income tax credit		(9,771)	(48,213)

The effective tax rate is 1.8% (2021: 25.88%) and is explained below:

	2022 £'000	2021 £'000
Loss before tax	(549,728)	(186,287)
Tax at statutory rate of 19% (2021: 19%)	(104,448)	(35,395)
Tax effects of:		
Adjustments in respect of prior year	(3,789)	5,144
Expenses not deductible	57,115	20,387
State taxes	-	(869)
Effect of higher tax rates in other jurisdictions	350	1,943
Losses not recognised / (recognised) in the year	42,708	(26,126)
Effect of change in tax rate	(1,707)	(13,297)
	(9,771)	(48,213)

The standard rate of corporation tax in the UK is 19%. The main rate of UK corporation tax will increase from 19% to 25% with effect from 1 April 2023. This change was introduced by Finance Act 2021 and substantively enacted on 24 May 2021.

The effective tax rate is 1.8% (2021: 25.9%), based on a total tax credit of £9.8m (2021: £48.2m). The effective tax rate differs from the average statutory rate of 19%. This is primarily due to a movement in deferred tax not recognised (-7.8%), and the impact of goodwill impairment (-9.3%).

At the balance sheet date the total net deferred tax liability is £76.6m (2021: £73.8m). The deferred tax liability in respect of intangible assets recognised on consolidation was £150.8m (2021: £151.6). The deferred tax asset in respect of tax losses recognised was £54.8m (2021: £60.2m). There were £57.8m of unrecognised deferred tax assets in respect of tax losses at the balance sheet date (2021: £nil). This non-recognition has an impact on the income statement tax credit, and this is one of the primary reasons for the effective tax rate being below the statutory rate.

10. Business combinations

2022 Business combinations

During 2022, the Group has concluded on the fair value of the net assets in respect of acquisitions completed in 2021, resulting in a decrease of £2.4m in net assets and a corresponding increase in goodwill. Cash flows from investing activities include a cash outflow of £5.7m relating to acquisitions has been recognised in the statement of cash flows. This amount relates to the finalisation of completion accounts net of the payment of contingent consideration in the period.

2021 Business combinations

Details of the acquisitions are as follows:

Business	Country of incorporation	Nature of activity	Date of acquisition	Purchase consideration £'000	Percentage ownership
Dermstore	USA	Professional skincare online retailing	2 February 2021	260,898	100%
Indigo Environmental	England and Wales	Recycling provider	3 March 2021	6,316[1]	100%
Arrow Films	England and Wales	Motion picture distribution activities	5 March 2021	18,490[2]	100%
More Trees	England and Wales	Tree planting	1 April 2021	3,227[3]	100%
Private Label Nutrition	England and Wales	Vitamin, mineral and supplement manufacturer	16 April 2021	3,667[4]	100%
Preston Plastics	England and Wales	Recycling provider	27 April 2021	18,881	100%
Brighter Foods	England and Wales	Manufacturing and developing cold-pressed and cold form snack bars	11 May 2021	43,800[5]	100%
Bentley Laboratories	USA	Prestige skincare and haircare manufacturing	15 June 2021	177,602	100%
Cult Beauty	England and Wales	Online beauty retailer	3 August 202	289,302	100%

1. Contingent consideration as at 31 December 2022 was £1.8m, which is dependent upon performance targets post acquisition
2. Contingent consideration as at 31 December 2022 was £0.3m, which is dependent upon performance targets post acquisition
3. Contingent consideration as at 31 December 2022 was £2.7m, which is dependent upon performance targets post acquisition
4. Contingent consideration as at 31 December 2022 was £6.5m, which is dependent upon performance targets post acquisition
5. Contingent consideration as at 31 December 2022 was £1.2m, which is 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 2021 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 off-set 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.

2021 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 £15.2m was estimated by applying the probability of the hurdles being reached as at December 2022. The fair value estimates are based on an assumed probability of 79%.

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 table below. The exercise to determine the fair value of the acquired assets and liabilities is complete.

The final 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
Final net assets acquired	170,261	2,736	11,754	(21)	2,042	6,607	28,359	70,656	199,692	**492,086**
Goodwill	90,637	3,580	6,736	3,248	1,125	12,274	15,441	108,122	90,611	**331,774**
Purchase consideration	**260,898**	**6,316**	**18,490**	**3,227**	**3,167**	**18,881**	**43,800**	**178,778**	**290,303**	**823,860**
Transaction costs	2,430	237	336	182	198	547	781	1,245	3,518	**9,474**

The goodwill recognised in the prior year has not been restated following the finalisation of completion accounts. Instead goodwill in the current year has been adjusted for £2.4m to reflect these changes to the final fair value of the net assets acquired.

The purchase consideration in total was £822.2m, which was materially finalised in 2022. This comprised of cash totalling £807.0m plus contingent consideration totalling £15.2m. Transaction costs comprise mainly of advisor fees, including financial, tax and legal due diligence costs and these are included in acquisition – legal and professional costs in adjusted items in note 4.

2021 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 in the prior year 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

11. Intangible assets

	Goodwill	Platform development costs	Intellectual property	Brands	New product development	Total
Cost or valuation	£'000	£'000	£'000	£'000	£'000	£'000
At 1 January 2021	421,684	179,742	146,749	110,170	4,765	863,110
Transfers	-	(6,919)	1,474	(1,474)	195	**(6,724)**
Additions	78	47,587	24,135	2,559	3,710	**78,069**
Business combinations (note 10)	329,401	-	63,623	494,736	-	**887,760**
Currency translation	3,919	28	2,858	1,933	1	**8,739**
Disposals	-	(1,611)	(41,249)	(566)	-	**(43,426)**
At 31 December 2021	755,082	218,827	197,590	607,358	8,671	1,787,528
At 1 January 2022	755,082	218,827	197,590	607,358	8,671	1,787,528
Transfers	-	2,592	-	-	-	**2,592**
Additions	-	55,513	20,736	353	4,513	**81,115**
Business combinations (note 10)	2,375	-	-	-	-	**2,375**
Currency translation	33,520	348	6,110	33,045	29	**73,052**
Disposals	-	(9,031)	(464)	-	-	**(9,495)**
At 31 December 2022	790,977	268,249	223,972	640,756	13,213	1,937,167
Accumulated amortisation						
At 1 January 2021	270	103,440	61,621	22,121	1,365	188,817
Transfers	-	(3,438)	-	-	-	**(3,438)**
Amortisation	-	36,894	35,921	24,682	1,536	**99,033**
Impairment loss	33,359	1,759	4,637	-	-	**39,755**
Currency translation	-	(4)	420	36	-	**452**
Disposals	-	(1,568)	(41,249)	(566)	-	**(43,383)**
At 31 December 2021	33,629	137,083	61,350	46,273	2,901	281,236
At 1 January 2022	33,629	137,083	61,350	46,273	2,901	281,236
Transfers	-	-	-	-	-	**-**
Amortisation	-	39,837	28,980	38,274	1,884	**108,975**
Impairment loss	271,003	-	2,194	20	373	**273,590**
Currency translation	-	443	3,263	3,386	7	**7,099**
Disposals	-	(9,031)	(464)	-	-	**(9,495)**
At 31 December 2022	304,632	168,332	95,323	87,953	5,165	661,405
NBV						
At 1 January 2021	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**
At 31 December 2022	486,345	99,917	128,649	552,803	8,048	1,275,762

Included within Intellectual property is £4.4m (2021: £3.3m) 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 £0.8m (2021: £0.6m) 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 frequently 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.

Following the completion of the divisional reorganisation, the Directors have assessed the identified CGUs of the Group at 31 December 2022. The Directors have concluded that as a result of the reorganisation there has been a change in CGUs. The divisional reorganisation has led to the assets and cash flows of each division being separately identifiable. The Directors have concluded that there are now six CGUs within THG, being THG Beauty, THG Nutrition, THG Ingenuity, THG OnDemand, THG Luxury and THG Experience. This corresponds to the organisational structure that changed during the year.

Separately-identifiable cash flows are only available for the Group's operating segments and therefore CGUs are consistent with the new operating segments also identified in 2022 (see note 2). Note that the discontinued categories segment primarily relates to THG OnDemand.

Goodwill has arisen from previous business combinations across the Group and is allocated to the CGUs that are expected to benefit from the synergies of those acquisitions. The recoverable amounts of these CGUs are the higher of fair value less costs to dispose (FVLCTD) and value-in use (VIU).

Management has reviewed each CGU in turn and has adopted the VIU approach for THG Nutrition and THG Experience, with a FVLCTD approach being adopted for THG Beauty, THG Ingenuity, THG OnDemand and THG Luxury to establish a recoverable amount under IAS 36.

THG Beauty (Goodwill totalling £353.2m with an indefinite life after impairment charge) and THG Ingenuity (Goodwill totalling £nil after impairment charge)

For both THG Beauty and THG Ingenuity, management has estimated a FVLCTD using a discounted cashflow method. This method relies on inputs not normally observable by market participants and is therefore categorised at Level 3 in the fair value hierarchy.

The directors concluded that FVLCTD was more appropriate for valuing the Group because for both of these CGUs the cash flows will be generated from the future growth expectation which is not captured in a standard length of a VIU calculation. For THG Beauty this is due to the strong growth anticipated within online beauty markets, in part driven by continued online adoption and combined with the high growth expectation from the acquisitions that have been completed in recent years, including Dermstore and Cult Beauty. For THG Ingenuity future growth is expected driven by the capital investment made in the platform and global infrastructure, principally warehousing as well as the continued drive by global industry to digitalise their business models.

The key assumptions made are as follows:

THG Beauty

Key Assumption	
Discount rate	The discount rate is based on the weighted average cost of capital of a typical market participant. The post-tax discount rate used is 12.9% (pre-tax discount rate 17.2%). The discount rate reflects an upwards adjustment for a risk premium input.
Forecast cash flows	Forecasts are based on assumptions from the Board approved budget with projections extending eight years. The key assumptions within the impairment assessment are the future revenue growth and EBITDA margin in the forecasts, as well as discount and interest rates. The projections, are based on the best estimate of future cash flows, taking into account growth from the high repeat nature of the beauty customer base, the strong growth anticipated in the beauty markets. The market in which THG Beauty operates is expected to continue to grow as documented by wider market commentary, supported by digital shift to online (given relatively low levels of online penetration), as well as further international opportunities all resulting in double digit growth rates. The directors believe the forecasts are reasonable and consistent with the strategy and are underpinned by market data.
Long-term growth rate	A long-term growth rate of 3.0% was used for cash flows after the eight year period which is based on the long-term growth rate across the beauty market.

An impairment charge of £182.9m has been recognised within the THG Beauty CGU in respect of goodwill. This has arisen largely due to reviewing the recoverable amount of this CGU at a more granular level than was previously possible following the completion of the divisional reorganisation during the year, as well as more challenging global markets following the macroeconomic, inflationary and interest rate pressures driven by, amongst other things, the Russia-Ukraine conflict. This macroeconomic uncertainty has adversely impacted many markets and in particular growth stocks.

THG Beauty has completed a significant amount of acquisitions in the past few years which have generated a substantial amount of intangible assets on balance sheet. These factors combined with the challenging macroeconomic environment impacting several of the key assumptions, particularly the discount rate, has led to the impairment of some of the goodwill that has arisen on these acquisitions.

The impairment charge is recorded within administrative expenses and adjusting items within the consolidated income statement.

Management has performed sensitivity analysis on the key assumptions in the impairment model using reasonably possible changes in these key assumptions. There are possible downside risks to the forecasts including if there was a reduction in revenue of 5.0% per annum this would give a further impairment of £62m; a margin reduction of 50bps per annum, £108m; and an increase in discount rate of 1.0%, £50m. None of these scenarios reflect potential mitigations, including cost reduction. Cost reductions that could be implemented by management would be deferring non-essential capex and increased cost control, such as reducing stock levels and new customer marketing investment.

THG Ingenuity

Key Assumption	
Discount rate	Discount rates are based on the weighted average cost of capital of a typical market participant. The post tax discount rate used is 13.3% (pre-tax discount rate 17.7%). The discount rate reflects an upwards adjustment for a risk premium input given the nascent nature of this CGU.
Forecast cash flows	Forecasts are based on assumptions from the Board approved budget with projections extending ten years. The key assumptions within the forecasts are the future revenue growth and EBITDA margin along with capital expenditure. The projections, are based on the best estimate of future cash flows, taking into account growth from the high levels of investment in our global infrastructure and the success of the new strategy launched in 2022. The strategy targets certain high growth key territories and markets. The result of the historic and ongoing investment combined with the expected market growth is a double digit growth rate within this CGU. The Directors believe the forecasts are reasonable and consistent with the strategy adopted by Ingenuity.
Long-term growth rate	A long-term growth rate of 3.0% was used for cash flows after the ten year period which is based on the long-term growth rate across digital markets.

An impairment charge of £87.0m has been recognised within the THG Ingenuity CGU in respect of goodwill. This has arisen largely due to reviewing the recoverable amount of this CGU at a more granular level than was previously possible following the completion of the divisional reorganisation during the year. Following the appointment of our new CEO of THG Ingenuity in 2022, the Group has repositioned its strategy. Management believe they have made sensible growth assumptions given the recent change in strategy, but however notes that the addressable market and the growth rate prospects of the sectors in which THG Ingenuity operates provide the opportunity for significant growth as the strategy embeds. Alongside this, THG Ingenuity has made significant investment for the future in its platform and global infrastructure network. These factors combined with the challenging macroeconomic environment impacting several of the key assumptions, particularly the discount rate, has led to the impairment of the historic Goodwill within the CGU. The Directors consider that if valued on a replacement cost basis, the valuation of the remaining intangible and tangible assets would be equal to, or in excess of, the carrying value.

The impairment charge is recorded within administrative expenses and adjusting items within the consolidated income statement.

Management has performed sensitivity analysis on the key assumptions in the impairment model using reasonably possible changes in these key assumptions. There are possible downside risks to the forecasts including if there was a reduction in revenue of 5.0% per annum this would give a further impairment of £295m; a margin reduction of 50bps per annum, £262m; and an increase in discount rate of 1.0%, £57m. None of these scenarios reflect potential mitigations, including cost reduction. Cost reductions that could be implemented by management would be deferring non-essential capex and increased cost control, such as investment in the platform.

THG OnDemand and THG Luxury (Goodwill totalling £nil)

THG OnDemand CGU and THG Luxury CGU include categories and territories that management has now chosen to exit following the completion of the Strategic Review of these businesses in Q1 2023. As such, management has estimated a FVLCTD for specified assets. FVLCTD are valued using Level 3 fair value hierarchy inputs based on management's estimate of the recoverable amount of the assets within these divisions.

An impairment charge of £2.2m has been recognised within THG OnDemand CGU and £1.6m within THG Luxury CGU both in respect of other intangibles. This is driven by the decision to exit loss-making categories and territories.

The impairment charge is recorded within administrative expenses and adjusting items - Impairment of assets within the discontinued categories in the consolidated income statement.

THG Nutrition (Goodwill totalling £133.1m with an indefinite life)

The key assumptions used within the VIU calculation are:

Key Assumption	
Discount rate	The post tax discount rate used is 9.1% (pre-tax discount rate 11.7%).
Forecast cash flows	The VIU calculation uses cash flow projections from financial budgets approved by the Board covering a five year period. The key assumptions within the forecasts are the future revenue growth and EBITDA margin.
Long-term growth rate	A long-term growth rate of 3.0% was used for cash flows after the five year period which is based on the long term growth rate across online sports and nutrition retailing.

No impairment has been recognised for THG Nutrition.

Management has performed sensitivity analysis on the key assumptions in the impairment model using reasonably possible changes in these key assumptions. There are no reasonably possible changes in key assumptions that would lead to an impairment.

THG Experience (Goodwill totalling £nil)

The key assumptions used within the VIU calculation are:

Key Assumption	
Discount rate	The post tax discount rate used is 8.8% (pre-tax discount rate 10.9%).
Forecast cash flows	The VIU calculation uses cash flow projections from financial budgets approved by the Board covering a five year period. The key assumptions within the forecasts are the future revenue growth and EBITDA margin.
Long-term growth rate	A long-term growth rate of 3.0% was used for cash flows after the five year period which is based on the long term growth rate across the UK hospitality industry.

As explained within note 12.2, an impairment charge of £1.8m was recognised in respect of non-core assets when classified as held for sale during the year to reflect the difference between their carrying value and expected selling price. No additional impairment has been recognised for any remaining assets within the THG Experience CGU.

At 31 December 2022, the recoverable amount is determined on a VIU calculation using cash flow projections and the FVLCTD for specified non-core assets held for sale. FVLCTD are valued using Level 2 fair value hierarchy inputs based on quoted prices in an active market.

Management has performed sensitivity analysis on the key assumptions in the impairment model using reasonably possible changes in these key assumptions. There are no reasonably possible changes in key assumptions that would lead to an impairment.

12.1 Property, plant and equipment

	Motor vehicles	Plant and machinery	Fixtures and fittings	Computer equipment and software	Leasehold improvements and freehold buildings	Total
Cost	£'000	£'000	£'000	£'000	£'000	£'000
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**
At 1 January 2022	**2,332**	**126,448**	**107,450**	**100,474**	**123,003**	**459,707**
Additions	12	16,370	40,461	21,446	17,309	**95,598**
Transfer to assets held for sale (note 12.2)	-	(702)	(6,831)	-	(17,071)	**(23,902)**
Transfers	-	(2,592)	-	-	-	**(2,592)**
Currency translation differences	-	3,137	2,461	2,031	478	**8,107**
Disposals	(27)	(263)	(2,148)	(5,232)	-	**(7,670)**
At 31 December 2022	**2,317**	**143,100**	**141,393**	**118,719**	**123,719**	**529,248**
Accumulated depreciation						
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**
At 1 January 2022	**1,291**	**26,185**	**28,339**	**38,010**	**30,262**	**124,087**
Depreciation (note 3)	323	16,238	9,799	21,018	3,518	**50,896**
Impairment of assets held for sale	-	-	1,831	-	-	**1,831**
Transfer to assets held for sale (note 12.2)	-	-	(1,831)	-	(674)	**(2,505)**
Currency translation differences	-	840	409	1,083	131	**2,463**
Disposals	(27)	(160)	(2,148)	(5,230)	-	**(7,565)**
At 31 December 2022	**1,587**	**43,103**	**36,399**	**54,881**	**33,237**	**169,207**
NBV						
At 1 January 2021	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**
At 31 December 2022	**730**	**99,997**	**104,994**	**63,838**	**90,482**	**360,041**

12.2 Assets held for sale

In Q4 2022, the Group committed to a plan to sell some non-core freehold buildings that were no longer in use by the Group and not required to execute its future strategy. In accordance with IFRS 5: Non-current assets held for sale and discontinued operations, the assets were classified as held for sale on the Groups statement of financial position at 31 December 2022. Immediately before the classification as an asset held for sale, the recoverable amount was estimated and an impairment loss of £1,831,000 was recognised to reduce the carrying amount of the assets to their fair value less costs to sell. This was recognised within adjusted items (note 4) as this was a one-off charge outside the normal course of business. The assets held for sale are valued using Level 2 fair value hierarchy inputs based on quoted prices in an active market.

As at 31 December 2022, there was no further write-down as the carrying amount of the assets held for sale did not fall below their fair value less costs to sell. These assets were previously recognised within the THG Ingenuity and THG Experience operating segments.

	2022	2021
Assets classified as held for sale	£'000	£'000
Transfer from property, plant and equipment (note 12.1)	21,397	-
	21,397	-

13. Inventories

	2022	2021
	£'000	£'000
Goods held for resale	296,133	378,605
Raw materials	72,327	80,542
Goods in transit	4,811	7,634
	373,271	466,781

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 £1,272.9m (2021: £1,178.7m). The value of inventories written down and recognised as an expense in the statement of comprehensive income in the year was £8.6m (2021: £7.6m). Within goods held for resale is a £3.0m (2021: £3.0m) 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	2022	2021
Assets as per balance sheet – financial assets		£'000	£'000
Trade and other receivables excluding non-financial assets	15	162,835	157,345
Cash and cash equivalents	16	473,783	536,827
Investments		1,400	1,400
Assets as per balance sheet - held at fair value through OCI			
Derivative financial instruments designated as hedging instruments		21,567	2,400
Derivative financial instruments held at fair value through profit and loss		301	300
		659,886	698,272

	Note	2022	2021
Liabilities as per balance sheet – other financial liabilities at amortised cost		£'000	£'000
Bank borrowings	18	679,189	489,865
Lease liabilities	22	334,376	349,173
Trade and other payables excluding non-financial liabilities	17	574,994	645,712
Liabilities as per balance sheet - other financial liabilities at fair value			
Derivative financial instruments designated as hedging instruments		4,189	21,342
Derivative financial instruments held at fair value through profit and loss		-	601
		1,592,748	1,506,693
Derivative financial instruments designated as hedging instruments			
FX forwards hedging foreign exchange risk on borrowings		(3,377)	(21,342)
Interest rate swaps		21,567	621
FX forwards hedging foreign exchange risk on highly probable future cash flows		(812)	1,779
		17,378	(18,942)

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.'

During 2021, derivative financial instruments held at fair value through profit and loss related solely to the option to invest in THG Ingenuity held by SBM, announced on the 10 May 2021. This was to allow for 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 was recognised at fair value and was valued based on a Black-Scholes model utilising market-corroborated inputs and had been classified as Level 2.

On 26 July 2022, the Group announced that in light of global macroeconomic conditions, the SBM option agreement had been terminated by mutual agreement. The call option granted by THG to SBM will not therefore be, and will cease to be capable of being exercised. At 31 December 2022, the option has therefore been derecognised, with the impact of the derecognition being reflected within finance costs.

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.

2022	Notional	Impact on OCI[1]	Recycled through statement of comprehensive income
Notional		£'000	£'000
Derivatives hedging foreign exchange risk on borrowings	€600,000,000	(4,013)	18,714
Derivatives hedging interest rate risk on borrowings	€600,000,000	15,710	759
Derivatives hedging foreign exchange risk on future cash flows	£150,608,646	(1,943)	(3,830)

1. 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 2024 and €600m notional of interest swaps expiring in December 2026. Maturity of the Group's derivative and non-derivative financial liabilities are given below.

Included within trade payables is £53.7m (2021: £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.

			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 2022:							
Bank borrowings	679,189	691,808	-	30,991	-	660,817	-
Lease liabilities	334,376	447,847	12,188	31,942	44,289	87,148	272,280
Trade payables	574,145	574,145	568,486	5,659	-	-	-
Derivative financial liabilities	4,189	4,189	-	-	4,189	-	-
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	-	-	-

The fair value of bank borrowings at 31 December 2022 was £686.6m (2021: £503.3m). There is no material difference between the fair value and the carrying value of the bank borrowings.

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 and spot transactions, whose fair value is based on the observable market value of the respective instrument, taking into account 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 in the form of FX forward contracts.

As at 31 December 2022, the Group held €600m notional of forward contracts expiring in December 2026.

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 would be impacted as follows:

	Change in foreign exchange rate	Effect on change in EUR rate [1]	Effect on change in USD rate [2]	Effect on change in PLN rate
		£'000	£'000	£'000
2022	+5%	(271)	3,222	2,834
2022	-5%	300	(3,561)	(3,132)
2021	+5%	20	4,554	1,832
2021	-5%	(22)	(5,034)	(2,025)

1. If the closing exchange rate was 5% higher/lower, the impact on Group Equity would be £10.4m (2021: £11.7m) reflecting the impact of the derivative hedges associated with the €600m term loan B.
2. If the closing exchange rate was 5% higher/lower, the impact on Group Equity would be £33.5m reflecting the impact of the substantial other intangible assets denominated in USD.

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 2022, the Group held €600m expiring December 2026. Interest rate sensitivity is summarised in note 18. The Group's financial risks are detailed on pages 88-93 in this Annual Report.

Changes in liabilities arising from financing activities

The changes in liabilities arising from financing activities are presented below:

	1 January 2022	Cash flows	New leases & Lease modifications	Proceeds from bank borrowings	Foreign exchange movement	Other	31 December 2022
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Borrowings	489,865	(24,469)	-	156,000	27,326	30,467	679,189
Lease liabilities	349,173	(49,013)	10,930	-	9,156	14,130	334,376
Total liabilities from financing activities	**839,038**	**(73,482)**	**10,930**	**156,000**	**36,482**	**44,597**	**1,013,565**

	1 January 2021	Cash flows	New leases & Lease modifications	Foreign exchange movement	Other	31 December 2021
	£'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**

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

	2022	2021
	£'000	£'000
Trade receivables	121,122	119,567
Less: loss allowance	(1,805)	(2,268)
Net trade receivables	119,317	117,299
Prepayments	28,362	21,372
Accrued income	40,004	58,329
Other taxation and social security	33,748	26,883
Other receivables	43,518	40,046
	264,949	263,929

Trade and other receivables are principally denominated in Sterling.

At 31 December 2022, there were 160,809,675 fully vested, but partly paid and unlisted Shares (31 Dec 2021: 161,439,766). The average amount of unpaid share capital per fully vested but partly-paid and unlisted Share is £0.17 (2021: £0.16) representing a receivable to the Group of £26.9m (2021: £27.0m). 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 2022 the ageing of trade receivables was as follows:

	2022	2021
	£'000	£'000
Not due	61,178	65,399
0 to 3 months overdue	43,318	47,264
More than 3 months overdue	14,626	6,904
	121,122	119,567

The movement in the loss allowance of trade receivables was as follows:

	£'000
At 1 January 2022	2,268
Charge for the year	2,160
Released	(2,741)
Utilised	(93)
Foreign exchange movement	211
At 31 December 2022	1,805

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	0.64%	1.18%	0.14%	1.74%	7.37%	
Estimated total gross carrying amount at default	67,787	24,320	9,584	6,509	12,922	121,122
Expected credit loss	(439)	(287)	(14)	(113)	(952)	(1,805)
At 31 December 2022	67,348	24,033	9,570	6,396	11,970	119,317

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. No provision is required in respect of accrued income.

16. Cash and cash equivalents

	2022	2021
	£'000	£'000
Cash and cash equivalents	473,783	536,827

Cash and cash equivalents includes amounts receivable of £3.1m (2021: £3.6m) from banks and £17.4m (2021: £8.9m) from payment providers, for credit and debit card transactions. Such amounts clear the bank shortly after the transaction takes place.

17. Trade and other payables

	2022	2021
	£'000	£'000
Trade payables	321,709	297,539
Accruals	244,553	326,957
Other taxation and social security	58,811	28,259
Other payables	1,880	6,160
Government grants	2,635	2,592
Contingent consideration on acquisitions	6,852	15,056
	636,440	676,563

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. The reduction year on year is driven by payments made of £7.6m, plus £0.5m of hindsight adjustments.

Included within trade payables is £53.7m (2021: £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

	Note	2022	2021
		£'000	£'000
Current			
Bank borrowings		30,992	752
Lease liabilities	22	43,995	43,342
		74,987	44,094
Non-current			
Bank borrowings		648,197	489,113
Lease liabilities	22	290,381	305,831
		938,578	794,944

Bank borrowings relate predominantly to the 7-year Euro term loan B, undrawn 5-year revolving credit facility and an incremental facility obtained during the year. The revolving credit facility is provided by Barclays, HSBC, Santander, Citibank, NatWest and JPM. The term loan B carried an interest rate of 4.50% plus EURIBOR and the revolving credit facility interest rate is SONIA. The Group increased its bank borrowings in 2022 with an incremental facility obtained plus Commercial Facility Loan. This loan is provided by the Groups existing lenders and carries a base rate of Daily RFR (SONIA). The floating element of the term loan B is hedged by interest rate derivatives. Management note 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 100bps, the Group's loss before tax would be c.£3.7m higher / lower (2021: c.£5.1m) and the subsequent move on the derivative valuation would cause equity to be c.£18.5m higher / lower (2021: c.£12.5m) 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 (debt)/cash is an alternative performance measure and is not defined under IFRS. A reconciliation to the most directly comparable IFRS measure is included below:

	2022	2021
	£'000	£'000
Loans and other borrowings	(679,189)	(489,865)
Lease liabilities	(334,376)	(349,173)
Cash and cash equivalents	473,783	536,827
Sub-total	(539,782)	(302,211)
Adjustments:		
Retranslate debt balance at swap rate where hedged by foreign exchange derivatives	24,782	(2,548)
Net debt	(515,000)	(304,759)
Net (debt)/cash before lease liabilities	(180,624)	44,414

The contractual maturity analysis of bank borrowings and lease liabilities are given in note 14.

19. Provisions

	Dilapidations	Other	Total
	£'000	£'000	£'000
At 1 January 2022	**16,506**	**-**	**16,506**
Acquired	-	2,454	2,454
Utilised	(538)	(680)	(1,218)
Created	4,497	-	4,497
Released	(468)	(209)	(677)
Discount unwind	202	-	202
FX on retranslation	606	-	606
At 31 December 2022	**20,805**	**1,565**	**22,370**
Current	2,760	770	3,530
Non-current	18,045	795	18,840

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. 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 be incurred:

	Current £'000	1-5 years £'000	6-10 years £'000	11-15 years £'000	16-20 years £'000	21-25 years £'000	Total £'000
At 31 December 2022	**3,025**	**5,490**	**2,609**	**2,367**	**456**	**9,736**	**23,683**
At 31 December 2021	883	5,144	3,663	2,367	456	6,021	18,534

Other provisions relate to onerous contracts. The amount of £2.4m acquired in the year relates to a hindsight adjustment in relation to a prior year acquisition.

20. Contract liabilities

	2022	2021
	£'000	£'000
Contract liabilities	34,256	36,143

Contract liabilities are the consideration received from the customers for sales where the Group still has an obligation to transfer goods or services, which predominately relates to THG Beauty and THG Nutrition. 100% of the transaction price of the unsatisfied contracts as at 31 December 2021 were recognised as revenue during 2022.

21. Deferred tax

The deferred tax balance comprises:

	2022	2021
	£'000	£'000
Short term timing differences	106	(2,446)
Accelerated capital allowances	3,361	1,659
Business combinations	150,827	151,615
Tax losses	(54,809)	(60,153)
Loan relationships	(25,627)	(16,601)
Derivatives	3,558	257
Other balance sheet amounts	(818)	(565)
	76,598	73,766

At the balance sheet date there are unrecognised tax losses of £57.8m (2021: £nil).

The movement on the deferred tax liability during the year is as follows:

	Accelerated capital allowances	Short term timing differences	Tax losses	Loan relationships	Business combinations	Other	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Opening balance 1 January 2022	**1,659**	**(2,446)**	**(60,153)**	**(16,601)**	**151,615**	**(308)**	**73,766**
Charged / (credited) to the statement of comprehensive income	4,504	2,758	5,808	(9,026)	(12,756)	(252)	(8,964)
(Credited) to equity	-	(142)	-	-	-	-	(142)
Charged to OCI	-	-	-	-	-	3,301	3,301
Other / FX	(2,802)	(64)	(465)	-	11,968	-	8,637
Closing balance 31 December 2022	**3,361**	**106**	**(54,810)**	**(25,627)**	**150,827**	**2,741**	**76,598**

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 equipment and software	Land and buildings	Total
	£'000	£'000	£'000	£'000	£'000
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)**
Impairment	-	-	-	(6,856)	**(6,856)**
Currency translation differences	(33)	(17)	-	(580)	**(630)**
As at 31 December 2021	**378**	**374**	**2**	**309,528**	**310,282**
As at 1 January 2022	**378**	**374**	**2**	**309,528**	**310,282**
Additions	-	-	-	13,608	**13,608**
Depreciation (note 3)	(173)	(213)	(1)	(42,908)	**(43,295)**
Lease modifications	-	-	(1)	17,856	**17,855**
Disposals	-	-	-	(11,426)	**(11,426)**
Currency translation differences	5	3	-	7,277	**7,285**
As at 31 December 2022	**210**	**164**	**-**	**293,935**	**294,309**

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:

	2022	2021
	£'000	£'000
As at 1 January	349,173	236,185
Additions	6,620	137,601
Accretion of interest	14,130	12,350
Payments	(49,012)	(36,216)
Lease modifications	17,820	(443)
Disposals	(13,510)	-
Currency translation differences	9,155	(304)
As at 31 December	334,376	349,173
Current	43,995	43,342
Non-current	290,381	305,831

The maturity analysis of lease liabilities is disclosed in Note 14.

The Group had total cash outflows for leases of £49.0m in 2022 (2021: £36.2m).

The following are the amounts recognised in the year in the consolidated statement of comprehensive income:

	2022	2021
	£'000	£'000
Depreciation expense on right-of-use assets	43,295	32,209
Interest expense on lease liabilities	14,130	12,350
	57,425	44,559

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 2022, the Company's issued share capital comprised:

Class	2022 Number	Nominal value £ each
Ordinary Shares	1,265,377,243	0.005
D1 Shares	56,082,651	0.005
D2 Shares	17,741	1
E Shares	48,995,797	0.005
F Shares	27,122,287	0.005
G Shares	17,494,614	0.005
Special Share	1	1
Deferred 1 Shares	313,257	0.005
Deferred 2 Shares	21,563,860	0.005
	1,436,967,451	

The rights attaching to the Shares are set out in the Director's Report pages 98-101.

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 2022 the following took place. The conversion of shares are in respect of the employee share scheme:

(i) 34,454 Ordinary Shares were converted from 34,454 E Shares;
(ii) 88,000 Ordinary Shares were converted from 88,000 E Shares;
(iii) 22,953 Ordinary Shares were converted from 22,953 E Shares;
(iv) 1,606 Ordinary Shares were converted from 1,606 E Shares;
(v) 6,399 Ordinary Shares were converted from 6,399 E Shares;
(vi) 44,909 Ordinary Shares were converted from 21,144 E Shares, 8,000 F Shares and 15,765 G Shares;
(vii) 71 D2 Shares were subdivided into 14,200 D2 shares of £0.005 each, 13,169 of which converted into 13,169 Ordinary Shares and 1,031 of which were reclassified as Deferred 1 Shares;
(viii) 1,000 Ordinary Shares were converted from 1,000 E Shares;
(ix) 15,530 Ordinary Shares were converted from 6,208 F Shares and 9,322 G Shares;
(x) 75,000 Ordinary Shares were converted from 75,000 G Shares;
(xi) 1,000 Ordinary Shares were converted from 1,000 E Shares;
(xii) 12,000 Ordinary Shares were converted from 12,000 G Shares;
(xiii) 65,000 Ordinary Shares were converted from 65,000 E Shares;
(xiv) 24,806,893 Ordinary Shares were issued for a total consideration of £911,722 (note 7);
(xv) 1,000 Ordinary Shares were converted from 1,000 E Shares;
(xvi) 77,175 Ordinary Shares were converted from 16,118 E Shares, 30,497 F Shares and 30,560 G Shares;
(xvii) 12,168 Ordinary Shares were converted from 4,193 F Shares and 7,975 G Shares;
(xviii) 19,074,902 Ordinary Shares were issued for a total consideration of £1,521,117 (note 7);
(xix) 19,753 Ordinary Shares were converted from 10,572 F Shares and 9,181 G Shares;
(xx) 17,529 Ordinary Shares were converted from 7,048 F Shares and 10,481 G Shares;
(xxi) 52,026 Ordinary Shares were converted from 8,068 E Shares, 17,620 F Shares and 26,338 G Shares;
(xxii) 26,292 Ordinary Shares were converted from 10,572 F Shares and 15,720 G Shares;
(xxiii) 6,538 Ordinary Shares were converted from 2,643 F Shares and 3,895 G Shares; and
(xxiv) 4,000 Ordinary Shares were converted from 4,000 E 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 £10.4m (2021: £7.6m). £1.1m of contributions due to the fund were outstanding at year end (2021: £1.3m).

25. Cash flow generated from operations

	Note	2022	2021
		£'000	£'000
Loss before taxation		(549,728)	(186,287)
Adjustments for:			
Depreciation of property, plant and equipment	12	50,896	38,269
Depreciation of right-of-use assets	22	43,295	32,209
Amortisation	11	108,975	99,033
Share-based payments	7	10,734	-
Adjusted items	4	345,178	129,829
Net finance costs	8	54,764	48,223
Operating cash flow before adjusting items and before movements in working capital and provisions		64,114	161,276
Decrease/(Increase) in inventories		79,262	(112,535)
Decrease/(Increase) in trade and other receivables		1,027	(27,116)
(Decrease)/Increase in trade and other payables[1]		(56,893)	75,189
Decrease in provisions		(1,292)	(416)
Foreign exchange gain/(loss)		1,424	(444)
Cash generated from operations before adjusting items		87,642	95,954

1. Included within trade and other payables is a decrease in contract liabilities of £1.9m (2021: increase £3.2m).

Refer to the Chief Financial Officer's Review on page 37 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:

	2022	2021
Loss for the financial year (£'000)	(539,957)	(138,074)
Weighted average number of ordinary shares for basic EPS	1,239,485,253	1,099,043,113
Basic and Diluted EPS (£'s)	(0.44)	(0.13)

If the impact of impairment charges in the year was removed, the Basic and Diluted EPS would be £(0.21).

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 2022	Ordinary Shares 2021
		Number	Number
M J Moulding	0.005	249,294,545	233,441,525
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[1]	0.005	n/a	14,566,016
I McDonald	0.005	2,505,943	2,505,943
Z Byng-Thorne[1]	0.005	n/a	69,765
T Hall[1]	0.005	n/a	33,557
D Sanders	0.005	21,926	21,926
C Allen	0.005	2,400,000	-
		257,864,065	254,280,383

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.

	Date of award	2022 Subscription/ exercise price £	2021 Subscription/ exercise price £	2022 Number	2021 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	7,733,792
M J Moulding	Aug-20	0.26	0.26	-	-
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[1]	Dec-19	0.23	0.23	n/a	370,953
I McDonald	Dec-19	0.23	0.23	185,476	185,476
				78,611,318	78,982,271

1. D P Murphy, Z Byng-Thorne and T Hall stepped down from the Board during the year and were therefore not Directors at 31 December 2022.

The Group has not provided any interest free loans to the Directors in 2022. In previous years 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 which remain outstanding at the balance sheet date. Full details of the Directors' shareholdings are detailed in the Directors' Remuneration Report on page 144.

On 11 August 2021, 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.

The Group has in place an agreement on commercial terms with Moulding Capital Limited to provide property, facilities and project management services to the entity and its subsidiaries. This agreement generated £269,017 (2021: £635,000) for the Group 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:

	2022	2021
	£'000	£'000
Right-of- use asset	159,000	218,279
Lease liability	178,694	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:

	2022	2021
	£'000	£'000
Depreciation arising on right-of-use assets	11,277	12,723
Expense recognised in financing costs	8,812	10,663
Impairment arising on right-of-use-assets	-	6,856
Impairment arising on property plant and equipment	-	8,156

The table below gives further detail around the leases in place:

Number of properties	Residual lease term date divestment	FY22 rent £'000
9	0-4 years	962
1	6 years	1,652
12	12-14 years	3,285
7	18-24 years	9,923
29		15,822

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.

Included within the amounts owed to Moulding Capital Limited is an amount of £10.5m in relation to fixtures and fittings that had been paid by Propco on behalf of THG in respect of a fitout of one of the properties leased by THG. An extensive review was completed by THG to ensure that all assets were in use by THG. In addition, legal specialists and property specialists were engaged to ensure that this transaction was completed on an arms-length basis. Following completion of this work and after approval by the Related Parties Committee the amount was recognised as an amount owed to related parties.

	2022		2021	
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	-	100	-	217
Allenby Square Ltd	-	190	-	532
MCL Alpha PropCo Ltd	-	161	-	192
MCL Omega PropCo Ltd	-	-	-	1,243
MCL Icon Unit 3 PropCo S.à r.l.	-	296	-	296
MCL Gadbrook PropCo Ltd	-	242	-	242
MCL Icon Unit 4 PropCo Ltd	-	217	-	217
MCL PV PropCo Ltd	-	45	-	-
MCL A&A PropCo Ltd	-	241	-	241
MCL GJS PropCo Ltd	-	195	-	465
MCL HCC PropCo Ltd	-	285	-	355
MCL KS PropCo Ltd	-	225	-	225
Moulding Capital Limited	-	10,454	-	47
MCL Wroclaw sp. Z.o.o	-	-	-	645
MCL ICON S.à r.l	-	1,101	-	1,101
MCL Icon Unit 2 PropCo Limited	-	953	-	953
	-	14,705	-	6,971

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 2022 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 the Group (a company incorporated in England and Wales). All investments are 100% owned by THG PLC either directly or indirectly.

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	Holding company
Guco Internet Supplies Limited	3	Guernsey	Holding company
Iwantoneofthose Limited	3	Guernsey	Holding company
The Hut Entertainment SL	14	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
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	Holding company
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.	30	USA	Online retailing

Hale Country Club Limited	1	England and Wales	Retail and leisure company
Gadbrook Limited	1	England and Wales	Holding company
THG International Limited	1	England and Wales	Marketing company
The Hut Group International (Shanghai) Co Limited	15	China	License holding company
PC Beauty Inc.	4	USA	Holding company
Ideal Shape LLC	31	USA	Marketing company
Performance Supplements LLC	31	USA	Marketing company
Salu Australia PTY Limited	20	Australia	Holding company
Skincarestore Australia PTY Limited	20	Australia	Online retailing
Salu Beauty Inc.	4	USA	Online retailing
UK-2 Limited	1	England and Wales	Webhosting
Another.com Limited	1	England and Wales	Webhosting
Virtual Internet Holdings Limited	1	England and Wales	Holding company
Hosting Services Inc.	5	USA	Webhosting
UK2 Ukraine LLC	9	Ukraine	Webhosting
Virtual Internet (UK) Limited	1	England and Wales	Webhosting
The Hut.com (Poland) sp. z.o.o.	10	Poland	Warehouse and distribution
RY.com.au Pty Limited	20	Australia	Online retailing
Media Ark Limited	1	England and Wales	Visual content producer
THG Studios Limited (previously Hangar Seven Limited)	1	England and Wales	Visual content producer
H7P Portugal Unipessoal LDA	16	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	22	Germany	Holding company
Beauty Trend Holding GmbH	22	Germany	Online retailing
Beauty Trend GmbH	22	Germany	Online retailing
Jade 1150. GmbH	22	Germany	Holding company
Beauty Trend S.A.S France	8	France	Online retailing
GlossyBox Sweden Holding UG	22	Germany	Holding company
GlossyBox Sweden AB	33	Sweden	Online retailing
GlossyBox United Kingdom Holding GmbH	22	Germany	Holding company
Beauty Trend UK Limited	1	England and Wales	Online retailing
VRB GmbH & Co. B-149 KG	22	Germany	Holding company
Beauty Trend USA Inc.	11	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.	6	USA	Online retailing
ESPA International FZE	17	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.	7	USA	Translation and interpretation
THG Ingenuity Singapore Pte. Limited	34	Singapore	Translation and interpretation
Acheson & Acheson Limited	1	England and Wales	Manufacturing
1010 Products Limited	1	England and Wales	Dormant
Ameliorate Skincare Limited	1	England and Wales	Holding company
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]	1	England and Wales	Trustee of EBT
THG Nutrition US Inc. (previously MP, Inc.)	1	USA	Holding company
Myprotein Japan K.K.	12	Japan	Online retailing
Colorist Christophe Robin S.A.S.	8	France	Online retailing
Colorist Christophe Robin US, Inc	11	USA	Online retailing
THG General Trading LLC	25	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
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	13	USA	Online retailing
Perricone MD Cosmeceuticals UK Limited	1	England and Wales	Online retailing
The Hut Group, S.L	14	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]	1	England and Wales	Holding company
THG Ingenuity Limited	1	England and Wales	Holding company
THG Shelfco Limited	1	England and Wales	Holding company
THG Beauty USA LLC (previously Dermstore LLC)	27	USA	Online retailing
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	Environmental consulting activities
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	11	USA	Holding company
Bentley Laboratories LLC	19	USA	Online retailing
Cult Beauty Limited	1	England and Wales	Online retailing
THG AUS Fulfilment PTY Limited	20	Australia	Fulfilment
THG AUS PP PTY Limited	20	Australia	Holding company
THG Eco Ltd	1	England and Wales	Holding company
THG EU PP Limited	21	Ireland	Holding company
THG Ingenuity Germany GmbH	29	Germany	Online retailing
THG Beauty Limited	1	England and Wales	Online retailing
THG AUS Beauty PP PTY Limited	20	Australia	Holding company
THG Beauty Singapore PTE Limited	23	Singapore	Online retailing
THG Beauty PP EU Limited	21	Ireland	Holding company
THG Beauty PP US LLC	18	USA	Holding company
THG Experience Limited	1	England and Wales	Holding company

THG Luxury Limited	1	England and Wales	Online retailing
THG Luxury PP AUS PTY Limited	20	Australia	Holding company
THG Luxury PP EU Limited	21	Ireland	Holding company
THG Luxury PP US LLC	18	USA	Holding company
THG Nutrition Limited	1	England and Wales	Online retailing
THG AUS Nutrition PP PTY Limited	20	Australia	Holding company
THG AUS Nutrition PTY Limited	20	Australia	Online retailing
THG Nutrition India Private Limited	24	India	Online retailing
THG Nutrition Singapore PTE Limited	23	Singapore	Online retailing
THG Nutrition Poland s.p.z.o.o	10	Poland	Online retailing
THG Nutrition PP EU Limited	21	Ireland	Holding company
THG Nutrition PP US LLC	18	USA	Holding company
THG OnDemand Limited	1	England and Wales	Online retailing
THG Beauty Europe GmbH (previously THG OnDemand Germany GmbH)	22	Germany	Online retailing
THG OnDemand Netherlands B.V	26	Netherlands	Online retailing
THG OnDemand PP AUS PTY Limited	20	Australia	Holding company
THG OnDemand PP EU Limited	21	Ireland	Holding company
THG OnDemand PP US LLC	18	USA	Holding company
THG OnDemand US LLC	18	USA	Online retailing
THG Shared Services Limited	1	England and Wales	Shared Service centre
THG Shared Services AUS PTY Limited	20	Australia	Shared Service centre
THG Shared Services Poland sp.z.o.o	10	Poland	Shared Service centre
THG Shared Services US LLC	18	USA	Shared Service centre
THG Beauty Trading LLC	28	UAE	Online retailing
THG Ingenuity General Trading LLC	29	UAE	Holding company
THG Insurance Limited[1]	3	Guernsey	Holding company
THG Icon CP PropCo Limited	1	England and Wales	Holding company

1. Companies owned directly by THG PLC

Registered Offices:

1. Icon 1 7-9 Sunbank Lane, Ringway, Altrincham, United Kingdom, WA15 0AF.
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. 517 West 100 North, Providence, UT 84332, USA.
6. 100 SE 2nd Street, Suite 2000, Miami, FL 3313, USA.
7. Language Connect, Inc. 79 Madison Avenue, Suite 205, New York, NY 10016, USA.
8. 73 rue Sainte-Anne, Paris, France.
9. 79060, Ukraine, Lviv, Naukova str. 7D, office No. 305.
10. ul. Magazynowa 1, 55-040 Magnice, Poland.
11. 06-101, WeWork 115 Broadway, New York, NY 10006, USA.
12. DLA Piper Tokyo, 2-1-1 Marunouchi, Chiyoda-ku, Meiji Seimei Kan 7F, Tokyo, 100-0005, Japan.
13. 600 Montgomery St Ste 2500, San Francisco, CA, 941111-2724, USA.
14. Monte Equinza 30 Bajo Izquierda 2810, Madrid, Spain.
15. Room 753, Level 7, Building 2, No. 155, Fu Texi 1st Road, China (Shanghai) Pilot Free Trade Zone.
16. Lote D, Área Empresarial de Marim, 8700-122 Olhão, Portugal.
17. Jebel Ali Free Zone, Dubai, UAE.
18. 300 Creekview Road, Suite 209, Newark, New Castle, 19711.
19. 111 Fieldcrest Avenue, Edison NJ 08837.
20. Azure Group Pty Level 10, 171 Clarence Street, Sydney, NSW 2000.
21. City Trust & Corporate Services Limited 1st Floor Liffey Trust Centre, 117 -126 Sheriff Street Upper, Dublin 1.
22. Maximilianstrasse 5480538 Munich.
23. 100 Tras Street, #16-01 100AM, 079027, Singapore.
24. 203, 2nd Floor, Time Tower, Gurgaon Haryana, India.
25. Eternity Realty Building-ER 3 Deira Al Marrar Office: 041.
26. Barbara Strozzilaan 2011083 HN Amsterdam, The Netherlands.
27. 1960 E GRAND AVE 6TH FLOOR EL SEGUNDO, CA 90245 United States.
28. New Mall Limited, Al Warsan First, 681-0, UAE.
29. Office no 08-106, 8th & 9th Floor, The Office 4, We Work, One Central, Dubai World Trade Centre, Dubai, United Arab Emirates.
30. 555 California Street Ste 4925, San Francisco, CA 94104.
31. 632 N 2000 W Ste 110, Lindon, UT 84042.
32. 7405 E Monte Cristo Ave, Scottsdale, AZ, 85260.
33. Drottninggatan 108113 60 Stockholm Sweden.
34. Rawlinson & Hunter Singapore - 30 Cecil Street, #18-02 & 03, Prudential Tower, Singapore 049712.

Subsidiary audit exemptions

The below subsidiaries have taken the exemption from an audit for the year ended 31 December 2022 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 Ltd	12746651
Make Money Ltd	5880897	Illamasqua Ltd	6301971	Perricone MD Cosmeceuticals UK Ltd	6471993
Eddie Rockers Ltd	3009737	Primavera Aromatherapy Ltd	2053064	Guco Internet Supplies Ltd	49249
Eco Credits Ltd	12933421	M Beauty Ltd	5850964	The Hut.com (Trading) Ltd	87702
THG Intermediate Holdings Ltd	12526036	THG 100 King Street Ltd	12938227	HQ Hair Ltd	52888
Lookfantastic.com Ltd	3519634	Cend International Ltd	8651475	THG Studios Limited (previously Hangar Seven 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 & Acheson Ltd	2764368	Moo Ltd	5158225
Another.com Ltd	3661600	King Street Investments Ltd	8242806	Mama Mio Ltd	5251791
THG Shared Services Ltd	13515579	Great John Street Hotel Ltd	7973960	Hale Country Club Ltd	6970110
THG Hangar Ltd	12699915	The Engine House Media Services Ltd	10597642	Indigo Environmental Ltd	10695826
Indigo Environmental Holdings Ltd	11738577	THG Hangar Holdco Ltd	12698636	Three Counties Reclamation Ltd	3792922
The Protein Lab (UK) Ltd	8491800	Preston Plastics Holdings Ltd	13265838	Preston Plastics Ltd	3377914
THG Nutrition Ltd	13400484	THG Beauty Ltd	13400467	THG OnDemand Ltd	13400489
THG Ingenuity Ltd	13414244	THG Luxury Ltd	13515580	THG Experience Ltd	13515614
The Hut.com Limited	5016010	Media Ark Limited	6127322	Arrow Film Distributors Limited	2584648
Iwantoneofthose.com Limited	52189	Ameliorate Skincare Limited	3427037	Brighter Foods Limited	8815259
CNP Professional Holdings Limited	53443	THG Trustee Limited	10511000	Cult Beauty Limited	6195011
Gadbrook Limited	9867117	THG Intermediate OpCo Limited	12297092	THG Eco Limited	13400476
Virtual Internet Holdings Limited	5943486	THG Shelfco Limited	13120197	THG Insurance Limited	2770512
THG Icon CP PropCo Limited	12940601				

The below subsidiaries have taken the exemption from an audit for the year ended 31 December 2022 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	Mankind Holdings Ltd	52666	The Hut Holdings Ltd	7002848
Fair Juice Ltd	6494686	1010 Products Ltd	3402920	Indigo Polymers Ltd	11526560
Myvitamins Ltd	8179216	The Hut Group Limited	12526836		

29. Post balance sheet events

At the year end, certain loss-making categories and territories primarily within THG OnDemand were placed under strategic review. Post year end, and following completion of the strategic review (further details on which are included in the "Section 172 Statement Stakeholder Engagement" section), the Board approved the exit from THG OnDemand. In Q4, the Board approved the exit of ProBikeKit. These operations will be fully exited throughout the course of 2023. The optimal exit route remains under review. The result of this decision has led to an inventory provision totalling £25.5m, other costs of £6.9m and impairment of £3.8m which have been recognised within cost of sales and administrative expenses respectively and included within Adjusted Items (note 4). This has been concluded as an adjusting post balance sheet event.

On 28 February 2023, the sale completed in respect of one of the non-core freehold assets recorded within the assets held for sale category (note 12.2). The sale generated cash proceeds of £5m which reflected the carrying value of the asset.

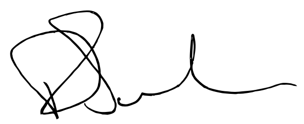
No other post balance sheet events have occurred.

Company only *financial statements*

Company statement of financial position as at 31 December 2022

	Note	2022 £'000	2021 £'000
Non-current assets			
Investments	4	524,580	508,846
		524,580	508,846
Current assets			
Receivables	5	1,612,636	1,406,262
Cash		56,267	282,278
		1,668,903	1,688,540
Payables: amounts falling due within one year	6	(8,710)	(3,147)
Net current assets		1,660,193	1,685,393
Total assets less current liabilities		2,184,773	2,194,239
Net assets		2,184,773	2,194,239
Capital and reserves			
Called up share capital	7	6,903	6,684
Share premium		2,024,452	2,022,311
Merger reserve		615	615
Capital redemption reserve		523	523
Loss for the year		(22,560)	(19,328)
Retained earnings		174,840	183,434
Total shareholders' funds		2,184,773	2,194,239

The financial statements on pages 225-230 were approved by the Board of Directors on 17 April 2023 and were signed on its behalf by:



Damian Sanders

Chief Financial Officer
Registered number: 06539496

Company statement of changes in equity for the year ended 31 December 2022

	Ordinary shares £'000	Share premium £'000	Merger reserve £'000	Capital Redemption Reserve £'000	Retained earnings £'000	Total equity £'000
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
Balance at 1 January 2022	6,684	2,022,311	615	523	164,106	2,194,239
Loss for the year	-	-	-	-	(22,560)	(22,560)
Issue of ordinary share capital	219	2,141	-	-	-	2,360
Share-based payment	-	-	-	-	10,734	10,734
Balance at 31 December 2022	6,903	2,024,452	615	523	152,280	2,184,773

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 Company financial statements have been prepared in accordance with United Kingdom's Generally Accepted Accounting Practice, including Financial Reporting Standard 101 Reduced Disclosure Framework ('FRS 101'), and 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 £22.6m (2021: £19.3m). The financial statements have been prepared on the historical cost basis.

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

There have been no new or amended accounting standards or interpretations adopted during the year that have had 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 Group operates share-based compensation plans, under which the Group receives services from employees as consideration for equity instruments (options) of the Company. The fair value of the employee services received in exchange for the grant of the equity instruments is recognised as an increase to investments in the statement of comprehensive income. The total charge 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. Note 7 in the consolidated financial statements details the schemes in place.

g. Critical accounting judgements and key sources of estimation uncertainty

Critical accounting judgements

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. In performing this assessment, management have considered the cashflows at a group consolidated level, consistent with the impairment review for the Group's goodwill, and concluded that the forecasts support the carrying value of the company's investments. Note 11 in the consolidated financial statements details the assumptions used together with an analysis of the sensitivity to changes in key assumptions.

Key sources of estimation uncertainty

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.

In calculating the ECL, management elect to use a loss percentage which is in line with market practice in the UK and EU. An assessment of the Groups credit rating is utilised as this is the most accurate and reflective probability of default, specific to the THG entities.

2. Employee costs and numbers

The average number of employees during the year was 2 (2021: 2).

	2022	2021
	£'000	£'000
Short term employee benefits	270	50
Social security costs	25	3
Pension costs	2	-
	297	53

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.

	2022	2021
	£'000	£'000
At 1 January	508,846	508,846
Additions	15,734	-
At 31 December	524,580	508,846

5. Receivables

	2022	2021
	£'000	£'000
Trade and other receivables	2,480	596
Amounts owed from Group undertakings	1,575,903	1,373,336
Unpaid share capital	26,919	27,026
Corporation tax asset	4,741	4,687
Other taxation and social security	1,229	379
Prepayments and accrued income	1,362	238
	1,612,634	1,406,262

Amounts owed by Group undertakings are unsecured, non-interest bearing and repayable on demand. The current amount includes amounts of £1,575.9m (2021: £1,373.3m) due on demand but expected to be settled after 1 year.

At 31 December 2022, there were 160,809,675 fully vested, but partly paid and unlisted Shares (31 Dec 2021: 161,439,766). The average amount of unpaid share capital per fully vested but partly-paid and unlisted Share is £0.17 (2021: £0.16) representing a receivable to the Group of £26.9m (2021: £27.0m). 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. Payables: amounts falling due within one year

	2022	2021
	£'000	£'000
Trade creditors	1,900	919
Accruals and deferred income	6,810	2,228
	8,710	3,147

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 2022, the Company's issued share capital comprised:

	2022 Number	Nominal value £ each
Ordinary Shares	1,265,377,243	0.005
D1 Shares	56,082,651	0.005
D2 Shares	17,741	1
E Shares	48,995,797	0.005
F Shares	27,122,287	0.005
G Shares	17,494,614	0.005
Special Share	1	1
Deferred 1 Shares	313,257	0.005
Deferred 2 Shares	21,563,860	0.005
	1,436,967,451	

During the financial year ending 31 December 2022 the following took place. The conversion of shares are in respect of the employee share scheme:

(xxv) 34,454 Ordinary Shares were converted from 34,454 E Shares;
(xxvi) 88,000 Ordinary Shares were converted from 88,000 E Shares;
(xxvii) 22,953 Ordinary Shares were converted from 22,953 E Shares;
(xxviii) 1,606 Ordinary Shares were converted from 1,606 E Shares;
(xxix) 6,399 Ordinary Shares were converted from 6,399 E Shares;
(xxx) 44,909 Ordinary Shares were converted from 21,144 E Shares, 8,000 F Shares and 15,765 G Shares;
(xxxi) 71 D2 Shares were subdivided into 14,200 D2 shares of £0.005 each, 13,169 of which converted into 13,169 Ordinary Shares and 1,031 of which were reclassified as Deferred 1 Shares;
(xxxii) 1,000 Ordinary Shares were converted from 1,000 E Shares;
(xxxiii) 15,530 Ordinary Shares were converted from 6,208 F Shares and 9,322 G Shares;
(xxxiv) 75,000 Ordinary Shares were converted from 75,000 G Shares;
(xxxv) 1,000 Ordinary Shares were converted from 1,000 E Shares;
(xxxvi) 12,000 Ordinary Shares were converted from 12,000 G Shares;
(xxxvii) 65,000 Ordinary Shares were converted from 65,000 E Shares;
(xxxviii) 24,806,893 Ordinary Shares were issued for a total consideration of £911,722 (note 7);
(xxxix) 1,000 Ordinary Shares were converted from 1,000 E Shares;
(xl) 77,175 Ordinary Shares were converted from 16,118 E Shares, 30,497 F Shares and 30,560 G Shares;
(xli) 12,168 Ordinary Shares were converted from 4,193 F Shares and 7,975 G Shares;
(xlii) 19,074,902 Ordinary Shares were issued for a total consideration of £1,521,117 (note 7);
(xliii) 19,753 Ordinary Shares were converted from 10,572 F Shares and 9,181 G Shares;
(xliv) 17,529 Ordinary Shares were converted from 7,048 F Shares and 10,481 G Shares;
(xlv) 52,026 Ordinary Shares were converted from 8,068 E Shares, 17,620 F Shares and 26,338 G Shares;
(xlvi) 26,292 Ordinary Shares were converted from 10,572 F Shares and 15,720 G Shares;
(xlvii) 6,538 Ordinary Shares were converted from 2,643 F Shares and 3,895 G Shares; and
(xlviii) 4,000 Ordinary Shares were converted from 4,000 E Shares.

8. Related party transactions

The Company has taken exemption under FRS 101 not to disclose transactions with wholly owned subsidiary companies.

Glossary

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 and acquisition-related costs) 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 or as part of the outcome of the strategic review or divisional reorganisation.
- 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 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.
- In 2022 following the strategic review, some non-core categories and territories were discontinued. These areas do not meet the definition of a component to be disclosed under IFRS 5; Assets held for sale and discontinued operations as a discontinued operation on the face of the consolidated income statement and as such has been recognised as an APM in 2022 to provided information to the users of the financial statements of the ongoing operations.

APM	Closest equivalent IFRS measure	Adjustments to reconcile to primary statements	Purpose
Adjusted Gross profit	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 • SaaS costs arising from change in accounting policy • Share-based payments 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 • Share-based payments 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. Share-based payment costs are added back, following the launch of the share-based payment scheme in the year and management consider these to be outside of the underlying day-to-day operations. Given the material size of these charges they are removed from underlying Adjusted EBITDA.
Adjusted EBITDA (continuing)	Operating profit	• Adjusted items • Depreciation and amortisation • Share-based payments • SaaS costs arising from change in accounting policy • EBITDA from discontinued categories 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. In 2022 an additional measure has been recognised to show the impact of the operations that will continue in 2023.
Net (debt) / 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 debt	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.

The definitions set out below apply throughout this document, unless the context requires otherwise.

2021 Annual Report	means the Annual Report and Accounts of the Company in respect of the financial year ending 31 December 2021
2022 AGM	means the annual general meeting of the Company held on 10 June 2022
2030 Sustainability Strategy	means the Group's Sustainability 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 2022
Adjusted EBITDA	means the non-GAAP measure which is defined as Earnings Before Interest, Taxes, Depreciation, Amortisation, share-based payments, SaaS change in accounting policy and adjusting items as detailed in note 4 of the financial statements contained within this Annual Report
Adjusted EBITDA (continuing)	means the non-GAAP measure which is defined as Earnings Before Interest, Taxes, Depreciation, Amortisation, share-based payments, SaaS change in accounting policy, adjusting items and removal of the EBITDA from those operations within the Group that are no longer continuing
Admission	means the admission of 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 21 June 2023
Annual Report	means this Annual Report and Accounts of the Company in respect of the financial year ending 31 December 2022
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	means business to business
Bentley Laboratories	means Bentley Laboratories LLC, an innovative developer and manufacturer of prestige skincare and haircare products that was acquired by THG on 15 June 2021
Board	means the board of directors of the Company
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
Brighter Foods	means Brighter Foods Limited, a specialist developer and manufacturer of snack bars that was acquired by THG on 11 May 2021
Carbon Neutrality	means achieving a net-zero release of greenhouse gas emissions (including 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 Damian Sanders, the Company's Chief Financial Officer
Chief Operating Officer or COO	means John Gallemore, the Company's Chief Operating Officer and co-founder
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 Icon 1, 7-9 Sunbank Lane, Ringway, Altrincham, United Kingdom, WA15 0AF
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
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
CX	means customer experience
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 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
Deferred 2 Shares	means the deferred 2 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
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 Group. The Group has six divisions, THG Beauty, THG Nutrition, THG Ingenuity, THG OnDemand, THG Luxury and THG Experience.
Divisional Reorganisation Committee	means the committee, formerly named the Separation Committee, established to oversee the co-ordination, delivery and execution of the reorganisation of the THG corporate structure, specifically regarding the formation of six sub-groups relating to THG Beauty, THG Nutrition, THG Luxury, THG OnDemand, THG Ingenuity and THG Experience
EBITDA	means the non-GAAP measure which is defined as Earnings Before Interest, Taxes, Depreciation and Amortisation
EBT	means earnings before tax
eCRM	means electronic customer relationship management
Employee Incentive Plan	means the employee incentive plan which was put in place during the 2022 reporting period and under which Ordinary Share awards will be made to certain key employees below the level of the Executive Leadership Team
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 value chain
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, the Chief Financial Officer and the Chief Operating 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 adviser 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
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
H1 2023	means the six-month period from 1 January 2023 to 30 June 2023
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
IFRS	means International Financial Reporting Standards
IPO	means the initial public offering of Ordinary Shares by the Company in September 2020
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
M&A	means mergers and acquisitions
NEDs	means the Non-Executive Directors of the Company and "NED" means any one of them
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
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
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
SBTi	means the Science Based Targets initiative, the global body enabling businesses to set emissions reduction targets in line with climate science
Section 172	means section 172 of the Companies Act which relates to the duty of a company's directors to promote the success of the company
SEDEX	means Supplier Ethical Data Exchange
Senior Management	means the Executive Leadership Team and its direct reports
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 Dean Moore who was appointed on an interim basis on 24 January 2023
Softbank	means SB Management Limited, a subsidiary of SoftBank Group Corp.
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
TCFD	means the Task Force on Climate-Related Financial Disclosures, a framework to help public companies and other organizations more effectively disclose climate-related risks and opportunities through their existing reporting processes
THG Beauty	means a key division and market of the Company relating to beauty products, commerce and distribution
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 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 Media	means the Company's digital content, licensing, social and retail media proposition
THG Nutrition	means a key division and market of the Company relating to nutritional products, commerce and distribution
THG OnDemand	means the division offering personalisation and customisation to a range of consumers via online platforms
THG Procure	means our internally developed procurement system
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, ambition and collaboration
WMS	means warehouse management systems
YoY	means year on year