

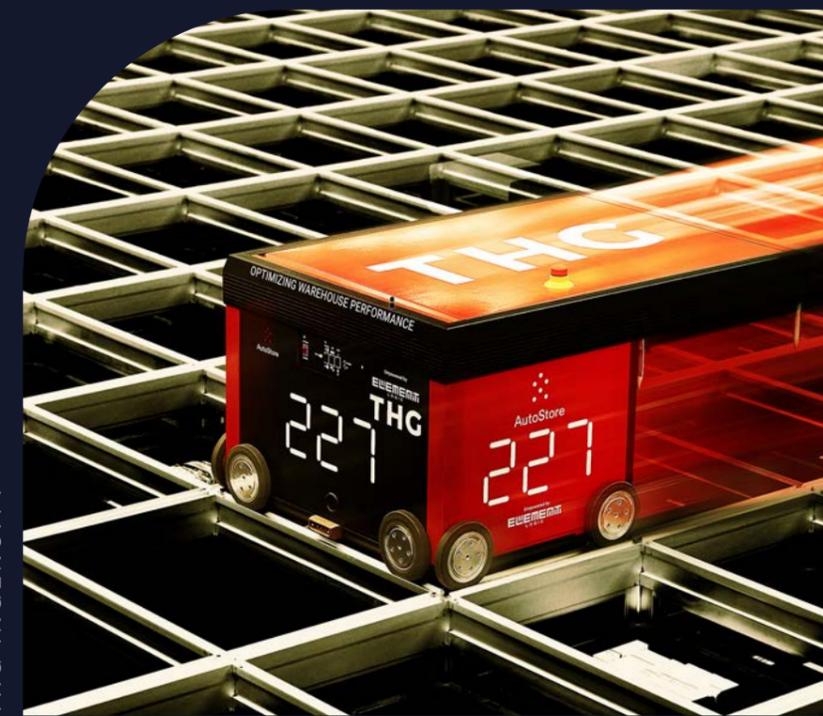
THG Annual Report



THG BEAUTY



THG NUTRITION



THG INGENUITY

2023

THG PLC

For the year ended: 31 December 2023
Company Number: 06539496

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Highlights

Who we are

THG PLC operates three distinct businesses in Beauty, Nutrition and Ingenuity, each scaled from the UK to hold global leading positions in their respective sectors.

Strategic progress

- Strategic Review leading to discontinuation of loss-making categories, underpinning profitability improvements
- THG Nutrition over-delivered medium-term margin targets and entered new strategic partnerships through development of offline strategy
- Prioritisation of higher margin sales and territories reflected in higher quality EBITDA
- Appointment of Sue Farr and Helen Jones to the Board of Directors, increasing independence

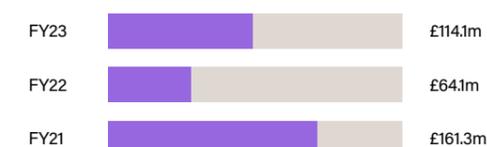
Financial performance

- Group adjusted EBITDA £114.1m, +78% YoY
- Free cash flow breakeven achieved
- Strong balance sheet, with c.£600m of cash and available facilities
- RCF refinanced to May 2026

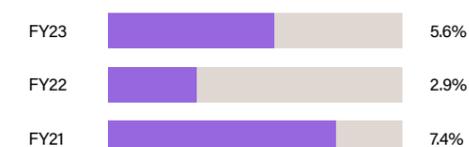
Revenue



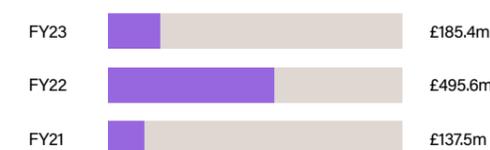
Adjusted EBITDA



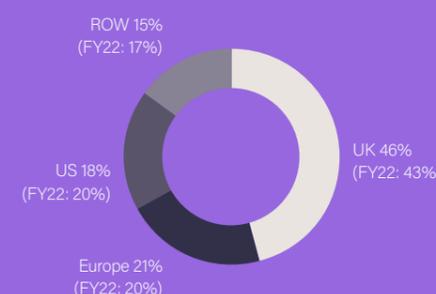
Adjusted EBITDA margin



Reported operating loss



Revenue by territory



Revenue by business



Chair's introduction



Charles Allen,
Lord Allen of
Kensington CBE

Independent Chair

Introduction

Welcome to our 2023 Annual Report. We are delighted to report a strong set of results, in particular achieving our cash generation guidance alongside improved profitability on an adjusted EBITDA basis.

When I joined THG, I was given a clear mandate to refresh the Board and further strengthen governance, independence and diversity. As documented throughout this Annual Report, we have made significant progress, both in this regard and in working closely with Matthew Moulding to develop the Senior Management team and refine the Group's strategy.

As Chief Executive Officer, Matthew has set a clear strategy for the Group, supported by Senior Management, who continue to bring vast amounts of energy to execute this strategy and take advantage of opportunities for growth.

At Group level, our financial targets are centred on sustainable growth, cash generation, strengthening the balance sheet and improving margins. Having reviewed and developed the strategy, we are focused on initiatives within each business that ultimately support our objectives as a Group.

In line with our vision to create and grow category-leading brands on a global scale, I continue to be impressed by the progress made by each of our three businesses, and, while external challenges remain prevalent, particularly inflation and higher interest rates affecting consumer confidence, we have achieved an impressive financial performance.

Board composition and management

As I discuss later in the Governance Report, the Company remains committed to ensuring that a robust governance

framework exists throughout the Group, and that the Board is appropriately structured to guide THG through the next stage of its governance plans. With reference to my mandate to broaden the independence and diversity of the Board, we were delighted to welcome two further independent NEDs, Sue Farr and Helen Jones during 2023, building upon the progress made with the appointments of Gillian Kent and Dean Moore in September 2022. With the appointment of Sue as SID, it is pleasing that one of our four senior Board positions is now held by a woman, although we recognise we need to progress further in this regard.

Indeed, we remain committed to further broadening diversity in line with the FCA's D&I targets (which are considered further in the Nomination Committee Report) and meeting the Group's own EDI targets, on which further information can be found within the Sustainability section of this Annual Report. The search to identify suitable candidates to enhance the composition of the Board will remain an ongoing focus throughout 2024, to ensure we have the appropriate balance of skills, knowledge, experience and diversity on the Board to oversee the successful execution of the Group's strategy, and support THG's ongoing PLC evolution. In addition, we note the need to ensure that a robust and diverse succession pipeline is in place throughout the organisation more generally.

On behalf of the Board, I would also like to thank Iain McDonald for his significant contribution to the Company over his many years in office and prior to stepping down from the Board at the end of March. In particular, we have greatly valued his contribution to strengthening the Board composition, welcoming new NEDs and developing THG's strategy. Notably, when Iain stood down from the Board, we achieved an equal balance of independent and non-independent Directors (excluding myself), which rectified the previous departure from Code Provision 11.

Further information on the Board changes which took place during 2023 can be found within the Corporate Governance Report and the Nomination Committee Report.

Strategy

Sustainable revenue growth is a common objective across our businesses, and their detailed strategic plans are reviewed regularly by the Board. During the year, we reviewed and exited categories that did not meet our returns criteria, while making substantial investments in areas where we are well-placed and see specific opportunities to accelerate growth.

In **THG Beauty**, we made decisions on the categories and markets to prioritise, with a product-led focus. This multi-year strategy has redeveloped our retail business and allowed us to build stronger relationships with our brand partners, particularly in the UK and US.

In **THG Nutrition**, we achieved our medium-term margin targets alongside evolving our brand model into new markets and categories through selective partnerships. We have an excellent platform from which to expand our position in health and wellness, supported by a refreshed brand and look to broaden appeal.

THG Ingenuity was also recognised in the influential Gartner Magic Quadrant™ for Digital Commerce, acknowledging its completeness of vision and ability to execute. We will continue to progress our technology roadmap and deepen partnerships over multiple services and territories.

Following completion of our expansionary investment in our global fulfilment infrastructure, we have transformed our approach to operations, optimising automation to reduce costs, create efficiencies and, in turn, support our path to positive cash generation.

People and diversity

Despite a challenging year for the UK jobs market, we continued to attract and retain top talent within THG during 2023. With a renewed focus on internal mobility, we provided support for 365 people to move into new roles within the Group, which has not only strengthened our internal talent pipeline, but helped to create a resilient and agile workforce for the future.

We also invested in our future talent, onboarding 104 graduates, 24 interns and 100 apprentices. THG Accelerator, our in-house training programme for graduates from a non-computer science background, continued to provide a pipeline of diverse technology talent.

ED&I remained high on our agenda, influencing our talent attraction strategy across all areas of the Group. We continued to improve our knowledge and understanding of accessibility and inclusion in the workplace, and entered a two-year strategic partnership with Tech She Can to bring more women into the technology industry.

We are proud of the changes which we have made over the past 12 months, and plan to make further investment in our people in 2024.

Sustainability

Our sustainability strategy continues to be embedded across our businesses, led by our Senior Management and our Sustainability team. Following a full GHG inventory in 2020, THG submitted its net-zero targets to the SBTi, which were successfully validated as follows:

- THG commits that 85% of its suppliers by spend, covering purchased goods and services and upstream transportation and distribution, will have science-based targets by 2027.
- THG commits to reducing absolute Scope 1 and 2 GHG emissions by 42% by 2030 from a 2020 base year.
- THG commits to reducing absolute Scope 1 and 2 GHG emissions by 97.7% by 2040 from a 2020 base year. THG also commits to reduce absolute Scope 3 emissions by 90% within the same timeframe.

Work has already begun to meet these targets and we have also replaced our Ethical Code of Conduct with our new THG Supply Chain Standards, which strengthens our approach with our supply chain.

As a business, we are committed to encouraging environmental and societal change both through our own operations and as a key partner for our stakeholder groups. This is supported 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.

Outlook

As we turn to the year ahead, we are positive on the outlook for our markets and anticipate a return to revenue growth during the year. We will continue to execute our strategy, work deeply with our partners and be disciplined stewards of the balance sheet.

During 2024 we expect further progress on EBITDA initiatives as our momentum continues. The new financial year has started well, especially within THG Beauty, where we recently added Biossance to our prestige own-brand portfolio. We also expect further good progress on profit enhancement initiatives which we will balance with investment in demand generation.

THG is a modern and dynamic company in a traditional environment. We are building a business fit for the next decade and beyond, and the Board remains highly supportive of the strategic direction the CEO and Senior Management team are pursuing to create value for stakeholders.

Finally, I'd like to thank our 7,000 colleagues around the world for their commitment and dedication to all of our stakeholders during this period.

Further information can be found within:

Chief Financial Officer Review (see [page 35](#))

Section 172 Statement Stakeholder Engagement (see [page 47](#))

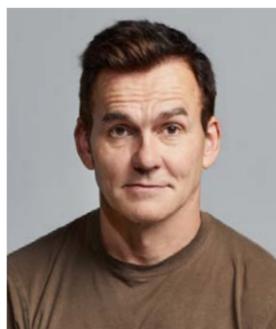
Our People (see [page 57](#))

Sustainability (see [page 63](#))

Corporate Governance Report (see [page 107](#))

Nomination Committee Report (see [page 133](#))

Chief Executive Officer's review



Matthew Moulding

Executive Director
and Chief Executive Officer

Chief Executive Officer's statement

2023 was a year of material operational progress and execution for THG, as we continued to grow our category-leading, global brands through digital transformation, innovation and impactful partnerships. It was certainly not without its headwinds, but the Group responded proactively, and emerged stronger.

Following the challenging global environment in 2022, we repositioned our three businesses to focus our resources onto margin recovery and a return to sustainable revenue growth. Overall, the performance was highly encouraging, and although we have more work to do in 2024, I am confident we have the right people, capabilities and expertise to make further progress.

- We achieved a Group record EBITDA performance after cash adjusting items and anticipate further progress towards our medium-term targets during 2024, in line with historical performance.
- Our Beauty business displayed incredible resilience, despite the first half being affected by short-term global de-stocking affecting manufacturing volumes. Our focus on orders that delivered immediate profitability over ones with a longer payback, meant we fulfilled more orders closer to our global distribution hubs, driving further economies of scale.
- THG Nutrition achieved an impressive performance, and with inflationary pressures easing, posted substantially higher margin growth year on year. The early results from the major Myprotein rebrand are also encouraging as we've taken steps to further enhance the premium nature of the world's No.1 online sports nutrition brand.
- These actions should strengthen partnership opportunities as we expand our licensing and offline strategy. The new branding also lays the groundwork for selective category expansion, supporting our plan of building Myprotein into a truly global lifestyle brand.

- Across both our consumer businesses, our customer health remains robust with repeat purchase rates of above 80%.
- Ingenuity's pivot to larger, multi-service clients is gaining momentum, reflected in some key client wins and a strong pipeline. We were thrilled to be listed in the Gartner's Magic Quadrant™ for Digital Commerce, in recognition of our ability to provide an all-encompassing direct to consumer journey.
- In line with our guidance, substantial growth in Group profitability, along with improved inventory efficiency, led to the Group delivering £174m of operating cashflow¹ in 2023.
- This strong operating cash performance allowed the Group to continue to make £128m of Capex investments in the year, principally into the UK, while still delivering overall free cash² flow breakeven for the year.
- Following the Group's solid adjusted EBITDA and operating cash performance, closing net leverage for FY 2023 was c.1.9x, compared to 2.8x for FY 2022. Continued positive momentum into FY 2024 provides confidence of further degearing.
- With the support of our long-term banking partners, we extended our revolving credit facility until May 2026. Whilst we haven't used this facility since IPO, it affords us continued significant financial flexibility during uncertain geo-political times.
- As noted in the Chair's Statement, we were delighted to welcome two further independent NEDs, Sue Farr and Helen Jones, as we expanded our independent Board, while thanking Iain McDonald for the significant contribution he made to the Company over many years.
- We celebrated our meritocratic culture in our Annual Awards, awarding £150,000 equity to Newcomer of the Year, Employee of the Year, and Outstanding Contribution, in addition to supporting many well-deserved promotions across the Group.
- Following the Group's strong performance, the Executive Directors would have been eligible for a bonus opportunity totalling in excess of £1m in 2023. It is likely that a material proportion of this would have been payable to me, however, in line with each financial year since IPO, the Executive Directors unanimously decided to waive their entitlement to a 2023 bonus. In recognition of this, the Group intends to make a charitable donation of £500,000 targeting homelessness in Manchester. I also waived my £750k salary in return for the Group making a charitable donation to The Moulding Foundation.

Business operational performance

As an authority in Beauty, we continue to attract, retain and develop our customer relationships, with our proposition refined and elevated by new technology and a best-in-class delivery service that enhances the customer experience.

Myprotein has evolved beyond sports and performance to broader health and wellness categories, expanding its addressable markets and catering for increased consumption occasions. Pivotal to this strategy has been creating ranges with prominent partners in distribution, grocery and chilled goods – expanding the reach of the brand into offline channels and, in turn, building awareness and engagement. Commodity challenges abated during the year and we were able to achieve significant profitability while undergoing an ambitious brand repositioning.

Our proprietary technology and operations platform, THG Ingenuity, is a multi-year development story, with our fulfilment and operational solutions business now winning clients in its own right, as the business accelerates the returns on investment in distribution capacity.

Finally we actively managed our portfolio through the exit of small legacy brands within Beauty and Nutrition, and through the sale of OnDemand and ProBikeKit delivering a cash return.

Financial performance

Much like the previous year, 2023 presented challenges for all businesses in the markets we operate in. Nevertheless, we are very pleased with how the Group has responded, making substantial progress towards the targets we communicated at the outset of the year.

We achieved revenue of £2bn, reflecting our efforts in executing our strategic review, as we repositioned several loss-making categories across the Group. This created strong momentum heading into 2024, and we expect to return to progressive revenue growth throughout the year.

We repositioned Beauty to materially improve profitability, with the business finishing the year in constant currency growth. In Nutrition, we set out to recapture the significant investment we made in margin during 2022, subsequently achieving an EBITDA margin in excess of our medium-term guidance. Ingenuity continued to execute its strategic pivot towards higher value clients, with new client wins and expanded partnerships accelerating monthly recurring revenue throughout the year.

We made notable margin improvements, in part due to the Group's excellent operational performance. Distribution costs were lower year on year, through an optimised fulfilment network consisting of increased automation and an improved delivery offering. We will continue to increase automation in our major hubs to further offset lingering inflation and move towards our goal of around half of customer orders being touched by automation.

Operational leverage also supported improvements in profitability, achieving continuing adjusted EBITDA of £120m – ahead of our previous guidance.

Our business has nearly doubled in revenue since IPO, with our growth capex investment phase already paying back. Investment in future years will remain at comparatively modest levels, though still extending and enhancing our proposition and competitive advantage while the market growth opportunity remains significant.

Following our strong operating cash performance in the second half of the year and our recently extended Revolving Credit Facility, we have a healthy liquidity position with c. £600m in cash and undrawn facilities providing substantial liquidity and flexibility, to capitalise on growth opportunities.

People and purpose

2023 was a year of transformation for our people as we prioritised attracting top talent, as well as retaining and nurturing our existing teams. From introducing wraparound support for working families, to increasing compassionate leave, we made significant investment in our people, their wellbeing, and their long-term development at THG.

We launched our social impact strategy, THG in the Community; our plan for creating positive social change and making an impact in our local communities. The strategy is underpinned by three pillars – championing inclusion, disrupting inequality, and creating opportunities – and revolves around three key initiatives, all of which have been introduced to give our people an opportunity to get involved and give back.

All businesses are accountable for maintaining a focus on closing the emissions gap. THG is rising to this challenge by committing a greater number of resources to its sustainability agenda, ensuring compliance with the ever-increasing legislative demands and making progress on our 2030 Sustainability Strategy.

Outlook

We expect long-term channel shift across our consumer markets to continue, supported by a track-record of consistently taking market share, and a global, expanding, high-repeat customer base.

We remain confident of a return to 9% adjusted EBITDA margins in the medium-term, and progression into 2024 through:

- a return to revenue growth across the Group;
- operating leverage improvements across the fixed infrastructure, including automation; and
- further free cashflow progress.

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.

1. Defined as cash generated from operations including a cash receipt of £11.2m from HMRC which was remitted to the Group, but physically cleared the bank on the first working day of 2024.

2. Free cash flow is defined as total cash flow for the group adjusting for debt (repayments) / proceeds and acquisitions cash flows and in respect of FY 2023 the inclusion of a cash receipt of £11.2m from HMRC which was remitted to the Group in December 2023 but physically cleared the bank on the first working day of 2024. For presentation purposes, this is considered to be free cash flow as at 31 December 2023 as a result of the remittance advice received.

Our purpose

To make an impact through digital transformation, innovation and expertise.

Our values

We're incredibly proud to celebrate our diverse workforce and the unique experiences, skills and qualities everyone brings to the table. But there are a few things we all have in common.

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.

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.

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 to go further, faster.

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.

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.

Our vision

To create and grow category-leading global brands on a global scale.

We live and breathe our values every single day.

Watch [this video](#) to find out more about our influencer management platform, THG Society, that has been designed and developed in-house by our tech and marketing teams.

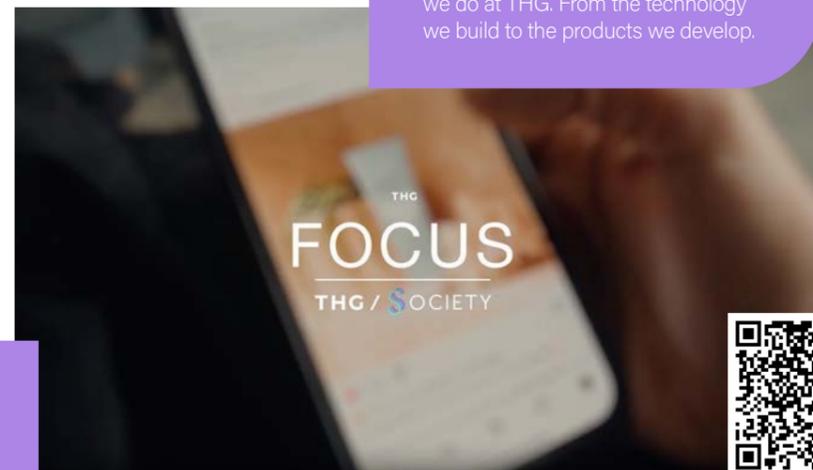
Collaboration

From creative development and branding, to set build and show production, our teams at THG Studios worked together to bring The Overlap to life.



Innovation

Innovation is at the heart of everything we do at THG. From the technology we build to the products we develop.



"We wanted to showcase THG's talent in every inch of the design including branding, carpentry, lighting design, build, set design, and set dressing. We also collaborated with some northern creatives and artists outside of THG to create a custom wall mural for the set. Collaboration was key in the overall vision and mindset of the team"



- Mike Scott, Executive Creative Director.

Leadership

We're passionate about creating leaders at all levels. That's why we give our early careers talent access to career-defining opportunities.

From creating global campaigns and organising brand events to presenting to senior stakeholders and building their professional networks, life at THG enables them to go further, faster.

THG Awards

Tech



Prolific North Awards: Large Tech Company of the Year
● Status: Shortlisted

Sustainability



Environmental Finance: EMEA Circular Economy Transition of the Year 2023
● Status: Won

Sustainability



Retail Week Awards – The Responsible Retailer Award
● Status: Shortlisted

Ingenuity



Gartner Magic Quadrant™
Status: N/A

Creative



Prolific North Creative Awards: Inspired Space
● Status: Won

Creative



The Drum Roses Awards: The Guru – MyProtein cyber campaign
● Status: Won

Our strategy

Strategic priorities

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

Medium-term financial priorities

 <p>Revenue growth</p>	 <p>Return to historical adjusted EBITDA margin of c.9%</p>	 <p>Free cash flow generation</p>
 <p>Strong balance sheet</p>	 <p>Market-share growth in key territories</p>	



Our stakeholders

 <p>Suppliers and partners</p> <p>We promote open and transparent working practices and collaborate for mutual commercial success</p>	 <p>Customers and consumers</p> <p>We enable brands to have direct relationships with consumers by providing a high-quality retail experience and establishing a relationship of trust</p>
 <p>Shareholders</p> <p>We create value for shareholders through a focus on sustainable growth, responsible capital allocation and balance sheet stewardship</p>	 <p>Our people</p> <p>We aim to ensure THG is an inclusive and supportive environment with career development opportunities at all levels, focused on building the skills of tomorrow</p>
 <p>THG Ingenuity clients</p> <p>We support clients on their digital transformation journeys through the provision of technology, operational and marketing services</p>	 <p>Society and communities</p> <p>We aim to develop digital skills and tech talent, providing jobs within local communities to help promote greater social mobility, whilst protecting the environments we operate in and source from</p>

The Group operates three distinct businesses: Beauty, Nutrition and Ingenuity, each holding global leading positions in their respective sectors.

THG Beauty

THG Beauty is a leading digital strategic player within the prestige beauty industry globally, combining its portfolio of prestige owned brands across skincare, haircare and cosmetics with the provision of a critical route to market for over 1,300 third-party beauty brands sold through its online retail sites, including Lookfantastic, Cult Beauty and Dermstore.



THG Beauty's stated ambition is to be the global digital partner of choice across the beauty industry, supporting the channel shift to online. This strategy is based upon four key pillars:

1. maintaining its position as the world's largest online pure-play prestige beauty retailer;
2. supporting global beauty brands in addressing the channel shift in marketing spend from offline to online;
3. developing a digitally-focused stable of prestige THG-owned brands, providing margin enhancement and differentiation;
4. providing innovation and product development services directly to the beauty industry.

THG Nutrition

THG Nutrition comprises a family of digital-first health and wellness brands, including the world's largest online sports nutrition brand Myprotein.

THG Nutrition is optimally positioned for continued global growth leveraging:

1. long-term trend of consumers becoming increasingly health conscious, and consuming more nutritional products across a broadening range of categories;
2. proven ability to enter new markets and categories, localising the proposition whilst maintaining quality and operational excellence;
3. a global community of influencers, affiliates and social media followers driving direct traffic and brand awareness, in addition to its partnerships with major brands;
4. proprietary customer insights from direct to consumer engagement, supporting new product development and innovation through its vertically integrated manufacturing capabilities.

THG Ingenuity

THG Ingenuity offers a complete digital commerce solution. Through its expertise in building direct to consumer brands, developing technology and operational solutions and use of deep data insights, it enables brands to sell online by providing technology, global fulfilment and digital performance marketing services.

Strategic priorities for the business remain focused on:

1. increasing the value from our existing customer base and investing in long-term new customer growth across primary verticals of FMCG, beauty and retail;
2. growing its presence within its target markets of UK, Europe and the US;
3. building technology and delivery partnerships that create indirect revenue channels and extended delivery capacity to help us grow;
4. developing new products and solutions and continuing innovation on the platform.

In 2021 the Board set out the Group's strategy to provide each business with its own growth and capital platform, through individual public market listings or partnerships, with THG retaining significant majority ownership.

Since setting out this strategy, the Group has completed a complex and lengthy divisional reorganisation, with each business now operating stand-alone. A strategic review of loss-making categories and territories within the THG OnDemand business was also completed in 2023, leading to its full exit.

Our business model

THG is a leading vertically integrated, global ecommerce technology group and brand owner, powered by its proprietary technology platform, THG Ingenuity, through which it also provides end-to-end ecommerce solutions powering THG's brands offering alongside external, third-party brands to reach a global ecommerce consumer base.

THG operates three distinct businesses THG Beauty, THG Nutrition and THG Ingenuity, each operating in resilient, growing markets. These businesses leverage the Group's specialisms: the development of a portfolio of leading consumer brands; and the acceleration of D2C growth for brands and retailers.

Our businesses

THG Beauty

Comprising the #1 online pure-play prestige beauty retailer Lookfantastic, in addition to other popular online prestige beauty retailers including Cult Beauty and Dermstore. In total, THG Beauty offer more than 1,300 premium brands across the skincare, haircare, cosmetics, and fragrance categories globally with leading positions in the UK, US, and Europe. THG Beauty represents a critical route-to-market for beauty brands seeking to grow, innovate and connect with global audiences.

Additionally, THG Beauty owns nine prestige brands retailed through THG's online multi-brand sites as well as direct to consumer websites, subscription boxes, and third-party channels. These brands are primarily skincare, haircare and cosmetics.

Finally, THG Beauty manufacturing provides a vertically integrated model for both our own and external prestige brands. THG Beauty is informed by market and brand trend insights from its global consumer base to support brand partners with their new product development capabilities while its in-house product development and manufacturing capabilities enables independent brands to scale.

THG Nutrition

A group of digital-first brands spanning the nutrition and wellness space, led by the world's largest online sports nutrition brand, Myprotein. Its vertically integrated model allows for the business to expand and operate in complementary markets to sports nutrition such as vegan products, vitamins, bars, snacks and sportswear within the online and digital space in key markets including the UK and Asia.

Supporting the online and digital offering is the strategic advance into international and retail markets through offline partnerships and licensing agreements, further scaling and diversifying the global portfolio.

In addition, THG Nutrition boasts its own vertically integrated manufacturing capabilities, driving product development and production, shortening timelines to market and enabling the business to address consumer and market trends ahead of its competitors, driving higher levels of cross-category purchasing and brand awareness globally.

THG Ingenuity

Proprietary end-to-end ecommerce platform that powers digital experience and retail for CPG, 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 ecommerce technology and physical infrastructure.

As well as being a third-party ecommerce solution, THG Ingenuity is the operational infrastructure and digital hub that supports THG Beauty and THG Nutrition, delivering excellence throughout the supply chain and customer experience. THG Ingenuity 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 core competencies sit across:

Technology

Since inception nearly 20 years ago, the Group has continually invested in building its own ecommerce software specifically designed for the retail of consumer goods globally. Solutions include the Group's highly scalable enterprise platform that powers ecommerce 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.

Operations

Encompassing global fulfilment from a network of 13 warehouses in strategic locations across the world, courier management, customer services and sustainability solutions from carbon offsetting and consultancy to plastic recycling.

Marketing

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.

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 through selling services to THG Beauty and THG Nutrition alongside third party external 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 licenses, 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 THG Nutrition business) and finished goods purchased for resale (e.g. third party beauty products retailed by THG Beauty business). Distribution costs relate to the fulfilment and shipping of orders to customers. THG has delivered further 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 three businesses; THG Beauty, THG Nutrition and THG Ingenuity are profitable when considering adjusted EBITDA from continuing operations. The Group's medium-term adjusted EBITDA target remains c.9%, which is supported by its profit enhancement programme and in line with historical periods.

CASH FLOW

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

For further information please see: THG Beauty (see page 19), THG Nutrition (see page 25), THG Ingenuity (see page 29), Chief Financial Officer Report (see page 35), Section 172 report (see page 47)

Our marketplace

The substantial and expanding addressable markets in which we operate in provide clear and compelling opportunities for growth across our businesses:

THG Beauty

Market description

The global total addressable market for beauty and personal care was estimated to be £476 billion in 2023, growing 9.5% year on year. The premium segment, within which we primarily operate, is set to expand at a CAGR of 6.7% between 2023 – 2027 and anticipated to be valued at £136.6 billion in 2023.¹

One of our key markets, the US, is leading the way in terms of beauty ecommerce penetration with the highest level at c.30%, in line with its overall online retail penetration rate. UK online spending has also been steadily growing throughout 2023, with online penetration remaining higher than pre-pandemic levels, set to accelerate throughout 2024.²

Products

THG Beauty comprises leading multi-retail sites, a portfolio of prestige owned brands and manufacturing capabilities across multiple categories within the beauty and personal care market, with leadership positions in key markets, the UK and US.

Our multi-retail sites Lookfantastic, Cult Beauty and Dermstore provide a critical route to market for over 1,300 brands across haircare, skincare, cosmetics, body care and fragrance.

Our vertically integrated owned brand proposition is supported by manufacturing capabilities in the UK and US, led by flagship skincare brands Perricone MD and ESPA. These brands aid in driving new product development as well as product discovery through partnership opportunities outside of the traditional beauty market.

Utilising our expansive proposition, THG Beauty seeks to use its digital expertise and innovation to deliver best-in-class curation and maximise the beauty customer experience, encouraging the channel shift from offline to online.

Key trends

The online global beauty and personal care market continues to grow, supported by increases in online penetration across the world and advancements in technology, enabling the in-store customer experience to be emulated online.

Despite wallet pressures, beauty spending remains robust as consumers pull back from purchasing in higher-price, prestige markets such as clothing and accessories. Relief in inflation rates, sequential increases in promotional activity and strong employment markets are likely to contribute to increased beauty spending expectations in the near to medium-term.³

Premium beauty remains a key trend within the global beauty market, growing 7.7% year on year in 2023, compared with the overall beauty and personal care market. As consumers become increasingly focused on product efficacy and maximising value, prestige beauty is becoming increasingly attractive. With increased competition in beauty, premiumisation unlocks value and opportunity within the market as legacy brands begin to lose market share to prestige, upcoming brands with loyal followings.

Our position

Our competitive advantage comes from the synergy of our entire beauty proposition. Through our retail sites and owned-beauty brands, we can forge both strong brand partner and customer relationships, supported by our global network of capabilities that allow access to multiple markets, new product development, and product discovery, underpinning our leading positions in key territories, the UK and US. The insights gained from our customers help to drive innovation and brand curation, particularly for emerging niche and independent brands.

The regime-based nature of our key categories, skincare and haircare, also offer up a competitive advantage as we are able to use thought-leadership, education and personalisation to further engage with our global audiences. Repeat-purchases and low level of trend influence enable us to dictate new product development opportunities while capitalising on unlimited online shelf-space that traditional and outdated channels such as department stores cannot do.

Outlook

The global total addressable beauty and personal care market is estimated to grow to £636 billion by 2027, at a CAGR of 5.8% between 2023 – 2027.⁴

Online adoption within global beauty is set to follow suit, rising at a CAGR of 7.7% between 2024 – 2030⁵. This represents the continued opportunity within the beauty ecommerce space. Global retail online penetration is set to steadily grow from 26% in 2023 up to 31% in 2027, with our key markets, the UK and US having a significant higher ecommerce share at c.30% for 2023.⁶



THG Nutrition

Market description

THG Nutrition's total addressable market, including the sports nutrition, vitamins, weight management products and sportswear categories, is estimated to amount to around £350 billion globally. THG Nutrition's main focus is on the sports nutrition market, which is estimated to amount to £23 billion in 2023. 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 and minerals, bars and 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 affected 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, ecommerce 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 purchase 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, and the most internationally diverse.

THG Nutrition is therefore uniquely positioned to capitalise on this long-term shift towards ecommerce. 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, which 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.

THG Nutrition has also expanded into traditional retail channels in recent years, principally through convenience products developed in-house, such as bars and snacks, and through licensing partnerships that expand the brand into new product formats, such as frozen food ranges developed with Iceland.

Outlook

The total addressable market is expected to continue to grow, reaching approximately £35 billion by 2028¹, representing a 9% CAGR (2023 to 2028). 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 purchasing and educating themselves on the category.



THG Ingenuity

Market description

THG Ingenuity offers a full service commerce solution for brands looking to scale their ecommerce operations through improved online performance and internationalisation. A shifting labour market, higher-for-longer interest rates, slower consumer spending and increased costs of advertising represented ongoing pressures for businesses through 2023. At the same time, digital innovation continued its far-reaching impact across new markets, altering existing markets and challenging the status quo. As brands like Walmart and Amazon set the standards for customer experience online, providers that offer cheaper, faster and better will win out. The most dangerous decision a business can do in this context, is to take a conservative 'wait and see' approach.

THG Ingenuity's unique advantage in this market context is to move fast, think bold and be willing to pivot, finding new ways to interact with end customers, optimise operations and deliver long-term, sustainable value.

Products

Powering £2 billion online sales for THG's own brands, serving over 1,000 Ingenuity customers globally and supported by c.4,000 employees, Ingenuity's ecommerce toolkit comprising technology, operations and marketing solutions propel digital growth and new market entry:

1. Technology comprises a core commerce platform which enables brands to sell their products online across their owned brand site, social channels and marketplaces supported by the infrastructure required to run and maintain the platform
2. Fulfilment includes our global payment solutions, fulfilment capabilities and courier management services, regulatory, labelling, sustainability and our customer contact solution.
3. Marketing comprises services that are designed to build and grow brands in new markets, on a global and local scale: trading, marketing and data services, creative strategy, content production, translation and localisation, retail media and THG's content creator platform.

Key trends

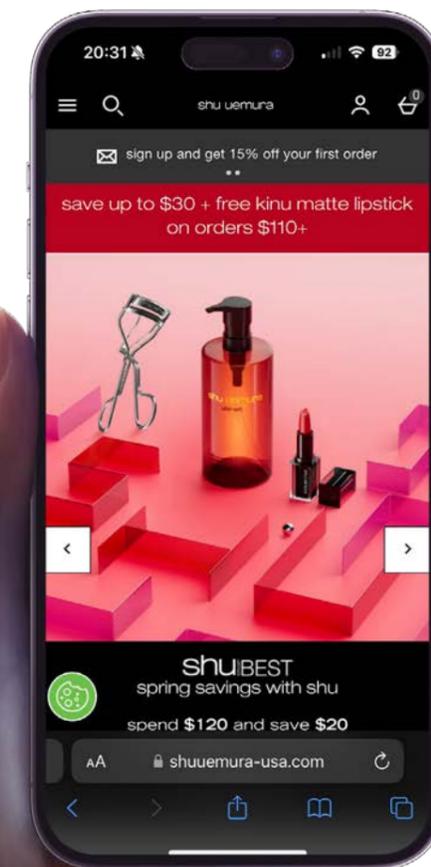
In 2023, the global ecommerce market was worth \$5.8tn, spurred by the growth in international shopping where globally 52% of online consumers ordered from both local and international websites and social commerce including live stream shopping on channels such as TikTok.¹ This was accompanied by a resurgence of enthusiasm about technology's potential to solve some of the world's most complex challenges with GenAI helping to catalyse progress in both business and society.

Our position

THG Ingenuity has an unrivalled ability to continuously innovate, optimise and drive efficiencies at pace through its vertical integration and full ownership of the end-to-end ecommerce experience. Our investment in GenAI has helped to overcome structurally higher cost pressures and streamline operational processes while automation in fulfilment has increased efficiency, throughput, and accelerated speed of delivery to the end customer. This is just a small part of the c.15,000 platform releases deployed annually which are automatically available to all clients on the platform.

Outlook

Euromonitor expects global ecommerce growth to settle at a 'new normal' growth rate of c.10% per annum from 2024-2027. In 2023, growth was largely inflation driven through higher average order values rather than volumes, with analysts expecting a return to volume-based growth during 2024 across apparel, footwear, health and beauty and food and beverage.²



¹ Source: Forbes, March 2024.
² Source: Barclays Equity Research, January 2024.

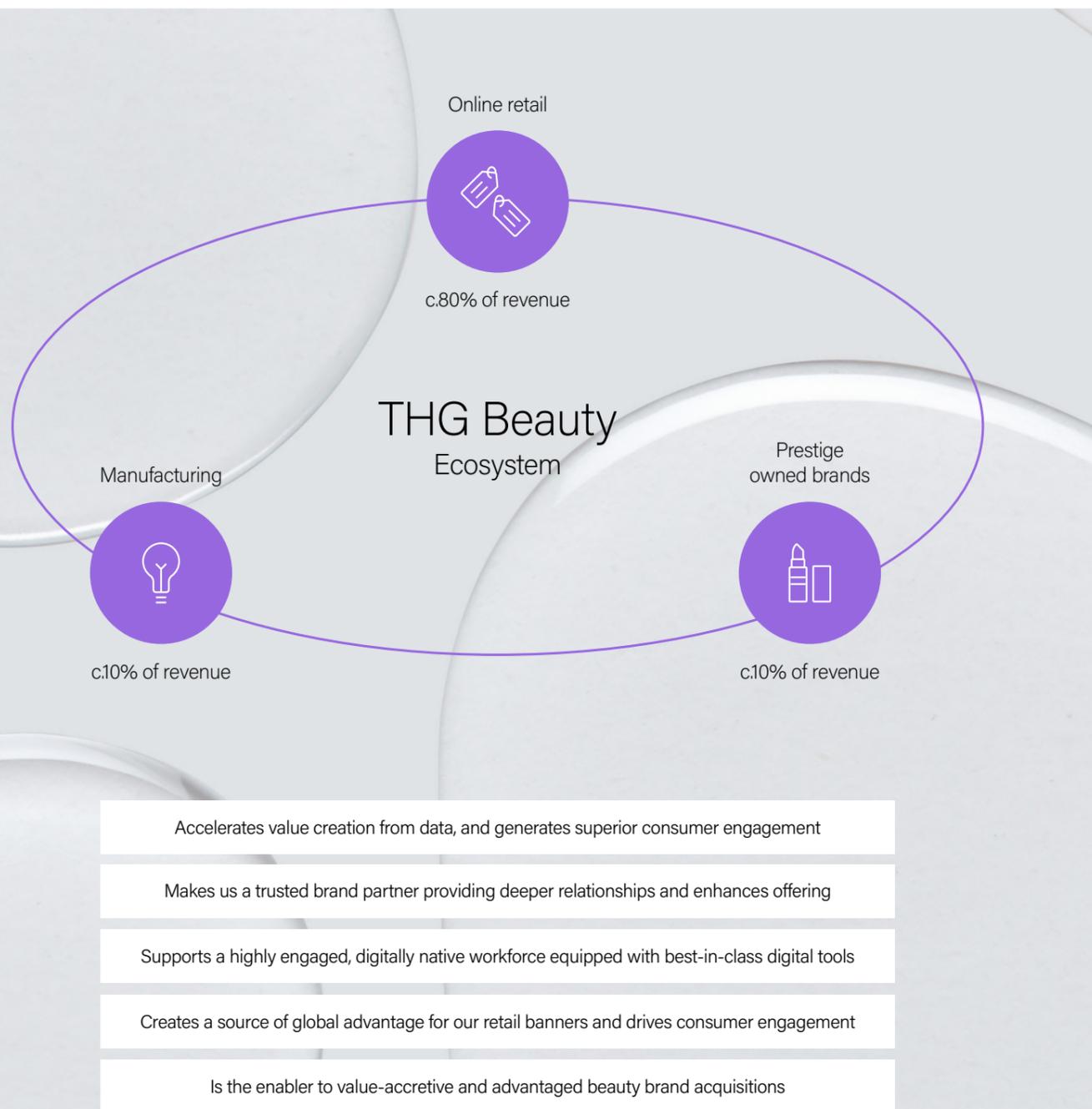
THG Beauty

THG Beauty is a disruptive, digital-first premium beauty retailer, brand owner and manufacturer. We are positioned to offer prestige product and brand curation across categories such as skincare, haircare, cosmetics, body care and fragrance, driving innovation and product discovery, maximising the beauty experience for our customers.

Our multi-retailer sites comprise Lookfantastic, Cult Beauty and Dermstore, presenting an expansive beauty offering in key markets such as the UK and US. Our portfolio of nine prestige

owned brands, led by recently acquired Biossance, Perricone MD and ESPA, are stocked by over 1,000 global partners in 53 countries, including hotels, spas and salons.

Our business proposition is constantly evolving, remaining adaptive to customer needs and shifting beauty trends to ensure we maintain digital and category leadership. We are continuing to support the channel shift from offline to online to become the global digital partner of choice across the beauty industry.

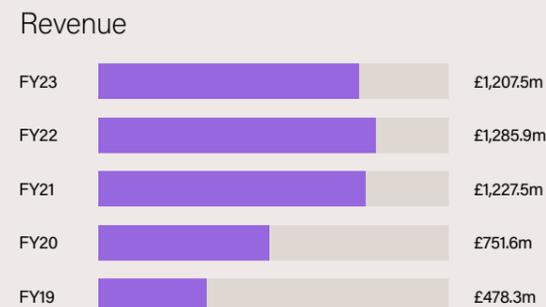


Operational review

During 2023, we consciously prioritised higher margin sales, and while this decision led to a decline in headline revenue, we were encouraged to see resilient and stable purchase behaviour from our active customer base.

Reflecting the deprioritisation of certain geographies, our active customers, and consequently order numbers, fell year on year, with the decline slowing throughout the year. Critically, the behaviour of the active customer base remained healthy, with average order value remaining stable and order frequency improving year on year. This not only demonstrates the strength of our offering in key markets but also signifies improving quality within our existing customer base. This is supported by our existing customer repurchase rates, which remain above 80% as we continue to focus on customer engagement and retention.

Across our global audience, we saw continued growth in app participation, attracting 3.3 million new users in 2023, +32% year on year, with notable improvements in app purchases as a portion of revenue (FY 2023: 14.1%, FY 2022: 10.0%). Notwithstanding the ongoing macroeconomic uncertainty throughout the year, the UK, being one of our key and largest markets, performed strongly, with app purchases now driving over 20% of sales. This has underpinned a year on year increase in active customers in the region, and enabled growth in our retail fascias ahead of that of the total UK prestige beauty market.⁴



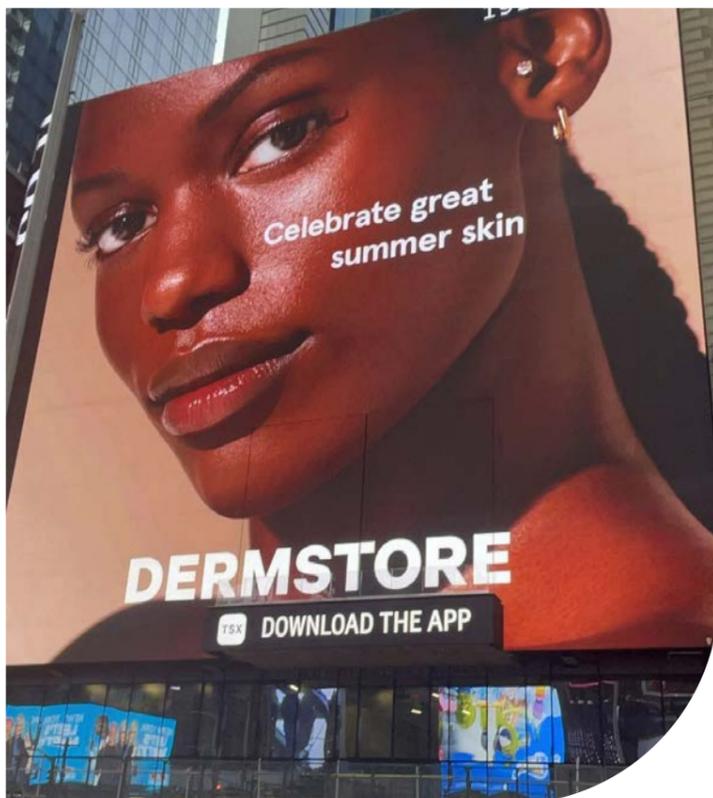
1. Active customers is defined as customers who have purchased at least once within the period.
 2. Number of orders is defined as orders fulfilled within the period.
 3. Average order value is defined as the average order value per customer order on a gross revenue basis, inclusive of any shipping revenue.
 4. As per third party data and management estimates.

In 2023, as part of the Group's overall strategic review, THG Beauty decided to discontinue our SkinStore brand and consolidate all resources behind the strength and value proposition of our premium, dermaskin-focused US brand, Dermstore.

Dermstore is the largest community of skin-health experts, brands and consumers in the US, a key market behind the UK. With demand continuing to grow for effective skin-health products, we saw greater value in simplifying the US offering to one brand.

Since its acquisition (February 2021), THG Beauty has observed a gradual yet consistent shift in customer purchases from SkinStore to Dermstore. This is underpinned by Dermstore's stronger community engagement, greater basket sizes and higher customer retention, exemplifying the merit in operating a single brand proposition in the US.

Our vision is for THG Beauty US to be the leading digital partner for professional and prestige beauty, and this decision aligns our aim with our commitment to offering best-in-class professional expertise, education and products to meet our customers' needs.



Strategic highlights

Key performers

The proposition of Cult Beauty as a platform for niche and emerging beauty brands continues to strengthen, with significant revenue coming from brands sold exclusively on Cult Beauty in the UK. This enhances the site's unique selling point and enables us to reach a greater audience within the prestige beauty market, with launches in 2023 including skincare brand Kinship, supercharged by its proprietary ingredient Kinbiome, and haircare brand Ceremonia, rooted in Latin beauty rituals.

In building category leadership positions within the beauty industry, it is crucial we use customer insights to inform our decision-making. This will enable us to focus on the right brand and product curation to serve our customer needs and enhance our relationships. Understanding our customers at a deeper level also creates value for the brands we partner with, unlocking a greater global audience and providing new routes to market through our multi-retail platforms.



Throughout 2023, we used these data-driven customer and trend insights to position ourselves as a thought-leader within the beauty market. One example of this is

the production of the 2023 Beauty Trend Report, where we revealed the fastest-growing trends and categories of 2023 and looked forward to what 2024 holds for the industry. This engagement with customers through traditional media channels and thought leadership reports not only enhances brand awareness but also establishes us as an authority on emerging and current industry trends.

In June 2023, Cult Beauty made a commitment to champion unedited imagery across its channels as part of its Can't (Re) Touch This campaign. Joining forces with Dr Luke Evans, we have signed the Body Image Pledge to encourage more transparency and authenticity in the way we portray beauty to our customers meaning they can be confident the imagery they see is unaltered. Our Beauty Untouched watermark was rolled out across our in-house model imagery as part of the campaign, to make it instantly apparent that the photo had not been retouched.

Going beyond imagery, we have also revisited our language guidelines to ensure we are celebrating all bodies instead of identifying perceived flaws. We are on a mission to broaden what beauty looks like, creating room for greater representation and committing to diversity in our casting and content choices.

Loyalty

THG Beauty has seen an increasing impact from the loyalty programmes across its retail sites, now boasting a over 2 million members, adding 1.3 million members in 2023. We have seen significant improvement in the quality of customer health through our loyalty programmes, with overall spend being at least 31% higher than non-loyalty members. This increased engagement is underpinned by a double-digit uplift in average order value and order frequency, helping to drive incremental sales through greater cross-category and brand purchase behaviour. For both Lookfantastic and Cult Beauty, the proportion of our most-engaged customers is progressively increasing, offering a greater contribution to total loyalty sales. Our loyalty programmes are proving successful at aiding customer retention and improving the quality of our customer base in our key territories through greater personalisation and product knowledge.

Through our loyalty programmes, the enhanced levels of data provided have enabled us to continually deepen our understanding of our customer base, which in turn, leads to elevated relationships with our brand partners, creating value through informed decision-making.



CASE STUDY

Category expansion

In 2023, our category dynamics continued to strengthen, most notably within fragrance, through the addition of new brands to site and new product development from legacy brands. The category's performance on our retail sites has demonstrated an ability to overcome its predominantly sensory nature, as consumers begin to embrace the shift towards purchasing fragrance online.

As our fragrance offering continues to grow, and accounts for an increasing proportion of sales, our position within prestige beauty continues to strengthen. Fragrance continued to outperform the overall premium beauty and personal care market in 2023 (8.0% vs. 7.7% respectively), highlighting the value yet to be unlocked, with fragrance category growth on our sites exceeding that even further (+22% in 2023). The fragrance market in the UK is valued at c.\$2 billion, with an online penetration of 46.1%, providing opportunities for us to continue to grow market share in key areas of the fragrance category and build category leadership in one of our key territories.

CASE STUDY
Biossance

The most recent addition to our owned brand portfolio is US-based, prestige skincare brand Biossance, acquired in December 2023. Biossance is leading the way in science-backed skincare, born out of its proprietary fermentation technology used to bio-design new and high-performing ingredients.

Currently stocked in over 1,600 stores globally, the brand's curated skincare range is centred on its

ingredient technology and commitment to sustainability. Evidenced through strong performance on our retail sites prior to acquisition, we look to support its growth with our significant experience in the prestige skincare market as an innovator and beauty brand owner. Building upon its strong brand presence and awareness, Biossance is set to unlock further value and audience reach in our key markets, the US and UK.



Own brand

The collective strength of our owned brand portfolio has been leveraged to double-down in key territories such as the UK and US. With a focus on brand equity and customer affinity, we can further build on leading positions with key partners and channels, optimising both product and customer reach. Expanding on our existing global owned-brand presence in over 450 spas and 65,000 hotel rooms in 58 countries, both flagship skincare brands ESPA and Perricone MD have partnered with leading brands to further enhance their global footprint.

ESPA built on its leadership position in the wellness and amenities space by partnering with global designer guest amenity provider, Vanity Group. Complementing this, ESPA can now be found on yachts such as the Ritz-Carlton, Scenic Eclipse and River Fleet, as well as on Etihad Airways following an exclusive partnership across the airline and Armani Beauty. Prestige holistic skincare brand Perricone MD also entered the travel retail market, now being represented on Virgin Airlines, Aer Lingus and British Airways, further increasing the global reach of the brand.



Foundation Finder

In August 2023, Lookfantastic launched AI and data-driven ecommerce beauty tool, Foundation Finder, designed to match customers with their perfect foundation shade. The Foundation Finder combines cutting-edge technology with scientific precision to bring the traditionally in-store shade-matching experience into online beauty.

Customers can access the shade-matching experience through a simple questionnaire asking about their current foundation, preferred coverage, type and finish. Using data from over 3,400 foundation samples, colour matches are found from multiple brands by determining the closest match.

The Foundation Finder tool aims to transform the way consumers shop the category, making online product discovery and customer experience increasingly more accurate. Individuality and inclusivity sit at the heart of the breakthrough innovation, which seeks to empower customers, not only by taking the guesswork out of purchasing, which can be a barrier to conversion, but by catering to a wide range of skin tones and textures. This ensures that the tool is accessible and useful for all consumers regardless of beauty preferences and complexion requirements.



Future outlook

Our aim is to become the global digital partner of choice across the beauty industry, continuing to build upon our position as the world's largest online pure-play beauty retailer. The focus remains on sustainable growth in our key markets, maximising the value from our retail offerings, prestige owned brand proposition and manufacturing capabilities.

We will continue to leverage our category and digital leadership to support global beauty brands in addressing the shift from offline to online. Our brand relationships remain key to ensuring that we can provide first-to-market products and continually innovate, supported by our manufacturing capabilities and owned brand offering, which remain a point of differentiation for THG Beauty.

Our customers are a crucial part of our success. Engagement and retention strategies remain a focus, enabling us to continue evolving our targeted proposition, enhance personalisation and ensure data-driven decision-making across the business.

Our diverse proposition and global footprint continue to support our competitive advantage, enabling us to remain the leading digital destination for beauty consumers, delivering best-in-class products and category expertise to our global audience.

THG Nutrition

THG Nutrition is a collection of sports nutrition and wellness brands, led by Myprotein, the largest online sports nutrition brand globally. With a global rebrand launching in the second half of 2023, Myprotein is now positioned to target an even broader demographic range of consumers. Our newly defined mission is to empower everyone to lead a healthier, more active life – delivered through our wide range of products and expert guidance. This approach has seen awareness in our key markets rise significantly, while also seeing considerable uplifts in our key brand perception metrics.

Our brands are delivered to our global customer base through localised direct to consumer websites, powered by the THG Ingenuity platform, enabling consumers from all over the world to experience the nutritional benefits of our products and join the Myprotein community. The brand spans sports nutrition, vegan products, vitamins, bars and snacks and sportswear, with further categories being launched through our in-house product development capabilities and through licensing partnerships. 2023 saw us make significant further strategic advances across international markets, retail, licensing, and new product innovation, as we continue to build a globally scaled, digital-first, leading nutrition, and wellness brand portfolio.

Operational review

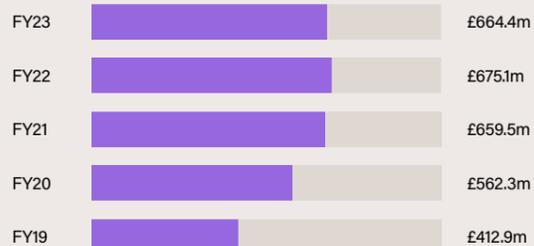
While continuing revenue growth was flat on a constant currency basis, our focus on enhancing profit margins drove a record-breaking performance in THG Nutrition's EBITDA in 2023, and the building blocks are in place to achieve long-term sales growth across all markets and product categories.

The margin potential of the business was further enhanced through the development of licensing partnerships with carefully chosen partners in key territories. Examples of this were Myprotein licensing deals launched in our two largest markets: UK (with major grocer, Iceland), and Japan (with leading distributor, Itochu). Within each partnership, THG Nutrition remains extensively involved in all aspects of product development and branding.

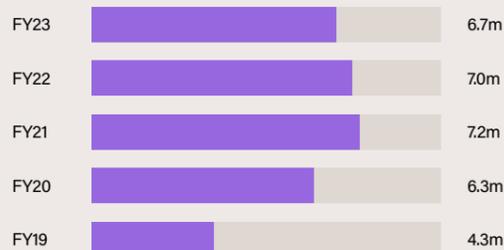
Currency represented a notable headwind during 2023, with the impact of this peaking in the fourth quarter of 2023. This impact was most acutely felt in the Japanese market, where the Japanese Yen declined c.13% versus pound sterling.

Performance in the UK, which accounts for over 30% of THG Nutrition revenue, remained strong in Q4, delivering c.10% revenue growth. While c.86% of FY 2023 revenue was generated through direct to consumer channels, an increasing focus on offline partnerships led to Myprotein also being recognised as the fastest growing sports nutrition brand in the UK retail market. Recent launches include Sainsbury's, Asda & Iceland, whilst existing partnerships with Boots, Morrisons & Tesco have been extended.

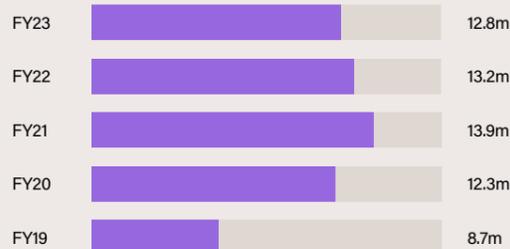
Revenue



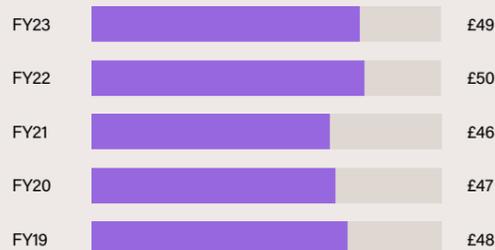
Active Customers¹



Number of orders²



Average order value³



Strategic highlights

2023 was a significant year in the evolution of the Myprotein brand, with a global rebrand launching in the second half of the year. The rebrand included a newly designed logo that will act as a halo logo across all Myprotein brands, along with redesigned packaging for all stock keeping units (SKUs), designed to make the brand inclusive to a broader demographic of consumers. The rebrand is aligned with our commitment to breaking down the barriers of the fitness industry, and empowering everyone to live healthier, more active lives. It represents the latest step we've made in developing the brand and making it accessible to an increasingly broad audience since we acquired the brand in 2011.

In 2023, THG announced a landmark multi-year partnership with Williams Racing. The partnership saw Myprotein become Williams Racing's Official Nutrition Partner, where Myprotein will focus on driving the Williams team and its audiences towards a healthier, more active lifestyle, which aligns with THG Nutrition's strategic objective. Myprotein will support the Williams team with products, guidance and know-how to maximise and enhance team performance, while participating in a number of joint campaigns to promote the benefits of healthy and active lifestyles.

As part of the multi-year partnership, Myprotein and Ingenuity branding will be present on the FW45 racing cars and in the team environment, including drivers' race suits and Williams Racing team kit. This global brand exposure, and alignment with one of the world's fastest growing sports and most successful teams, will serve to accelerate the awareness and positioning of the Myprotein brand globally, further strengthening its positioning as a globally diverse and leading nutrition brand.



New product development

THG Nutrition's direct to consumer model provides THG Nutrition with millions of daily demand insights from its customer base, with these insights fed directly into new product development decisions. As testament to the success of our new product development, the Myprotein brand was recognised by several industry bodies in 2023, including Myvitamins Pre-workout Gummies winning the "Best pre-workout" award at the Men's Health and Women's Health awards, and the "Myprotein Triple Layered Bar" winning "Best Protein Bar" at the European Specialist Sports Nutrition Alliance Awards.

We also pride ourselves on being first to market with a number of key innovations, with the launch of Whey Forward in the US and Asia markets as a notable recent example. This animal-free performance protein caters for a broader range of dietary requirements, while not compromising taste and performance.

Whilst the rebrand has been focused on broadening our appeal to the wider wellness consumer, we continue to focus on addressing the needs of our core customer with the launch of Origin, a range of traditional sports nutrition products designed to maintain our leading position within our traditional customer base.

"Whenever we're developing a product the most important thing to remember is the customer needs and the problem we're trying to solve."

- Brett Hamer, Product Director - Myprotein

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 2. Number of orders is defined as orders fulfilled within the period.
 3. Average order value is defined as the average order value per customer order on a gross revenue basis, inclusive of any shipping revenue.

THG Nutrition continues to play a leading role in driving innovation across a number of product categories. Following the global rebrand, Myprotein is now better positioned to move into new product categories, expanding the range of products we can offer to our existing customers, while also bringing new customers to the brand, while also continuing to serve our main market of sports nutrition. As the nutrition market continues to grow and evolve, the rebrand provides the platform for Myprotein to best address consumers' changing tastes and preferences. As discussed further in the licensing section, we are also increasingly leveraging licensing partners to aid our expansion into new retail channels, product categories and purchasing occasions.

Our new product development capabilities are complemented by in-house manufacturing across seven facilities, which manufacture c.80% of THG Nutrition's products by revenue. Through our vertically integrated product development and production model, we can shorten the typical new product development (NPD) timelines from c.12 to 15 months to six to nine months. Consequently, we are first to market with many industry innovations, and are able to bring highly-targeted products to consumers at regular intervals, which serves to enhance customer satisfaction and drive higher levels of purchasing frequency. Our THG Nutrition production facilities also service a number of large third party FMCG businesses and sports nutrition brands, which validates the breadth and depth of capabilities in product development and manufacturing.

Territory expansion

Currency proved to be a headwind affecting international performance during 2023, with this peaking in Q4 2023, with a 13% decline in the Japanese yen versus pound sterling impacting revenue in the Japanese market, which is c.15% of THG Nutrition revenue.

We continue to invest in localising the Myprotein brand in key international markets, and after a two-year process, local manufacturing will launch in Japan, India and Australia in 2024, improving delivery timelines, local product range development and securing significant cost savings. Local manufacturing in Japan will also largely eliminate future risk from yen exchange rate volatility and reverse the estimated impact of prolonged yen weakness on EBITDA.

We also launched our new Myprotein India direct to consumer website in late 2023, which represents a key milestone in developing our India business. The US represents a key strategic market for future growth, with offline partners such as Costco being used to build brand awareness and sales to complement our digital sales channels.



Retail

The licensing partnership with Iceland Foods that launched in January 2023 has proven to be one of the stand-out successes for the Myprotein brand in the year, with first year retail sales of £28 million significantly outpacing our expectations. Myprotein is now distributed in all of Iceland's 1,000+ UK stores and online through the Iceland website, with further new products to enable further sales growth in 2024. The range provides healthier and more nutritionally complete versions of many popular meals, and includes fully prepared meals, pizzas, wraps, ingredients, desserts and ice creams, and therefore aligns with our strategic values of empowering our consumers to live healthier and more nutritious lives. The launch has added incremental purchasing occasions to our existing Myprotein customer base, while also bringing new customers to the brand. The partnership highlights the strength of the Myprotein brand, the largest online D2C sports nutrition brand globally, and the scale of opportunity for further licensing deals, both within the UK and internationally.



Total global Gross Merchandise Value (GMV) of THG Nutrition brand sales in 2023 increased by +5% year on year in 2023 (including +22% growth in the UK) when licensing sales are considered. As THG Nutrition further develops its licensing opportunity, we intend to increase disclosure on total retail sales to enable investors to form a more complete picture of total THG Nutrition brand sales, including licensing sales.

Major licensing and partnership developments

Myprotein is currently the fastest growing sports nutrition brand in the UK retail market⁴, recently launching in Sainsbury's, Asda and Iceland and extending our distribution with existing partners such as Boots, Morrisons and Tesco. The expansion of in-store distribution in 2023 demonstrates the wide appeal of the brand and the leading brand awareness we hold in the UK market.

It is important to stress that we regard store sales as complementary to our online sales, as the products sold in store are convenience products (single unit meals, bars, snacks and drinks) that are not typically available online. Further, we see the purchase of single unit products as aiding brand awareness, growing brand equity and encouraging the repeat purchase of multi-pack product variants online.

Customers

The THG Nutrition customer base remains highly engaged, with high rates of repeat purchase. We continue to work on increasing our share of revenue through channels that incur no or very low marketing costs. A key driver of this was the launch of our mobile apps in 2021, with mobile apps now accounting for around 20% of THG Nutrition online revenue. App customers also exhibit more favourable purchasing dynamics, generating higher AOVs and purchasing products more frequently than non-app customers.

We continue to look at new and innovative ways of connecting with and deepening relationships with our customers. An example of this was the recent Myprotein-sponsored HYROX event in Manchester, which involved over 7,500 athletes and fitness enthusiasts. HYROX combines both running and functional strength work, and is hosted in indoor sports halls where spectators can watch the whole of the event. It serves to enhance awareness of Myprotein's growing authority in the endurance market, which is aligned with our strategic objective of making the brand inclusive to a wider demographic of consumers. Such partnerships also serve to strengthen and grow the Myprotein community.

A recent YouGov poll also demonstrates the strength of Myprotein brand affinity in the UK, with Myprotein leading all competitor brands on the 'awareness to consideration' (the conversion of consumers aware of the brand to considering a purchase), 'consideration to purchase' (the conversion of consumers considering a purchase to making a purchase) and 'purchase to preference' (the conversion from a customer being a purchaser to it becoming their preferred brand) metrics. Myprotein also had the highest unaided awareness of any brand in the category, with over one in five UK consumers spontaneously naming Myprotein when asked to name a sports nutrition brand. We also have quickly built strong equity of our new Mycon logo, with over half of those aware of Myprotein having now seen the new logo now recognising the Mycon as our logo. In the same survey, Myprotein also ranked first for customer satisfaction in the UK and second in Germany.



Future outlook

The significant progress made in 2023 in brand development, strategic partnerships, new product development and retail expansion leaves the THG Nutrition business optimally placed to continue to grow in 2024 and beyond.

The 2023 global rebrand further strengthens our identity as a brand that resonates with a wider audience, not just the regular gym goer, and enables us to expand the brand to new groups of consumers and to new purchasing occasions. The global rebrand has been complemented by increased retail distribution, mostly notably through the Iceland licensing agreement, and new strategic partnerships, such as those with Williams Racing and HYROX.



THG Ingenuity

A provider of ecommerce solutions for brands and retailers built through two decades of investment and expertise gained in scaling category leading brands. THG Ingenuity exists to navigate the complexities of acquiring new audiences and driving traffic,

facilitating a frictionless ecommerce experience and distributing products to consumers all over the world. The critical components of ecommerce, technology, fulfilment and marketing are supported by a vertically integrated proprietary platform.

THG Ingenuity offers a full service digital commerce solution, designed to remove D2C complexity.

Comprising the core components of successful ecommerce, technology, fulfilment and marketing, we help retailers and brands solve the complexities of acquiring new audiences and selling and distributing their products to consumers globally.

Technology

- Our packaged solution of commerce technology, omnichannel, marketplace, CRM, app and fraud taken as self-serve or fully-managed by our team of in-house ecommerce experts.
- Helping brands accelerate growth, cost-effectively enter new markets, develop core capabilities and strengthen in-house expertise.
- Our platform modularity removes complex and costly integrations by allowing customers to flexibly select our headless solution and their choice of modular products.
- Helping brands accelerate technology roadmaps and speed of evolution whilst reducing cost to serve.

Fulfilment

- Market-leading, global fulfilment infrastructure and courier management services which continually improve the speed, quality of delivery and experience to every customer.
- Helping brands become asset light, reduce operating costs and improve their customer experience.

Marketing

- Our unique mix of creative content production, campaign execution, influencer management and retail media to attract new audiences, cost effectively.
- Helping brands combat rising marketing costs by acquiring new audiences in new channels with digital campaigns.

Our proposition resonates with our clients because we are a digital brand builder and global online retailer ourselves. We understand the pressures that our customers face operating online and we solve for them, sharing our own learnings and insights from entering new markets and geographies.

High-growth brands require capital infrastructure to accelerate growth and provide optionality for the future. At the same time, traditional retailers need to maximise the viability of their legacy platforms and move their brands into the future operating world, reducing cost to serve and driving profitability. THG Ingenuity is relevant to both.

We help brands:

- enter new markets through local capabilities, infrastructure and expertise, by enabling access to a full suite of ecommerce capabilities while allowing their internal technology teams to retain control of the front-end experience
- become asset light in their operations through relatively low capital investment
- improve the customer experience to positively impact sentiment and lifetime value

THG Ingenuity is one of a few solutions in the market able to cater to all these needs in global territories.

Our unique advantage is our ability to think big and bold, challenge, and quickly pivot, find new ways to interact with end customers, develop sustainable products and solutions and deliver long-term value. This is achieved through our track record in supporting the growth and internationalisation of our largest clients THG Beauty and THG Nutrition.

Through 2023:

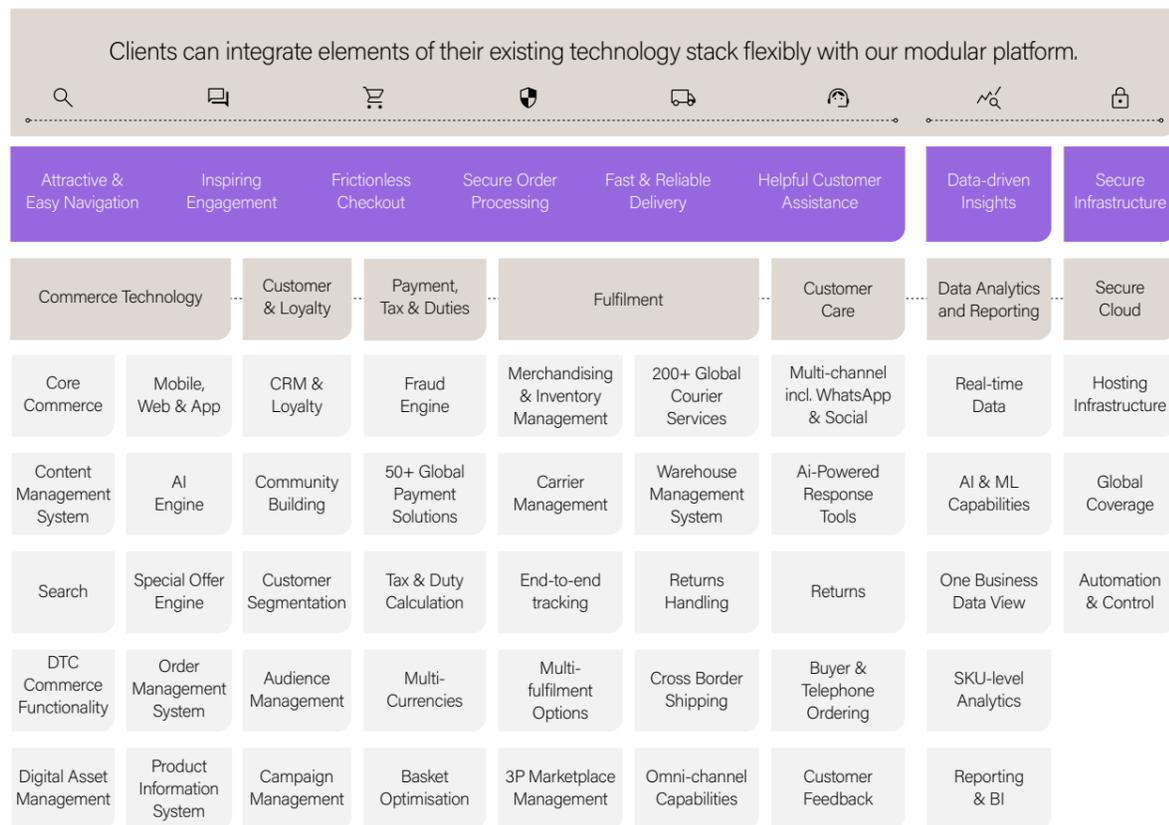
- We continued our strategic repositioning, focusing on higher value and higher margin clients to drive quality, recurring revenue. This included:
 - launching new D2C and omnichannel experiences for customers in our retail vertical
 - an agreement to provide D2C operational services to the UK's leading health and wellness retailer – our first major standalone fulfilment partnership
 - we extended our footprint in the US, winning new customer contracts and building on-the-ground teams
 - we secured new alliances with Rithum (formerly Commercehub) and PwC, which will extend THG Ingenuity's platform solution into marketplaces, supporting our scaling ambitions through PwC's delivery teams
 - we deployed c15,000 platform releases, introducing further automation and AI into our platform and through our supply chain, developed entirely by our in-house technology teams, resulting in an improved customer experience and guaranteeing greater operational resilience for the future.

Monthly recurring revenue increased +14.7% YoY in December 2023 as the strategic repositioning towards multi-service enterprise clients bedded in.



Technology

Our technology supported 138 million platform searches and up to 52,000 orders per hour over Cyber Weekend in 2023 (23 – 27 November), whilst our proprietary fraud platform captured £182.6 million of fraudulent attempts in 2023 (an increase of 24% in fraudulent attempts versus last year).



In 2023 we launched our Headless Commerce solution which gives clients even greater flexibility of deployment of relevant commerce applications whilst allowing brands to retain ownership of their look and feel on the front end. As we continued to innovate, our use of machine learning models and generative AI technology were infused further into the platform to develop multiple new use cases, including a features offering, personalised product advice, guidance and customer support.

Fulfilment

Our fulfilment network spans 13 distribution centres, shipping to 195 countries, with capacity to dispatch 750,000 orders a day from our UK automated facility.

86% of THG Ingenuity's technology platform customers adopt our fulfilment services. Supported by new client wins including Holland & Barrett and Williams Racing, we recently launched THG Ingenuity's unique fulfilment and courier management offering as a standalone service. Enabling clients to take advantage of our extensive fulfilment know-how and distribution infrastructure.

Due to our vertically integrated platform, we have total control over the delivery experience allowing us to continually improve the speed and quality of service to every customer - whether that be via designing and implementing software to increase throughput via our fulfilment channel, or by having the ability to segment and delight the most valuable customers with free, faster delivery. In 2023, we upgraded over four million UK customer orders to next day services free of charge. This initiative was then extended across the East and West Coast of the US.

1.5 days

Average UK standard click to delivery timeframe 2023

>450,000

5* Trustpilot reviews 2023

CASE STUDY

Automated Fulfilment



THG Ingenuity houses some of the biggest and most efficient automated technology in the world, allowing us to successfully receive and dispatch up to 750,000 units per day from one of our UK facilities, with the capacity to achieve even more. Pick robotics is complimented by automated sortation with capability to sort 14,000 shipments per hour. The same automated facility at THG's ICON campus services external clients alongside THG's own brands, dispatching over 38m units in 2023. This is set to grow to close to 70m in 2024, increasingly expanding its category breadth from beauty, nutrition, fashion, electronics, luxury and homeware.

An extension of this automated technology was deployed in April 2023, in New Jersey, US. This time, THG Ingenuity built the software capability to drive all automated instruction itself as an incremental adaptation to its own WMS (Warehouse Management Software); Voyager. This allowed THG Ingenuity total control of all data points, increasing the ability to squeeze efficiencies in real time via machine learning and AI.

Our investments in automated fulfilment allow us to virtually eliminate picking errors whilst substantially reducing labour requirements.

More information provided in Section 172 (pages 47 to 54).

Our AI Roadmap

<p>AI Journey Begins RECs - CEB+ & FBT+ Product Misattribution Language & Profanity Detection</p> <p>2018</p>	<p>Intelligent CS Review Moderation Sentiment & Topic Extraction Churn Prediction</p> <p>2019</p>	<p>Fraud Detection Colour Matching Foundation Finder v1 NVIDIA Partnership</p> <p>2020</p>	<p>Visual Recommendations CLV Prediction Attack Detection</p> <p>2021</p>	<p>Demand Forecasting Warehouse & Logistics Optimisation Foundation Finder v3</p> <p>2022</p>	<p>Vector Search Semantic Search Generative AI</p> <p>2023</p>
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Platform Intelligence →

Customer Intelligence →

Seamless Commerce →

Marketing

In 2023, we completed over 1,500 creative projects, totalling 125,000 artwork and 14,000 video assets in 70 countries. Our global influencer network helped THG brands and Ingenuity customers achieve over 11 million global social media followers with an ambassador reach of over 100 million.

We design and provide fully integrated creative solutions that draw new audiences into brands at an emotional level. We supercharge growth through our unique mix of content, influencers, performance marketing and media planning.

CASE STUDY



In 2023, Disney worked with THG Ingenuity to produce a brand advert to relaunch Shop Disney as Disney Store. This is an exciting time for Disney, as fans are keen to see the return of the Disney Store, where you can "shop the stories you love." Part of the brief was to remind key audiences that Disney Store has something for everyone, for all fans and families, including luxury, toys, clothes, costumes and homeware.

Working with Disney teams in both the US and UK, THG Ingenuity ran the entire project, from strategy and creative concepts to production to video editing. The advert was broadcast on television across North America and EMEA and on social channels. This work forms part of an exciting and growing partnership where THG Ingenuity continues to bring the Disney magic to life.

You can view the advert [here](#)

Future Outlook

As we continue to execute our strategy through 2024, our focus remains on:

- New customer growth across our core verticals of beauty, FMCG and retail whilst increasing the value from our existing customer base and investing in continuing long-term new customer relationships
- Scaling our presence within our target markets of UK, Europe and US
- Building a network of technology and delivery partnerships to create indirect revenue channels and extend delivery capacity to help THG Ingenuity as we scale
- Developing new products and solutions and continuing innovation on the platform

CASE STUDY

Future of Commerce



In September, THG Ingenuity held its annual flagship brand event, Future of Commerce, which brought together our global customers for two days of thought-leadership, product launches and shared lessons across all areas of ecommerce. This year, the event doubled its capacity. Attendees (both in person and online) heard from speakers including entrepreneurs, and tech analysts, alongside some of our own clients, including Kraft-Heinz, Mondelez, Coca-Cola, and Pentland and THG's own executive leaders.



"It's safe to say the future of tech is simply more speed. It's not going to slow down. Innovation is going to speed up and complexity is going to become way worse than it is today. The decision to build our own technology to manage these complexities and accelerate the speed with which we can innovate is in our DNA."

- Schalk Van Der Merwe, Group CTO



"Data tells us that an emotional reaction is 3,000 times quicker than one of rational thought. If you take that data point alone and you layer it onto how we spend, where we spend and how quickly we hit purchase, you can tell the impact that making that emotional connection will have with your consumer. So if you think of creating a brand ethos that drives those consumers back, it must be about how they feel when they're shopping and how they feel when they're connecting to your brand."

- Melissa Labelle, Managing Director, Studios



"Operations is the most valuable part of the entire chain and the part that customers care about more than the credit it gets. It's the least sexy, most complicated, can be expensive, often overlooked, largest lever for cost control and customer trust and because of this, it is often outsourced. We tackled it because it is hard, but it means we can control every customer touchpoint, globally."

- Tom Killeen, COO, THG Ingenuity

Chief Financial Officer's review



"We delivered substantial progress in our key focus areas in 2023 whilst responding well to challenging conditions across the globe, notably cash generation, profitability, with a significant reduction in distribution costs.

In 2023, we delivered free cash flow breakeven alongside a 78.0% improvement in Adjusted EBITDA to £114.1m (2022: £64.1m) as we rebuild margins to their historic

levels. Following completion of the strategic review, we report a higher quality result, with significantly lower adjusting items year on year (£50.6m vs 2022: £345.8m) and an improvement in statutory operating loss of +62.6% to £185.4m (2022: £495.6m)."

Damian Sanders

Executive Director and Chief Financial Officer

Consolidated income statement

Alternative performance measures¹

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.

	Year ended 31 December 2023	Year ended 31 December 2022	Movement
	£'000	£'000	
Adjusted gross profit	876,096	925,488	
Gross margin % (adjusted)	42.8%	41.3%	+150bps
Adjusted distribution costs	(270,694)	(353,412)	
As a % of revenue	13.2%	15.8%	+260bps
Adjusted administrative costs	(491,296)	(507,962)	
As a % of revenue	24.0%	22.7%	-130bps
Adjusted EBITDA	114,106	64,114	
Adjusted EBITDA%	5.6%	2.9%	+270bps
EBITDA losses from discontinued categories	6,343	17,061	
Adjusted EBITDA (continuing)	120,449	81,175	
Adjusted EBITDA (continuing) %	6.1%	4.0%	+210bps

1. The table shows financial results for gross profit, distribution costs and administrative costs before the impact of adjusted items, depreciation, amortisation and share-based payments. The impact is as follows:
 - For statutory presentation, gross profit includes charges of £15.3m (2022: £25.5m) for adjusted items and £20.6m (2022: £20.0m) for amortisation and depreciation;
 - For statutory presentation, distribution costs include charges of £5.1m (2022: £22.1m) for adjusted items and £23.2m (2022: £27.2m) for amortisation and depreciation;
 - For statutory presentation, administrative costs include charges of £30.3m (2022: £298.1m) for adjusted items and £170.7m (2022: £155.9m) for amortisation and depreciation and £16.7m (2022: £10.7m) for share-based payments.

Statutory results

	Year ended 31 December 2023			Year ended 31 December 2022		
	Before Adjusted Items	Adjusted Items	Total	Before Adjusted Items	Adjusted Items	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Revenue	2,045,378	-	2,045,378	2,239,229	-	2,239,229
Cost of sales	(1,189,837)	(15,251)	(1,205,088)	(1,333,737)	(25,517)	(1,359,254)
Gross profit	855,541	(15,251)	840,290	905,492	(25,517)	879,975
Distribution costs	(293,910)	(5,061)	(298,971)	(380,652)	(22,117)	(402,769)
Administrative costs	(678,733)	(30,315)	(709,048)	(674,626)	(298,145)	(972,771)
Other operating expense	(17,664)	-	(17,664)	-	-	-
Operating loss	(134,766)	(50,627)	(185,393)	(149,786)	(345,779)	(495,565)

Revenue

During 2023, two key factors impacted our headline sales performance, firstly the decision to exit several categories as part of the strategic review and secondly, the conscious prioritisation of higher margin sales.

Following the completion of the strategic review, we successfully executed our plan to exit several loss-making categories including the sale of THG OnDemand. With continuing sales declining by only 3.2% in the current macroeconomic environment and with margin pivot, this is particularly pleasing when considered against the backdrop of the total Group reported revenue which has decreased by 8.7% to £2,045.4m (2022: £2,239.2m).

Importantly, we continue to benefit from strong underlying customer metrics and behaviours (active customers, total orders and average order values), positioning the group well for the future.

The revenue decrease is driven by:

- the Group exiting non-profitable categories. Discontinued categories has resulted in a reduction in revenue of £129.3m;
- THG Beauty and THG Nutrition have consciously prioritised higher-margin sales and reduced order volumes that do not deliver target profitability leading to a decline in revenues, however we have benefitted from a stronger margin performance. This has focussed on reducing sales in territories furthest away from local distribution hubs, where delivery costs are higher;
- a one-time destocking across the beauty sector led to a decline in revenue of THG Beauty manufacturing (reported within THG Beauty) within the first half of the year which has faded in the second half and is not expected to recur in 2024;
- THG Ingenuity continues with its pre-announced strategic

re-positioning that commenced in Q3 2022, focusing on higher value and higher margin clients which provide improved quality recurring revenue over the mid to long term. The short-term impact has been a reduction in non-recurring revenue as the re-positioning is executed; and

- a continuing uncertainty in the macroeconomic environment throughout the year.

Whilst the above has impacted revenue, the Group is pleased to report an improvement in both gross profit margin and absolute Adjusted EBITDA which, together with cash generation, have been a key management focus.

Detailed analysis is included within the segmental section later in this report.

Gross profit

Adjusted gross profit was £876.1m (2022: £925.5m) equating to an adjusted gross profit margin of 42.8% (2022: 41.3%), an improvement of 150bps compared to 2022.

Gross profit on a statutory basis totalled £840.3m (2022: £880.0m) also delivering an increased margin of 41.1% (2022: 39.3%) and 180bps stronger than 2022.

The cost environment in 2023 has continued to be challenging with high levels of inflation combined with the currency headwinds, which continued to develop as we progressed through the year. More specifically the 13% decline in the Japanese Yen vs GBP impacted revenue and margin in the Japanese market within THG Nutrition.

Overall, despite the decline in Japanese Yen, the Group saw a substantially better margin within THG Nutrition, reflecting the unwind of the price investment made in 2022 for customers and movements in the whey commodity price, which closed the year at below normalised levels. These commodity prices are expected to rise to normalised levels during 2024.

Japan is THG Nutrition's second largest market and the devaluation in the Yen (from 135 Yen/£ at IPO in September 2020, to c. 180 Yen/£ at the close of 2023) has had a material impact on margins. Had the exchange rate been comparable in 2023 to that at IPO, THG would have made c. £20m more profit in the year. The Group also has continued to progress plans for in territory manufacturing in Japan to provide a longer-term hedge.

In THG Beauty, online retail (principally Lookfantastic, Cult Beauty and Dermstore) saw gross profit margin expansion as a result of the de-prioritisation of lower margin sales and subtle changes to promotional and geographic strategy. Manufacturing sales were also impacted by well documented de-stocking in the first half of the year, which also adversely impacted gross profit margins.

Pleasingly, the result of the factors above, alongside proactive implementation of cost saving initiatives, has led to the Group delivering a much improved margin year on year whilst exiting the year in constant currency sales growth.

Operating expenses

Distribution costs on a statutory basis further reduced as a percentage of sales by 340bps compared to 2022, culminating in a cost of £299.0m (2022: £402.8m), which is 14.6% (2022: 18.0%) of revenue, with total statutory costs improving by 25.8%. This is testimony to the benefits of the fulfilment automation deployed and is despite the adverse impact of national minimum wage increases and labour inflation in general.

Statutory distribution costs include one off adjusted items of £5.1m, which has substantially reduced from the £22.1m reported in 2022. As expected, in line with the reopening of air channels (specifically in Asia) and the impact of the pandemic lessening, the costs relating to incremental delivery fees in respect of Covid-19 have fallen away in 2023, totalling just £2.5m compared to £18.5m in 2022.

Adjusted distribution costs of £270.7m (2022: £353.4m) were 13.2% (2022: 15.8%) of revenue. This 260bps underlying improvement was driven by the Group's continued focus on network optimisation and the expanded use of warehouse automation, which has more than compensated for high levels

of labour inflation in the market. This included the launch of the Group's second AutoStore facility in North America during 2023. We continue to review the cost base and plan to continue with the roll out of further automation (albeit lighter touch) during 2024.

Administrative costs on a statutory basis totalled £709.0m (2022: £972.8m), an improvement year on year following the one-off non-cash impairment charge of £275.4m incurred in 2022.

Adjusted administrative costs as a percentage of revenue totalled 24.0% of revenue (2022: 22.7%). Within administrative costs, the main increases have been seen within marketing due to increased spend in certain areas, primarily brand investment and general media inflation in paid channels. Greater app participation has partially mitigated rising marketing costs, with customers acquired at lower costs through this channel typically ordering more frequently, with higher AOV's due to regular engagement.

Other operating expense of £17.7m (2022: £nil) relates to the loss on disposal of three non-core freehold assets, as planned and completed in the first half of the year. These three disposals of assets, no longer required by the Group, generated cash proceeds of £55.5m.

Adjusted EBITDA and Adjusted EBITDA (continuing)

Reconciliation from Operating loss to Adjusted EBITDA	Year ended 31 December 2023 £'000	Year ended 31 December 2022 £'000
Operating loss	(185,393)	(495,565)
Adjustments for:		
Amortisation	68,829	58,581
Amortisation of acquired intangibles	50,543	50,394
Depreciation	95,113	94,191
Adjusted items – cash	15,824	40,090
Adjusted items – non-cash	34,803	305,689
Other operating expense – non-cash loss on disposal freehold assets	17,664	-
Share-based payments	16,723	10,734
Adjusted EBITDA	114,106	64,114
Adjusted EBITDA %	5.6%	2.9%
EBITDA loss from discontinued categories	6,343	17,061
Adjusted EBITDA (continuing)	120,449	81,175
Adjusted EBITDA (continuing) %	6.1%	4.0%

Adjusted EBITDA saw a strong improvement to £114.1m from £64.1m in 2022. This represents a margin of 5.6% (2022: 2.9%), an improvement of 270bps year on year, delivered through the Group's profit improvement programme and the exit of loss-making categories and territories.

This is an encouraging result against a tough macroeconomic backdrop, with the cost base of the business fundamentally stronger and well positioned for operating leverage.

When stripping out the EBITDA loss from discontinued categories, Adjusted EBITDA (continuing) totalled £120.4m (2022: £81.2m) with a margin of 6.1% (2022: 4.0%), an improvement of 210bps.

Depreciation and amortisation

Total depreciation and amortisation costs were £95.1m and £119.4m respectively (2022: £94.2m and £109.0m). Included within amortisation is £50.5m relating to acquired intangibles (2022: £50.4m). This is non-cash and is principally the depreciation of historic acquisition consideration through the Income Statement.

Depreciation remained consistent as a result of the previous investment made across the network.

Amortisation increased following the continued investment in our proprietary technology platform during the period, as expected, with more projects moving from work-in-progress (WIP) to live in the period generating an increased amortisation charge. 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 £134.8m (2022: £149.8m). This loss was a result of the challenging macroeconomic environment combined with the above mentioned factors. The actions taken to exit loss-making categories and territories combined with a return to sales growth are expected to reduce this loss position in the medium-term.

The Group incurred a much decreased operating loss in the year of £185.4m (2022: £495.6m). The decrease is largely as a result of the one-off non-cash impairment charge of £275.4m in 2022 that has not recurred in 2023.

The loss in 2023 includes one-off charges incurred during the year, being the loss on disposal of loss-making discontinued categories totalling £16.4m (2022: £29.3m) and share-based payment charges of £16.7m (2022: £10.7m). In addition, the other operating expense of £17.7m (2022: £nil) relates to the non-cash loss on disposal following the planned sale of non-core freehold assets which will not recur in future years, but which generated c.£55.5m of cash for the Group.

Finance costs net of finance income

Finance costs net of finance income have increased to £66.6m (2022: £54.2m). This is principally the result of the additional £156.0m facility obtained in September 2022 with the interest annualising in 2023.

Loss before tax and tax rate

Reported loss before tax was £252.0m (2022: £549.7m). The effective tax rate is 1.4% (2022: 1.8%), based on a total tax credit of £3.6m (2022: tax credit £9.8m). The effective tax rate differs

from the average statutory rate of 23.5%. This is primarily due to a movement in deferred tax not recognised (-16.2%), and the impact of expenses not deductible (-5.2%).

At the balance sheet date the total net deferred tax liability is £55.7m (2022: £76.6m). The deferred tax liability in respect of intangible assets recognised on consolidation was £135.3m (2022: £150.8). The deferred tax asset in respect of tax losses recognised was £29.8m (2022: £54.8m). There were £96.2m of unrecognised deferred tax assets in respect of tax losses at the balance sheet date (2022: £57.8m). 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 (£0.19) per share (2022: £(0.44) per share). Note that in the prior year, if the non-cash impairment charge was removed, the loss per share for 2022 would have been (£0.21) per share.

Cashflow

	2023	2022
	£'000	£'000
Adjusted EBITDA	114,106	64,114
Working capital movements	48,152	23,528
Tax paid	(5,411)	(4,857)
Net cash generated in operating activities before adjusted items	156,847	82,785
Adjusted items	(15,040)	(45,071)
Net cash generated in operating activities	141,807	37,714
Purchase of property, plant and equipment	(46,289)	(94,854)
Purchase of intangible assets	(79,369)	(81,564)
Proceeds from sale of non-core freehold assets	55,450	-
Other (primarily interest and lease repayments)	(83,961)	(74,649)
Acquisition of trade and assets and subsidiaries net of cash acquired	(20,259)	(5,691)
(Repayments)/proceeds of/from bank borrowings	(25,000)	156,000
Net decrease in cash and cash equivalents	(57,621)	(63,044)
Cash and cash equivalents at the beginning of the year	473,783	536,827
Cash and cash equivalents at the end of the year	416,162	473,783
Free cash flow²	(1,135)	(213,353)

The total cash outflow for the year was £57.6m (2022: £63.0m) driven by a cash inflow from operating activities of £141.8m (2022: £37.7m) due to increased Adjusted EBITDA, lower adjusting items, a well-controlled working capital cycle and the proceeds from the sale of non-core freehold assets. The improvements in working capital were seen through general tighter stock controls, reducing stock holding with no impact on availability as the stock portfolio normalises following a period of investment which supported the global warehousing rollout in previous periods.

Total cash adjusting items before tax have declined significantly to £15.8m from £40.1m in 2022. The cash reduction has been driven by lower transportation and delivery cash costs in relation to Covid-19 from £18.5m to £2.5m with air channels reopening in Asia. Also, acquisition costs in respect of restructuring and integration has decreased from £8.0m to less than £1m.

Through conscious, controlled, capital expenditure, there has been a reduction in the cash spend on the purchase of property, plant and equipment in 2023 to £46.3m compared to £94.9m in 2022. The deployment of our distribution network is now largely complete and continues to deliver efficiencies and benefits, reflected in lower distribution costs. Continued investment within intangible assets, mainly the Ingenuity

platform continues at a similar rate to 2022 totalling £79.4m (2022: £81.6m). In 2023, £55.5m (2022: £nil) cash was received in relation to the sale of non-core freehold assets.

The combination of these cashflow improvements, has culminated in the group's ability to report free cash flow breakeven for 2023 (2022: outflow of £213.4m). This improvement of over £200m has come from strong operating cashflow improvements, and normalisation of capex expenditure.

During the year, some small, well considered acquisitions were undertaken to complement the THG Beauty and THG Ingenuity strategies. This generated a cash outflow of £20.3m (£5.7m) in 2023, primarily related to the acquisition of Biossance in December 2023 and City AM in July 2023.

In respect of loans and borrowings, a scheduled capital repayment of £25.0m (2022: £nil) was made in relation to the Group's bank borrowings. In 2022, cash inflows included £156.0m in respect of the new senior secured facility that was drawn in October 2022.

The Group ended the period with cash and cash equivalents of £416.2m (2022: £473.8m).

Segmental Summary - Overview

2023 £m	THG Beauty	THG Nutrition	THG Ingenuity	Central	Inter-group elimination	Continuing Total ³	Discontinued categories	FY 2023 Total
External revenue	1,171.7	657.9	154.1	-	-	1,983.7	61.7	2,045.4
Inter-segment revenue	-	-	519.9	-	(519.9)	-	-	-
Total revenue	1,171.7	657.9	673.9	-	(519.9)	1,983.7	61.7	2,045.4
Adjusted EBITDA	44.2	88.9	9.0	(21.8)	-	120.4	(6.3)	114.1
Adjusted EBITDA margin	3.8%	13.5%	1.3%	-	-	6.1%	(10.3%)	5.6%

2022 £m	THG Beauty	THG Nutrition	THG Ingenuity	Central	Inter-group elimination	Continuing Total	Discontinued categories	FY 2022 (Restated) Total
External revenue	1,226.0	662.7	159.6	-	-	2,048.3	191.0	2,239.2
Inter-segment revenue	-	-	597.4	-	(597.4)	-	-	-
Total revenue	1,226.0	662.7	757.0	-	(597.4)	2,048.3	191.0	2,239.2
Adjusted EBITDA pre SaaS costs	33.6	51.6	29.3	(23.2)	-	91.4	(171)	74.3
Adjusted EBITDA	33.6	51.6	19.1	(23.2)	-	81.2	(171)	64.1
Adjusted EBITDA margin	2.7%	7.8%	2.5%	-	-	4.0%	-8.9%	2.9%

2. Free cash flow is defined as total cash flow for the group adjusting for debt (repayments) / proceeds and acquisitions cash flows and in respect of FY 2023 the inclusion of a cash receipt of £11.2m from HMRC which was remitted to the Group in December 2023 but physically cleared the bank on the first working day of 2024. For presentation purposes, this is considered to be free cash flow as at 31 December 2023 as a result of the remittance advice received.

3. During 2022, and 2023 certain loss-making categories and territories within non-core divisions were placed under strategic review and subsequently management has exited 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 presented separately in the above table.

THG Beauty⁴

£m	2023	2022 (Restated)	Change %
Revenue	1,207.5	1,285.9	-6.1%
Revenue (continuing)	1,171.7	1,226.0	-4.4%
Adjusted EBITDA (continuing)	44.2	33.6	31.7%
Adjusted EBITDA Margin %	3.8%	2.7%	+110bps

THG Beauty results mainly reflect the change in strategy to focus on higher margin sales and reducing order volumes that do not deliver target profitability. THG Beauty sales declined 6.1% to £1,207.5m, THG Beauty generated an increased Adjusted EBITDA (continuing) of £44.2m (2022: £33.6m) an 110bps improvement on margin to 3.8% (2022: 2.7%). This improvement was delivered by better quality sales improving gross margin, which more than offset the adverse impact from the one time destocking event seen in THG Beauty manufacturing in H1 2023. Following the completion of the strategic review, some small legacy brands within THG Beauty were discontinued, which will continue to improve the margin into 2024.

Challenges in THG Beauty manufacturing from industry-wide de-stocking reported in H1 2023, faded in H2, with a return to more normalised order levels being experienced into 2024.

Our prestige online retailing and THG owned-brands continued to perform strongly, despite the challenging backdrop, benefitting from the growth within the prestige

beauty market alongside the continued trend of digital channel shift and THG Ingenuity platform services aiding conversion, with a strong app participation.

AOV's continue to increase totalling £64 per basket for 2023 (2022: £63), arising 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.

In late December 2023, THG Beauty completed the acquisition of Biossance. The brand was successfully re-platformed onto Ingenuity technology in January 2024. This acquisition provides further opportunity for THG Beauty to embed new strategic partnerships and benefit from the significant levels of investment into the brand that were made under the previous ownership. Since inception in 2015, Biossance has generated global revenues of c. \$300m and is currently stocked in over 1,600 stores globally including Sephora, Harrods, Space NK, Douglas and Selfridges plus online through www.biossance.com, Lookfantastic and Cult Beauty.

THG Nutrition

£m	2023	2022	Change %
Revenue	664.3	675.1	-1.6%
Revenue (continuing)	657.9	662.7	-0.7%
Adjusted EBITDA (continuing)	88.9	51.7	72.2%
Adjusted EBITDA Margin %	13.5%	7.8%	+570bps

THG Nutrition sales marginally decreased by 1.6% to £664.3m (2022: £675.1m) as we managed the business throughout the year with a focus on profit margins. An Adjusted EBITDA of £88.9m (2022: £51.7m) was delivered. This 570bps improvement on margin of 13.5% (2022: 7.8%) is a record THG Nutrition Adjusted EBITDA performance, reaping the rewards from the prior year investment in pricing strategy and, the effect of the decrease in whey commodity pricing.

The whey commodity prices saw substantial decreases in the year from abnormally high levels in 2022, these commodity prices are expected to rise initially then normalise during 2024.

Licensing arrangements continue to be a high-growth focus area of the business during 2023 and beyond, with revenue from Myprotein products sold under licensing arrangements

scaling rapidly during the year. During 2023, targeted offline Myprotein licensing deals were launched in our two largest markets: UK (with major grocer, Iceland), and Japan (with leading distributor, Itochu). Such arrangements provide future enhanced margin potential for the business.

After a 2-year process, local manufacturing will launch in both Japan and India in 2024, improving delivery timelines, local product range development and securing significant cost savings. Local manufacturing in Japan will also largely eliminate future risk from Yen FX volatility and reverse the estimated impact of prolonged Yen weakness on EBITDA (estimated c.£20m negative impact in 2023 vs 2020).

2023 was a significant year in the evolution of the Myprotein brand, with a global rebrand launched in the second half of

the year. The rebrand represents the latest step we've made in developing the brand and making it accessible to an increasingly broad audience since we acquired the brand in 2011.

AOV's marginally decreased to £49 (2022: £50).

Adjusted EBITDA margin is marginally above the medium-term guidance level previously communicated. Reflecting the recouping of investment consumer price protection in 2022.

THG Ingenuity

£m	2023	2022	Change %
External revenue	154.1	159.6	-3.4%
Internal revenue	519.9	597.4	-13.0%
Total revenue	673.9	757.0	-11.0%
Adjusted EBITDA	9.0	19.1	-52.7%
Adjusted EBITDA Margin %	1.3%	2.5%	-120bps

THG Ingenuity revenue from external customers decreased by 3.4% to £154.1m (2022: £159.6m). Strategic re-positioning commenced in Q3 2022, focusing on higher value and higher margin clients which provide improved quality recurring revenue principally through, Software-as-a-Service licence fees, monthly brand building fees, infrastructure service fees, revenue share, translation and creative services.

Following an intentional phase of investment in headcount and expertise to deliver the re-positioned strategy, new multi-service enterprise client wins have been secured and onboarding is progressing. Due to this pivot in strategy, as expected, THG Ingenuity delivered an Adjusted EBITDA of £9.0m with a margin of 1.3% (2022: £19.1m with a margin of 2.5%), being a 120bps reduction. There continued to be a strategic exit of smaller accounts and onboarding of multi-service enterprise clients throughout 2023. As revenue scales and the revenue mix evolves towards the technology product

offering we anticipate margins will increase towards the Group's five-year aspirational target of 7.5%.

Cost-saving initiatives continue to remain on the agenda with a continued focus on automation rollout to implement further savings across the cost base into 2024 without impacting service delivery.

Internal revenue of £519.9m (2022: £597.4m) relates to services provided to the wider THG Group including platform fees, customer services, fraud detection services, THG Studios, fulfilment, postage and marketing services. This revenue is eliminated on consolidation. Internal revenue declined due to the wider Group exiting loss-making categories and territories along with lower group-wide sales, this in turn generated lower volumes for THG Ingenuity. As these businesses return to growth, inter-group revenue will also benefit.

Central costs

£m	2023	2022	Change %
EBITDA loss from central costs	(21.8)	(23.2)	+6.1%

Central costs relate primarily to the PLC Board remuneration, professional services fees, group finance, M&A, and governance costs that are not recharged to the businesses as they principally relate to the operations of the PLC holding company. The costs reduced in comparison to 2022 as the

Group continued to focus on cost saving initiatives, more than offsetting increased investment in governance through new Board appointments and record high levels of macro-inflation in the economy.

Discontinued categories

£m	2023	2022	Change %
Revenue discontinued	61.7	191.0	-67.7%
Adjusted EBITDA from discontinued categories	(6.3)	(171)	+62.8%
Adjusted EBITDA Margin %	-10.3%	-8.9%	-140bps

On 17 January 2023, the Group confirmed its intention to simplify and streamline its operations, undertaking a strategic review of loss-making categories and territories within THG OnDemand. In July 2023, the trade and assets of THG OnDemand were sold to a Newco led by the OnDemand management team. The Newco continues to be a client of Ingenuity, with the provision of technology, operational and digital services.

In addition, specialist provider of cycling equipment 'ProBikeKit' was sold to Frasers Group PLC in Q2 2023. The combined consideration receivable through both transactions was c. £4m.

During H2, the Group completed its strategic review of non-core categories resulting in the discontinuation of small legacy brands within THG Beauty and THG Nutrition.

The discontinued categories contributed £61.7m (2022: £191.0m) of revenue and an adjusted EBITDA loss of £6.3m

(2022: loss of £171m). Included within adjusted items are the losses on disposal of these categories including any write down of assets to their disposal value totalling £16.4m (2022: £29.3m).

We note the exits don't meet the criteria under IFRS 5: Non-current assets held for sale and 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 continuing revenue and Adjusted EBITDA of the Group these have been presented separately.

The prior year discontinued categories have been restated to include consistent categories disclosed in 2023 to provide a like-for-like comparison. (See note 2 within the financial statements).

Adjusted items

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. All material classes of adjusted items reduced period-on-period.

The largest costs relate to the non-cash loss on disposal of discontinued and loss making categories following the

strategic review. Following the sale of the trade and assets of THG OnDemand in July 2023, along with the completion of the strategic review leading to the discontinuation of small legacy brands within THG Beauty and THG Nutrition, all assets have been written down to their recoverable amount expected on exit. This has led to inventory provisions (within cost of sales) and impairment of other assets, primarily property, plant and equipment (within administrative costs) being recognised.

	2023	2022
	£'000	£'000
Within Cost of sales		
Non-cash loss on disposal of discontinued and loss making categories	10,465	25,517
Inventory provision following strategic review	4,786	-
	15,251	25,517
Within Distribution costs		
Transportation and delivery costs in relation to Covid-19	2,456	18,504
Commissioning – new facilities	2,605	3,613
	5,061	22,117
Within Administrative costs		
Non-cash loss on property portfolio restructure	18,369	-
Loss on property portfolio restructure	851	-
Non-cash loss on disposal of (or exit from) discontinued and loss making categories	5,969	3,763
Other costs following the outcome of strategic review	1,515	6,942
Restructuring costs	2,708	6,803
Acquisitions – restructuring and integration	703	8,046
Other legal and professional costs	200	570
Donations	-	362
Non-cash impairment of assets	-	269,828
Non-cash impairment of non-core assets held for sale	-	1,831
	30,315	298,145
Within Finance costs		
Non-cash – revaluation of SBM option	-	(601)
Total adjusted items before tax	50,627	345,178
Tax impact	(2,835)	(11,634)
Total adjusted items	47,792	333,544
Cash adjusting items before tax ⁵	15,824	40,090

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

5. Cash adjusting items before tax total £15.8m (2022: £40.1m), reflecting the total cash before tax expected to be paid. This differs from the Consolidated statement of cash flows which also reflects the timing of such payments. Cash paid in 2023 totalled £15.0m.

Balance Sheet

Cash and cash equivalents and net cash before lease liabilities

	2023	2022
	£'000	£'000
Loans and other borrowings	(650,037)	(679,189)
Lease liabilities	(344,977)	(334,376)
Cash and cash equivalents	416,162	473,783
Sub-total	(578,852)	(539,782)
Adjustments:		
Retranslate debt balance at swap rate where hedged by foreign exchange derivatives	15,653	24,782
Net debt	(563,199)	(515,000)
Net debt before lease liabilities	(218,222)	(180,624)

The Group's balance sheet remains robust closing the period with cash balances of £416.2m (2022 at £473.8m). The €600m Term Loan B matures in December 2026 and the incremental £156m facility matures in Q4 2025. The Group revolving credit facility of £170m remains undrawn and has not been drawn post IPO. Post year end, the Group extended its Revolving Credit Facility by 17 months to May 2026. There will be no changes to the financial covenants or interest margin beyond the existing maturity date. From December 2024, the facility will be £150 million. The extension affords the Group continued significant financial flexibility during uncertain geo-political times.

Net debt before lease liabilities and adjusted for the impact of hedging was £218.2m (2022: £180.6m) driven by movements in the loans and other borrowings balance and cash balance.

Net debt was £563.2m (2022: £515.0m). The increase in net debt year on year includes an increase in lease liabilities, following the restructure of the property portfolio in the year, with non-core assets being sold via a sale and leaseback arrangement and subsequently sublet, generating positive cash flow for the Group.

Non-current assets

Property, plant and equipment totalled £273.2m (2022: £360.0m). Intangible assets totalled £1,207.4m (2022: £1,275.8m). The movement in the period was driven by continued investment in the THG Ingenuity platform and the Group's global warehouse expansion programme which is now nearing completion. These were offset by the sale of the non-core freehold assets along with depreciation and amortisation charges incurred.



Damian Sanders
Chief Financial Officer

9 April 2024



Section 172 statement stakeholder engagement

Section 172 of the Companies Act requires that the Directors act in a way they consider, in good faith, most likely to promote the success of the Company for the benefit of its shareholders as a whole, and considering wider stakeholder needs while having regard to the matters set out in section 172 (1)(a)-(f) of the Companies Act.

Active engagement between the Board and the stakeholder groups below is underpinned by THG's values and purpose and is critical in the execution of the Group's strategic priorities by ensuring that the business, and its relationships, is consistent with the matters that the Board must consider as

part of their duties. Understanding and outlining the impact of the Board's considerations and decision-making will further inform how best to continue acting fairly and duly across the stakeholder groups.

THG is focused on making an impact through digital transformation, innovation, and expertise to create and grow category-leading global brands, and we have identified six stakeholder groups that are vital to fulfilling this.

Stakeholder	How THG Engages	How The Board Engages	Find Out More
<p>Customers and Consumers</p> <p>We enable brands to have direct relationships with customers and consumers by providing a high-quality retail experience and establishing a relationship of trust</p>	<ul style="list-style-type: none"> Through its brands via social media Creating global digital content including Cult Beauty's Cant (Re)touch This campaign, a branded printed media portfolio, now including the CityAM offering Customer and consumer insights provided to and analysed by Senior Management Continued growth from loyalty programmes across THG Beauty Award-winning customer contact centre and dedicated advisory teams providing bespoke pre-sales support to customers Roll out of the Myprotein rebrand Offline retail shopping experiences and concepts such as the Lookfantastic pop-up store in London and the opening of the Myprotein kitchen concept store in Manchester 	<p>Indirect:</p> <ul style="list-style-type: none"> Monthly updates from business Chief Executive Officers on strategic priorities, including brand partnerships and new product development with a focus on better understanding the benefits for the consumers and customers Monthly review by the Chief Operating Officer of operational performance to consistently deliver and improve high-quality customer experience Board presentation by the Chief Experience Officer on customer satisfaction scores and process improvements Monthly updates by the Chief Technology Officer on key cyber-security enhancements 	<p>THG Beauty See page 19</p> <p>THG Nutrition and Wellness See page 25</p>
<p>Shareholders</p> <p>We seek to create value for Shareholders and through our purpose, vision, values and strategy, deliver long-term, sustainable growth</p>	<ul style="list-style-type: none"> Annual Report and Accounts RNS announcements Scheduled investor presentations and conference calls Corporate website Site tours One-to-one and group investor meetings on site and through attending investor conferences 	<p>Direct:</p> <ul style="list-style-type: none"> Annual general meetings The CEO and CFO have an ongoing programme of meeting institutional Shareholders, supported by Senior Management The Chair and SID are available to meet Shareholders upon request <p>Indirect:</p> <ul style="list-style-type: none"> The Board reviews and approves material communication investors, such as trading updates, results announcements, Annual Report, and significant business events 	<p>Governance Report See page 107</p>

Stakeholder	How THG Engages	How The Board Engages	Find Out More
<p>THG Ingenuity Clients</p> <p>We support clients on their digital transformation journeys</p>	<ul style="list-style-type: none"> Inaugural US Future of Commerce event alongside annual UK event for both current and prospective clients Publication of industry trend and guidance reports on FMCG, retail, digital transformation and beauty New developments and partner integration such as social commerce via TikTok shop Continuous platform enhancements through in-house development of machine-learning models and AI solutions 	<p>Direct:</p> <ul style="list-style-type: none"> Attendance at annual Future of Commerce event Engagement with clients <p>Indirect:</p> <ul style="list-style-type: none"> Review of new and incremental business pipeline Review of key technology, platform developments and product launches Approval of Ingenuity Customer Advisory Board 	<p>THG Ingenuity See page 29</p>
<p>Our Suppliers and Partners</p> <p>We promote open and transparent working practices and collaborate for mutual, sustainable, and commercial success</p>	<ul style="list-style-type: none"> Annual anti-bribery training undertaken by Procurement team Risk assessment for all suppliers and a process for reviewing and increasing audits for higher-risk suppliers Quarterly business reviews with Ingenuity partners to assess sales pipeline, conversion and joint marketing strategies Implementation of THG Supply Chain Standards to replace previous THG Ethical Code of Conduct with direct suppliers required to be signed up to Sedex from an ethical sourcing perspective Strategic partners and suppliers identified and engaged on carbon reduction matters 	<p>Indirect:</p> <ul style="list-style-type: none"> Regular review of key raw material prices and buying strategy Premises visits undertaken by Head of Risk Committee to multiple THG sites Members of the Executive team regularly meet top suppliers Review of supplier payments metrics 	<p>Risk Management See page 87</p> <p>Sustainability Strategy See page 63</p> <p>THG Ingenuity See page 29</p>
<p>Our People</p> <p>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</p>	<ul style="list-style-type: none"> Launch of TechSheCan Expansion of upskilling programme including the Data Academy Development of employee networks including accessibility champions Launch of Parent's Network to support working families Introduction of Parenthood Programme, enhancing parenthood pay and offering wrap-around support Continuation of partnership with Change 100 Evolution of Learning and Development offering including introduction of in-house management programme Launched five days of THG campaign to re-engage employees with five THG values 	<p>Direct:</p> <ul style="list-style-type: none"> End-of-year colleague presentation delivered by Executive Directors Annual business strategy updates with Senior management <p>Indirect:</p> <ul style="list-style-type: none"> Monthly review of attrition and key recruitment matters by the Chief People Officer The Board supported the decision to bring in Helen Jones and Sue Farr Reviewed and approved updated role profiles of Board members 	<p>Our People See page 57</p> <p>Diversity and Inclusion See page 62</p>
<p>Society & Communities</p> <p>We aim to build skills and develop talent to promote greater social mobility, while protecting the environments we operate in and source from</p>	<ul style="list-style-type: none"> Launch of social impact strategy Charity partner with The Christie Launch of strategic partnership with TechSheCan Supported TalentTap, providing work experience to students from social mobility cold-spots 	<p>Indirect:</p> <ul style="list-style-type: none"> Quarterly review of progress against the 2030 Sustainability Strategy ESG matters discussed in Sustainability Committee meetings and further communicated to Board Approval of charity partner – The Christie 	<p>Sustainability Strategy See page 63</p> <p>Our People See page 57</p>

Stakeholder engagement

Suppliers and partners

The Board is committed to developing supplier relationships that not only support the brands that we own and work with, but also tackle societal and environmental issues, guided and governed by the THG Group's Supplier Manual, maintaining a high standard of business conduct. Engagement with suppliers to develop productive, fair and long-standing relationships must take into account the impact on THG in ensuring and enhancing long-term value creation for shareholders, and also recognise the suppliers' own business needs. To establish and maintain these relationships effectively, ensuring fairness across both sides, all suppliers continue to be subject to relevant approval processes.

AutoStore

In February 2023, THG Ingenuity signed a global distribution agreement with AutoStore to provide the company's technology on a pay-per-click model alongside Ingenuity's proprietary warehouse management, courier and optimisation software. This new offering has enabled a lower entry price-point for retailers, allowing them to meet the growing need for efficient warehouse operations and faster customer delivery. The pay-per-pick model provides further differentiation from the market, unlocking new demand for order-fulfilment automation as businesses' needs change and they require more easily scalable technology.

The relationship with AutoStore has given THG Ingenuity the opportunity to demonstrate the benefits of order-fulfilment automation and make it accessible to the growing existing customer base and potential new markets across a range of categories.

AutoStore has 23 partnership agreements worldwide; THG Ingenuity is the first to be implemented on a pay-per-pick model. The new service model is available to all partners and customers.

Key outcomes

- Increased transparency in procurement decisions, including in contractual terms, sustainability claims and onboarding
- THG Procure continued to be rolled out in 2023 and now covers 97% of suppliers
- Improved supplier on-time payment performance
- Implementation of new THG Supply Chain Standards, an updated version of THG Ethical Code of Conduct
- Significant cost savings per unit and maintenance of delivery standards throughout peak trading periods

THG Ingenuity clients

THG Ingenuity clients are central to the business's ability to provide an all-encompassing direct to consumer journey, enabling us to prove ourselves as a key partner for higher-margin, complex clients.

FY 2023 saw the business pivot towards larger, more complex clients, for whom we can showcase our end-to-end ecommerce solution, encompassing technology, marketing and operational capabilities and support large-scale ecommerce transformation.

City AM

In July 2023, THG acquired London-based financial and business publication CityAM, supporting not only its long-term aspirations and strong balance sheet for growth, but also enabling THG to scale its existing media, studios, and digital content offering, as well as the Beauty and Nutrition mobile apps.

CityAM joins the THG Media portfolio which boasts an existing digital magazine with combined circulation of 600,000 through THG's The Supplement and The Highlight.

Leveraging THG Ingenuity's technology, CityAM launched its mobile app, amplifying reach, driving traffic and further building digital marketing and advertising revenues. Alongside launching the app, THG has committed to expanding City AM's editorial capabilities and coverage, using our in-house expertise to develop the premium lifestyle, wellbeing, technology and sustainability content.

The acquisition of CityAM has provided THG Ingenuity with the opportunity to make a digital step-change in its adtech capabilities through its digital brand-building and ecommerce platforms.

CityAM offers c.2 million monthly unique visitors online, and a daily print circulation of c. 70,000 across four days a week, enabling THG to benefit from significant new audience reach, complemented by its already successful content creation and digital media expertise. Downloads since the app's launch in September have increased 2,800%+ to the end of December 2023.

Key outcomes

- THG Ingenuity named in 2023 Gartner Magic Quadrant™ for Digital Commerce, recognised for its completeness of vision and ability to execute
- Investment in journalism for CityAM including new hires and the launch of the CityAM app to increase digital reach
- New higher-margin client wins increasing monthly recurring revenue growth throughout the second half of the year
- Double-digit revenue growth for external clients towards the end of the year

Customers and consumers

THG serves its global customer base through its direct to consumer sites comprising of own-brands and retail destinations.

Customer needs and behaviours are constantly evolving, driven by advancements in purchase methods, new product discovery solutions and ever-changing trends, all driving innovation for us to hold leading positions in our respective markets. Considering and improving each step of the THG customer journey, supported by investment in our technology and operating infrastructure, enables us to offer innovative products in key and emerging markets, leveraging localisation to build category leadership across Beauty and Nutrition and to continue providing engaging content and relevant products to our global customer base while boasting a high level of customer service and satisfaction.

Beauty advisory team

THG offers bespoke pre-sales support to customers and in early 2022, we developed our offering by investing in recruitment and front-end tech, enabling customers to receive expert advice across our sites.

In 2023, we continued to evolve this offering, and our Beauty Advisory team worked across Lookfantastic and Dermstore to provide product advice and consultations to customers via instant channels, available to customers who are unsure as to which products best suit their requirements and needs. This strives to further enhance customer sentiment while also driving up AOV and conversion:

- Over £1 million in assisted sales revenue in 2023
- 89% customer satisfaction, measured internally using virtual chat satisfaction ratings
- 5-star Trustpilot reviews referring to the Beauty Advisory Team specifically

The Beauty Advisory Team is constantly evolving, utilising greater resources and increasing their brand training even further. In 2023, the team had 40+ training sessions with key brands such as L'Oréal, Olaplex, ESPA and Elemis, all providing on-site training.



Key outcomes

- Substantial improvement in Trustpilot ratings for both Beauty and Nutrition, Lookfantastic 4.5 (+0.2) and Myprotein 4.4 (+0.2)
- 400,000+ 5-star customer service reviews in the last 12 months across internal and external sources
- Greater accuracy in orders and quicker delivery times in addition to proactive customer communications, reducing the requirement for post order support
- Improved customer confidence has led to a record low customer contact rate average, down 3.7bps year on year
- Our internal satisfaction metric, which encompasses customer feedback points, was up 8.7% year on year achieving a high of 8.05 in 2023
- Maintained 98% contact centre SLAs throughout the year through improved operational metrics and the implementation of automated solutions
- Significant growth in app participation, +4.1ppts to 14.1% and +32% uplift in new users to apps in 2023
- Broadening awareness of the use of recyclable packaging and materials in our own brands
- 500+ active customer experience support agents
- 30+ native languages supported



Principal decisions

The Board keeps under review its governance and operating protocols to ensure we maintain long-term value creation. 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.

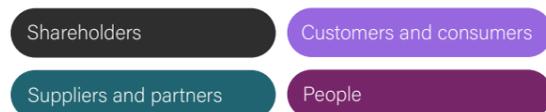
Below are examples of the key discussions and principal decisions taken by the Board in 2023, alongside the relevant Group strategic priority and stakeholders considered. The Board will engage with stakeholders accordingly where risks are considered impactful.

THG Strategic priorities	Board discussions and principal decisions	Stakeholders engaged
To build category leadership positions in beauty, health and wellness	<ul style="list-style-type: none"> Discontinuation of loss-making categories and territories including THG OnDemand, ProBikeKit and legacy brands within THG Beauty and THG Nutrition Expansion of the THG Beauty portfolio to include THG Luxury and THG Experience which provide additional complementary marketing opportunities for the business THG Nutrition rebrand THG Nutrition partnership with Williams F1 and Hyrox 	<ul style="list-style-type: none"> Shareholders Customers and consumers Suppliers and partners People
To make THG Ingenuity the partner of choice for commerce transformation and sustainability solutions	<ul style="list-style-type: none"> THG trading strategy pivot towards multi-service clients CityAM acquisition Recognition in Gartner Magic Quadrant™ 	<ul style="list-style-type: none"> Shareholders THG Ingenuity clients Suppliers and partners Customers and consumers People

THG Strategic priorities	Board discussions and principal decisions	Stakeholders engaged
Deliver engaging content and innovative products to our global customer base	<ul style="list-style-type: none"> Opening of the Myprotein concept store in Manchester and Lookfantastic pop-up in London Deepening social media partnerships including Lookfantastic TikTok shop New product development in Beauty and Nutrition Further enhanced app capabilities such as Foundation Finder Launched Can't (Re)Touch This campaign 	<ul style="list-style-type: none"> Suppliers and partners Customers and consumers
Accelerate growth in core international territories, leveraging our local infrastructure	<ul style="list-style-type: none"> Successful completion of the Group's 3-year global infrastructure roll-out Completion of installation of Autostore in the New Jersey warehouse Development of THG Nutrition offline strategy in the US Partnership with leading distributor Itochu in Japan Local manufacturing to launch in both Japan and India in 2024 Reviewed and approved the updated UK tax strategy, Polish tax strategy and Treasury policy Hedging international FX and managing interest rate risk 	<ul style="list-style-type: none"> Shareholders Customers and consumers Suppliers and partners THG Ingenuity clients
Drive positive change with our stakeholders, through an entrepreneurial, values-led culture	<ul style="list-style-type: none"> THG Eco - Science-based targets assured with external adviser Support for the choosing of THG's charity partner The Christie Appointment of Sue Farr and Helen Jones to the Board Monitoring of the FCA listing regime review Internally launched social impact strategy 	<ul style="list-style-type: none"> Shareholders Customers and consumers THG Ingenuity clients Suppliers and partners People Society and communities

Strategic review execution

Stakeholders engaged:



Principal decision by the Board:

In January 2023, the Group confirmed its intention to simplify and streamline its operations, undertaking a strategic review of loss-making categories and territories including THG OnDemand business. In July 2023, the trade and assets of THG OnDemand were sold to a Newco which continues to be a client of THG Ingenuity. In addition, we sold ProBikeKit to Frasers Group PLC in Q2 2023. During the second half of the year, the Group completed its strategic review of loss-making categories resulting in the further discontinuation of additional small legacy brands within THG Beauty and THG Nutrition.

Board considerations and outcomes:

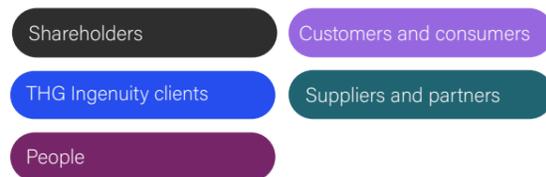
The Board approved the sale of THG OnDemand and ProBikeKit following the completion of the strategic review of loss-making categories and territories.

The financial impact of the discontinued categories has been disclosed within the financial results to show the impact of their exit on the Group and its outlook.

The categories discontinued in the second phase of the strategic review contributed only c. £40m to sales in 2023.

Business strategic optionality

Stakeholders engaged:



Principal decision by the Board:

Following the completion of the legal and operational re-organisation of THG in 2022, the Board has supported the development of value creation strategies to prepare each business with the right platforms to provide strategic optionality in the future.

Board considerations and outcomes:

As a part of these value creation strategies, THG Nutrition expanded its customer reach through retail presence, gyms and experiences, notably through physical retail partnerships and curated licensing. This acts as an important lever to growth, evolving the Myprotein brand beyond sports nutrition and into the wider health and wellness space, also expanding the active customer base beyond direct to consumer through increased retail touchpoints and the activation of new and existing customers.

Augmented trading strategies

Stakeholders engaged:



Principal decision by the Board:

In April 2023, it was announced that THG would take a focused approach to enhancing profitability, leading to de-emphasis of certain territories in THG Beauty and THG Nutrition, and the pivoting of THG Ingenuity towards higher-value and higher-margin clients with higher quality recurring revenues.

Board considerations and outcomes:

The decision to refocus on profitable sales and multi-service, Ingenuity clients demonstrates significant progress towards building category leadership, making Ingenuity the partner of choice and accelerating growth in core international territories.

The Board recognises the short-term impacts on revenue and adjusted EBITDA. However, as the businesses return to growth under the implemented profit improvement plans throughout 2022 – 2023, internal revenue will benefit.

The Board also approved plans to deprioritise the areas of the business that are no longer profitable or where we could not take advantage of our localised infrastructure. While this may have resulted in reduced order volumes that have not delivered targeted profitability, it has supported revenue growth and margin rebuilds in the medium-to long-term.

Within THG Nutrition, the margin potential of the business was further enhanced by expanding the royalty model with carefully chosen partners in key territories with targeted offline licensing deals launching in the UK and Japan.

Cash prioritisation

Stakeholders engaged:



Principal decision by the Board:

Following the intention to position each of the three businesses for further operational and strategic progress, and notwithstanding the continued macroeconomic uncertainty experienced in the market, the Board approved a strategy of cash prioritisation in order to strengthen liquidity and afford the Group financial flexibility.

Board considerations and outcomes:

The successful completion of the Group's three-year global infrastructure roll-out, and the strong efficiencies that investments in capital expenditure are now delivering. The Group delivered a c.£48m reduction in capital expenditure in FY 2023 in line with stated strategy. In support of guidance, we have prioritised capital expenditure on technology development in line with the medium-term guidance set out at IPO with cash adjusting items substantially reduced year on year.

The Board also engaged with its lenders to extend the Revolving Credit Facility, announced in March 2024. THG confirmed the extension of this by 17 months to May 2026 with no changes to the financial covenants or interest margin beyond the existing maturity date. From December 2024, the facility will be £150 million.

The Board considered the strong profit and cash performance alongside improvements in net leverage and considered that the extension will afford the Group continued significant financial flexibility during uncertain geopolitical times.

Non-financial and sustainability information statement

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 and statements	Where to read more in this report about our impact, including the principal risks relating to these matters	Page
Environmental matters	<ul style="list-style-type: none"> Environmental Policy 	<ul style="list-style-type: none"> Sustainability Page 63 Task Force on Climate-related Financial Disclosures (TCFD) Page 69 Risk - Climate change, environmental and social responsibility Page 94 Risk - Legal and regulatory compliance Page 95 Sustainability Committee Report Page 141 	
Employees	<ul style="list-style-type: none"> Diversity & Inclusion Policy HR Handbook including all people-related policies 	<ul style="list-style-type: none"> People and diversity - Chair's introduction Page 4 Our strategy Page 9 Our people Page 57 Section 172 statement stakeholder engagement Page 47 Diversity - Nomination Committee Report Page 137 Risk - Talent Page 91 Risk - Culture Page 92 Risk - Health & safety Page 95 	
Human rights	<ul style="list-style-type: none"> Modern Slavery statement Health and Safety Policy Whistleblowing Policy HR Handbook 	<ul style="list-style-type: none"> Section 172 statement stakeholder engagement Page 47 Risk - Climate change, environmental and social responsibility Page 94 Risk - Culture Page 92 Risk - Health & safety Page 95 Risk - Product quality and safety Page 95 	
Social matters	<ul style="list-style-type: none"> HR Handbook Environmental Policy 	<ul style="list-style-type: none"> Section 172 statement stakeholder engagement Page 47 Our people Page 57 Empowering people and communities - Sustainability Page 81 Risk - Climate change, environmental and social responsibility Page 94 Diversity - Nomination Committee Report Page 137 	
Anti-Bribery and Corruption	<ul style="list-style-type: none"> Anti-Bribery Policy Gifts and Hospitality Policy 	<ul style="list-style-type: none"> Risk - Culture Page 92 	
Our business model		<ul style="list-style-type: none"> Our business model Page 13 	
Non-financial KPIs		<ul style="list-style-type: none"> THG Beauty Page 19 THG Nutrition Page 25 Sustainability Page 63 	
Principal risks and uncertainties		<ul style="list-style-type: none"> Risk management and informed decision-making 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.
Equity, Diversity & Inclusion Policy	THG strongly believes that having a diverse workforce and an inclusive workplace creates a more innovative and successful business. Our EDI Policy has been implemented as part of the EDI 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.
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 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 2023 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.

Our people

Evolution of our Employee Value Proposition (EVP)

"2023 was a year of transformation for our people offering. We took a data-driven approach to evaluating our end-to-end employee experience and invested in the areas of life at THG that matter most to our people. I'm very proud of the progress we've made over the past 12 months."

– Konrad Hill, Chief People Officer

We prioritised developing an EVP that not only attracts top talent but retains and nurtures our existing teams. From introducing wrap-around support for working families to increasing compassionate leave, we made significant investment in our people, their wellbeing and their long-term development at THG.

Following extensive market research and a review of the end-to-end employee experience, we identified several opportunities to enhance our EVP in 2023.

This included:

11.7%

Reducing working hours from 42.5 to 37.5 for office-based employees in the UK

10

Introducing 10 days paid time off for fertility treatments

25

Increasing annual leave entitlement to 25 days per year (plus birthday leave).

6

Introducing up to six months full pay for parental leave

10

Increasing compassionate leave from 3 days to 10 days



Our EVP is in its formative stages, and we are focused on developing it further to nurture and develop our colleagues whilst attracting high-calibre talent.

Operational excellence

In 2023, we improved several people processes whilst laying the foundations for our People team to become true strategic partners to the business. This included introducing a fairer, more transparent pay review and promotions process to reward employees performing in their role with annual pay increases, as well as a review of all people policies.

We kickstarted the implementation of our new Human Resource Information System (HRIS). With better technology, we will benefit from improved system governance and compliance, operational efficiencies and accuracy in people reporting, whilst providing a more seamless employee experience for our global workforce.

In 2024, we will be introducing job architecture to provide the baseline for fair and equitable job evaluation as well as a clear, consistent and transparent framework for career development.

Talent attraction and recruitment

2023 proved to be a challenging year for the UK labour market, but our commitment to fostering innovation and developing a competitive EVP enabled us to continue attracting and retaining top talent.

With a renewed focus on internal mobility, we supported 365 people to move into new roles within the Group, which has not only strengthened our internal talent pipeline but helped to create a resilient and agile workforce for the future.

We invested in our future talent, onboarding 104 graduates, 24 interns and 100 apprentices in 2023. THG Accelerator, our in-house training programme for graduates from a non-computer science background, continued to provide a pipeline of diverse talent for our technology division, with just under half of the



2023 cohort identifying as female. [Click to watch THG Milestones](#)

Equity, Diversity and Inclusion (EDI) remained high on our agenda, influencing our talent attraction strategy across all areas of the Group. We continued to improve our knowledge and understanding of accessibility and inclusion in the workplace by working with disability inclusion charity, Leonard Cheshire, for a second consecutive year.

We also worked with Talent Tap, offering work experience to students living in social mobility cold spots, and entered a two-year strategic partnership with Tech She Can to improve the ratio of women in the technology industry.

CASE STUDY
THG x Tech She Can



Over the past decade, we have seen and felt the impact of the digital skills gap in the UK. We've launched specific initiatives to address the skills shortage, including bespoke apprenticeship programmes and THG Accelerator, but we recognise that we need to do more.

That's why we've partnered with Tech She Can to inspire the next generation of innovators and improve the pipeline of women going into technology roles.

Through this partnership, our people will be able to volunteer in schools across the UK to educate, equip

and inspire young people, especially young girls, to study technology subjects and choose a career in tech.

The initiative also supports our sustainability goals:

- To achieve 50% female representation in our Early Careers programmes by 2025.
- To provide all THG employees with two days volunteer leave by 2025.
- To provide 10,000 people in our communities with tech and life skills by 2030.

"Support from THG and our strategic partners allows us to significantly increase the scale of our work and meet the massive demand we are seeing. We are creating a more diverse workforce for now and in the longer term, and have inspired tens of thousands of children, especially girls, about careers in technology through our free Tech We Can schools' resources and experiences."

- Dr Claire Thorne, Co-CEO at Tech She Can

628
Promotions in 2023

Of the 59 employees who have completed, 81% have achieved distinction, which is not only a testament to the quality of the training on offer through our Academy, but to our people and their eagerness to learn and invest in their professional development. A further 108 employees are enrolled in leadership qualifications through the Academy and are expected to complete in 2024.

Following the success of the Leadership and Management Academy, we launched the THG Data Academy in October 2023 to improve data literacy skills in our workforce and future-proof our business. As of December 2023, 36 people are enrolled in data apprenticeships through the Academy and are expected to complete them in 2025.

Over the past few years, we have reaped the benefits of upskilling our employees through apprenticeships and have seen the positive impact it has on their personal and professional development. That's why in 2023 we donated £327,780 from our apprenticeship levy to Hospice UK to enable 28 learners from the hospice sector, 86% of which identified as women, to enrol in data apprenticeships.

2023 also saw launch of Beyond, our in-house leadership development programme designed specifically for mid-level managers across the Group. Combining leadership theory and real-life examples of leadership scenarios at THG, our L&D team have delivered over 200 hours of training for Beyond, creating a programme that works, demonstrated by an NPS score of 67 and an average engagement score of 4.8 out of 5.

Over the next 12 months, our L&D team will be launching two new programmes: Emerge, for new managers who have been in role for under six months and Inspire, for our future CEOs.

Culture and engagement

As we reflect on the past 12 months, it's clear that our focus on employee engagement has had a positive impact on our culture.

We made further investment into our ICON campus, opening the doors of Good Living, our on-site staff shop designed and built in-house by THG Studios. As well as being a fantastic place to showcase our brands, launch new products and host internal events, Good Living supports our sustainability strategy as it creates a place for damaged or returned items to be sold at a heavily discounted rate to employees instead of going to landfill. Our in-house GP service also received accreditation by the Care Quality Commission (CQC), making our ICON campus one of the first offices in the UK to hold this official registration.

Our community groups continued to enhance life at THG, creating opportunities for our people to network both inside and outside the office. To celebrate the launch of Move 30, Myprotein's brand campaign designed to get people active, THG Nutrition introduced Run Club and Hike Club and organised a business-wide sports day in partnership with Battle Cancer. THG Ingenuity launched Ingenious, a Dragon's Den style initiative, to encourage innovation and collaboration. It also continued to recognise top talent in its monthly Values Awards. THG Beauty continued to organise brand visits, giving their teams the opportunity to meet founders, trial new products and learn more about the beauty

industry, as well as run new starter coffee mornings and Final Friday, an office event on the last Friday of every month.

In November, we announced '5 days of THG', an engagement initiative designed to bring our five values to life and strengthen our employer brand. Over the course of a week, our Senior Leaders announced five challenges for our people to get involved in, each aligning to one of our five values. From working in teams to propose a new business idea to securing three months of Executive Mentorship, this initiative successfully engaged our global workforce and reinforced our ambitious culture.

Finally, we celebrated our meritocratic culture in our Annual Awards, awarding £150,000 equity to Newcomer of the Year, Employee of the Year and Outstanding Contribution. [Click to watch.](#)

15.3%
Increase in our employee engagement score

Career development

Since 2004, we have prided ourselves on creating career-defining opportunities for ambitious talent, no matter their age, background, or experience. Two decades later, our attitude to career development has not changed.

Over the past year, we revamped our Learning and Development (L&D) offering, developing programmes and creating content to meet the unique needs and ambitions of our diverse workforce. Since launching in March 2023, the L&D Hub has been visited just under 19,000 times. With courses on everything from 'Mastering Public Speaking' and 'Adaptable Leadership' to 'The Power of Influence' and 'Effective Delegation', our new L&D offering aims to future-proof our business whilst giving our employees control over their careers at THG.

Since launching the THG Leadership and Management Academy in October 2022, 59 employees across all areas of the Group have completed Chartered Management Institute (CMI) accredited qualifications that have been delivered by industry-leading training provider, Corndel.



THG in the community

In September 2023, we launched our social impact strategy, THG in the Community, our plan for driving positive social change and making an impact in our local communities.

The strategy is underpinned by three pillars - championing inclusion, disrupting inequality and creating opportunities - and revolves around three key initiatives, all of which have been introduced to give our people an opportunity to get involved and give back.



Corporate volunteering

From supporting a small charity with their technical expertise to giving care packages to the homeless, we encourage volunteering as a fantastic way for our teams to contribute their time and skills to charitable organisations and community initiatives.

Charity of the year

To engage our people in our social impact, we invited them to choose our Charity of the Year and they selected The Christie, leading experts in cancer care, research and education. Our aim is to raise £75,000 through employee fundraising for the charity in 2024, which will be matched by THG at the end of the year.

THG community fund

To help live our purpose, to make an impact through digital transformation, innovation and expertise, we have created the THG Community Fund to help support the charities and causes that matter most to our people.

As well as launching our social impact strategy, THG in the Community, we have also supported several charities throughout 2023.



Equity, diversity & inclusion (EDI)

We are proud to have a diverse workforce that is representative of the society we live in.



Our employee networks continued to provide a safe space for our people to celebrate and embrace their shared identities, experiences and interests, and to learn from each other. From our Black Community Network and our Pride Collective to our Neurodivergent Forum and Parents Network, we're committed to ensuring everyone at THG feels comfortable bringing their whole self to work.

We appointed an EDI Lead in January 2024 who will drive our EDI strategy at Group-level and deliver the EDI targets outlined in our 2030 sustainability strategy, THG x Planet Earth. To find out more about our progress to date, please visit the [Sustainability Section](#).

2023 Gender

	Male	Female	Not Disclosed	Total
Board	7	3	0	10
Senior Leadership	10	4	0	14
Other	3,712	3,817	37	7,566
Total	3,729	3,824	37	7,590

2023 Ethnicity

	BAME	Non BAME	Not Disclosed	Total
Board	0	10	0	10
Senior Leadership	4	10	0	14
Other	1,095	2,843	3,628	7,566
Total	1,099	2,863	3,628	7,590

CASE STUDY

THG Studios x Mustard Tree

Over the past 18 months, THG Studios has been working with Manchester-based charity, Mustard Tree, to help them fulfil their mission to combat poverty and prevent homelessness.

December 2023 marked a key milestone in its partnership as it announced the opening of the newly refurbished IT suite at Mustard Tree's Manchester Ancoats hub. Using its expertise, THG Studios redesigned, decorated and fully furnished the IT suite to create a versatile space that will accommodate technology training, events and family workshops, as well as a community library.

The team sourced furniture, including bespoke built desks and surplus THG office furniture, meeting the project's furnishing needs while minimising office waste. This contributed towards THG's zero waste to landfill by 2030 target.

As well as revamping the IT suite, THG Studios has also donated surplus items, raised more than £11,000 for the cause and donated 49 hampers to aid those in need during the winter period.



"Giving back to the local community through Mustard Tree is a genuine privilege. We're so inspired by their kindness and dedication to ending poverty, that we wanted to make a meaningful difference. What better way than to use our in-house talent and skills to create a special multi-use community space. Together, we're not just transforming spaces; we're changing lives."

- Cat Mellor, Director of Creative Operations & Solutions at THG Studios

Sustainability

The Emissions Gap Report of 2023 (United Nations Environment Programme, 2023) highlights that we, as a planet, are on course for a 2.5-2.9°C rise in average temperature, exceeding the aims of the Paris Agreement. This demonstrates that more work is needed to close the emissions gap. THG is rising to this challenge by committing a greater number of resources to its sustainability agenda, ensuring that we are equipped to find creative solutions, confirm compliance with the ever-increasing legislative demands and make progress with our THG x Planet Earth aspirations.

During 2023, we took an important step in our journey towards net zero by submitting our science-based targets to the Science Based Targets initiative (SBTi), and they were approved in September (see [page 64](#)). In line with this achievement, we are also publishing our Scope 3 emissions for the first time (see [page 65](#)). Making Group wide steps like these is important, but we must also use the wealth of creative thinking and excellence of the people within the Group. To do this we have begun to roll out sustainability training to all staff (see [page 82](#)) and have launched our Sustainability Ambassador Network (see [page 82](#)) to harness the increasing desire of our staff to take action.

With over 97% of THG's total carbon footprint attributed from our Scope 3 emissions, we have also taken steps with our supply chain to ensure that we have visibility and influence over its emission intensity. The way we do this is our Partnership in Action (PACT) initiative which will guide our strategic engagement with our suppliers (see [page 67](#)). To complement this, we have also replaced our Ethical Code of Conduct with our new [THG Supply Chain Standards](#) which strengthen our approach with our supply chain (see [page 78](#)).



Materiality assessment

The field of sustainability is constantly evolving, with new data and innovations emerging all the time. Given this rapidly changing environment, it is important to assess and understand the potential challenges and opportunities, as well as the topics most important to THG and its stakeholders. The materiality assessment is key in providing insight into what issues we should focus on, and where the greatest impacts lie. This can then inform business strategies such as THG's Sustainability Strategy. In defining the topics within the assessment, we talked both to internal and external stakeholders, to understand how the most-material issues may affect our operations in the short and long term. We can then monitor these issues in our day-to-day operations to manage risks and access opportunities for the future. This assessment is scheduled for every two years and, in 2023, we undertook a 'light' materiality assessment ahead of our CSRD-aligned (Corporate Sustainability Reporting Directive) double-materiality assessment, which we will complete in 2025.

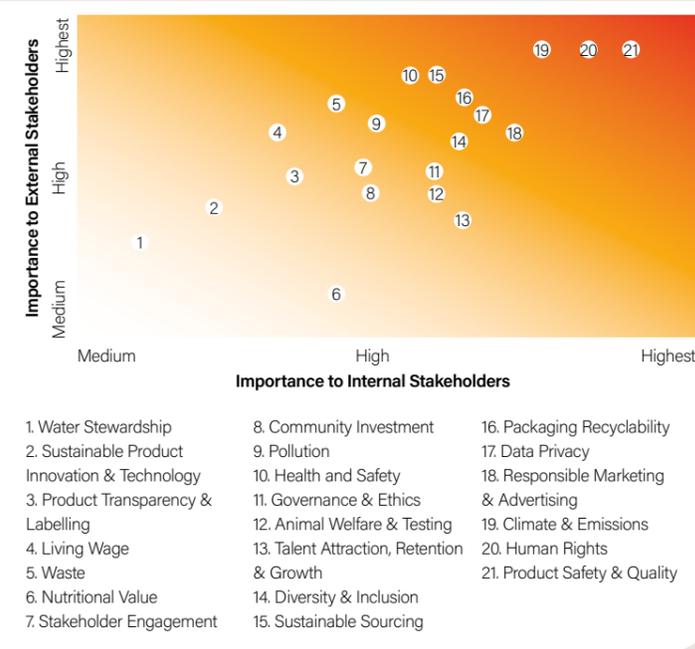
The results from the assessment led us to strategically review and update THG's sustainability goals and targets, ensuring those set in 2021 remained relevant and accurately reflect 2023's results. We assessed all 2023 material topics on data availability, quality and working plan. Where this was not possible, in future we will set baselines, develop tracking mechanisms, and create clear plans to set measurable and operational 2025 targets.

The goal was to obtain a complete picture of the environmental and social sustainability impacts, resulting in a set of prioritised material issues.

1. Identify issues - Identifying topics of importance to the business, stakeholders, and the social and environmental impact of each topic in the full value chain.
2. Internal stakeholder inputs - Ensuring we capture the diversity and complexity of our operations, gathering inputs both from group and divisional business units.
3. External stakeholder inputs - To understand concerns and expectations.
4. Analysis of material issues - Analysis of stakeholder inputs and the environment THG operates in to establish and prioritise THG's material sustainability issues.

Next steps in 2024:

In anticipation of CSRD, we will develop a plan to conduct a double-materiality analysis. These assessments cover two different aspects: financial materiality (impact of sustainability and climate issues on the development, position, or financial performance of a company); and impact materiality (what the company does that affects people and the planet in the short, medium and long term).



2023 Materiality assessment results

Protecting climate and nature

Climate change is affecting the entire world, causing extreme weather events and rapidly changing climate conditions.

It is our role as a global society to limit global warming to 1.5°C and achieve net-zero carbon emissions by 2050. Within our Sustainability Strategy, THG has committed to reducing its impact on the planet; making positive progress in understanding the source of our carbon emissions, setting reduction targets and developing our plan to net zero.

Target	Target Year	Progress in 2023
THG commits to reduce absolute Scope 1 and 2 GHG emissions 42% by 2030 from a 2020 base year	2030	Year on year reduction in Scope 1 and 2 Location based emissions
THG commits to reduce absolute Scope 1 and 2 GHG emissions 97.7% by 2040 from a 2020 base year	2040	As above
THG commits to reduce absolute Scope 3 emissions 90% by 2040 from a 2020 base year	2040	Launch of THG PACT
THG commits that 85% of its suppliers by spend covering purchased goods and services and upstream transportation and distribution will have science-based targets by 2027	2027	New target communicated as part of THG PACT
Accelerate decarbonisation of supply-chain electricity through a 100% carbon-free electricity (CFE) by 2030 target	2030	New target communicated as part of THG PACT
Achieve 6% carbon intensity reduction YoY of supplier's full product carbon footprint, beyond just electricity	2030	New target communicated as part of THG PACT
Powering all our geographical operations with 100% renewable energy by 2030	2030	Increased to 66% compared to 63% in 2022
All own brand key commodity ¹ raw materials to be deforestation free by 2030	2030	See page 68

Science Based Targets initiative (SBTi)

Following a full greenhouse gas inventory in 2020, THG submitted its net zero targets, to the Science Based Targets Initiative (SBTi). These targets align with the latest climate science, aimed at limiting global warming to 1.5°C above pre-industrial levels. SBTi confirmed validation for the [above](#) near and long-term targets in September 2023.

Work has already begun to achieve these targets by developing business roadmaps, internal working groups and the launch of THG PACT, to work with our suppliers to tackle scope 3 emissions.



1. Palm, soy, cocoa, and paper.

THG's emissions and energy reporting

Within this section, we detail our emissions and energy calculations, fulfilling our obligations within The Companies Act 2006 (Strategic Report and the Directors' Report) Regulations 2013, and the Streamlined Energy and Carbon Reporting regulations March 2019. We report GHG emissions in accordance with the GHG Protocol.

In 2023, we first published our Scope 3 emissions, covering our baseline year of 2020 and our 2022 calculations. During 2024, we will review our data-collection process to find efficiencies, which will allow us to report Scope 3 emissions on the same timeline as Scope 1 and 2 emissions. During 2024, we will also submit our 2023 and 2021 emissions calculation to third-party limited assurance, and publish in next year's report.

Group-wide Scope 1 and 2 GHG emissions - location based

GHG emissions (tonnes of CO2e)	2023	2022	2021	2020
Scope 1	5,520 ¹	5,194	2,309	1,946
Scope 2	12,369 ¹	13,238	11,605	9,584
Total	17,889	18,432	13,914	11,530
GHG Intensity per £1m revenue	8.75	8.23	6.39	7.14
Scope 3	-	780,027 ¹	-	620,518
Total	-	798,458	-	632,047
GHG Intensity per £1m revenue	-	357	-	392

Group-wide Scope 1 and 2 GHG emissions - market based

GHG emissions (tonnes of CO2e)	2023	2022
Scope 1	5,520	5,194
Scope 2	9,060 ¹	9,157
Total	14,581	14,351
GHG Intensity per £1m revenue	7.13	6.41

Country breakdown Scope 1 and 2 GHG emissions - location based

GHG emissions (tonnes of CO2e)	2023
UK	9,273 ¹
Rest of the world	8,616 ¹

Country breakdown Scope 1 and 2 GHG emissions - market based

GHG emissions (tonnes of CO2e)	2023
UK	4,114 ¹
Rest of the world	10,467 ¹

Group-wide energy use

energy use (kWh)	2023	2022	2021	2020
Natural Gas	20,434,090	23,275,342	12,051,833	9,943,330
Electricity	38,905,882	39,358,032	28,653,493	19,649,394
Fleet and On-Site Fuel	7,476,557	3,889,419	590,717	488,578
Total	66,816,530¹	66,522,793	41,296,043	30,081,302
GHG Intensity per £1m revenue	32,673	29,707	18,952	18,638

Country breakdown energy use

energy use (kWh)	2023	2022	2021	2020
UK	45,084,421	42,682,049	23,332,220	16,833,917
Rest of the world	21,732,108	23,840,744	17,963,822	13,245,455

Renewable vs non-renewable

% of electricity supply	2023	2022
Renewable	66% ¹	63%
Non-renewable	34%	37%

1. Assured by Bureau Veritas - for further details please see our Reporting Basis document.
2. Note: Table subject to rounding

Scope 1 and 2

In 2023, we continued to make progress in switching our UK and international sites to renewable-electricity contracts, and while electricity from renewable sources grew to 66% this year, we agreed contracts throughout the year that will start in 2024. Additionally, we have solar-panel installations at selected THG manufacturing sites and are currently considering further projects that will support product development capabilities across THG Beauty, THG Nutrition, and THG Ingenuity. We continue to identify and deploy these instruments, both in the UK and internationally, as part of our target to power all operations with 100% renewable energy by 2030.

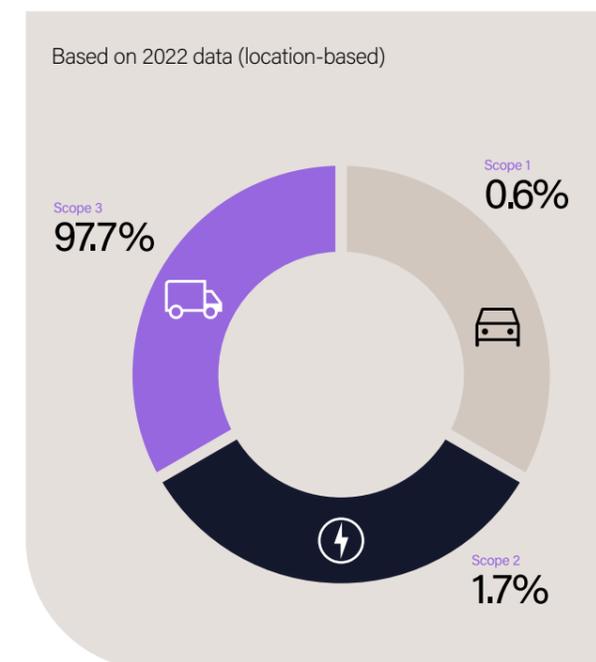
Compared to our 2020 baseline, absolute Scope 1 and 2 location-based emissions have increased by 55%. However, our revenue for the same period has also increased by more than 26%. This has resulted in an intensity increase from 7.14 tonnes of CO2e per £ million of revenue in 2020, to 8.74 in 2023. As mentioned above, THG has been investing heavily in renewable-energy supply, and when we compare our market-based energy intensity for 2023 of 7.15, to the 7.14 figure of our baseline year, we can see we are holding steady for this KPI. We expect the increased renewable-energy supply mentioned previously will push our percentage of renewable-electricity supply for 2024 to approximately 95%, which would result in our market-based emissions being back on track with our science-based target pathway.

During 2023, we undertook ESOS audits at the UK THG sites. We will collate the outputs of these in 2024 and make a plan for the energy-saving opportunities we identify. As part of this process, we will also devise energy-efficiency targets for the UK sites. In 2024, we will also roll out automatic meter readers (AMRs) across our UK sites. This will enable more-efficient data collection, reduce our reliance on energy-supplier estimations, and allow our sites to see their data in real time, to enable them to track energy use and identify opportunities for efficiencies.

Scope 3

Scope 3 contributes 97.7% of THG's total carbon footprint (based on 2022), with category 1 (purchased goods and services), and category 4 (upstream transport and distribution) accounting for 86.7% of the total emissions of Scope 3. As noted in our Basis of Reporting, categories 9, 10, 13, 14 and 15 have been excluded from our Scope 3 calculations due to materiality. You can find further details in this document.

Absolute Scope 3 emissions increased by 25.7% from our 2020 baseline, however, due to the increased revenue this resulted in an emission intensity decrease of 9.4% to 348 MtCO2e/£million revenue. Within THG's net-zero strategy and forecast, the projected Scope 3 emissions intensity for 2022 was 337 MtCO2e/£million revenue, positioning THG slightly behind expectations but continuing in the right direction.



THG / PACT Partnership in action

To support our efforts of decarbonising our Scope 3 supply-chain emissions, in December 2023, THG proudly launched THG Partnership in Action or PACT - an initiative focused on collaborating with suppliers to foster a culture of sustainability, while mutually decarbonising operations. PACT seeks to enhance transparency throughout the supply chain, and highlights the importance of sustainable practices in today's business landscape.

As THG's science-based targets were officially validated by the SBTi in September 2023, encompassing mandatory Scope 1, 2 and 3 carbon reductions by 2040, the collaborative efforts of THG and its suppliers are critical to achieving net zero by this date, recognising the importance of collective action for meaningful impact. As part of PACT, THG aims to provide its comprehensive sustainability strategy with key stakeholders and suppliers to explain progress and crucially find opportunities for collaboration.

Responsible sourcing

Nature forms an important part of the Group's THG x Planet Earth sustainability strategy. Deforestation and forest degradation continues to be a central topic in the global discourse on climate change and biodiversity. We recognise the importance of addressing this risk and minimising our nature footprint.

Our new target is to ensure 'all own brand key commodity' raw materials to be deforestation-free by 2030'. Expanding from the focus on palm oil and palm derivatives from last year, under the new target, the other key commodities we have identified are paper, cocoa, and soy.

As part of the strategic review and update of our sustainability goals and targets, following the materiality assessment, we undertook a thorough reassessment of the key commodities we use. As part of this review, we refined our scope so our deforestation target focuses on offering deforestation-free products in the areas where we can maximise our impact.

Palm oil and derivatives

Previously, two of THG's subsidiaries were members of the Roundtable on Sustainable Oil (RSPO). In 2023, we have worked to prepare to submit the whole Group for membership in 2024. This commits the whole of THG to sustainably sourcing palm oil for all our own brands.

Key objectives of PACT

Streamlined communication of data requirements:

By developing an online supplier portal, THG aims to establish a clear communication channel with suppliers regarding the information necessary to measure and monitor sustainability performance. This includes data related to Scope 1, Scope 2, and Scope 3 emissions.

Setting clear supplier goals:

THG will set ambitious sustainability goals for its suppliers. These goals align with the Company's overarching commitment to reduce its environmental impact, promote responsible business practices and encourage positive change.

Guidance and support:

Recognising that navigating sustainability requirements can be challenging for suppliers, THG will provide guidance and support. The Company will work closely with suppliers to ensure they understand these expectations and have the necessary resources to meet sustainability goals.

THG comprehends the scale and complexity involved in pivoting towards more-sustainable business operations. Demonstrating our commitment, THG has pledged to use our expertise to help customers and suppliers do this. PACT is uniquely positioned to offer resources, guidance and technical assistance to suppliers and vendors throughout the value chain, with the support of THG Eco capabilities.

Next steps in 2024

We will expand and cover further areas that could be associated with nature risks, to make sure we have a positive impact on biodiversity and ecosystems across our own brands. We will measure animal derivatives and dairy data throughout 2024 and establish a baseline to determine the next stage of our approach to using regenerative agricultural practices throughout our supply chain.

This will act as internal guidance to ensure the traceability and accountability for both directly and indirectly sourced key risk commodities and animal products. The framework will also include compliance with the 2021 EU Deforestation Regulation, providing traceability to show that all the relevant commodities listed in the regulation sold in, or exported from, the EU, are deforestation-free. Independent third-party assurance certificates and or audit reports will be required to demonstrate full compliance.

In addition, we are also scoping the requirements for reporting within the Taskforce for Nature Related Financial Disclosures (TNFD) from 2025.

We will gather and analyse commodity data each year to track progress on our deforestation target, and will record, track and monitor the relevant audit or deforestation assurance reports to ensure compliance with the EU Deforestation Regulation.

To provide a consistent approach to sourcing across THG, we have developed a Group-wide Sustainable Sourcing Framework that we will roll out during 2024.

Next steps in 2024

We will continue to work with our suppliers on expanding PACT and collect their data to increase the accuracy of future reports. This will allow us to appropriately baseline our efforts and set specific future annual Scope 3 reduction targets across THG. With the data, we will identify opportunities with suppliers and vendors to decarbonise, whether it relates to their Scope 2 emissions or logistics. We will also look to launch our supplier portal to streamline and simplify data collection from our suppliers.

Task Force on Climate-related Financial Disclosures (TCFD)

This section of the report is structured to meet the recommendations of TCFD and is split into sections for Governance, Strategy, Risk Management, and Metrics and Targets. THG continues to make progress on our phased approach to reaching full alignment with the recommendations of TCFD (as required by Listing Rules 9.8.6R and 14.3.27R). This disclosure also meets the requirements of the Companies Act regulations.

During 2023 the Group continued to evolve and strengthen our approach to climate related risk, and the following sections detail the progress we have made, how we continue to record it, and the plans we have in place for 2024 as we work towards full disclosure.

Governance

The Board

The Board is responsible for the overall execution of the THG x Planet Earth strategy, which covers climate-related issues and includes the progress toward our climate change goals and targets. The Board also approved our Net Zero Strategy as well as the disclosures made in the Annual Report.

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 using minutes and summarised updates from the Sustainability Committee meetings.

The Sustainability Committee, chaired in 2023 by our Non-Executive Director Iain McDonald, meets at least six times a year. Sue Farr was appointed Sustainability Committee Chair on 18 March 2024, following the announcement that Iain McDonald would step down as a Director on 31 March 2024. The Sustainability Committee was established to ensure that the Group has appropriate and effective strategies, policies, and operational controls in place to conduct its business in a responsible manner, and to ensure it is properly accountable for 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. You can find further details on the Committee within the Sustainability Committee Report on [pages 141 to 142](#).

The Board has overall responsibility for risk management (including climate related-risks) 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. 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.

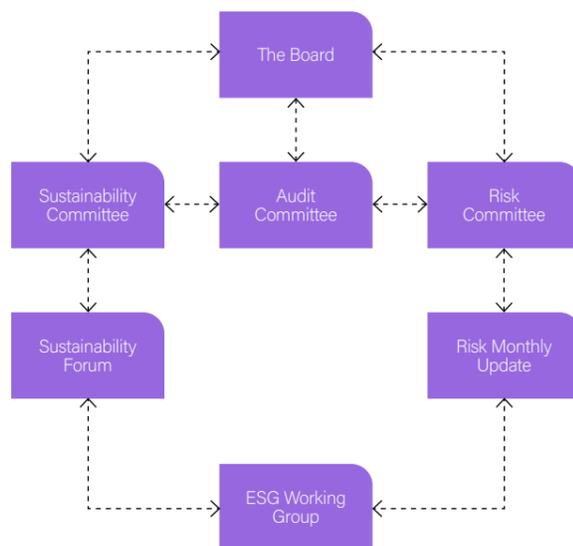
The Audit Committee monitors the effectiveness of the control environment through the review of Internal Audit reports and other assurance activity from THG Internal Audit and consideration of relevant reporting from management and the external auditor.

Management

To enable THG to undertake TCFD-related work, we created a TCFD working group that consists of representatives from Sustainability, Finance, and Risk. During this year, this evolved to become the ESG Working Group. The role of this group is to manage ESG horizon scanning, working with third parties to review regulations (such as TCFD and CSRD) to devise appropriate plans to ensure THG complies with upcoming legislation.

The ESG working group then reports on our impacts, risks and opportunities through two channels - the Sustainability Forum and the Monthly Risk Update. The Sustainability Forum meets once a month and brings together managers from relevant business areas to review climate change and sustainability-related topics and projects. The Forum provides a platform for the Sustainability Team to ask managers from across the business to overcome these barriers, and enables managers to raise any climate change and sustainability-related issues that may come to light. The Sustainability Forum then feeds into the Sustainability Committee discussed above.

The Risk Team holds monthly Risk Update meetings with key business areas to ensure the Risk Register continues to reflect current risk exposure (you can find more details on Risk and the Risk Register on [pages 87 to 98](#)). Within the monthly meetings, any material risks identified in the ESG Working Group are escalated to the Risk Team. The Risk Register is reviewed and confirmed to be up to date. Similar Risk Updates are held with other key business areas and escalated to the Risk Committee as appropriate.



Strategy

Climate change is managed as one of our principal risks and is a core consideration in business strategy and decision-making. In 2023 THG partnered with Marsh to develop a climate change impact modelling methodology to be ran across the short (up to 2030), medium (2030 to 2040), and long term (2040 and beyond) . During this process we identified areas of materiality to THG and scoped out the analysis to be undertaken. These are: physical risk to raw materials, physical risk to operations, and transitional risk.

Physical risk - raw materials

One primary climate-related impact material to THG Nutrition is how a changing climate will affect the availability of raw materials used in our products. These climate impacts can present risks to THG if markets we source from are likely to experience drops in yield. Even where THG's strategy is well insulated from negative climate impacts, a wider decrease in global availability is likely to affect availability and costs in our sourcing regions. If these risks become real, it could lead to materials becoming unavailable, or translate to an increase in the cost of our products. A changing climate can also be a source of opportunities, as changes in some regions may increase yield and can present wider availability of raw materials, potentially reducing the cost of raw materials or making them available in regions closer to our manufacturing sites.

To gain a deeper understanding of the climate-related impacts to THG, we devised a bespoke approach to modelling our key ingredients within the nutrition business. THG's ingredients are sourced from a wide range of locations, with differing climates, resulting in different long-term risks for many different ingredients across different product lines. This required a

detailed modelling approach, to incorporate their constituent characteristics into the climate assessment, and a comparison to the global reality to support the identification of risks and opportunities.

We identified six key commodities during the scoping exercise, comprising five crops (cocoa, soybean, pea, broad bean and oats) and whey. For the crops, we researched optimal conditions for temperature and precipitation using relevant academic literature, which informed the optimal yield curve for each ingredient. For whey, we produced a bespoke model, whereby heat stress was tied to the wet-bulb temperature (a function of temperature and humidity), which influences the efficiency of sweating from dairy producing livestock. Therefore, the optimal conditions for whey yield production were given parameters by wet-bulb temperature rather than temperature and precipitation.

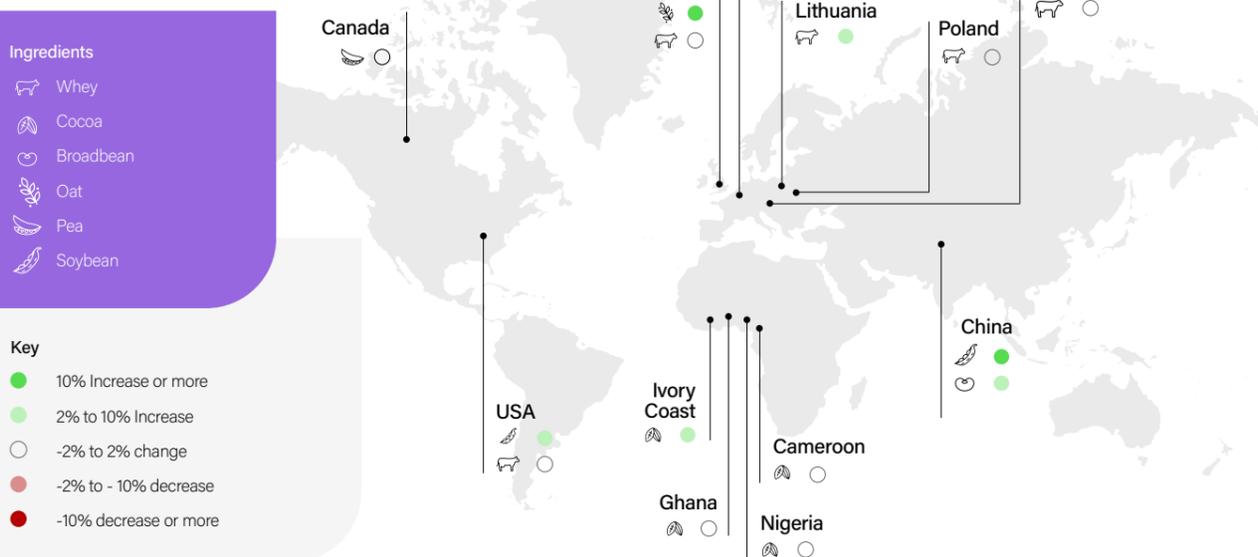
During the modelling, we used Intergovernmental Panel on Climate Change (IPCC) Representative Concentration Pathways (RCP scenarios - See Climate Scenario Table on [page 71](#)), which provided different emission-intensity forecasts, to gain a range of climate-change eventualities extending from now to 2050 in 5, 10, 20, and 30-year time-steps. For whey, due to limitations of the source data, we used only one RCP scenario (4.5 - 'Most Probable' scenario), but applied the same time horizons.

The map below details some initial outputs from the modelling work for RCP 4.5 by 2050. We chose these as the most appropriate to map as RCP 4.5 was the only scenario we mapped for all six raw materials. This table denotes only expected changes in yield, and this is only one factor that affects the availability of raw materials.



THG risk and opportunities - yield map

Scenario: RCP 4.5 Year: 2050



Map only denotes countries that account for >5% supply for a given crop

The map demonstrates that the Group's buying strategy is insulated from climate-related-risks, with no drops in yield expected. There are additional factors that can affect the availability of raw materials, in addition to growth conditions - geopolitical and economic uncertainty, and infrastructure and supply chain, are identified Principal Risks (see Risk section [page 87](#)) - managed as part of the risk structure discussed in the Governance Section above.

During 2024, THG will analyse the wider outputs from the modelling scenarios and will disclose these in our next TCFD

report. We will also look to assess these by what we see happening within our markets. We will also look to assess other indirect climate-related risks, such as legislative changes or market shifts, which can all play a part in raw-ingredient sourcing.

While the current outlook for THG has limited risk, the scenario modelling did identify some regions that THG does not currently source from, that are expected to see positive yield changes under some scenarios. During 2024, we will assess these regions to understand whether there are untapped opportunities we can seize.

Physical risk - operational sites

As our climate changes and extreme weather events become more common or more severe, physical assets face greater risk from acute and chronic weather events. These events risk disruptions to our supply chain and damage to our assets, both of which pose financial implications. Currently, when adopting a new site, we take site surveys, to flag physical risks the site might be exposed to, such as flooding. This climate-modelling work will aid us in looking at exposure across the short, medium and long term. Our sites and assets have a wide variety of characteristics and features that require a bespoke approach when it comes to modelling physical risk in a rigorous manner. Our, and our suppliers' sites, are located in a wide range of climates, and therefore face different risks in the long term. Equally, we operate various types of assets that require a more detailed modelling approach, to ensure we can factor their characteristics appropriately into the climate-modelling assessment.

During 2023, we worked with Marsh to design a climate-change impact-modelling methodology whereby we prepared asset data, selected the relevant climate scenarios, and modelled the physical risks.

THG's asset set consisted of key sites, both within our own portfolio and our Tier 1 suppliers. Each asset was assessed to identify the building type, and modelling ran across two climate scenarios (RCP 8.5 - worst case scenario - +3.7°C and RCP 2.6 - Paris-aligned scenario - +1.0°C). The model ran across ten-year time intervals up to 2100 and calculated the financial cost of damage arising from climate-change-based physical risk for every site (expressed as an annualised damage that is a proxy for insurance risk). As opposed to the 2050 timeframe used in the raw-materials climate modelling, we have modelled the assets to 2100, due to the longer-term investment physical assets represent. We ran eight major climate perils within the model (see below).

Peril	Description	Potential Impacts of Peril
Surface Water Flooding	Increased frequency of extreme rainfall leading to localised flooding, particularly in more urbanised locations	Flash flooding can damage low-lying building or infrastructure assets
Riverine Flooding	Increased frequency and intensity of rainfall changing the frequency and intensity of river flooding	Riverine flood can damage low-lying building or infrastructure assets
Coastal Inundation	Rising sea levels and higher incidence of extreme coastal flood events	Sea water flooding due to high tides, wind, low air pressure and waves can damage coastal land and property
Soil Movement	Changes in rainfall patterns and drought leading to the growth/shrinking of land , causing subsidence	Soil contraction due to less rainfall causing subsidence damage to structures
Extreme Wind	Changes in wind regimes and sea surface temperatures that have the potential to enhance wind speeds	Extreme windstorms can damage buildings and infrastructure
Forest Fire	Increased incidence of fire inducing weather due to confluence of days with higher temperatures, wind speeds and drier conditions	Flames and heat from burning vegetation can damage buildings and infrastructure
Freeze Thaw	Changes in the annual freeze and thaw cycles resulting from winter periods that tend close to freezing point	Saturated building materials freeze, expand and crack facades and structural elements
Extreme Heat	New extremes of high temperatures, more frequent hot days and longer-lasting heatwaves	Loss of use or failure of infrastructure, as well as human heat stress

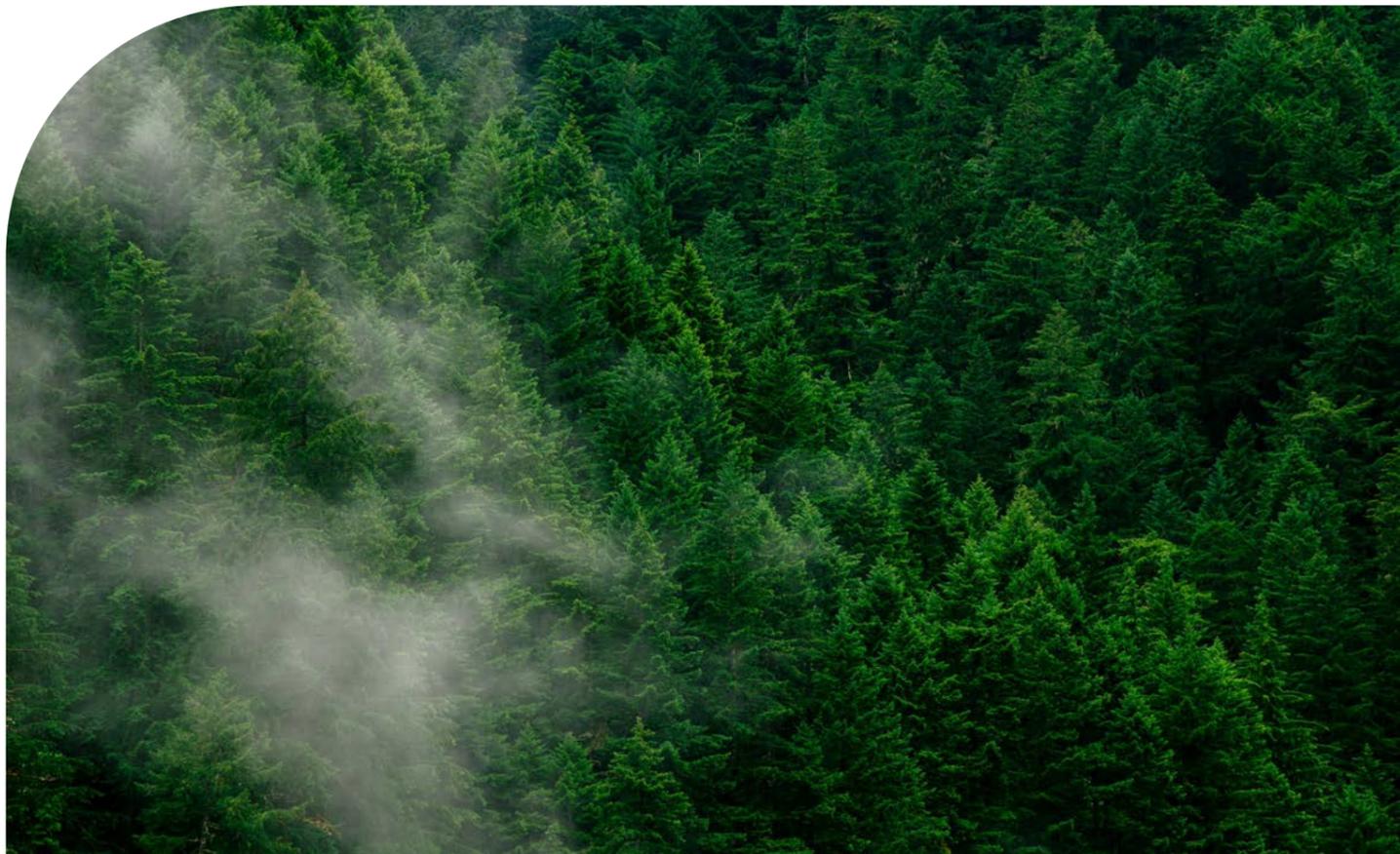
The outputs of this climate-modelling work were generated towards the end of 2023. Due to this, we will publish the outputs in our 2024 report, once we have had the opportunity to analyse the data and take the next steps. During 2024, we will undertake a resilience survey for sites where we have identified a material risk, and devise plans for any mitigation measures that may be required.

Climate Scenario	Median Temp. Change by 2100	Description
'Paris-Aligned' scenario RCP2.6 Rapid global action occurs to reduce emissions	+1.0°C	<ul style="list-style-type: none"> Paris-Aligned' scenario that limits temperature rise to below 2°C Rapid, global move to decarbonise with aggressive climate action implemented Likely temperature increases ranging from 0.3°C to 1.7°C
'Most probable' scenario* RCP4.5 Stringent global move towards decarbonisation	+1.8°C	<ul style="list-style-type: none"> 'Most probable baseline' scenario that may limit temperature rise around 2°C Global move towards decarbonisation with a less aggressive pace and intensity Likely temperature increases ranging from 1.1 to 2.6°C RCP of choice for the bespoke dairy model
'Moderate mitigation' scenario RCP6.0 Moderate global effort to limit reduce emissions	+2.2°C	<ul style="list-style-type: none"> 'Moderate mitigation' scenario as emissions rise but are stabilised by the end of the 21st century Moderate global effort to limit climate impacts Likely temperature increases ranging from 1.4°C to 3.1°C
'Worst-case' scenario RCP8.5 Climate action is not achieved	+3.7°C	<ul style="list-style-type: none"> 'Worst-case' scenario as emissions continue to rise throughout the 21st century Limited climate action taken by both government and businesses globally Likely temperature increases ranging from 2.6°C to 4.8°C

Transitional risk

Transition modelling quantifies the business impacts associated with the global economy's transition to a lower-carbon-intensive world. The transitioning of the global economy carries with it a number of risks and opportunities that can affect THG. For instance, should governments introduce carbon taxes, this can pose a risk of increased costs if we are slow to reduce our footprint. Equally, it can be an opportunity if we move to net zero ahead of our competitors and, as such, have lower operating costs. During 2023, our Net Zero GHG Targets were approved by SBTi, helping ensure THG is resilient to policies such as carbon taxes.

We modelled using the Resilience model, provided by the Cambridge Centre for Risk Studies, used by numerous multinational companies in the past to assist with their TCFD reporting. We ran modelling from 2024 to 2029 due to the greater forecasting certainty of the shorter time horizon. We can use the insights gained to determine and prioritise appropriate mitigation strategies to reduce the impact of risks, and capitalise on opportunities presented by the transition. We separated the modelling methodology into four components: Digital Twin, Transition Modules, Climate Scenarios, and Analysis.



1. Digital twin

A digital copy of THG is created based on financials, products and our carbon footprint.

2. Transition modules

We selected modules relevant to THG's business model. We mapped each module to the business-value chain and assessed how it will materialise. We segmented the modules depending on how the financial impact will materialise: cost impacts and revenue impacts.

2.a Cost impacts

- i. **Liability** - Litigation brought by plaintiffs against ecommerce or health and beauty companies for liabilities in causing harm through climate change.
- ii. **Carbon policy** - Carbon costs due to legislation enacted by national and local governments to price and penalise GHG emissions – the Resilience model contains carbon pricing for various countries, which will measure our exposure.
- iii. **Technology** - Additional economic depreciation impacts and resulting investment requirements on assets in response to changing energy needs.

The transition-risk modelling began in 2023 and will continue into 2024, as such no outputs are currently available to publish in this report. However, we will include them in future reporting. Once the outputs are available, THG will devise and implement any strategies required to mitigate risks or seize opportunities that may be identified by this modelling.

3. Climate scenarios

We evaluated the impacts of the transition modules on THG's digital twin for five potential climate scenarios or 'decarbonisation pathways', which represent potential courses by which the global economy's transition may materialise in the future.

4. Analysis

Once all data was collected in the required format, we created the digital twin in the Resilience tool, replicating THG's business model, set up the relevant transition scenarios, and ran the model to assess the financial impact over five years and under the five climate change scenarios.

2.b Revenue impacts

- i. **Market shift** - Market disruption, changes in consumer preference trends and demand projections caused by shifts towards green products.
- ii. **Reputation** - Market change due to a company's perceived action or inaction to limit climate change.

Time horizon risk timetable

Risk type	Climate risk	Potential impacts	Time horizon
Physical risk	Damage to physical assets caused by increased frequency or severity of climate perils (see climate perils table)	Increased cost of repairs, damage to stock	M to L
	Supply chain disruption to raw material availability	Increased cost of supply or inability to source	M to L
Transition risk	Litigation brought by plaintiffs against ecommerce or health and beauty companies for their liabilities in causing harm through climate change	Increased cost	M
	Carbon costs due to legislation enacted by national and local governments to price and penalise GHG emissions	Increased operating cost	M
	Additional economic depreciation impacts and resulting investment requirements on assets in response to changing energy needs	Increased capital and operating cost	M
	Market change due to a company's perceived inaction to limit climate change	Loss of market share and revenue	S
Opportunities	Market disruption, changes in consumer preference trends and demand projections caused by shifts towards green products	Increase of market share and revenue	S
	Market change due to a company's perceived action to limit climate change	Increase of market share and revenue	S

Key
 S = short-term M = medium-term L = long-term

Mitigation and resilience

The risks in the table above represent those which we believe are material to THG and, as such, are being modelled. We already have measures in place to mitigate these, such as our SBTi aligned targets (see [page 64](#)) and through our risk-management process (see next section). Once the outputs of the modelling have been finalised in 2024, we will begin a process of reviewing these to understand how they align with the reality we are seeing in the market and carry out further assessments where required. We will combine these elements to generate a complete picture of the potential impact.

We already have measures in place to ensure we are resilient to the above risks. As examples we have SBTi-aligned science based targets to ensure we are taking action to limit climate change and protect us against emissions related carbon taxes. We also undertake site assessments to understand the assets' exposure to climate related events, such as flooding. Once our modelling is complete, we will review our resilience under this more detailed lens, and make any adjustments if they are required.

Risk management

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 90](#)).

The Sustainability team, and others in the business including Legal and Property, undertake a monthly review to identify and assess various climate change, environmental, and social responsibility risks. Also, during the monthly reviews, we monitor work on mitigation and workstreams for climate risks, with high-risk items flagged to 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. You can find further information in the Risk Management section ([pages 87 to 98](#)).

Currently, the materiality assessment, which is undertaken every two years (including identifying and prioritising climate-change-related risks), considers the likelihood and impact of such risks. As outputs from the climate-modelling work are collated, we will begin the process of updating the risk matrix to reflect the outputs.

As part of monthly risk updates, the outputs feed 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. You can find further detail in the Governance section, [page 107](#).

All our principal risks are assigned to Executive owners. The Executive is responsible for the overall management of the risk, ensuring the adequacy of control and the rigour of action plans to maintain the risk within its appetite. Principal and emerging risks are supported, as appropriate, by in-depth reviews. We continue to consider risks both individually and collectively, to fully understand our risk landscape. By analysing the correlation between risks, we can identify those that have the potential to cause, affect, or increase another risk, and that

these are weighted appropriately. Principal risks are managed, mitigated and monitored by their 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.

Metrics and targets

During 2022, we submitted our science-based targets to the SBTi, and they were approved in September 2023. You can find the targets we have set ourselves for GHG emissions on [page 64](#). This report features our first publication of our Scope 3 emissions (see [page 65](#)), and during 2024 we will look at process improvements that will allow us to report Scope 3 emissions on the same timeline as Scopes 1 and 2.

Climate-related targets are split across the three pillars of our THG x Planet Earth Strategy: Climate and nature (see [page 64](#)), Strengthening our supply chain and circularity (see [page 78](#)) and Empowering people and communities (see [page 81](#)). You can find details on these targets and our progress on the appropriate pages.

THG will come in scope of CSRD and EU Taxonomy regulations, and is already preparing for these, and we will begin to report metrics and targets on the material elements of these as they are developed.

During 2023, we carried out ESOS audits to provide us with an overview of potential areas that can improve the energy efficiency of the Group. During 2024, we will review the opportunities identified in these reports to develop a plan, and energy-efficiency targets to aid in our transition to net zero.

THG also uses climate-related mitigation goals as part of the remuneration considerations for the Board, with 2023 having targets set for our net zero transition.



TCFD Recommendation	Disclosure Level	Next Steps
Governance		
a) Describe the Board's oversight of climate-related risks and opportunities.	Full	During 2024 we will continue to progress through the remaining climate-scenario modelling. Once this is complete, we will communicate the outputs internally and develop any additional mitigation responses needed. We will continue to meet our climate-reporting obligations.
b) Describe management's role in assessing and managing climate-related risks and opportunities.	Full	
Strategy		
a) Describe the climate-related risks and opportunities the organisation has identified over the short, medium, and long term.	Partial	During 2024, the final impact outputs of the climate-scenario modelling will be translated into financial outputs. They will then be refined and scored to enable prioritisation of the identified risks and opportunities in line with how other impacts are managed within THG. Beyond 2024, we will continue our work to meet our SBTi-aligned net zero target as well as our other climate-related KPIs.
b) Describe the impact of climate-related risks and opportunities on the organisation's businesses, strategy, and financial planning.	Partial	
c) Describe the resilience of the organisation's strategy, taking into consideration different climate-related scenarios, including a 2°C or lower scenario.	Partial	
Risk Management		
a) Describe the organisation's processes for identifying and assessing climate-related risks.	Partial	In 2024, we will communicate the impacts identified during the climate modelling and perform in-depth reviews where material impacts are identified. Where there are material risks, these will feed into the current risk-management process, where an Executive owner will be assigned and a mitigation plan developed. Where a material opportunity is identified, an Executive owner will be assigned and we will develop a strategy for exploring this opportunity.
b) Describe the organisation's processes for managing climate-related risks.	Partial	
c) Describe how processes for identifying, assessing, and managing climate-related risks are integrated into the organisation's overall risk management.	Full	
Metrics and Targets		
a) Disclose the metrics used by the organisation to assess climate-related risks and opportunities in line with its strategy and risk management process.	Partial	2023 saw the first publication of our Scope 3 emissions. We are currently reporting on our Scope 3 one year behind our Scope 1 and 2, due to the extensive data collection and calculation process. During 2024, we will build on this progress by finding ways to streamline our Scope 3 reporting process, so we can align it with Scope 1 and 2 reporting. Once we have generated the climate-modelling impacts, assigned an owner and developed mitigation and realisation plans, we will also develop and report on relevant metrics and targets for the material impacts.
b) Disclose Scope 1, Scope 2, and, if appropriate, Scope 3 greenhouse gas (GHG) emissions, and the related risks.	Partial	
c) Describe the targets used by the organisation to manage climate-related risks and opportunities and performance against targets.	Partial	

Strengthening our supply chain & circularity



Target	Target Year	Progress in 2023
All suppliers to commit to THG's Supply Chain Standards.	2025	Achieved – see Supply Chain Standards below
100% of Tier 1 and Tier 2 suppliers complete Sedex audit	2025	Continued engagement
THG will disclose 100% whistleblowing reports YoY on the number of cases raised and closed within our agreed service level agreement (SLA).	Year on year	0 reports in 2023
100% of own brand packaging to be recyclable and/or reusable.	2025	91% of our packing is recyclable
100% of THG operations and Tier 1 suppliers to achieve Zero Waste across its operations.	2030	Aligned with TRUE – see page 79



Social responsibility and Sedex

Collaboration with our supply chain goes beyond our commitments to reducing our carbon emissions together.

In 2023 we continued to build our supply chain outreach programme, developing our Social Responsibility Strategy, redefining our supplier tiering approach and updating our internal guidance to follow a geographical risk-based approach to categorise our suppliers.

We continue to use the Sedex ethical audit platform to track suppliers' compliance with the social responsibility standards set within our enhanced Supply Chain Standards. We now require suppliers to complete four pillar Sedex Members Ethical Trade Audits (SMETA) covering labour standards, health and safety, environmental impacts, and business ethics.

We have defined clear 'guardrails' for addressing areas that fall below the required standards in health and safety risks, workers' rights and environmental risks. Through the Sedex platform, we can see any non-compliance issues identified in the supplier audits, and can monitor progress towards corrective action plans to ensure issues are remediated and future risks mitigated.

In 2023, there were no zero tolerance violations identified in the high-risk supplier audits and any significant findings were addressed as described above.

Supply chain standards

As part of the roll out of PACT, we undertook a review of our Ethical Code of Conduct. This review found that while our Ethical Code of Conduct was a good starting point, its scope was not wide enough. In response to this, we created a new set of [Supply Chain Standards](#) to reaffirm our stance on issues such as human rights, and to detail our expectations for our supply chain on setting science-based targets and disclosing emissions data. The Supply Chain Standards is also part of our contracts and, as such, compliance is a binding part of doing business with us.



Next steps in 2024

We will work with our suppliers to complete SMETA audits, in line with our geographical risk-based approach, and are building the resources needed to make strong progress in 2024.

We are continuing to build a supplier portal to gather more information about our suppliers, their sustainability commitments, and the current performance across a range of metrics. We will expand supplier engagement as we evolve our PACT initiative and continue our collaborative approach to achieving our Sustainability Strategy.

Zero waste

We are focused on maintaining the momentum we have established on waste diversion. During 2023, we aligned our Zero Waste Programme to Total Resource Use and Efficiency (TRUE) and set a 2030 goal for achieving certification. Certification will formalise our auditing, record-keeping, and training processes, ensuring we stay consistent in reducing, reusing, and recycling waste at all our facilities, and maintaining our commitment to sharing lessons across the organisation.

Manufacturing products in house gives us an edge in being able to respond to ever-changing customer and environmental demands, by enabling us to innovate and improve products quickly. However, manufacturing operations produce waste, and it is important for us to take responsibility for the waste we produce. We aim to apply the waste hierarchy and circular economy principles in our day-to-day operations, to reduce the amount of waste produced across the business, reduce costs, and ensure any waste does not end up in landfill. With our commitment for all THG operations to achieve Zero Waste across their operations by 2030, we are finding innovative solutions to tackle and meet our circular economy target.

Circular economy – wider initiatives

Coffee grounds to activewear

Our exploration for further circular economy solutions has yielded some exciting and innovative ideas that champion the power of industrial symbiosis to eliminate what would otherwise have been sent to landfill or incineration. Through partnerships in our supply chain, we have been able to take valuable resources to recycle into products. This includes our latest circular capsule collection launch, made from recycled coffee grounds. The post-consumer coffee grounds are upcycled into S.Café® material using their innovative nano coffee ground technology. Rich in nitrogen, the natural properties of coffee grounds are perfect for sportswear and activewear, given its ability to absorb and neutralise odours. The odours are then released when the fabric is exposed to sunlight, or water, helping to reduce the need for frequent washing.



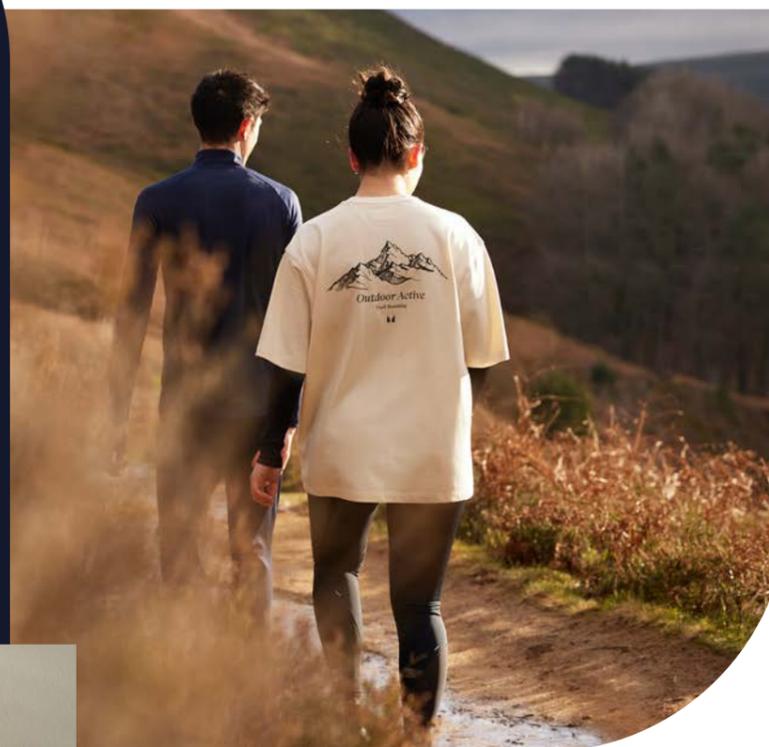
MYPROTEIN

Unused Myprotein repurposed into fish feed

In 2023, we were awarded Circular Transition of the Year at the Environmental Finance Sustainable Company Awards, in recognition of an initiative that was championed by THG's facilities, operations and sustainability teams' partnership with MYGroup, which was to turn unused Myprotein products into fish feed. The process includes:

- starting with batches being blended with other upcycled ingredients, creating a perfectly balanced diet of proteins, fats, carbohydrates, vitamins and minerals
- using combined Myprotein ingredients and upcycled materials to produce a sustainable fish-feed pellet

Together, we have successfully prevented 156 tonnes of our nutrition supplements from going to waste in this way. We have also reused 31 tonnes of cardboard packaging, while 28 tonnes of plastic have gone into making children's furniture and buckets. Winning the EMEA Circular Transition of the Year Award also demonstrates how we are working towards our strategic goal of 'Strengthening its supply chain and circularity. We know we need to prevent waste from being generated, and therefore have plans to reduce the volumes being generated. We will be working closely with the business to identify opportunities for further reduction and mitigating factors.



From grain to protein powder

Our circularity efforts extend to our protein powders, with the launch of our first upcycled plant-based protein powder in the UK. Made from spent brewers' grains, our Myvegan Plant Protein Superblend is a nutrient-rich protein drink that includes all nine essential amino acids. Traditionally spent brewers grains are made into animal feed or sent to landfill. However, through this process we ensure the spent grains, made from barley and rice, are upcycled, retaining the greatest resource value through human consumption.



WRAP – Plastic Pact

To facilitate our progress towards our packaging goals, and to hold ourselves accountable publicly, THG remained a member of the UK Plastics Pact (UKPP) in 2023. UKPP members account for two thirds of all consumer

packaging used in the UK. UKPP brings together governments, businesses, NGOs, and citizens to move away from a linear plastics economy towards a circular system. In June 2023, THG submitted its first report to the UKPP, summarising the recyclability of the plastic packaging we placed on the UK market in 2022, which is included in UKPP's 2022 annual progress report. We will continue to report annually its recyclability and recycled content progress, and efforts across our packaging, to UKPP.

Empowering people and communities

Target	Target Year	Progress in 2023
Achieve 50% female representation and 20% ethnic minority representation across the entire workforce	2030	Female representation = 51% Ethnic minority = 28%
Achieve 50% female representation and 15% ethnic minority on the Board and senior leaders	2030	Female representation = 29% Ethnic minority = 17%
Eliminate gender and ethnicity pay gaps across all THG businesses	2030	Median gender pay gap for 2022 was 5.4% Ethnicity pay gap reporting will commence once new HR system is operational
Pay all employees and agency workers a Real Living Wage (RLW) by 2030	2030	67% of UK* staff being paid RLW or greater
Achieve at least 15% improvement in employee engagement score	2025	15.3% improvement from 2022 baseline
Two days volunteering per year for every THG employee	2025	Formally launched in 2024
Provide 10,000 people in the community with technology and life skills training	2030	Formally launched in 2024 - To find out more about our social impact strategy and THG in the Community, please page 61 .
To design, develop, and maintain a THG Privacy Information Management System (PIMS) aligned to ISO27701 by end of 2025	2025	On track. Completed mapping the controls and have started integrating ISO27701 requirements into ISO27001 documentation. This will be further aligned as THG transitions to the new ISO27001/2022 standard in 2025

*excluding agency staff

Entire workforce

During 2023, we have achieved our goal to have 50% female and 20% ethnic minority representation across the business. We believe this demonstrates that THG is a workplace where everyone feels welcome, and continues to be representative of our diverse society. While we have hit the headline goal, these numbers are not static, and we must continue to ensure these are consistent and our culture remains inclusive. Gender and ethnicity disclosures rightly continue to be a voluntary disclosure by staff, and our 2023 data demonstrated that our gender disclosure rate is 99.5% but our ethnicity disclosure rate was 52.2%. During 2024, we will be moving to a new People Portal, and we will use this transition as an opportunity to launch an awareness campaign on how we use this data and its importance, with the aim of reducing the number of 'unknown' designations.

Board and senior leaders

During 2023 we saw our ethnic minority representation across the Board and senior leaders increase to 17%, achieving our target of at least 15% representation by 2030. This is a great start and in the future we aim to continue on this pathway and meet the other half of this goal, which is to achieve 50% female representation across this group.

		2023	2022
Board & senior leaders	Female representation	29%	28%
	Ethnic minority representation	17%	15%
Entire workforce	Female representation	51%	50%
	Ethnic minority representation	28%	20%

Gender and ethnicity pay gap

We report on our gender pay gap via the UK government gender pay gap service every year. In our last report (2022), we reported that our pay gap had decreased from 7.4% to 5.4%, contrary to the increase in pay gap seen as an average across the UK. This has resulted in THG outperforming the UK average by 10%.

Median hourly pay gap
THG vs UK Average



Real Living Wage

During 2023, we saw a decrease in staff receiving a Real Living Wage, from 70% in 2022 to 66.8% in 2023. This metric currently covers UK-based staff directly employed by THG. In 2024 we are exploring options to close this gap.

Employee engagement

In 2023, we ran our latest employee engagement survey. The response rate increased by 16% from 2022, demonstrating greater engagement across the business for this agenda. In 2023, THG achieved a score of 603.1 points, leading to us being accredited as 'One to Watch' by the Best Companies accreditation system. This score represents an 80 point increase from 2022, which is a 15.3% improvement, resulting in us achieving our employee engagement goal a year ahead of schedule.

In 2023, we built on the initiatives we introduced in 2022, and expanded the roll out of training modules across the business, providing training to all employees on key sustainability topics. In 2023, we implemented five planned modules, with a final one set for introduction in 2024.

While the training sessions provided a knowledge base, we also need to provide a mechanism for employees to raise observations and encourage further engagement in the topic. To facilitate this, we launched the Sustainability Ambassador Network in 2023. The network consists of volunteers from across the business who come together to plan sustainability-related projects and events. This enables us to identify opportunities throughout THG to reduce our impact on the planet. This group will help promote greater engagement in our sustainability agenda across the business.

Volunteering

THG has committed to providing two days of volunteering leave for every THG employee. During 2023, we made progress in two areas to facilitate and track this ambition. The first was to devise roadmaps across Ingenuity, Beauty and Nutrition to lay the foundations for engagement with our businesses. The second was to assess ways to track our progress. Our current People Portal lacks the functionality to allow for comprehensive reporting, and the roll out of our new system alongside a temporary manual operation will enable the roll out of volunteering days in 2024.

Sustainability training

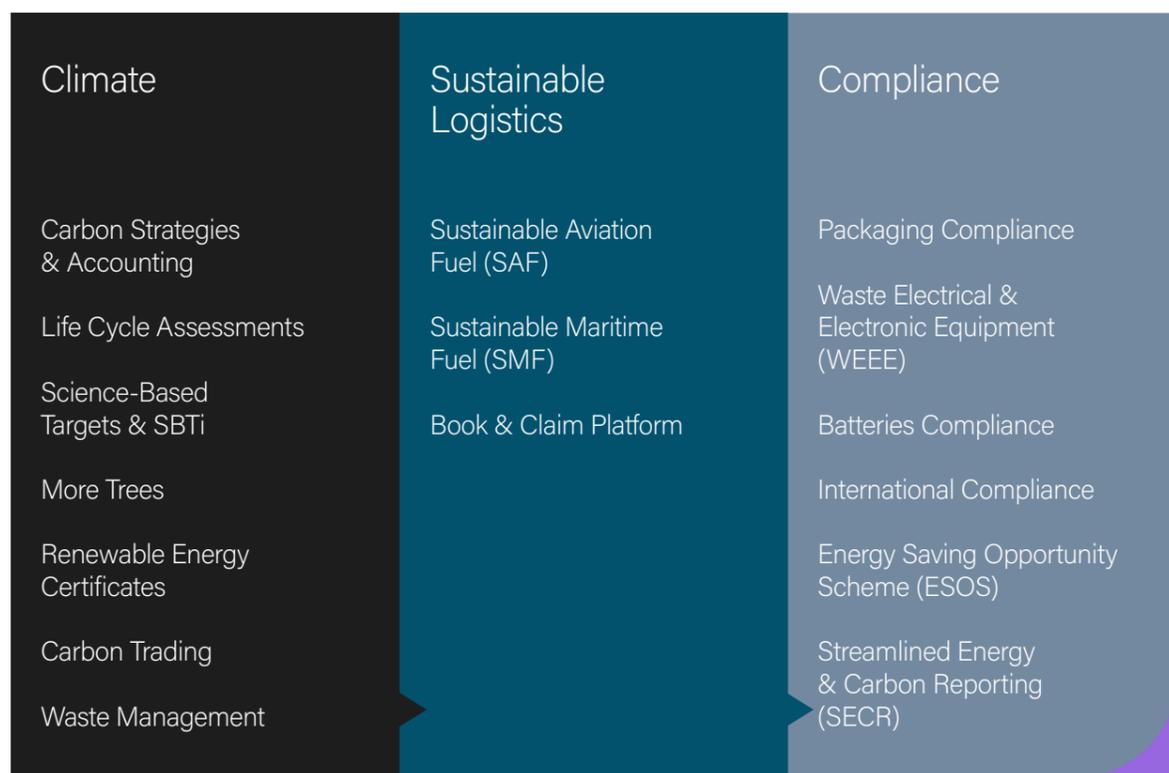
Our sustainability targets cannot be achieved by our sustainability team alone, it requires the entire business to work together and truly make sustainability a key part of our culture. To help establish it throughout the business, we introduced sustainability as part of our induction session for new starters in 2022. This platform provided an opportunity to introduce THG x Planet Earth, explain our goals and encourage engagement.



THG Eco

THG Eco is defined by the purpose-led proposition of simplifying sustainability, offering a full suite of services to power an organisation's wider ESG targets. Born from the initial complexity of implementing a sustainability reporting solution, THG Eco breaks down the task of facing an opaque and misunderstood market to provide practical and transparent solutions. These solutions support our customers, partners and suppliers with sustainability, while simultaneously supporting THG's progress towards wider sustainability targets.

Building on the foundations of previous years, in 2023 THG Eco continued to support customers within their carbon-reporting workstreams. Our services cover: life-cycle assessments, Scope 1, 2, and 3 reporting, setting of science-based targets, and value chain mitigation solutions, from renewable energy certificates, avoidance and removal carbon trading, and tree-planting options. During 2023, we achieved a 100% success rate in SBTi submissions.



Going into 2024, we're excited to be exploring and implementing new sustainability propositions to better serve our customers beyond carbon reporting, and into the pillars of sustainable logistics and compliance. These areas are fundamental in the transition to net zero, a fully sustainable supply chain, and upholding operational governance, all of which align with the European Green Deal, cementing these as cornerstones of future ESG strategies.

We've also re-developed our More Trees platform, expanding the range of projects for our corporate and individual users to choose from when supporting local communities, ecosystems and biodiversity. These include agroforestry in Rwanda, mangrove planting in Kenya, and wildfire restoration and kelp farming in Canada, also contributing to ten UN Sustainability Development Goals. More Trees continues to support customers with their planting options, using corporate initiatives such as eco delivery and gift with purchase, alongside planting trees for social engagement, team interaction and, simply, just for fun.



Projects

British Columbia

Kelp
Species: Giant, Bull and Sugar Kelp
0.006t CO2 captured/tree

Wildfire restoration
Tree species: 5+ including Douglas-Fir and Lodgepole Pine
2.58t CO2 captured/tree

West & Nippes D't of Haiti

Agroforestry trees
Seasons: July-August
1.527t CO2 captured/tree

East Rwanda

Agroforestry trees
Tree species: 10+ including Avocado, Alder, Spanish Cedar
16t CO2 captured/tree

Mombasa, Kenya

Mangrove trees
Seasons: All year
181t CO2 captured/tree

Tanzania

Mangrove & agroforestry trees
Tree species: including Mango Avocado, Fig and Lemon
1.5t CO2 captured/tree



Trainline case study

Our recent work with Trainline represents how businesses look to THG Eco for support with existing greenhouse gas reporting, but also at how to tackle the next areas of focus in their sustainability work.

Trainline is Europe's most downloaded rail app, providing users with tickets from over 270 operators in 40 different countries. Alongside promoting travel choices that are better for the environment, Trainline aspired to become one of the first 100 UK-based companies with SBTi-approved net-zero targets – leading them to work with THG Eco.

This partnership involved a comprehensive package, including a Scope 1, 2, and 3 GHG assessment and report aligned with ISO 14064-1, a net-zero reduction strategy, carbon offsetting, SECR and CDP reporting, and the achievement of validated science-based emissions-reduction targets.

Interestingly, train emissions don't form part of Trainline's carbon footprint – Trainline facilitates train travel through its online booking system, meaning its emissions are linked to its digital operations, whereas the train



emissions fall within the footprint of the transportation companies themselves. And, being a tech-led platform, its biggest environmental impact stems from digital-advertising emissions.

To address this, THG Eco pioneered an impressions-led calculation method that departed from conventional spend-based data, to provide Trainline with detailed insights into emissions factors such as device type, session times, user country and electricity consumption.

With THG Eco's support, Trainline achieved SBTi approval of their net-zero targets on the first submission, with ambitious emissions-reduction goals in line with the latest climate science. The partnership also opens the door for a decarbonisation strategy integrated with marketing goals, with optimised ad-targeting to reduce digital-advertising emissions while maximising ROI.

The success story continues, with THG Eco working on innovative projects with Trainline that will streamline future GHG reporting and help users make environmentally informed travel choices, showcasing Trainline as a trailblazer in addressing business emissions, while providing inspiration for similar tech-based businesses.

Health & safety

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', to achieve a lost-time injury-free state.

In 2023, our Group-wide lost-time accident-frequency rate rose from 0.121 to 0.33*. This increase was due to the planned

extension both of our accident data-reporting criteria and our Group-wide standardisation of accident reporting and analysis.

This extension of our accident data-reporting criteria has led to further improvements in our understanding of human operational performance and processes-based failures, allowing us to move from sole reliance on lagging H&S performance indicators, to the inclusion of leading indicators for 2024.

Using this newly gathered data in 2023, we have also developed an updated lost-time injury-free strategy, focusing first on continuing to strengthen our common ways of working initiative to five key focus areas of: workforce H&S upskilling, evaluation

and enhancement of our ways of working, opportunities for improving governance and oversight, focus on occupational health and wellbeing, and continuing our cultural improvements.

Our successes and highlights in 2023 were in line with our 2022 annual report stated ambitions in the areas of:

Leadership, recruitment and upskilling

- Continued recruitment of Health, Safety and Environment (HSE) professionals for both the UK and overseas.
- Ongoing training and professional development of the HSE team.
- Transfer of overall leadership of the HSE function to the Chief Risk Officer.

UK occupational health provision

- The mobilisation of our new occupational health service provider.

Alongside implementation of our injury-free strategy, the HSE team will work with internal stakeholders to design and build an Integrated Management System (IMS) that combines our ISO management systems.

Our 2024 HSE targets are set out below:

Health, Safety and Environment 2024 KPI's

Health and Safety (2024 v 2023)	Environmental (New KPI Measurements 2024 v 2023)
Leading Indicators	Leading Indicator
No. of Safety Audits, Schedule v Completed (100% of all sites v 5%*)	No. of sites completed Aspects / Impacts (100% of all sites v 5%*)
Lagging Indicators	Lagging Indicator
Annual (All Accident) Frequency Rate (1.69) New baseline metric	No. of Environmental Compliance audits (100% of all sites v 0%)
Annual Lost Time Accident rate (AFR) (0.11) New baseline metric	No. of actual Discharges to Surface Water (0 v 0)
07D RIDDOR Injuries (11 v 16*)	No. of actual Statutory Nuisance Complaints (0 v 2)
Immediately reportable RIDDOR Injuries (11 v 16*)	No of accidental spillages (Discharge to Ground) (0 v 0)

Health and safety remains a principal risk, and the Board has overall responsibility for risk management. However, as reflected in its Terms of Reference, the Risk Committee has

been delegated responsibility for the monitoring and review of the processes and procedures in place to manage or mitigate principal risks, including health and safety.

THG

Injury Free*

We aspire towards a zero-injury state across the THG portfolio through the use of good governance and oversight, HSE leadership, leading indicators, education and influence.

Icon: People

Raise levels of HSE competency and upskill the workforce.

Why?

To drive and improve standards of HSE worker competence, supervision capability and leadership across projects.

Icon: Gears

Ongoing evaluation and enhancement of our ways of working - technical and process.

Why?

We have the most effective and efficient risk management systems to enhance ways of working and raise levels of hazard awareness.

Icon: Chart

Develop the process for identifying opportunities for joined up governance and oversight.

Why?

Good governance adds value. It is lean, transparent and ethical, focused on tackling operational challenges in ways that complement the big picture vision.

Icon: Heart

Focus on health and wellbeing.

Why?

Promoting wellbeing at work can help create a positive working environment that helps minimise stress levels, improving employee satisfaction and engagement, ultimately helping our employees thrive at work.

Icon: Handshake

Continue our cultural orientation improvements.

Why?

Improve capability to rapidly engage the workforce who can have a short exposure time to our injury free culture standards & values.

Icon: Trophy

A safe, mentally healthy, and culturally engaged workforce and supply chain supported by the best technology and ways of working to deliver HSE governance and Leadership that is injury free.

Transformation: All THG suppliers have a common workplace standard for ensuring an injury-free environment.

Transformation: Contractor passports scheme put into place.

Transformation: THG suite of onboarding tools developed to introduce suppliers into our injury-free HSE culture.

Transformation: All THG projects have common health and wellbeing programs.

Transformation: THG has an .MS in place - supporting HSE leadership, culture and risk management.

Transformation: Q1 24 to Q2 25 HSE Compliance & Licence To Operate conditions met.

Transformation: Mature Supervisor HSE competencies and leadership skills.

Transformation: All THG businesses have common work planning and risk management processes.

Transformation: All THG businesses have common HSE leading performance dashboard metrics to ensure lean and HOP HSE management.

Icon: Book

HSE Compliance & License To Operate

Why?

Boosting company reputation and trust compliance plays a crucial role in enhancing a company's reputation and establishing trust among stakeholders.

Compliance is vital in mitigating potential legal and financial risks for organisations.

Increasing operational efficiency.

Enhancing employee satisfaction and retention.

Driving business growth and competitive advantage.

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. The THG ERM Framework is integral to our day-to-day activities, helping

us achieve our strategic objectives through risk-informed decision-making and managing risk effectively.

In 2023, we continued the evolution of our approach to risk management, reviewing our principal risks, further establishing our risk-management processes, and refreshing our risk appetite statement and metrics.

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 be able to achieve our strategy. As eliminating risk is often not feasible or desirable, we use our Group risk appetite statement, parameters and metrics to inform decisions on the appropriate level of risk that we can take or seek to achieve the Group's strategic objectives. We measure all identified risks using the pre-determined matrix set out in our Risk Management Policy. We monitor principal risks using risk appetite targets and supporting measures, metrics and tolerances, which we evaluate 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 affect our ability to achieve our strategic objectives, or pace by which we achieve them, with these risks representing the risks that most threaten achieving our strategy;
- strategic, commercial, operational, compliance and change risks ("business risks") that occur across all our businesses. 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

We assess all identified risks for likelihood and impact using a range of financial and non-financial criteria aligned to the Group and its businesses. 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 we can take to support the 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 and appropriate senior leaders. They are responsible for the overall management of the risk, ensuring the adequacy of control and the strength of action plans to maintain the risk within the agreed appetite. Principal and emerging risks are supported, as appropriate, by in-depth reviews.

Business risks are identified and recorded functionally and on an individual business basis, being owned and managed within their respective management teams and reviewed regularly.

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, affect, 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 97 to 98](#).

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 the context of our existing principal risks, driving 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 operates 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 processes are in place to identify, manage and mitigate the Group's principal risks. At each meeting, the Committee reviews the principal risks, their associated appetite targets and metrics, and the Group-wide risk-appetite metrics, to assess whether they continue to be relevant, effective and aligned to our strategic objectives, and within an acceptable tolerance for the Group.

Further information on the Committee's activity in 2023 is set out in the Risk Committee Report on [pages 129 to 131](#).

Audit committee

The Audit Committee monitors the effectiveness of the control environment by reviewing Internal Audit reports and other assurance activity from THG Internal Audit and considering relevant reporting from management and the External Auditor. Further information on the Committee's activity in 2023 is set out in the Audit Committee Report on [pages 123 to 128](#).

Executive

The Executive is responsible for the stewardship of the risk management approach. It develops the strategy and oversees 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 facilitating and implementing 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 Audit and Risk Committee meetings and regularly meets respective Chairs outside these meetings. The CRO is also responsible for insurance, business continuity, business integrity, health and safety, facilities, security and loss prevention.

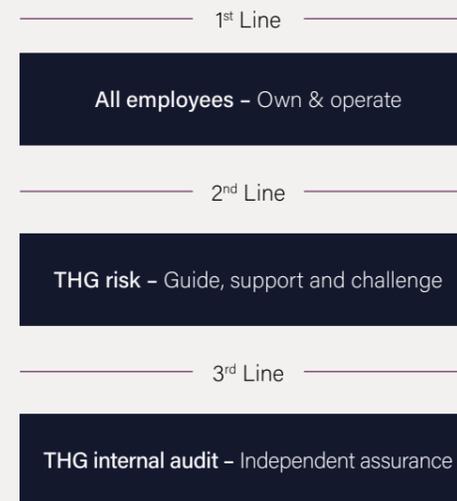
THG risk

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 manage risk effectively.

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 [pages 123 to 128](#).

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 managing their own risks and the subsequent deployment of risk strategies, thus supporting risk-based decision-making. They hold the necessary skills and knowledge to help with identifying and managing 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 manage risk effectively. As part of this role, THG Risk is on hand to provide support and guidance to ensure we maintain a consistent approach to managing risk. THG Risk also manages the corporate insurance programme, ensuring 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, whose main role 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 Financial Reporting Council (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 the approval of the Annual Report and Accounts
- they are regularly reviewed by the Board
- the systems accord with the FRC guidance on risk management, internal control and related financial and business reporting.

There were no instances of significant control failing or weakness during the year.

You can read more about our risk management and internal control systems in our Strategic Report on [pages 87 to 98](#) and the associated work of the Audit and Risk Committees on [pages 123 to 131](#).

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 respond proactively to external events with potentially material impacts.

The continued war in Ukraine has further heightened uncertainty for our employees, customers and investors. In response, we have continued to evaluate and monitor the risks, determined potential impacts to our business and made changes to our business operations, supporting processes and resilience. Through our risk-governance channels, we continue to monitor the possible wider effects of the conflict.

We also consider, evaluate and monitor our wider approach to resilience and business continuity planning, including the conflict in Palestine and supply-chain routes globally, and subsequent impacts on employees, business operations and customers.

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, 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, this approach filters and prioritises them, to support management in helping to decide which emerging risks should be investigated further.

To address the false leads and conflicting signals and messages often identified from emerging risks we filter and prioritise in order to support management in deciding what may need investigating further.

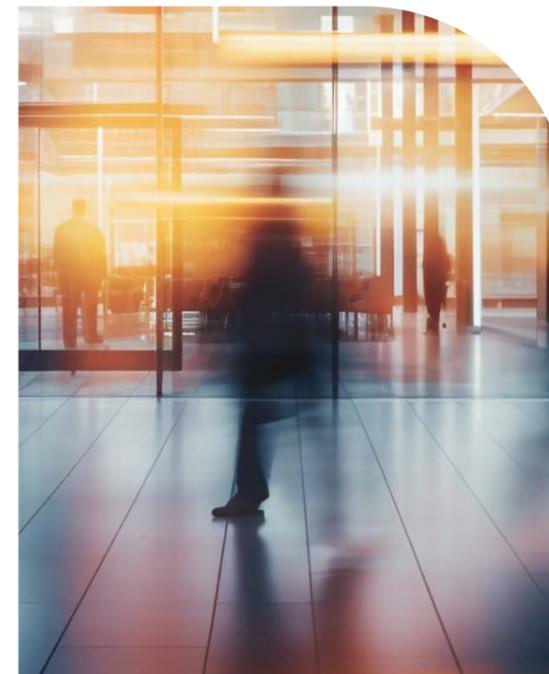
Once appropriate emerging risks have been identified, they are then investigated and understood by an allocated Emerging Risk Owner, working with THG Risk. The work to understand emerging risks will vary depending on the risk but ranges from basic qualitative assessment to modelling and quantitative 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 evolved 'Strategic Optionality' to reflect the importance of ensuring the strategic decisions we make to continually transform our portfolio of businesses are both optimal and sufficiently visible and understood.

We manage principal risks in line with our risk management policy and approach. In 2023, 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

Group strategic priorities



Build category leadership positions in beauty, health and wellness



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
<p>Cyber security and data privacy</p> <p>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.</p> <p>Link to strategic priorities</p>  <p>Executive Owner(s): Chief Technology Officer, General Counsel</p> <p>Direction of Travel - ↔</p>	<p>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 improve business performance.</p>	<ul style="list-style-type: none"> The Chief Security Officer oversees information security. The Global Privacy Officer oversees information protection. Multi-year cyber security programmes supporting continuous improvement and reducing cyber risk 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 employees 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" risk).

<p>Talent</p> <p>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.</p> <p>Link to strategic priorities</p>  <p>Executive Owner(s): Chief People Officer</p> <p>Direction of Travel - ↔</p>	<p>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 meeting our commitments, THG will continue to create an attractive working environment, increasing employee engagement and aligning high-performing teams.</p>	<ul style="list-style-type: none"> 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 specific learning and development tools, to ensure they create the environment that enables colleagues to thrive and perform at their very best. Refinement of job architectures to create greater visibility of critical talent and support our succession planning. Review of the employee benefits landscape to ensure alignment with our employee demographic. Benchmarking of existing employee remuneration using third-party industry data aligned to overall employee value proposition.
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Principal Risk	Risk context	Management and mitigation
<p>Culture</p> <p>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.</p> <p>Link to strategic priorities</p>  <p>Executive Owner(s): Chief People Officer</p> <p>Direction of Travel - ↔</p>	<p>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.</p> <p>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.</p>	<ul style="list-style-type: none"> 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. Continued investment in diversity & inclusion including investment in personnel, development of new initiatives and integration into all recruitment 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. Investment and implementation of new technology, systems and processes to improve the overall employee journey, enhance engagement and the quality of feedback and subsequent actions. Refresh of employee handbook and people policy suite, with employee-wide education on key amendments.
<p>Ingenuity ecommerce platform</p> <p>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.</p> <p>Link to strategic priorities</p>  <p>Executive Owner(s): Chief Technology Officer, CEO - Ingenuity</p> <p>Direction of Travel - ↔</p>	<p>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).</p>	<ul style="list-style-type: none"> 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.
<p>Third-party reliance</p> <p>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.</p> <p>Link to strategic priorities</p>  <p>Executive Owner(s): Chief Procurement Officer</p> <p>Direction of Travel - ↔</p>	<p>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.</p>	<ul style="list-style-type: none"> 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. Aligned to the Climate Change, Environmental and Social Responsibility Strategy, review of all existing key raw-material suppliers to assess and mitigate any potential impact of various global-warming scenarios. Investment and improvement in technology to support our identification and management of critical suppliers and improving the contract management lifecycle.

Principal Risk	Risk context	Management and mitigation
<p>Innovation</p> <p>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.</p> <p>Link to strategic priorities</p>  <p>Executive Owner(s): Chief Operating Officer Chief Technology Officer</p> <p>Direction of Travel - ↔</p>	<p>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 transform across our employees, processes and technology, and how we differentiate and achieve excellence and efficiencies.</p>	<ul style="list-style-type: none"> Strategic investments, alliances and partnerships in our fulfilment infrastructure, driving and delivering strategic programmes to edge ahead of external fulfilment providers by digitalising stock-ownership solutions, to become more streamlined in multi-tenanted facilities, selling the same products and digitalising supplier non-conformance challenges with auto-billing functionality, and capturing evidence automatically. Adding alternative automated solutions to the network, to stay ahead of the ever-developing robotic innovations, creating easier-to-move physical locations and re-engineering designs as client and operational needs arise. 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.

<p>Customer needs</p> <p>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.</p> <p>Link to strategic priorities</p>  <p>Executive Owner(s): Chief Marketing Officer, Chief Experience Officer, CEO Ingenuity</p> <p>Direction of Travel - ↔</p>	<p>As THG continues to grow its business and brand, an understanding of how to continually attract new customers while 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, use key drivers to identify opportunities, decrease churn and generate revenue more effectively.</p>	<ul style="list-style-type: none"> Use 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 ecommerce 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 life-time 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.
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Principal Risk	Risk context	Management and mitigation
<p>Infrastructure and supply chain</p> <p>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.</p> <p>Link to strategic priorities</p>  <p>Executive Owner(s): Chief Operating Officer</p> <p>Direction of Travel - ↔</p>	<p>World-class infrastructure and supply chain from source to customer is fundamental to the exacting service levels 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.</p>	<ul style="list-style-type: none"> 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 is involved in these steering groups to ensure the cross-functional execution of infrastructure projects is successful and reduce the risk that projects do not achieve 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 quickly.

<p>Climate change, environmental and social responsibility</p> <p>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.</p> <p>Link to strategic priorities</p>  <p>Executive Owner(s): Chief Sustainability Officer</p> <p>Direction of Travel - ↔</p>	<p>We invest 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.</p> <p>If we do not act on climate change, associated governmental actions and energy transition could disrupt our operations and increase our costs.</p>	<ul style="list-style-type: none"> 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 reducing environmental impact. Multiple workstreams designed to respond to specific risks and opportunities as part of our Sustainability Strategy. Sustainability data and reporting platform that allows us to comply with regulations and measure performance towards targets. Governance structures, such as the internal ESG Working Group, ensure there is adequate and regular oversight, with additional independent oversight from 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. Climate-impact modelling in line with TCFD recommendations to identify and manage the climate related risks and opportunities THG is exposed to. External third-party assurance of our operational energy and emissions data.
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Principal Risk	Risk context	Management and mitigation
<p>Health and safety</p> <p>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.</p> <p>Link to strategic priorities</p>  <p>Executive Owner(s): Chief Risk Officer</p> <p>Direction of Travel - ↔</p>	<p>Health and safety is of paramount importance, and THG must provide a safe environment for all stakeholders.</p> <p>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.</p> <p>Our global footprint and evolving infrastructure further compound this risk.</p>	<ul style="list-style-type: none"> Refresh and roll-out of our Global HSE Strategy and roadmaps aligned to risk and risk appetite. Regular and documented engagement and training across the Group. Clear, effective and regular communications of all relevant safety updates. Ongoing updates to our risk assessments and safe systems of work by trained and competent staff to raise awareness and knowledge. Continued investment in the HSE team to ensure appropriate guidance, challenge and support for the business. Ongoing monitoring of culture and regular reviews of compliance with relevant safety regulations, policies and procedures. Oversight by the Board and regular review of safety reports and safety performance.
<p>Legal and regulatory compliance</p> <p>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.</p> <p>Link to strategic priorities</p>  <p>Executive Owner(s): General Counsel</p> <p>Direction of Travel - ↔</p>	<p>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 THG and our customers and partners.</p>	<ul style="list-style-type: none"> Compliance teams with reporting lines to 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 established part of the annual assurance plans provided by our third line of defence. See "Cyber security and data privacy" for related regulatory compliance mitigations.
<p>Product safety and quality</p> <p>Failure to manufacture and provide safe, compliant and quality products to our consumers, may prevent them from making informed purchasing decisions, compromise their safety and result in us failing to meet our obligations, negatively impacting our brand and reputation.</p> <p>Link to strategic priorities</p>  <p>Executive Owner(s): Chief Operating Officer</p> <p>Direction of Travel - ↔</p>	<p>Ensuring the ongoing quality and safety of our product portfolio is vital for our brands and our reputation.</p> <p>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.</p>	<ul style="list-style-type: none"> Product safety and quality is established in our processes and controls, from product design to customer. Rigorous testing and regularly monitoring performance indicators that support improvement activities. External certification and auditing of key suppliers and other third parties consistent with our own standards and risk appetite. Regular monitoring and quality controls over material received to ensure that it meets THG product safety and quality standards. 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 we operate in.

Principal Risk	Risk context	Management and mitigation
<p>Strategic optionality</p> <p>Failure to ensure our strategic decisions and transformation of our portfolio of businesses are optimal and sufficiently visible and understood, may limit our ability to maximise returns and value for our shareholders.</p> <p>Link to strategic priorities</p>  <p>Executive Owner(s): Group Commercial Director</p> <p>Direction of Travel - ↔</p>	<p>As part of the continued maturing of our business and to support our ongoing growth and strategic aims, we ensure our corporate structure continues to evolve to support strategic decisions in a way that maximises returns and value creation for our shareholders. We must also ensure these decisions are both optimal for now and the future and sufficiently visible and understood.</p>	<ul style="list-style-type: none"> 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.
<p>Geopolitical and economic uncertainty</p> <p>Failure to anticipate, understand and successfully respond to changes in geopolitical and economic uncertainty on a timely basis may impact our ability to meet our strategy.</p> <p>Link to strategic priorities</p>  <p>Executive Owner(s): Chief Financial Officer</p> <p>Direction of Travel - ↔</p>	<p>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.</p> <p>All the above could negatively affect our operating cashflow.</p>	<ul style="list-style-type: none"> Diverse product portfolio and geographic reach that 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.
<p>Liquidity and funding</p> <p>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.</p> <p>Link to strategic priorities</p>  <p>Executive Owner(s): Chief Financial Officer</p> <p>Direction of Travel - ↔</p>	<p>Our ability to generate and manage our cash, control expenditure and other expenses underpins our ability to repay debt and fund working capital investment.</p>	<ul style="list-style-type: none"> 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 spending. Broader working capital management to continually improve cash flow and reduce reliance on bank facilities, while meeting our risk-appetite metrics. Frequent engagement and dialogue with the market and rating agencies.

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. As at the balance sheet date, the Group had a total of £170 million in an undrawn Revolving credit facility ("RCF"), along with £416 million readily available cash held on the balance sheet. In March 2024, the Group successfully completed the extension of the RCF facility which was due to expire in December 2024. The facility will remain at the current level of £170m until December 2024. Following this, an extension of 17 months has been agreed for £150m, with a new maturity date of May 2026.

Net debt at 31 December 2023 was £563 million (31 December 2022: £515 million), with net debt of £218 million (31 December 2022: £181 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, alongside a £156 million banking facility expiring in October 2025, which was secured in 2022 by the Group's existing lenders, ranking *pari passu* with the existing facility. 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 2025. 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 2025.

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 period to December 2026, 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 to 14](#)), strategy ([pages 9 to 12](#)) and its principal risks and mitigating factors ([pages 90 to 96](#)).

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 2023 to December 2026 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 and Deputy Group CFO along with the Board and Chair and CEO providing further direction to align 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.

There is sufficient liquidity throughout the forecast period in respect of the base case. This is before any mitigating actions which could be implemented by management and excludes any drawdown of the RCF facility.

Stress tests

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

- THG Beauty revenue declines by 10%;
- THG Nutrition gross profit margin declines by 2%; and
- Below budgeted contract wins in Ingenuity Commerce of 10%.

A severe but plausible downside modelled the impact of all scenarios above occurring simultaneously.

From this scenario, 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 such as reducing stock levels, new customer marketing investment and investment in the platform which are not factored in to the scenario above but would provide additional cash headroom in the event of a further declining sales and depressed margins.

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 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 90 to 96](#), which could impact the business model taking into account:

Factor

Stress test scenarios involving a depression in margin within Nutrition and a below revenue performance within Ingenuity Commerce and Beauty 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 with high inflation and various global recessions.

Link to principal risks

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 ecommerce 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 period, up until December 2026. This includes the repayment in full of the Term Loan A banking facility (£131m outstanding at 31 December 2023) and includes an expectation that the Term Loan B and revolving credit facilities will be successfully refinanced.

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 2023. 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 which follows and, together, form part of this Directors' Report.

The Corporate Governance Report, contained on [pages 107 to 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 87 to 98
Going concern statement	Strategic Report	Page 97
Post balance sheet events	Directors' Report	Page 106
Future developments of the Company	Strategic Report	Throughout the Strategic Report Pages 3 to 106
Greenhouse gas emissions	Strategic Report	Pages 63 to 66
Directors' biographies	Corporate Governance Report	Pages 111 to 114
Corporate governance arrangements	Corporate Governance Report	Pages 107 to 122
Directors' conflicts of interest	Corporate Governance Report	Page 118
Related Party Transactions	Financial Statements	Pages 213 to 215
Statement of engagement with employees	Strategic Report	Pages 47 to 54
Statement of engagement with suppliers, customers and others in a business relationship with the Company	Strategic Report	Pages 47 to 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 24 June 2024 at 2.00 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 were in office at 31 December 2023, and remain in office as at the date of this Directors' Report, are contained in the Corporate Governance Report on [pages 111 to 114](#). All of these Directors held office throughout the whole of 2023 with the exception of Sue Farr, who was appointed on 24 April 2023, and Helen Jones, who was appointed on 21 June 2023. 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. Iain McDonald also served as a NED during 2023 but stood down from the Board on 31 March 2024.

All Directors in office as at the date of this Directors' Report 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 159](#). No share awards were granted to Executive Directors under the Company's share schemes during the 2023 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 2023 and up to the date of this Directors' Report. The Company also maintained Directors' and Officers' Liability Insurance throughout 2023.

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.

Purchase of own Ordinary Shares

At the 2023 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 2023 financial year or in the period from 1 January 2024 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 £4,841,671.38 and to allot securities, without the application of pre-emption rights, up to a nominal amount of £726,250.70 and a further £726,250.70 in connection with an acquisition or specified capital investment of a kind contemplated by the Pre-Emption Group's updated Statement of Principles on Disapplying Pre-Emption Rights. In connection with both authorities, the Directors were also granted authority to allot up to a further nominal amount of £145,250.14 for the purposes of a follow-on offer (as such term is described in the Pre-Emption Group's updated 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 nine share classes, as set out in the table below, and as at 31 December 2023 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	1,299,700,302	88.36
Allotted, issued and partly paid D1 Shares	56,082,651	3.81
Allotted, called up and fully paid D2 Shares	17,441	n/a
Allotted, issued and partly paid E Shares	48,944,593	3.33
Allotted, issued and partly paid F Shares	27,014,247	1.84
Allotted, issued and partly paid G Shares	17,267,066	1.17
Allotted, issued and partly paid H Shares	0	n/a
Allotted, issued and fully paid Deferred 1 Shares	317,613	0.02
Allotted, issued and partly paid Deferred 2 Shares	21,563,860	1.47
Total	1,470,907,773	100

The Special Share was transferred by the holder, Matthew Moulding, the Chief Executive Officer, on 21 June 2023 and, as a result, all rights attached to it ceased in accordance with the provisions of the Articles of Association. The Special Share was thereafter cancelled by the Company.

As at 31 December 2023 Matthew Moulding was also interested in 198,744,095 Ordinary Shares, representing 15.29% of the total issued Ordinary Shares; 50,550,450 D1 Shares, representing 90.14% of the total issued D1 Shares; 360 D2 Shares, representing 2.06% of the total issued D2 shares; 43,641,266 E Shares, representing 89.16% of the total issued E Shares; 20,197,808 F Shares, representing 74.77% of the total issued F Shares; 7,733,792 G Shares, representing 44.79% of the total issued G Shares; and 18,346,774 Deferred 2 Shares, representing 85.08% of the total issued Deferred 2 Shares.

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 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) 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).

(c) 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).

(d) 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.

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 2023 (2022: £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. The EBT currently holds 98,385,996 Ordinary Shares at the date of this Directors' Report.

Substantial shareholdings

Disclosable interests of 3% or more in Ordinary Shares as at 31 December 2023 and 31 March 2024 were as follows:

Shareholder	Percentage of Ordinary Shares as at 31 December 2023	Percentage of Ordinary Shares as at 31 March 2024
Matthew Moulding	15.29	14.94
Sofina Capital S.A.	8.89	8.69
Balderton Capital (UK) LLP	7.46	7.29
Qatar Investment Authority	7.32	7.15
THG PLC EBT	5.73	7.40

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 2023 financial year the Group made several charitable donations totalling £0.3m (2022: £0.4m). THG did not make any political donations during 2023 (2022: £nil).

Overseas branches

While 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 monitor the situation in Ukraine and Russia, with our ongoing key focus being the safeguarding of our employees; arrangements are in place to support the immediate relocation of employees, and appropriate financial support provided, where required. Welfare calls are also extended to all members of our workforce with ties to the affected regions and additional targeted monitoring groups 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 remain suspended across Russia and Russian-occupied Ukraine territories and the Group has continued to work with its courier partners. The necessary measures 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 ecommerce functionality, THG Ingenuity provides the Group with several important competitive advantages. Specifically, the commercial teams review real-time transactional and customer insight data which in turn 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. Accordingly, 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 the period in question.

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/or 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 and 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 111 to 114](#) of the Corporate 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

Current trading and FY 2024 guidance

- As we enter FY 2024, overall Group revenue trends continue to improve, with notable momentum in Beauty following the strategic changes made during 2023. Whilst the Yen has weakened further in Q1 2024 impacting THG Nutrition, the Group's start to the year provides us with confidence in delivering in accordance with market consensus.
- Operating cashflow is expected to remain strong, supported by profit growth and lower capex (c.£100m to £110m), which will drive further free cash flow progress.

Medium-term guidance unchanged

- The decisive actions taken as a business during 2022 and 2023 have provided a solid foundation supporting further margin recovery to our medium-term Group adjusted EBITDA margin target of c.9.0%.

Post balance sheet events

Certain loss-making categories and territories within THG Beauty and THG Nutrition were under strategic review at the year end. The Board approved the exit of these categories and territories post year end. These operations will be fully exited throughout the course of 2024. The optimal exit route remains under review. The impact of this decision has resulted in inventory provisioning and the impairment of assets which have been recognised within cost of sales and administration expenses respectively and included within adjusted items (note 4 to the Group's financial statements). This has been concluded as an adjusting post balance sheet event.

The existing RCF of £170m was due to mature in December 2024. On 4 March 2024 an extension of 17 months was agreed to May 2026. From December 2024 the RCF will reduce to £150m. Covenants attached to the RCF are unchanged and are linked to gross debt leverage and become effective when the facility is drawn upon. The RCF remains undrawn and is not forecast to be drawn in the future period.

On 7 March 2024 nil-cost options were issued over 3,685,598 Ordinary Shares to certain Directors under the THG PLC 2022 Long-Term Incentive Plan. This is a non-adjusting post balance sheet event and the associated charge will be recognised from the grant date in 2024.

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

9 April 2024

Corporate Governance Report



Dear Shareholders,

Welcome to the Company's Corporate Governance Report for the 2023 reporting period in which we detail the progress made in THG's governance journey during the year and the enhancements implemented in the ongoing evolution of the Group's governance infrastructure.

Code compliance

The Company recognises the importance of good corporate governance and the value of a robust governance framework, both in supporting the long-term growth and development of the Group and in promoting sustainable value creation for Shareholders. Accordingly, the Company has elected to report against the Code despite its application being mandatory for only those companies with a Premium Listing.

As detailed in the Corporate Governance Statement which follows, the Company complied in full with the Code during 2023 with the exception of two departures, one of which was rectified in July 2023 and the other addressed in March 2024 when non-independent NED Iain McDonald stood down from the Board. Upon this Board change, an equal balance of independent and non-independent Directors (excluding the Independent Chair) was achieved and, in turn, alignment with Code Provision 11. We consider that these Code improvements not only reinforce the Company's stated commitment to evolve its governance framework and practices in adherence to the Code but also demonstrate the significant progress which has been made by the Company in this regard in the period since Admission.

Additionally, the Special Share was transferred by the holder, Matthew Moulding, the Chief Executive Officer, on 21 June 2023 and, as a result, all rights attached to it ceased in accordance with the provisions of the Articles of Association. The Special Share was thereafter cancelled by the Company.

Board and Board Committee composition

As anticipated, the search for suitable independent NEDs continued throughout 2023 (and up to the date of this Corporate Governance Report) and, more generally, the

structure, size and composition of the Board remained subject to ongoing review to ensure membership was fit for purpose and THG's leadership needs were satisfied (with specific reference to its collective balance of skills, knowledge, experience and diversity). While discussed in further detail within the Nomination Committee Report, the parameters of the NED recruitment search took into account overall Board independence and the balance of Executive Directors/ NEDs (with particular reference to Code Provision 11), and also acknowledged the importance of promoting diverse and inclusive Board membership, noting, amongst other matters, the FCA's D&I targets.

Indeed, since my appointment a key focus of the Nomination Committee (and the Board collectively) has been to monitor and reshape the Company's leadership to ensure it is properly constituted to drive Shareholder value creation through delivery of the Group's strategy. Accordingly, not only must we identify potential Board candidates who possess the broader knowledge and experience expected of PLC directors, but such candidates must also have the requisite skill sets to oversee the successful delivery of THG's strategic aims and objectives and, more generally, support the Company's ongoing PLC evolution. As previously referenced, the promotion of diversity is also a key consideration in all Board appointments to ensure the risk of group think is minimised (and this is considered further within the "Board composition, appointments and succession" section which follows). We therefore regard the ongoing enhancement of Board membership as a planned, ordered and sequential process, to ensure both continuity of Board effectiveness and the successful recruitment of THG-fit candidates who satisfy the aforementioned criteria.

Following upon the appointment of independent NEDs Gillian Kent and Dean Moore in September 2022, we were delighted

to welcome Sue Farr and Helen Jones onto the Board as independent NEDs in, respectively, April 2023 and June 2023. With Sue assuming the role of SID upon appointment, it is particularly pleasing that one of our four senior Board positions is now held by a woman. Sue and Helen are regarded as key additions to our leadership team; both bring a wealth of experience and skill sets, technical and otherwise, to the Board and have proven track records from an executive and non-executive perspective. Further, and as disclosed in the 2022 Annual Report, two changes were announced to the Executive Leadership Team in January 2023 – namely, the appointment of Damian Sanders, former independent NED, to CFO and the appointment of John Gallemore, the incumbent CFO, to COO. At this time Dean Moore was appointed SID on an interim basis, and I would like to take this opportunity to thank Dean for so ably discharging this role until Sue's appointment.

In light of these Board changes, Board Committee composition was also a key Board and Nomination Committee focus during 2023. 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 at that time comprised only two independent NEDs (i.e. Gillian Kent and Dean Moore (excluding the Chair)), this resulted in the non-satisfaction of the membership requirements of these Board Committees from the date of Damian Sanders' appointment as an Executive Director. This position was temporary and was rectified during 2023 following the aforementioned independent NED appointments.

Further information on the Board changes which took place during 2023 can be found within this Corporate Governance Report and the Nomination Committee Report on [pages 133 to 138](#). The changes to Board Committee membership are detailed within the respective Board Committee Reports on [pages 123 to 166](#), together with current Board Committee composition.

Stakeholder engagement

I, together with my fellow Board members, recognise the importance of active stakeholder engagement to ensure that stakeholders' objectives, interests and views are understood and appropriately factored into the Board's consideration of key financial, operational, strategic and ESG matters. Further information on our stakeholder engagement framework, including the six key stakeholder categories which have been identified as critical to THG's future success, can be found within the "Section 172 statement stakeholder engagement" section of the Strategic Report.

Our maturing Investor Relations' programme seeks to continuously improve dialogue with investors and analysts alike and we maintain an 'open door' policy for Shareholders to allow ongoing and constructive dialogue to take place throughout each calendar year. The Company's annual general meeting affords Shareholders the opportunity to engage in person with Board members and 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.

In compliance with Code Provision 4, we are required to provide a final summary within this Annual Report in respect of the significant number of votes cast against the resolution which was put to the 2023 AGM relating to the re-election of former Director Iain McDonald (as announced on 21 June 2023). While the Board was disappointed with the outcome of this vote, it takes seriously its responsibilities to represent the interests of Shareholders and to attain and maintain high standards of corporate governance and, as stated at the time, it is open to constructive dialogue with Shareholders and shareholder bodies. As subsequently announced on 2 January 2024, such dialogue took place in the period leading up to the 2023 AGM and the Company announced on the morning of the 2023 AGM that Iain McDonald would step down from membership of the Remuneration Committee (of which he was a non-independent member) to focus on his other THG commitments (including as Sustainability Committee Chair). The Board continued to engage with Shareholders on this matter as considered appropriate.

2024 and beyond

Although we are pleased with the corporate governance enhancements which were implemented during 2023, we recognise that we must continue to monitor our governance infrastructure to ensure its evolution is appropriate for an organisation of the size, nature and stage of development of THG. While the appointments of Sue Farr and Helen Jones are in line with my mandate to strengthen the Board by improving independence and diversity, and build upon the progress which has been made to date in this area, we recognise that further progress is required to fully comply with the FCA's D&I targets and also meet the Group's own EDI goals. Accordingly, the search to identify suitable candidates to further enhance the composition of the Board (and also the Senior Management pool) will remain an ongoing focus throughout 2024, and with due regard to the need to ensure a robust and diverse succession pipeline is in place throughout the organisation.

Charles Allen,
Lord Allen of Kensington CBE
Independent Chair

9 April 2024

Corporate Governance Statement

While application of the Code is only mandatory for companies with a Premium Listing, the Company elected to report against it following Admission to reinforce its commitment to establish a robust governance framework which both supports the successful delivery of the Group's strategic aims and objectives and encourages Shareholder confidence.

Aside from the following departures, the Company complied in full with the Code during the 2023 reporting period:

Code Provision 11:

(Departure rectified on 31 March 2024)

Excluding the Independent Chair from the calculation (as required by the Code), four of the nine Directors were deemed to be independent at the end of the 2023 reporting period, thus representing a departure from Code Provision 11.

The Nomination Committee, and the Board more generally, remained mindful of this departure throughout 2023, with particular regard to the Independent Chair's mandate to strengthen the Board by improving independence and diversity. In line with the equivalent disclosure included within the 2022 Annual Report, the Company hoped to rectify this matter during 2023 as a matter of priority; pleasingly, significant progress was made with the appointment of two independent NEDs, Sue Farr and Helen Jones, who not only possessed the desired skill sets and experience for Board membership but also satisfied the diversity parameters of the recruitment brief.

This Code departure was thereafter rectified when non-independent NED Iain McDonald stepped down from the Board in March 2024.

Accordingly, as at the date of this Corporate Governance Report, and in alignment with Code Provision 11, at least half the Board, excluding the Independent Chair, are independent NEDs.

Code Provision 32:

(Departure rectified on 21 June 2023)

Former Director Iain McDonald was deemed to be non-independent with reference to the tenure provisions of the Code. However, despite the Code recommendation that a company's remuneration committee should comprise only independent NEDs, Iain McDonald was a member of the Remuneration Committee during the 2023 reporting period.

The Board previously gave detailed consideration to Iain McDonald's membership of the Remuneration Committee, including the risks associated with this Code departure. While it recognised the need for independent membership to demonstrate objective oversight of, and independent challenge to, the remuneration of Executive Directors, it was of the opinion that, 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. While his independence was deemed to be impaired under the Code, the Board considered that Iain McDonald was well-equipped to serve on the Remuneration Committee due to his broad remuneration experience, financial and sector expertise and investment acumen.

As disclosed in the 2022 Annual Report, the Board intended to keep Iain McDonald's continued membership of the Remuneration Committee under review having regard to, for example, the timing and independence of future Board appointees. Accordingly, in conjunction with announcing the appointment of independent NED Helen Jones in June 2023, following the appointment of independent NED Sue Farr in April 2023, the Company announced that Iain McDonald would step down from membership of the Remuneration Committee, at which point the Company's departure from Code Provision 32 was rectified.

Governance framework at a glance



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. Previous positions include chief executive of Granada Group plc and ITV plc and chair of Granada Media plc, EMI Music, Endemol and The British Red Cross. Charles has also served on the boards of Tesco plc, Virgin Media and GET AS and as Chief Adviser to the Home Office and a Senior Adviser to Goldman Sachs. Charles is currently chair of Global Media & Entertainment Limited, Balfour Beatty plc and the Invictus Games Foundation and also advisory chair of Moelis & Company.

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 now sits on the Labour benches.

Key external appointments

Chair of Global Media & Entertainment Limited
Chair of Balfour Beatty plc
Chair of the Invictus Games Foundation
Advisory chair of Moelis & Company

Board 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 ecommerce technology group. Prior to founding THG, he served an eight-year term as chief financial officer of 20:20 Mobile (the Distribution Division of the Caudwell Group) before leading its sale to private equity for £365m.

Matthew studied Industrial Economics at the University of Nottingham before qualifying as a Chartered Accountant with Arthur Andersen in 1998. His deep ecommerce knowledge and insight, combined with his proven entrepreneurial skills, make him best-placed to most effectively drive THG's strategic direction and objectives while working in alignment with its Shareholder base.

Key external appointments

None

Board Committee membership

n/a

Board Committee membership key:

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



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.

Key external appointments

Senior independent director of Victorian Plumbing Group plc

Board 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. The role of COO allows John to drive the Group's operations and build on the progress he has overseen to date in the Group's global fulfilment footprint.

Key external appointments

None

Board Committee membership

n/a

Board of Directors



Sue Farr

SID

Date of appointment: 24 April 2023

Sue brings extensive marketing, branding and corporate communication knowledge and expertise to the Board, having enjoyed an executive career which has spanned a number of senior marketing and communication positions in both agency and private and public sector organisations. Previous roles include Marketing Director at the BBC, Corporate Affairs Director at Thames Television, Communications Director at Vauxhall Motors and director of Chime Communications plc.

Having subsequently developed a non-executive portfolio, Sue served as a non-executive director of Accsys Technologies PLC, Dairy Crest plc, Lookers plc, Millennium & Copthorne Hotels plc and New Look and is also a former trustee of the Historic Royal Palaces and former chair of both The Marketing Society and the Marketing Group of Great Britain. Sue is currently senior independent director of British American Tobacco p.l.c. (where she is a member of the nominations and remuneration committees), and a non-executive director of Helical plc and Ebiquity plc (where she chairs the remuneration committees and is a member of the audit and risk and nominations committees) and Unlimited Marketing Group Ltd..

Sue was awarded an Honorary Doctorate by the University of Bedfordshire in 2010 in recognition of her services to Marketing and Communications and her strong non-executive and listed company track record, coupled with her corporate governance expertise, make Sue a valuable addition to the Board.

Key external appointments

Senior independent director of British American Tobacco p.l.c.
Non-executive director of Helical plc
Non-executive director of Ebiquity plc
Non-executive director of Unlimited Marketing Group Ltd.

Board Committee membership

A **N** **RP** Chair **Rem** **R** **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. 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.

Key external appointments

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

Board Committee membership

n/a

Board Committee membership key:

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



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 (where she chairs the remuneration committee and is a member of the audit & risk and nomination committees), Marlowe PLC (where she also chairs the remuneration committee and is a member of the audit, nomination and risk committees) and SIG plc. Former positions include non-executive director of NAHL Group PLC, Pendragon PLC and Dignity plc and director of Portswigger Ltd., a leading software solution company within the web security industry. Gillian's expansive executive career and broad PLC experience serve to enhance the overall skill sets of the Board.

Key external appointments

Non-executive director of Ascential plc
Non-executive director of Marlowe PLC
Non-executive director of Mothercare plc
Non-executive director of SIG plc

Board Committee membership

A **N** **RP** **Rem** **R** Chair



Dean Moore

Independent NED

Date of appointment: 15 September 2022

Dean is a Chartered Accountant with over 35 years of public company experience who brings a depth of City and finance knowledge to the Board, together with significant expertise in the financial services and retail sectors.

Dean was previously chief financial officer of N Brown Group plc, T&S Stores PLC and Graham Group plc; interim chief financial officer of Cineworld Group plc and Dignity plc; senior independent director of Cineworld Group plc and Volex plc; and non-executive chair of Tuxedo Money Solutions Limited. Dean is currently interim chief financial officer of De La Rue plc (having been an independent non-executive director upon appointment) and a non-executive director of Griffin Mining Limited. Dean is a skilled and experienced financial professional who possesses an all-round technical, business and people expertise which is founded upon a strong commercially-orientated approach.

Key external appointments

Interim chief financial officer of De La Rue plc
Non-executive director of Griffin Mining Limited

Board Committee membership

A Chair **RP** **Rem** **R**



Helen Jones

Independent NED

Date of appointment: 21 June 2023

Helen has enjoyed a long and successful career building premium food and beverage brands across FMCG and multi-site hospitality, both in the UK and internationally, whilst gaining over 35 years of invaluable marketing, branding and operational experience in consumer-focused businesses. Former positions include Vice Chair of the Ben & Jerry's Independent Board of Directors USA, a role she undertook following an extensive career leading the expansion of the brand in Europe.

Having embarked on her portfolio career in 2014, Helen is currently a non-executive director of Fuller, Smith & Turner PLC (FST), Virgin Wines UK plc (Virgin) and Premier Foods plc (PF). In addition to chairing the remuneration committees of FST, Virgin and PF, Helen is a member of the audit committees of Virgin and FST. Additionally, Helen serves on the nomination committee of FST and is the non-executive Workforce Engagement Director for both PF and FST. Helen brings a wealth of business transformation and people/customer-centric skills to the Board, underpinned by a results-focused approach.

Key external appointments

Non-executive director of Fuller, Smith & Turner PLC
Non-executive director of Premier Foods plc
Non-executive director of Virgin Wines UK plc

Board Committee membership

A **RP** **Rem** Chair **R**

To ensure the most robust governance structure exists within the Group to support the Board in the proper and effective discharge of its duties, 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).

Further information on the composition and activities of these Board Committees during 2023 can be found within the

respective Board Committee Reports on [pages 123 to 166](#), together with details of any membership changes which took place. 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 skill sets of individual NEDs but also the time commitment expected of them and their external commitments (further details on which follow).

Board role and responsibilities

The primary role of the Board is, as narrated within the Code, to promote the long-term, sustainable success of the Company, generating value for Shareholders and contributing to wider society. This responsibility underpins all Board discussions and decision-making processes and is one which the Board seeks to discharge through the successful delivery of the Company's strategic priorities which flow from its stated purpose to 'make an impact through digital transformation, innovation and expertise'. THG's purpose, determined with reference to the diversity of the Company's stakeholder base, has been formulated to guide a strategy that aims to deliver long-term, sustainable growth, while promoting environmental and social responsibility. The Board oversees the Group's strategic aims and objectives and seeks to promote an entrepreneurial and values-led Group culture which is predicated upon THG's core values of ambition, collaboration, innovation, decisiveness and leadership. Further information on THG's purpose, together with its vision and values, can be found within the "Our purpose, vision and values" section of the Strategic Report.

In accordance with Section 172, Directors give the appropriate consideration to broader stakeholder issues when discharging their duty to promote the success of the Company, as evidenced through, for example, the Board-approved Social Impact Strategy which was launched during 2023. The Social Impact Strategy is focused on maximising THG's impact on, and driving positive social change within, its local communities; it comprises three pillars, each with defined areas of focus i.e. championing inclusion, disrupting inequality and creating opportunities. Linked to this is the Group's sustainability vision to act as a force for good and leave the world a better place by embedding sustainability into everything the Group does. Demonstrating both this stated commitment to put sustainability at the heart of THG's operations and the Board's recognition of its wider stakeholder obligations, Executive Directors and Senior Management have been set relevant sustainability-linked objectives since 2022, with an increased focus in personal reviews on sustainability-related, and not

simply commercial, outcomes. It is considered that the Group's Social Impact Strategy and sustainability vision, further details on which can be found within, respectively, the "Our people" and "Sustainability" sections of the Strategic Report, clearly demonstrate THG's social conscience and its desire to generate positive change and create a better, more sustainable, future for all.

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). Under the terms of this Schedule of Reserved Matters, and in accordance with the Code, the Board has ultimate responsibility for the management of risk within the Group and must ensure that a sound system of internal controls and risk management framework are established which provide for the effective identification, assessment and management of risk. In discharging its risk management responsibilities (which include 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 2023 by the Audit Committee and the Risk Committee (the activities of which are contained in the respective Board Committee Reports on [pages 123 to 131](#)).

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. This section includes confirmation that, during the 2023 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.

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

<h3>Independent Chair</h3> <p>Charles Allen</p> <ul style="list-style-type: none"> 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 		
<h3>Chief Executive Officer</h3> <p>Matthew Moulding</p> <ul style="list-style-type: none"> 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 Oversees the effective implementation of Group strategy with the support of Senior Management Engages with key Shareholders and stakeholders 	<h3>Chief Financial Officer</h3> <p>Damian Sanders</p> <ul style="list-style-type: none"> 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 	<h3>Chief Operating Officer</h3> <p>John Gallemore</p> <ul style="list-style-type: none"> 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
<h3>SID</h3> <p>Sue Farr</p> <ul style="list-style-type: none"> 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 	<h3>NEDs</h3> <p>Edward Koopman, Gillian Kent, Dean Moore and Helen Jones</p> <ul style="list-style-type: none"> Provide active and constructive challenge and contribute to the development of strategy Monitor Executive Director performance 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 	<h3>Company Secretary</h3> <p>James Pochin</p> <ul style="list-style-type: none"> 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 composition, appointments and succession

As previously detailed, Board composition remained subject to ongoing scrutiny throughout 2023 (and up to the date of this Corporate Governance Report), with a particular focus on both the Chair’s stated mandate to refresh and strengthen the Board by improving its independence and diversity (including with reference to the FCA’s D&I targets) and the need to ensure the Company’s leadership is, at all times, properly constituted to drive long-term, sustainable growth and Shareholder value creation. Significant progress was made in this regard during the year and, following a twin-track recruitment search, Sue Farr and Helen Jones were appointed as independent NEDs in, respectively, April 2023 and June 2023. With both appointees possessing extensive listed company experience, these appointments not only enhanced the skill sets and knowledge on the Board but also improved overall independence and the balance of Executive Directors/NEDs.

Additionally, it was considered appropriate to appoint Damian Sanders to the position of CFO at the start of 2023 due to his deep understanding of the Group’s businesses, people and culture, acquired during his tenure as an independent NED. At the same time, John Gallemore, the incumbent CFO, was appointed to the newly-created, stand-alone role of COO, a position which is viewed as integral in developing and driving THG’s global fulfilment footprint and continuing to reduce distribution costs (a key metric for determining his remuneration outcome).

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 to 138](#). Board composition is monitored on an ongoing basis by the Nomination Committee to ensure that the balance of skills, knowledge and experience remains appropriate for a company of the size, nature and stage of development of THG and the Directors, collectively, have the necessary skill sets and expertise to effectively oversee the delivery of the Group’s strategic aims and objectives. The Nomination Committee is also cognisant of the need to ensure that the appropriate succession planning is undertaken from a Board and Senior Management perspective to satisfy any potential leadership needs that could arise, whether in the short or medium to long term.

As disclosed in the Nomination Committee Report, and in line with Code Principle J, the aforementioned NED 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 the recruitment agencies’ search mandates). Indeed, 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 board decision-making; a more diverse boardroom may lead to more robust debate and challenge (where appropriate) which, in turn, may foster and enhance board effectiveness (Guidance on Board Effectiveness (July 2018)).

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

Name	Skills						Leadership			
	UK listed PLC	Technology/ ecommerce	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
Gillian Kent	x	x	x	x			x	x	x	x
Dean Moore	x	x		x	x	x	x	x	x	x
Sue Farr	x		x	x	x	x	x	x		x
Helen Jones	x	x	x	x		x	x			x

Time commitment and conflicts of interest

Under the terms of their Letters of Appointment (“Appointment Letters”), and pursuant to Code Principle H and Provision 15, all NEDs must confirm that they have sufficient time to undertake the duties incumbent upon them as Directors and disclose details of all significant business (and other) interests, together with a broad indication of the time required for such interests. The Board must thereafter be kept apprised of any changes to such commitments and at least seven days’ written notice must be provided to the Chair before a NED accepts an additional external commitment 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 the appropriate preparation ahead of such meetings and, generally, to commit additional time to their Board role as circumstances require (and particularly when the Group is undergoing a period of increased strategic activity).

The time commitment expected of, and expended by, NEDs is monitored on an ongoing basis by the Board, in conjunction with the Nomination Committee, and, as 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 111 to 114](#), do not compromise their effectiveness or performance.

Appointment Letters recognise that NEDs may have business interests outwith those of the Company but require that NEDs do not put 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 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. Further information on the responsibilities and activities of the Related Party Committee can be found in the Related Party Committee Report on [pages 139 to 140](#).

Board independence

The Board currently comprises three Executive Directors (i.e. the CEO, the CFO and the COO) and six NEDs, five of whom (including the Chair) are deemed to be independent in character and judgement. Following due consideration of his individual circumstances against Code Provision 10, NED Edward Koopman is not deemed to be independent. Edward Koopman was appointed to the Board prior to Admission to represent Sofina Capital S.A. (“Sofina”), a major Shareholder. Edward Koopman is both an employee of Sofina and a member of its Executive Committee, although it is highlighted that Edward’s continued THG directorship is not in a Shareholder-representative capacity despite Sofina continuing to hold Ordinary Shares following Admission.

As the Company has previously disclosed, the holding of Ordinary Shares by NEDs is not considered to impair their independence but 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’ holdings are set out within the Directors’ Remuneration Report.

At the end of the 2023 reporting period the Board comprised three Executive Directors and seven NEDs, five of whom were regarded as independent – namely, Charles Allen, Gillian Kent, Dean Moore, Sue Farr and Helen Jones. 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 are independent NEDs was not satisfied at the 2023 financial year end. However, this Code departure was rectified when Iain McDonald stepped down from the Board in March 2024. Accordingly, as at the date of this Corporate Governance Report, at least half the Board, excluding the Independent Chair, are independent NEDs.

Board meetings and activities

Whilst 10 core Board meetings were scheduled to take place during 2023, additional meetings were arranged on an ad hoc basis to ensure the effective consideration and oversight of time sensitive and key strategic and financial performance items. The Board ultimately convened on 12 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 on [pages 123 to 166](#).

Director	2023 attendance
Charles Allen ¹	11/12
Matthew Moulding	12/12
John Gallemore	12/12
Damian Sanders	12/12
Edward Koopman ²	11/12
Gillian Kent	12/12
Dean Moore	12/12
Sue Farr ³	8/8
Helen Jones ⁴	6/6
Former Director	2023 attendance
Iain McDonald ⁵	12/12

- Charles Allen was unable to attend one of the 12 Board meetings which took place during 2023 due to illness.
- Edward Koopman was unable to attend one of the 12 Board meetings which took place during 2023 due to a conflicting commitment.
- Sue Farr attended the eight Board meetings which took place following her appointment on 24 April 2023.
- Helen Jones attended the six Board meetings which took place following her appointment on 21 June 2023.
- Iain McDonald stepped down from the Board on 31 March 2024.

Board, and Board Committee, documentation continues to be issued via the secure third-party platform which the Company launched following Admission. This online tool provides enhanced security from an information distribution perspective and also serves as a secure centralised facility through which information can be stored and accessed by Directors on an ongoing basis. To ensure Directors have sufficient time to review and consider supporting papers, which include the meeting agenda (as agreed between the Company Secretary and the Chair) and the minutes of any previous Board meeting(s), documentation is generally issued no later than three working days in advance of a meeting, although there may be occasions when timing is impacted by, for example, information source and/or volume considerations.

Following output from the 2022 Board evaluation, the timing, format and content of monthly Board packs and meetings remained an ongoing focus area throughout 2023. Notably, while Board packs continue to incorporate the prior month's financial results, on a Group and individual business basis, further progress has been made in streamlining the layout and contents of the main Board deck, and thus building upon previous enhancements. The annual Board planning cycle, which details key Board activities/agenda items and incorporates the monthly 'deep dive' topics, was further refined during 2023 and its function has become more deeply embedded within the Board's governance processes. Further, and as disclosed in the 2022 Annual Report, Senior Management continue to 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. These items are considered further within the "Board evaluation" section of the Nomination Committee Report.

In addition to the items of Board business incorporated within the reserved parameters of the aforementioned Schedule of Matters, certain other key topics were considered by the Board during the 2023 reporting period, including (but not limited to) the following:

- Corporate activity:** considering a highly preliminary and non-binding indicative proposal from Apollo Global Management Inc., on behalf of certain of its affiliated funds, to acquire the entire issued and to be issued share capital of THG and subsequently rejecting the proposal on a basis consistent with all previous offers for the Company i.e. based upon inadequate valuations and the nature of the offer structures; and considering and approving the acquisition of the skincare brand Biossance from US biotechnology group Amyris Inc. via a voluntary Chapter 11 auction process.
- Governance:** ongoing review of certain corporate governance arrangements including keeping abreast of the UK Government's proposed audit and corporate governance reforms and overseeing the Group's strategy for delivery of the associated control framework enhancements; 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 final 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 two independent NEDs to the Board; and overseeing the transfer and cancellation of the Special Share in accordance with the relevant provisions of the Articles of Association.
- Strategy:** ongoing consideration of the Group's strategic aims and objectives in light of, amongst other matters, macro-economic conditions and the Group's confirmed intention to simplify and streamline its operations;

and overseeing: (i) the strategic review of loss-making categories and territories within THG OnDemand and the subsequent sale of the trade and assets of THG OnDemand to a Newco led by the THG OnDemand management team (noting that Newco continues to be a client of THG Ingenuity); (ii) the sale of 'ProBikeKit', a specialist provider of cycling equipment, to Frasers Group PLC; and (iii) THG Ingenuity's strategic re-positioning to focus on partnering with higher margin Enterprise clients, a pivot anticipated to provide high-quality, recurring revenues.

- General:** ongoing oversight of: (i) the Group's market guidance and consensus; and (ii) the progress made against the stated strategies of the individual businesses to return to sales growth and rebuild margins, supported by a programme of cost savings and strong cash discipline.

Further information on the key discussions and principal decisions taken by the Board during 2023, including stakeholder considerations, can be found within the "Section 172 statement stakeholder engagement" section of the Strategic Report.

Board induction and training

A structured onboarding programme has been developed for all new Board members to ensure they are fully aware of the duties and responsibilities incumbent upon them as THG Directors and Board Committee members. This programme includes the provision of internal briefing memorandums on key regulatory and legislative items such as the UK Market Abuse Regulation, inside information and insider dealing; face-to-face/interactive training and update sessions with relevant external advisers e.g. legal and remuneration; and one-to-one sessions with members of Senior Management to provide a general introduction to core areas of the business and its operations. More focused sessions may subsequently be arranged with Executive Directors and/or Senior Management to support particular interests and/or where new Board members would like detailed insight into particular areas of the organisation.

Following the induction process, the continuing professional development needs of the Board (on a collective and individual basis) 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, associated briefing papers are also included within Board packs for Directors' longer-term information and reference. Board training undertaken during 2023 covered topics such as the new corporate criminal offence of failure to prevent fraud and the expansion of corporate criminal liability, pursuant to the Economic Crime and Corporate Transparency Act 2023; the Government's

proposed reforms to the UK financial services sector, including the overhaul of the listing and prospectus regimes and the secondary capital raising process; the FCA's proposed audit and governance reforms, including the previously proposed changes to the Code and new reporting requirements relating to the introduction of the resilience and material fraud statements and audit and assurance policy; and the new climate-related financial disclosures and diversity reporting requirements.

The introduction of regular deep dives at monthly Board meetings, via the annual Board planning cycle, ensures that NEDs are kept fully up to date on key Group and individual business matters (including operational issues and market challenges and landscape) and People and Sustainability items. The incorporation of broker and investor updates within the cycle further ensures that Directors are suitably equipped with the requisite market and operational knowledge to oversee the delivery of the Group's strategic aims and objectives. Additionally, the Company continues to arrange membership of the Non-Executive Directors' Association for all Board members, including Executive Directors. Through this membership Directors have access to a comprehensive suite of technical knowledge updates and a monthly programme of seminars and briefings (including networking events), thus providing Board members with the ongoing opportunity to refresh and enhance knowledge and skill sets as they consider necessary. The Company is fully supportive of, and indeed encourages, Directors' attendance at such events which may be of interest and/or which address particular training needs.

Board effectiveness

In accordance with Code Principle L and Provision 21, the Company has conducted formal Board evaluations on an annual basis since Admission which have considered, amongst other matters, the effectiveness of the Board and the Board Committees.

Reflecting its belief that the evaluation process is a critical tool within the Group's corporate governance arrangements, the Company previously committed to undertaking an externally facilitated review within three years of Admission (i.e. by 16 September 2023), despite the fact this Code provision is only strictly applicable to FTSE 350 companies. Following consideration of the timing of new independent NED appointments during 2023, it was considered appropriate to push the evaluation back into the fourth quarter of 2023 (the "2023 evaluation") to ensure new NEDs had gained some form of Board and Board Committee exposure prior to the review taking place, and thus generate more meaningful results. Whilst further information on the 2023 evaluation can be found within the "Board evaluation" section of the Nomination Committee Report (including with respect to format, content and outputs), notably the Board is considered to function in a collaborative and effective manner, and Directors are regarded as making an effective contribution on an individual basis.

THG remains committed to ensuring that the appropriate resources are available to the Board and Board Committees to allow them to function effectively and efficiently and the Company Secretary plays a key role in this regard, advising on legal, regulatory and governance matters and being on hand to support and assist Directors as required. More generally, Board relations and, in turn, effectiveness are cultivated through informal debate and discussion outwith the confines of Board and Board Committee meetings, including the ad hoc discussions which take place between the SID and the NEDs throughout the year. Such unstructured interaction amongst Board members is considered a key means by which Board relations are fostered and enhanced and it is further encouraged through, for example, the biannual full Board and NED-only dinners (as introduced by the aforementioned Board planning cycle).

Workforce engagement

Falling within the scope of the 2030 Sustainability Strategy, the subject of employee engagement was a combined focus of the Sustainability Committee and the People team during 2023 (and remains so in 2024). Indeed, one of the three key priorities under our 2030 Sustainability Strategy, THG x Planet Earth, is 'Empowering people and communities' which affirms THG's people-centric approach at the very outset - "our people are our greatest asset" - and acknowledges that a diverse, inclusive and supportive environment brings out the best in people. Such an environment nurtures a happier

and more motivated workforce which, in turn, results in an enhanced workplace and operational culture.

The Board recognises the fundamental importance of robust and consistent employee engagement in seeking to foster and support a thriving and empowered workforce; the appropriate arrangements are therefore in place within the organisation to ensure Directors are kept fully apprised of all material workforce, including engagement, matters. Specifically, the inclusion of Board Committee updates has now been established as a standing agenda item at Board meetings which affords the NED Sustainability Committee Chair the opportunity to update the Board on workforce engagement items on a monthly basis. Further, a People section is incorporated within the main deck of all monthly Board packs and the Chief People Officer, who has ultimate oversight of the Group's workforce engagement initiatives, attends 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 EDI Committee Champions play a key engagement role, driving general workforce EDI engagement and representation while collaborating with, and reporting into, Senior Management. This reporting structure ensures the 'employee voice' is heard at an appropriately senior level within the Group and, as Senior Management also attend the monthly Board meetings, further facilitates regular and direct Board updates.

The Board considers that, with reference to Code Provision 5, such arrangements are effective from a workforce engagement perspective providing, as they do, a framework within which clear, transparent and regular communication and discussion can take place amongst the workforce, Senior Management and the Board. While further information on engagement measures and progress can be found within the "Section 172 statement stakeholder engagement", "Our people" and "Empowering people and communities" sections of the Strategic Report, a key 2023 initiative was the annual 'b-Heard Survey' (the "Survey") which was run by a workforce engagement specialist towards the end of the year and which provided employees globally with the opportunity to feed back on all aspects of life at THG, from personal growth and wellbeing through to leadership and management items, on an anonymous basis.

The Survey responses are assessed to identify those areas where THG excels, while highlighting engagement challenges and opportunities for improvement, and the results are used to help shape and inform future workforce engagement initiatives and strategies across the Group. Pleasingly, Survey participation increased by 16% versus 2022 and the overall 2023 scoring was either flat or higher when compared with the baseline 2022 data, with significant improvements evident in a number of areas, including Leadership (i.e. how employees feel about the organisation's leadership and its values and principles) and My Company (i.e. the level of engagement which employees feel with their role and the organisation more generally).

While the Survey results continue to be interrogated to ensure full use is made of the insights generated, Survey participation has resulted in THG being accredited as a 'One to Watch' company by the Best Companies accreditation system, a special status awarded to organisations with good levels of workplace engagement. The Board, and the Company generally, look forward to building upon the significant progress achieved in this area during 2024.

Further information 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.



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

Chair of the Audit Committee

Members and attendance

Committee member	Position	Attendance
Dean Moore	Chair ¹	5/5
Gillian Kent	Member ²	5/5
Sue Farr	Member ³	3/3
Helen Jones	Member ⁴	3/3
Damian Sanders	Former Chair ⁵	n/a

1. Dean Moore was appointed as a member of the Audit Committee upon his appointment to the Board on 15 September 2022 and thereafter assumed the position of interim Audit Committee Chair on 24 January 2023 when Damian Sanders stepped down, following his appointment as an Executive Director. Dean Moore was appointed Audit Committee Chair on a permanent basis on 21 July 2023.
2. Gillian Kent was appointed as a member of the Audit Committee upon her appointment to the Board on 15 September 2022.
3. Sue Farr was appointed as a member of the Audit Committee on 21 July 2023.
4. Helen Jones was appointed as a member of the Audit Committee on 21 July 2023.
5. Damian Sanders stepped down as Audit Committee Chair upon his appointment as an Executive Director on 24 January 2023.

As Audit Committee Chair, I would like to welcome you to the Audit Committee Report for the 2023 reporting period. I am pleased to confirm that, in addition to discharging its key reporting and controls oversight responsibilities during the year, the Committee oversaw the ongoing evolution and improvement of the Group's control and risk management

framework. Further, membership of the Committee was subject to review during the year and, following the appointment of new independent NEDs to the Board, consequently bolstered with the appointment of Sue Farr and Helen Jones as members in July 2023.

Composition and meetings

In accordance with 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 the Audit Committee Chair, and must possess the skills and experience appropriate for such membership. The Terms of Reference further provide that the Audit 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.

Current Audit Committee membership therefore satisfies the relevant provisions of both the Terms of Reference and the Code comprising, four independent NEDs (i.e. Dean Moore (Chair), Gillian Kent, Sue Farr and Helen Jones), all of whom are members of both the Remuneration Committee and the Risk Committee (having been deemed to possess the requisite knowledge and expertise for such membership).

As detailed above, Gillian Kent and Dean Moore became members of the Audit Committee upon their appointment to the Board on 15 September 2022, with Dean Moore assuming the position of Audit Committee Chair on an interim basis on 24 January 2023 when Damian Sanders stepped down from the role upon his appointment as an Executive Director. Sue Farr and Helen Jones were subsequently appointed to the Audit Committee on 21 July 2023, at which time Dean Moore's Audit Committee chairship became permanent.

At least four Audit Committee meetings must take place annually, at appropriate times in the financial reporting and audit cycle (and as otherwise required). Member attendance at the five meetings which took place during 2023 is set out within the preceding table and, while attendance is restricted to Audit 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) may be invited, and are expected, to attend meetings on a regular basis. These individuals may also request a meeting of the Audit Committee should they consider it necessary or desirable to do so.

In addition to the four scheduled meetings and throughout the 2023 reporting period (and up to the date of this Report), the Audit Committee Chair (and other Audit Committee members where appropriate) maintained an ongoing dialogue with key individuals involved in the Group's governance, including the Chair, the CEO and the Head of Internal Audit. Further, and in addition to attending all Audit Committee meetings, the External Auditor continued to meet 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.

Roles and responsibilities

The Terms of Reference of the Audit Committee provide 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 controls, internal controls and, as appropriate and in conjunction with the Risk Committee, risk management framework. The specified duties and responsibilities of the Audit Committee 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 and the External Auditor; 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

The key areas of review which the Audit Committee considered during the 2023 reporting are summarised as follows:

Topic	Activity / Review
Financial reporting	<ul style="list-style-type: none"> During the year, as part of their annual periodic reviews, the Financial Reporting Council (FRC) reviewed the Group's 2022 Annual Report and Accounts. The Committee is delighted with the satisfactory outcome of the review as reported on the FRC's website at www.frc.org.uk. Management committed to enhancing the 2023 disclosures for THG PLC Company only investments in subsidiaries and amounts due from Group undertakings. The Committee have reviewed the updated disclosures in the consolidated financial statements as applicable <p>The Committee acknowledges the scope and limitation of the FRC review procedures noting that the review was based on the annual report and accounts and the reviewer(s) have not benefited from detailed knowledge of the business or an understanding of the underlying transactions entered into. It has, however, been conducted by staff of the FRC who have an understanding of the relevant legal and accounting framework. Correspondence and findings, provide no assurance that the annual report and accounts are correct in all material respects; the FRC's role has not been to verify the information provided to it but to consider compliance with reporting requirements. Correspondence are written on the basis that the FRC (which includes its officers, employees and agents) accepts no liability for reliance on them by the company or any third party, including but not limited to investors and shareholders</p> <ul style="list-style-type: none"> Reviewed the annual report and accounts and the 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 assessed the processes to 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 Reviewed other reports and papers from Management around key accounting judgements and transactions and updates relating to the UK Government's proposed audit and corporate governance reforms
External audit	<ul style="list-style-type: none"> Reviewed EY's plan for the audit of this Annual Report and the progress of the audit to date Reviewed EY's report on the scope of the audit relating to this Annual Report, 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 this Annual Report
Internal control and assurance	<ul style="list-style-type: none"> 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

A key role of the Audit Committee is to assess whether the judgements and estimates made by Senior Management are reasonable and appropriate. To assist in this assessment, the Finance team provide accounting papers to the Audit Committee detailing the financial aspects surrounding key accounting judgements and areas of focus for THG, including all significant issues outlined in the table which follows.

the External Auditor and accounting and reporting matters (including management representation letters in respect thereof). The Audit Committee assessed whether suitable accounting policies had been adopted and the reasonableness of the judgements and estimates that had been made by Senior Management.

As part of the year-end reporting process, the Audit Committee considered this Annual Report, the Management papers on key accounting estimates and judgements, the going concern and viability review, updates provided by

Key accounting matters which arose during the 2023 reporting period relating to the financial statements for the period, and which received particular focus from the Audit Committee, are as follows:

Area of focus	Consideration and actions taken by the Audit Committee	Impact on financial information and disclosure
Accounting for platform development costs	<p>THG incurred £61m in respect of additions to the platform in 2023. The carrying value at 31 December 2023 totalled £120m. Management judgement is applied regarding which projects relate to capital spend. This is reviewed with Management on a monthly basis across the Finance and Technology teams.</p> <p>The Audit Committee reviewed and acknowledged the controls which have been implemented during the year including review and challenge as to the scope and extent of time capitalised.</p>	The Intangible assets note 11 is included within the Consolidated Financial Statements
Impairment of goodwill and intangible assets	<p>The Audit Committee reviewed management's impairment paper in detail and challenged key judgements, including terminal growth rate, forecast cash flows and discount rate, and concluded these to be appropriate for THG Beauty following the impairment charge recognised in the prior year.</p> <p>The Audit Committee reviewed management's paper setting out the change in basis of assessing the impairment risk for THG Ingenuity focusing on critical assumptions which underpin the measurement of replacement cost in respect of the associated intangible assets.</p> <p>The Audit Committee have reviewed the financial statement disclosures.</p>	The Intangible assets note 11 is included within the Consolidated Financial Statements.
Presentation and disclosure of adjusted items and APM's	<p>To allow the Audit 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.</p> <p>The Audit Committee also considered the presentation of APMs, throughout this Annual Report and whether this enables a clear and fair understanding of performance.</p> <p>This included the separate presentation and APMs of discontinued categories consistent with management actions announced as part of the strategic review.</p> <p>The conclusion was that the adjusted items policy was appropriate and being applied consistently. The Audit Committee concluded that the use of APMs were satisfactory.</p>	The adjusted items note 4 is included within the Consolidated Financial Statements.
Related Party Transactions	<p>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.</p> <p>The Audit Committee has 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.</p> <p>The Audit Committee satisfied itself 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.</p>	<p>More details on related parties are included within the Related Party Committee Report.</p> <p>The related parties' details are included within note 27 within the Consolidated Financial Statements.</p>

The preceding 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 inclusion of the necessary information for Shareholders to assess the Group's position and performance, business model and strategy.
- Comprehensive reviews of drafts of the Annual Report 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 Annual Report is fair, balanced and understandable.
- The final draft of the Annual Report 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 [page 97](#) of the Strategic Report.

Risk management and internal controls

Whilst the Board has ultimate responsibility for the Group's risk management and internal control systems, responsibility for the ongoing monitoring and review of these systems, including financial, operational and compliance controls, is delegated to the Audit Committee which also assists the Board in its annual review of the effectiveness of these systems and determining their adequacy (or otherwise). During 2023 the Audit Committee considered the UK Government's audit and corporate governance reforms 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 87 to 98](#) of the Strategic Report, together with details of the processes and controls which were in place throughout 2023 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 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. Where necessary, the Audit Committee 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; compliance; key departments and central functions; projects and M&A; technology and cyber, global site audits; operations and commerce. Audit engagements were undertaken in each of these areas during 2023. 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 on which can be found on [pages 87 to 98](#) of the Strategic Report).

Independence, performance and effectiveness of the External Auditor

The External Auditor confirmed its independence and objectivity from THG during the 2023 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 scepticism and an appropriate degree of challenge to Senior Management, particularly on key accounting and audit judgements. Additional feedback was sought from various participants in the process, including the CFO, the Chair and the CEO, but primarily from the Audit Committee itself.

Overall, the effectiveness of the external audit process was assessed as performing as expected. The Audit Committee concluded that it was satisfied with the work undertaken by the External Auditor, including adequate levels of challenge, during 2023.

There are independent reporting lines from the External Auditor to the Audit Committee and the External Auditor is afforded the opportunity for sessions with the Committee throughout the financial 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 its removal. A resolution to propose the reappointment of EY was approved by Shareholders at the 2023 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. While the Audit Committee is aware that the initial engagement period for a statutory auditor should not exceed ten 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 to 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 Audit Committee Chair 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 review procedures and some other assurance work. The total fees were £0.5million, being a 1:5 ratio to the audit fee. It is widely accepted that such procedures will be completed by a group's auditor. The Audit Committee therefore concluded that the objectivity and independence of the External Auditor would be safeguarded.

Focus for 2024

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

- oversee both the internal controls and governance framework within THG to ensure its continued evolution, effectiveness and integrity and the ongoing development of the Internal Audit function as the Group continues to grow and mature;
- monitor the delivery of the required control framework enhancements following the UK Government's audit and corporate governance reforms;
- oversee the use of technology to enhance the operation of controls and harness potential opportunities to digitalise and automate controls as the framework matures further; and
- 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.



Dean Moore
Chair of the Audit Committee

9 April 2024

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 as the Group continues to grow, keeping pace with changes to the external economic environment, and responding to applicable elements of the UK Government’s audit and corporate governance reforms.”

Gillian Kent
Chair of the Risk Committee

Members and attendance

Committee member	Position	Attendance
Gillian Kent	Chair ¹	4/4
Dean Moore	Member ²	4/4
Sue Farr	Member ³	2/2
Helen Jones	Member ⁴	2/2
Damian Sanders	Former Member ⁵	n/a

1. Gillian Kent was appointed Risk Committee Chair upon her appointment to the Board on 15 September 2022.
 2. Dean Moore was appointed as a member of the Risk Committee on 6 December 2022.
 3. Sue Farr was appointed as a member of the Risk Committee on 21 July 2023.
 4. Helen Jones was appointed as a member of the Risk Committee on 21 July 2023.
 5. Damian Sanders stepped down as a member of the Risk Committee upon his appointment as an Executive Director on 24 January 2023.

I would like to introduce the Risk Committee Report for the 2023 reporting period, having now served as Risk Committee Chair for in excess of one full financial year. I am pleased to confirm that the Committee continued to operate effectively and deliver against its Terms of Reference (further details on which follow), ensuring a robust and effective risk governance framework was in operation throughout the Group during 2023 (and to the date of this Report).

Alongside the continued oversight of the risk management framework and the management, reporting and evolution of principal and operational risks within the Group, a key focus of the Committee was the development and application of a suite of metrics to support the evaluation and monitoring of risk appetite and supplementing the principal risk ‘deep dives’ with presentations to the Committee from principal risk owners.

Composition and meetings

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

At the start of the 2023 financial year, Risk Committee membership satisfied the relevant provisions of the Terms of Reference, comprising Gillian Kent, an independent NED, as Risk Committee Chair, Dean Moore, also an independent NED, and Damian Sanders, a former independent NED. However, 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 comprised only two independent NEDs, Gillian Kent and Dean Moore, at that time (excluding the Chair) this resulted in the non-satisfaction of the Risk Committee’s membership requirements. This position was rectified in July 2023 when two new independent NEDs, Sue Farr and Helen Jones, were appointed as members of the Risk Committee, with current membership set out in the foregoing attendance table.

The Terms of Reference require that at least four Risk Committee meetings are held annually, at appropriate times in the financial reporting and audit cycle (and as otherwise required), as was the case during 2023, 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. While only Risk Committee members (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, and other non-members may be invited to attend as and when deemed appropriate.

Role 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:

- 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);
- review and monitor 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; and
- 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).

In fulfilling its purpose, the Risk Committee may seek such independent professional advice as it considers necessary to ensure the proper and effective execution of its duties and responsibilities, and may also access resources, such as Group Secretariat, when other specialist support and assistance is required.

Notably, the Risk Committee’s Terms of Reference provide that it must work and liaise, as necessary, with the other Board Committees, including with specific reference to the joint delegation and division of responsibilities with the Audit Committee in respect of risk management and internal controls (further details on which follow).



Activities of the Risk Committee

As detailed at the outset of this Report, four scheduled Risk Committee meetings took place during 2023, whilst one-to-one meetings also continued between the CRO and the Risk Committee Chair to consider the ongoing development, refinement and embedding of the Group's risk management framework and associated processes. The CRO has open and direct access to the Risk Committee at all times, 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.

Additionally, the Risk Committee Chair, together with other Committee members (to the extent appropriate), remained in ongoing dialogue with key individuals involved in the oversight of Group governance, including the Chair and Head of Internal Audit, to ensure the necessary intra-function transparency and alignment was in place.

A summary of the key activities undertaken by the Risk Committee during the 2023 financial year is as follows:

- oversight of the management, reporting and evolution of principal and operational risks within the Group and application of risk appetite, together with the outcome of principal risk 'deep dives';
- consideration of principal risk owner presentations;
- monitoring the identification and quantification of emerging risks within the Group;
- remaining apprised of the proposed reforms to the UK's audit and corporate governance framework and appropriate consideration being given to identifying and understanding relevant priorities, as applicable to the Group's risk landscape and risk management framework;
- linked to the foregoing item, developing a roadmap, with input from relevant advisers, to ensure compliance with applicable disclosure requirements at the relevant time;
- reviewing the results and remedial actions arising from the annual Fraud Risk Assessment, together with any summary reports of escalated incidents and instances of fraud; and
- consideration of the role of THG Insurance in supporting risk mitigation activities.

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, responsibility for the ongoing monitoring and review of the Group's risk management and internal control systems, including its financial, operational

and compliance controls, has been delegated to the Risk Committee, in conjunction with the Audit Committee.

Included within this delegation of responsibility is the ongoing monitoring and review of the processes and procedures in place to manage and mitigate principal risks, identify emerging risks and review and assess the Group's risk appetite (including associated stress testing), together with 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 87 to 98](#) of the Strategic Report, together with details of the processes and controls which were in place throughout 2023 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 [page 97](#) of the Strategic Report.

Focus for 2024

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

- oversee the risk management framework, risk appetite and emerging risk processes within THG to ensure its continued evolution, effectiveness and integrity and the ongoing development of the Risk function as the Group continues to grow and mature; and
- remaining updated on the business's response to applicable elements of the UK Government's audit and corporate governance reforms.

On behalf of the Risk Committee



Gillian Kent
Chair of the Risk Committee

9 April 2024



Nomination Committee Report



“The Nomination Committee recognises the importance of promoting a diverse and inclusive corporate culture and, while pleased with the progress made during 2023 from a Board independence and diversity perspective, acknowledges that further progress is required to meet our goals in this area. This will remain an ongoing focus of the Committee during 2024 and beyond.”

**Charles Allen,
Lord Allen of Kensington CBE**

Chair of the Nomination Committee

Members and attendance

Committee member	Position	Attendance
Charles Allen	Chair ¹	3/3
Gillian Kent	Member ²	3/3
Sue Farr	Member ³	1/1
Iain McDonald	Former Member ⁴	3/3

1. Charles Allen was appointed as Nomination Committee Chair on 10 June 2022.
 2. Gillian Kent was appointed as a member of the Nomination Committee upon her appointment to the Board on 15 September 2022.
 3. Sue Farr was appointed as a member of the Nomination Committee on 21 July 2023.
 4. Iain McDonald stepped down from the Board and as a member of the Nomination Committee on 31 March 2024.

I have pleasure in introducing the Nomination Committee Report for the 2023 reporting period and look forward to updating you on the progress which has been made in certain areas which were highlighted in last year’s Report.

In line with my mandate to strengthen the Board by improving its independence and diversity, and noting the FCA’s D&I targets which apply to the financial year under review (through enactment of Listing Rule 14.3.33R), Board composition remained subject to ongoing consideration

throughout 2023 (and to the date of this Nomination Committee Report). As detailed within the Corporate Governance Report, a key focus of the Nomination Committee since my appointment has been to monitor and reshape the Company’s leadership to ensure it is properly constituted to drive Shareholder value creation through delivery of the Group’s strategy. Accordingly, not only must we identify potential candidates who possess the broader knowledge and experience expected of PLC directors, but such candidates must also have the requisite skill sets to oversee the successful

delivery of THG’s strategic aims and objectives and, more generally, support the Company’s ongoing PLC evolution.

I am therefore pleased to report that, in addition to certain Executive Director changes taking place in January 2023, a successful recruitment process was undertaken during the reporting period which resulted in the appointment of independent NEDs Sue Farr and Helen Jones (further information on which follows). These appointments build upon the progress made with the recruitment of independent NEDs Gillian Kent and Dean Moore in September 2022.

An equal balance of independent and non-independent Directors (excluding the Independent Chair) was also achieved in March 2024 when non-independent NED Iain McDonald stood down from the Board, rectifying the departure from Code Provision 11. I would like to convey my gratitude to Iain for his strong contribution during his tenure on the Committee, having served as a member since Admission.

Role and responsibilities

As detailed within its Terms of Reference, the Nomination Committee has Board-delegated authority to review and evaluate the structure, size and composition (including the skills, knowledge, experience and diversity) of the Board to ensure that THG’s leadership is, at all times, properly constituted to oversee the successful delivery of the Group’s strategic aims and objectives. As in previous years, this was a key focus of the Committee during 2023 and, to ensure it is well-placed to exercise this authority, the Terms of Reference provide that the Committee must remain abreast of all strategic and commercial issues affecting the Group and the markets within which it operates. Therefore, in addition to the annual Board strategy session (which took place in November 2023), relevant insights were shared with the Committee, and the wider Board, on an ongoing basis during 2023 through incorporation of strategic and market updates within Board packs and discussion at scheduled monthly Board meetings.

Other mandated duties which were considered and discharged by the Nomination Committee, as appropriate, throughout the 2023 reporting period included:

- identifying and nominating suitable NED candidates for the approval of the Board (discussed in further detail in the “Board composition” section which follows);
- recommending suitable SID candidates to the Board (also discussed in further detail in the “Board composition” section which follows); and
- reviewing Board and Senior Management succession plans to ensure that the necessary talent exists within the Group to effectively manage and exploit challenges and opportunities which may arise now and in the future.

Composition and meetings

The Nomination Committee’s Terms of Reference provide that the Nomination Committee Chair must be either the chair of the Board or an independent NED and, in line with the relevant Code Provision, 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. Membership of the Committee, as set out in the preceding table, therefore aligns with these requirements; Charles Allen, the Nomination Committee Chair, and members Gillian Kent and Sue Farr were all deemed to be independent upon their appointments to the Board (as detailed within the “Board independence” section of the Corporate Governance Report). Biographies of all Nomination Committee members can be found within the Corporate Governance Report on [pages 111 to 114](#).

While the Terms of Reference provide that at least two Nomination Committee meetings must be held annually, and at such other times as required by the Nomination Committee Chair or as requested by any Committee member should they consider it necessary, three Nomination Committee meetings were held during 2023. While only members are entitled to attend Committee meetings, others may attend by invitation if considered appropriate and necessary e.g. the CEO and/or external advisers.

Activities of the Nomination Committee

Board composition and independence

As previously detailed, a key focus of the Nomination Committee has been to monitor and reshape the Company’s leadership to ensure it is properly constituted to drive long-term, sustainable growth and Shareholder value creation. As a result of this ongoing review, the Committee recommended that certain changes be made to the Executive Leadership Team at the start of 2023 – specifically, that independent NED Damian Sanders assume the role of CFO and John Galloway, the incumbent CFO, remain an Executive Director and be appointed to the newly-created, stand-alone role of COO. In assuming the CFO position, Damian Sanders would simultaneously step down as interim SID and as chair and a member of certain Board Committees. Dean Moore was considered a suitable candidate to step into the position of SID and his appointment was recommended by the Committee, also on an interim basis and until such time 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.

In addition to considering the Executive Director leadership position, the Nomination Committee remained mindful of overall Board independence and the balance of Executive Directors/NEDs throughout the reporting period, with

particular reference to Code Provision 11. Indeed, the Committee undertook to continue to seek alignment with this Code Provision as a matter of priority during 2023 having regard to, amongst other things, the FCA's D&I targets and the need to ensure the appropriate leadership and succession plans are in place within the Group. Accordingly, Russell Reynolds Associates, an independent search consultant, and leading recruitment consultancy firm Axon Moore, both of whom had previously provided recruitment services to the Company, were engaged to assist in the search for suitable independent NEDs during 2023. 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.

The parameters of the search reflected previous recruitment briefs which acknowledged the importance of promoting diverse and inclusive Board membership but which also sought to identify suitably skilled and experienced candidates who could be considered the 'right THG fit'. Robust recruitment processes took place which included preliminary desktop and database reviews to produce candidate longlists which were thereafter refined to shortlists following initial interviews. In line with previous recruitment exercises, the Nomination Committee then undertook face-to-face interviews with shortlisted candidates who were also interviewed by other Directors, and members of Senior Management, to the extent considered appropriate.

Following extensive deliberations, including consideration of required experience and skill sets, cultural alignment and the benefits which a diverse Board can bring to an organisation, the Nomination Committee recommended the appointments of Sue Farr and Helen Jones. These appointments were thereafter approved by the Board, on the basis of merit and as assessed against objective criteria (including the promotion of gender diversity), and Sue Farr and Helen Jones were appointed as independent NEDs on 24 April 2023 and 21 June 2023 respectively. Sue Farr was appointed in the capacity of SID and replaced Dean Moore who, as previously noted, had been appointed to the position on an interim basis in January 2023.

As noted in the Corporate Governance Report, these appointments build upon the corporate governance progress which continues to be made and are in line with the Chair's stated mandate to enhance Board composition by improving independence and diversity. Both Sue Farr and Helen Jones possess extensive and varied PLC experience and have demonstrable track records as non-executive directors (including as board committee chairs).

Additionally, and as considered further within the Corporate Governance Report, the Company's departure from Code Provision 11 was rectified in March 2024 when non-independent NED Iain McDonald stepped down from the Board. Therefore, as at the date of this Nomination Committee Report, and in alignment with Code Provision

11, at least half the Board, excluding the Independent Chair, are independent NEDs.

Board Committee composition

At the date of last year's Nomination Committee Report, the Board comprised only two independent NEDs, Gillian Kent and Dean Moore (excluding the Chair), which resulted in the non-satisfaction of the Audit Committee and Risk Committee membership requirements from the date of Damian Sanders' appointment as an Executive Director. This position was expected to be temporary until the appointment of at least one new independent NED and was subsequently addressed during 2023 following the aforementioned appointments of independent NEDs Sue Farr and Helen Jones.

The Nomination Committee's Terms of Reference provide that it is responsible for making recommendations to the Board in respect of Board Committee membership (in consultation with the relevant Board Committee Chair) and, at various points during 2023, this was an area of focus for the Committee. In recommending changes to Board Committee composition, the Nomination Committee gave consideration to not only the skill sets and experience of individual NEDs, and the time commitment expected of them, but also to the specific Board Committee membership requirements (as set out within the Code and the Board Committees' Terms of Reference).

The Board Committee changes which took place during 2023 are detailed within the respective Board Committee Reports on [pages 123 to 166](#), together with current Board Committee composition. Key changes to Board Committee membership include the appointments of Sue Farr and Helen Jones to, respectively, Related Party Committee Chair and Remuneration Committee Chair and Iain McDonald stepping down from membership of the Remuneration Committee.

Board evaluation

In accordance with the relevant Code Provision, the Company conducted formal Board (including Board Committee) evaluations in respect of the 2021 and 2022 financial years via an online digital platform which was provided by BoardClic, an independent third-party board evaluation consultant. These evaluations aligned with best market practice and the content tailored, as appropriate, to THG's particular circumstances as a recently listed public company with a Standard Listing. The BoardClic governance platform is a data-driven, time-efficient tool which makes use of comprehensive benchmarking resources to track compliance, effectiveness and year-on-year alignment. As this evidence-based framework provides a means by which to ensure evaluation outcomes and objectives are appropriately addressed and/or monitored, the decision was taken to continue to utilise this platform for the 2023 Board (including Board Committee) evaluation which took place in the fourth quarter of 2023 (the "2023 evaluation").

Reflecting its belief that the evaluation process is a critical tool within the Group's corporate governance infrastructure, the Board previously committed to undertaking an externally facilitated review within three years of Admission (i.e. by 16 September 2023), despite the fact this Code Provision is only strictly applicable to FTSE 350 companies. Following consideration of the timing of new independent NED appointments during 2023, it was considered appropriate to push back the evaluation into the fourth quarter of 2023 to ensure new NEDs had gained some form of Board and Board Committee exposure, and thus produce more meaningful results.

The 2023 evaluation therefore took the form of an externally facilitated evaluation, the scope of which was agreed between the Chair, the Company Secretary and BoardClic at the outset of the process. The exercise incorporated two components, namely: (i) an online evaluation questionnaire, similar in form and content to previous years but including extended Board Committee sections, which built upon the data output from previous exercises; and (ii) in-depth, one-to-one interviews between Board members and BoardClic's lead evaluation assessors.

While the 2023 evaluation outcomes remain subject to ongoing consideration at the date of this Nomination Committee Report, the collation and analysis of data by BoardClic disclosed a number of actionable insights, in the form of recommendations, centred around four headline themes; these have been discussed with the Chair and the Company Secretary and recently presented to the whole Board. These recommendations require further Board interrogation and deliberation, following which the necessary measures will be taken during 2024, and beyond, to ensure that the results are appropriately acted upon and addressed.

Notably, certain of the results from the 2023 evaluation follow on from previous evaluation themes relating to the Company's ongoing PLC evolution; pleasingly, the results now acknowledge the wholesale, transformative changes which have taken place from a Board perspective and which ensure it is well-placed to effectively guide the business through the next stage of its listed company journey. The results further disclose that Board dynamics are considered to be open and collaborative which, in turn, fosters a sense of cohesion and alignment amongst Directors, thus enhancing the Board's overall ability to support and provide strategic direction to Senior Management.

The timing, format and content of monthly Board packs and meetings will remain a key focus throughout 2024; while progress continued to be made in this regard during 2023 (e.g. streamlining the layout and contents of the main Board deck and continuing the shift to a more "taken as read"/Q&A-based style of meeting), output from the 2023 evaluation indicates that further enhancements are required to reflect the evolving needs of the Board and further refine the content and presentation format of monthly Board materials and meetings. Additionally, there is recognition within the 2023 evaluation that, as the Board collectively matures, a consensus must be reached on

the appropriate balance of strategic (including stakeholders and governance) versus operational and financial content/discussion and acknowledgement that further embedding the monthly 'deep-dive' topics within meetings will support the necessary evolution of the agenda and an increased focus on matters which are of key strategic importance.

The 2023 evaluation outcomes in respect of the Independent Chair are reflective of feedback generated through previous evaluations and SID-led discussions amongst the NEDs; the governance improvements (including with regard to the balance of skills, knowledge, experience and diversity on the Board) which the Independent Chair has implemented during his tenure to date are highlighted, together with his inclusive leadership style, effective prioritisation and knowledgeable, facilitative and open manner.

Diversity and inclusion

THG's stated vision is to create a diverse, inclusive and supportive work environment, comprising talented and motivated individuals, which reflects the communities within which the Group operates. The Group's EDI Strategy is considered to provide a strong, directional foundation for achieving this vision and is premised on four key pillars i.e. visibility and representation, learning and development, recruitment and progression and accessibility and inclusion.

The EDI Strategy reflects both the Group's ongoing commitment to become an industry pioneer in driving social change and its desire to establish a thriving and inspired culture underpinned by diversity and inclusion at every level, and in every location, across the organisation. The Group's EDI Committee remains instrumental in driving positive change and engagement in this area, with EDI representatives working closely with the EDI Committee and the leadership teams of the individual businesses to identify key areas for improvement and implement Group-wide EDI initiatives (further information on which can be found within the "Our people" section of the Strategic Report). The Chief People Officer, who has ultimate oversight of, amongst other matters, general workforce diversity, attends scheduled Board meetings to provide regular on-topic updates to ensure the Nomination Committee (and the Board collectively) remains suitably apprised of material People issues (including EDI items) to allow it to effectively discharge its associated responsibilities.

In line with the Code, the Nomination Committee's Terms of Reference make clear its mandate to ensure that Board appointments and succession plans are based on merit and considered against objective criteria, with due regard to diversity (including, but not limited to, diversity of gender and social and ethnic background). The benefits which diverse membership may bring to boardroom discussions, including improved corporate governance generated via a broader insight and knowledge base and a more inclusive culture,

are acknowledged and it is considered that in seeking to promote diversity, in its various forms, Board effectiveness may be maximised through enhanced decision-making which, in turn, may generate enhanced value creation for stakeholders.

As previously confirmed, the parameters of the recruitment search for independent NEDs during 2023 took into account the importance of promoting diverse and inclusive Board membership, with specific reference to the FCA's D&I targets, and culminated in the successful appointment of two female NEDs, one of whom was appointed SID. Accordingly, the Nomination Committee confirms that, as at 31 December 2023 and in satisfaction of the requirements of LR 14.4.33R, a woman held the senior Board position of SID and 30% of the individuals on the Board were women. The Committee is pleased with the progress which has been made from a Board diversity perspective during 2023, particularly in light of the challenges previously encountered in identifying suitable independent NED candidates who also satisfied the diversity criteria (as disclosed in the 2022 Annual Report).

It is nonetheless recognised that further progress is required to fully comply with the FCA's D&I targets (with specific reference to the targets that at least: (i) 40% of the individuals on the Board are women; and (ii) one Board member is from a minority ethnic background) and also meet THG's own EDI goals, noting its stated vision to increase all forms of diversity across the organisation. The "Empowering people and communities" section of the Strategic Report provides further information on these Group EDI targets, incorporated within the 2030 Sustainability Strategy, and which, notably, include achieving 50% female representation and 15% ethnic minority representation on the Board and in Senior Management by 2030 and 50% female representation and 20% ethnic minority representation across the entire workforce by 2030.

Board and executive management data as at 31 December 2023, presented in accordance with LR 14.3.33R, is as follows:

	Number of Board members	Percentage of the Board	Number of senior positions on the Board (CEO, CFO, SID and Chair)	Number in executive management	Percentage of executive management
Men	7	70	3	10	71.4
Women	3	30	1	4	28.6
Non-binary	-	-	-	-	-
Not specified/ prefer not to say	-	-	-	-	-

	Number of Board members	Percentage of the Board	Number of senior positions on the Board (CEO, CFO, SID and Chair)	Number in executive management	Percentage of executive management
White British or other White (including minority-white groups)	10	100	100	10	71.4
Mixed/Multiple Ethnic Groups	-	-	-	2	14.3
Asian/Asian British	-	-	-	2	14.3
Black/African/Caribbean/Black British	-	-	-	-	-
Other ethnic group, including Arab	-	-	-	-	-
Not specified/ prefer not to say	-	-	-	-	-

The source data used in the foregoing tables is provided on a self-reporting basis through completion of an electronic survey which asks participants to confirm their name, the most accurate description of their gender identity and their ethnicity. The "Our people" section of the Strategic Report contains the diversity disclosures required pursuant to section 414C of the Companies Act.

Focus for 2024

In accordance with its Terms of Reference, the Nomination Committee considered overall Board composition in advance of the 2023 AGM and the continuation (or otherwise) in office 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 the requisite deliberations, the Committee recommended to the Board that all Directors be put forward for annual election or re-election (as appropriate) by Shareholders. The Committee will go through a similar evaluation process in advance of the upcoming AGM and thereafter make its recommendations to the Board.

The search to identify suitable candidates to enhance the composition and diversity of the Board and Senior Management pool will remain an ongoing focus of the Committee throughout 2024, with a brief which takes into account not only the Group's broader EDI vision and FCA/ Group targets but also the need to ensure a robust and

diverse succession pipeline is in place throughout the organisation. The Nomination Committee recognises the importance of promoting a diverse and inclusive corporate culture within THG and takes seriously its commitment and responsibilities in this area.

On behalf of the Nomination Committee



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

9 April 2024



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 challenged and approved. The key objective is shareholder value protection."

Sue Farr

Chair of the Related Party Committee

Members and attendance

Committee member	Position	Attendance
Sue Farr	Chair ¹	3/3
Dean Moore	Member ²	4/4
Gillian Kent	Member ³	4/4
Helen Jones	Member ⁴	2/2
Damian Sanders	Former Chair ⁵	n/a

- Sue Farr was appointed as a member of the Related Party Committee upon her appointment to the Board on 24 April 2023 and, in her capacity as SID, assumed the position of Related Party Committee Chair with effect from 7 September 2023.
- Dean Moore was appointed as a member of the Related Party Committee upon his appointment to the Board on 15 September 2022 and, as interim SID, assumed the position of Interim Chair of the Related Party Committee on 24 January 2023 when Damian Sanders stepped down following his appointment as an Executive Director. Dean Moore thereafter stepped down as Interim Chair of the Related Party Committee, but remained as a member of the Committee, effective from 7 September 2023.
- Gillian Kent was appointed a member of the Related Party Committee on 24 January 2023.
- Helen Jones was appointed a member of the Related Party Committee on 21 July 2023.
- Damian Sanders stepped down as Related Party Committee Chair upon his appointment as an Executive Director on 24 January 2023.

I am delighted to introduce the Related Party Committee's Report for the 2023 financial year. Having been appointed as Committee Chair in September 2023, I would like to thank Dean Moore for assuming the role of Chair on an interim basis, and leading the Committee, in the period prior to my appointment. I would also like to take this opportunity to reaffirm that the necessary governance arrangements are in place which allow for the full and effective oversight of both existing and potential conflicts of interest; all Related Party Transactions are subject to robust evaluation prior to approval (or otherwise) and the Committee, established post-Admission to oversee and approve such arrangements, is committed to seeking to comply with the spirit of the Code and the principles of good corporate governance.

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 THG. As the Propco Group is wholly owned by Matthew Moulding, the CEO and a major shareholder in THG, the divestment was overseen and approved by the independent NEDs, holding office at that time, to ensure both actual and potential conflicts of interest arising from the Propco Transaction were properly managed and resolved. The lease arrangements which operated between the Propco Group and THG prior to the Propco Transaction were unchanged by the aforementioned divestment and continue to remain in place. Specific matters reviewed by the Related Party Committee in 2023, have been 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 aligns with this requirement and is set out in the preceding attendance table. As detailed above, I assumed the office of Committee Chair in September 2023, satisfying the requirement that the SID holds this position, and at the same time Dean Moore stepped down as Interim Chair, remaining as a Committee member. Helen Jones was appointed to the Committee as a member in July 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. Four meetings of the Committee took place during the reporting period. While only members are entitled to attend meetings of the Related Party Committee, others, including external advisers, may attend by invitation when considered necessary and appropriate.

Role and responsibilities

As detailed within its Terms of Reference, the principal function of the Related Party Committee is to oversee and approve (where appropriate) the terms of any Related Party Transaction, having regard to whether any such arrangement is fair, reasonable and in the best interests of the Group (including from the perspective of THG and shareholders). The Related Party Committee remains cognisant of the key role which it plays within THG's corporate governance infrastructure and, in making such an assessment, is required to ensure that any Related Party Transaction is conducted on standard commercial terms and on an arm's length basis.

While the general position is that a Related Party Transaction may not be authorised or implemented by the Board unless it has been positively recommended by the Related Party Committee, the Terms of Reference contain a carveout to this; specifically, if a transaction is deemed to be in the best interests of the Company and in respect of certain categories of Related Party Transactions, the Board may resolve that the Committee's views are not binding but are of a recommendatory nature. It is noted that no such action has been taken by the Board historically or within the current period.

Activities of the Related Party Committee

In addition to the ongoing oversight and approval (where appropriate) of Related Party Transactions, the Related Party Committee gave specific consideration to a number of other matters during the 2023 financial year, including the following items:

Capital expenditure

Capital expenditure incurred by THG on properties leased from the Propco Group is reviewed on a regular basis, with specific reference to the rationale for the spend incurred and the nature of the works completed, to ensure it is appropriate for a commercial tenant. The Committee concluded that the nature of the works and level of spend were appropriate for a commercial tenant.

Subleases

In line with the property portfolio restructure in the year, consent was sought from the Propco Group (as landlord) to sublet three properties that it currently leases from Propco Group to third parties at market rates and thus generating cash flow for the benefit of THG. The Related Party Committee challenged the proposed subleases to i) ensure they were in THG's best interests; and ii) confirm 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 that the arrangements were in the best interests of the Group and thereafter the Committee approved the subleases.

Management charge

Under the terms of an updated Master Services Agreement ("MSA") dated 14 April 2023, THG charge Propco Group for the provision of specified services. THG and Propco Group agreed to update the MSA in 2023 to reflect the evolution of services being provided by THG to Propco Group. The MSA was approved by the Related Party Committee in March 2023, at the same time it approved the charge for FY22.

Other items

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

The related party disclosures for H1 and within the consolidated financial statements of this Annual Report were reviewed and approved by the Committee.

On behalf of the Related Party Committee

Sue Farr
Chair of the Related Party Committee

9 April 2024

Sustainability Committee Report



“The Sustainability Committee plays a critical role in ensuring THG is delivering its Sustainability Strategy, THG x Planet Earth, and that it is appropriately woven into the strategies of the Group and the individual businesses. The Committee will continue to oversee future progress towards near and long-term targets to ensure THG creates value and opportunities for stakeholders across the Group’s value chain.”

Sue Farr
Chair of the Sustainability Committee

Members and attendance

Committee member	Position	Attendance
Sue Farr	Chair ¹	n/a
Mark Jones	Member ²	3/3
Steven Whitehead	Member ³	5/6
Philip Pratt	External Sustainability Adviser ⁴	6/6
Iain McDonald	Former Chair ⁵	6/6

1. Sue Farr was appointed Sustainability Committee Chair on 18 March 2024, following the announcement that Iain McDonald would step down as a Director on 31 March 2024.
 2. Mark Jones assumed membership of the Sustainability Committee upon his appointment as Group Chief Sustainability Officer on 19 June 2023.
 3. Steven Whitehead sits on the Sustainability Committee in his capacity as Group Commercial Director.
 4. Prior to his departure from the Company at the beginning of 2023, Philip Pratt sat on the Sustainability Committee in his capacity as Group 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.
 5. Iain McDonald stepped down as Sustainability Committee Chair on 18 March 2024, following the announcement that he would step down as a Director on 31 March 2024.

Welcome to the Sustainability Committee Report for the 2023 reporting period. As the recently appointed Chair of the Committee, I am pleased to report that during 2023 significant progress continued to be made under all three pillars of our 2030 Sustainability Strategy and, notably, the SBTi officially validated our climate-science aligned net-zero targets, reaffirming our commitment to achieving net-zero by 2040 and minimising our climate impact. Other notable milestones achieved during the year include:

- net-zero roadmaps and strategies developed and aligned to SBTi for the individual businesses;
- materiality assessment undertaken which led to a data-driven review with updates across THG x Planet Earth Goals and Targets;
- launch of our Partnership in Action (PACT) programme – aiming to work collaboratively with suppliers to decarbonise the supply chain;

- approval of HSE roadmap; and
- successful launch of the Social Impact Strategy and THG in the Community programme.

Composition and meetings

The Sustainability Committee’s Terms of Reference provide that the Committee will comprise a minimum of three members, at least one of whom will 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 while, collectively, the Committee must possess the competence relevant to the sectors in which the Company operates, individual members must also have the skills 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, Sue Farr, SID and Sustainability Committee Chair, Mark Jones, our Group Chief Sustainability Officer, Steven Whitehead, Group Commercial Director and Philip Pratt, former Chief Sustainability Officer and now an external sustainability adviser to the Committee. As previously detailed, Iain McDonald stood down from the Committee on 18 March 2024, following the announcement that he would stand down as a Director on 31 March 2024. Many thanks to Iain who has led and steered the Sustainability Committee over the years with great energy, passion, and distinction, and whose insights and engagement on the topic will be missed.

While the Terms of Reference require that at least three Sustainability Committee meetings must be held annually, and at such other times as the Sustainability Committee Chair may require, six scheduled meetings took place during 2023, reflecting the Group’s robust commitment to its sustainability-related initiatives and goals. Member attendance at these meetings is set out in the foregoing table. Although only Sustainability Committee members (and those entitled to be present as observers) have the right to attend meetings, external advisers may be invited when appropriate together with any other individuals whom the Committee considers necessary.

Role and responsibilities

The Terms of Reference of the Sustainability Committee narrate that its key function 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, including monitoring performance against the 2030 Sustainability Strategy and applicable ESG targets. In addition to reporting any material sustainability-related risks, identified and managed through the Group’s risk management process, to the Risk Committee, other specified duties of the Sustainability Committee include reviewing and monitoring:

- Senior Management’s assessment of the health, safety, security, environmental and social impacts resulting from the Group’s operations, with particular regard to impact on its employees, suppliers, contractors and host communities;
- the Group’s systems for compliance with applicable sustainability-related legal and regulatory requirements and its performance against such requirements; and
- the Group’s systems, strategies, policies and targets in relation to, amongst other things, emissions, energy and carbon management, climate change, waste and recycling, ensuring that they reflect best practice and global developments.

In discharging its duties the Sustainability Committee may seek independent professional advice on any matter it deems necessary and access other appropriate resources which it requires to function effectively, including support and assistance from Group Secretariat.

Activities of the Sustainability Committee

A summary of the key activities undertaken by the Sustainability Committee during the 2023 financial year is as follows:

- sustainability-linked remuneration targets for the Executive Leadership Team remitted to the Remuneration Committee for approval;
- review of the Group’s progress in respect of THG x Planet Earth Goals and Targets;
- sustainability materiality assessment review of process and results;
- principal risks reviewed and recommended to the Risk Committee for approval;
- modern slavery statement and environmental policy review and approval;
- update to Group Sustainability Team restructure including functions and scope;
- packaging roadmap for the individual businesses and strategy review and approval;
- net-zero carbon roadmap for the individual businesses and strategy review and approval;
- review of people and engagement survey, including launch of social impact initiatives; and
- HSE review and progress update.

Focus for 2024

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

- oversee and make recommendations to the Executive Leadership Team and Board for appropriate actions to be taken in respect of the Group’s sustainability, compliance and human rights’ strategies, policies, programmes, and activities;
- monitor and review progress relating to CSRD (Corporate Sustainability Reporting Directive), seeking to understand potential risks and uncertainties based on outcomes of the double materiality assessment;
- undertake the bi-annual review of the 2030 Sustainability Strategy, goals, and targets;
- provide updates on the progress to PACT and wider efforts of supply chain sustainability;
- monitor and review progress relating to TNFD (Taskforce on Nature-related Financial Disclosures), seeking to understand potential risks and uncertainties based on outcomes of the scenario analysis; and
- oversee and make recommendations for actions to be taken in respect of the Group’s sustainability strategy.

On behalf of the Sustainability Committee

Sue Farr
Chair of the Sustainability Committee

9 April 2024

Directors' Remuneration Report



"The Remuneration Committee has been kept closely informed of the Group's performance, in line with its commitment to align remuneration with the creation of Shareholder value, while ensuring our leadership team is appropriately motivated and incentivised to deliver long-term, sustainable growth for all stakeholders."

Helen Jones
Chair of the Remuneration Committee

Members and attendance

Committee member	Position	Attendance
Helen Jones	Chair ¹	1/1
Dean Moore	Member ²	2/2
Gillian Kent	Member ³	2/2
Sue Farr	Member ⁴	1/1
Iain McDonald	Former Member ⁵	1/1
Damian Sanders	Former Member ⁶	n/a

1. Helen Jones was appointed as a member of the Remuneration Committee on 21 July 2023 and subsequently as Remuneration Committee Chair on 8 December 2023.
 2. Dean Moore was appointed as Remuneration Committee Chair upon his appointment to the Board on 15 September 2022. He stepped down from this position, remaining as a member of the Committee, upon Helen Jones' appointment on 8 December 2023.
 3. 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.
 4. Sue Farr was appointed as a member of the Remuneration Committee on 21 July 2023.
 5. Iain McDonald stepped down as a member of the Remuneration Committee on 21 June 2023, subsequently stepping down from the Board on 31 March 2024.
 6. Damian Sanders stepped down as a member of the Remuneration Committee upon his appointment as an Executive Director on 24 January 2023.

As the recently appointed Chair of the Remuneration Committee, I would like to welcome you to the Directors' Remuneration Report for the 2023 financial year and thank Dean Moore for leading the Committee so ably in the period prior to my appointment. Dean remains a valued member of the Committee, and continues in his role as Audit Committee Chair.

I am fortunate to have served as remuneration committee chair at a number of listed companies, and, since the date of my appointment, have sought to develop a deeper understanding of the approach to remuneration at THG. I intend to use my experience to determine how I can best lead the Committee going forward, with a focus on promoting good practice approaches to remuneration corporate

governance and market alignment in the context of a competitive environment where attracting and retaining talent remains challenging.

THG's performance during 2023 was resilient in the context of the headwinds which the Group faced, including the high inflation global environment. The Remuneration Committee has been kept closely informed of the Group's performance, in line with our commitment to align remuneration with the creation of Shareholder value and thus ensure our leadership team is appropriately motivated and incentivised to deliver long-term, sustainable growth for all Shareholders.

We have also continued to monitor key trends in executive and wider workforce remuneration throughout 2023 and, in

particular, responses to the cost of living challenges faced by employees. THG has implemented a number of initiatives in this regard, including the introduction of certain subsidised staff services (including subsidised bus travel) and free lunches for certain members of the workforce (including apprentices). The Remuneration Committee has also noted the industry-wide discussions which have taken place throughout the year regarding the international competitiveness of UK pay structures and the ability to compete in the international talent market.

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, further details on which follow and which will be put to a binding Shareholder vote at the forthcoming AGM; and
- the Annual Report on Remuneration which details payments made to Directors during 2023 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. In satisfaction of these provisions and as at the date of last year's Directors' Remuneration Report, Remuneration Committee membership comprised Dean Moore, an independent NED, as Remuneration Committee Chair, Gillian Kent, also an independent NED, and non-independent NED Iain McDonald. While recognising the Code's position that only independent non-executive directors should sit on a company's remuneration committee, the Board considered that it would not be in the best interests of the Company and its stakeholders for Iain McDonald to step down from membership of the Committee in the short term in light of both his extensive remuneration experience and the fact that only two independent NEDs, Gillian Kent and Dean Moore, were appointed to the Board at that time. While Damian Sanders, a former independent NED, had also been a member of the Committee, he stepped down from this position (and from all other Board Committees) upon his appointment as an Executive Director in January 2023.

However, in last year's Report we committed to keep the matter under ongoing review, having regard to, for example, the timing and independence of future Board appointees. Consequently, Iain McDonald stepped down from the Committee in June 2023 and new independent NEDs, Sue Farr and Helen Jones, were appointed as Remuneration Committee

members in July 2023, with Helen Jones subsequently being appointed as Remuneration Committee Chair in December 2023. As at 31 December 2023 and at the date of this Report, Remuneration Committee membership aligned with the applicable Code Provision and now comprises four independent NEDs (as detailed in the foregoing table).

In satisfaction of the Terms of Reference, the Remuneration Committee met on two occasions during 2023, with member attendance also set out in the foregoing table. While only Committee members are entitled to attend Committee meetings, others, such as Senior Management and external advisers, may attend by invitation as and when considered appropriate, as was the case during 2023. No Director is present during a decision relating to their own remuneration.

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 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.

The current Remuneration Policy (as originally approved by Shareholders at the 2021 AGM, with subsequent amendments approved by Shareholders at the 2022 AGM) has a three-year term, and the Committee is therefore due to present a Remuneration Policy for Shareholder approval at the forthcoming AGM. The Committee has reviewed the current Remuneration Policy and concluded that it remains fit for purpose, subject to minor amendments to allow additional flexibility and ensure market alignment. We are therefore proposing to roll forward the current Remuneration Policy for Shareholder approval at the forthcoming AGM.

2023 remuneration outcomes

No salary increases were awarded to the Executive Directors during the 2023 financial year and, as was the case in 2021 and 2022, 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.

The Remuneration Committee operated the Remuneration Policy broadly as intended during 2023, with the exception that no performance-related pay awards were made in 2023. In light of the global macro-economic environment and the cost of living challenges faced by many employees and consumers, all Executive Directors opted to waive their entitlement to participate in the 2023 annual bonus plan.

The introduction of a LTIP for Executive Directors (excluding Matthew Moulding) was approved by Shareholders at the 2022 AGM, although no awards were made in 2022. Following ongoing transactions and restructuring, the Committee agreed during 2023 that it would not grant any awards until it had greater certainty and clarity surrounding the future shape of the business which, in turn, would ensure that it was in a position to set robust and meaningful targets. This process, alongside my appointment as Remuneration Committee Chair in December 2023, resulted in the Committee deciding to delay LTIP grants in respect of the 2023 financial year until March 2024, as considered in further detail within this Report.

No discretion was exercised by the Committee during the 2023 financial year in respect of the above remuneration outcomes, and no Director was involved in deciding their own remuneration outcome.

Remuneration for 2024

The Remuneration Committee intends to implement the Remuneration Policy during 2024 as follows:

Base salary

While the Remuneration Committee initially proposed a salary increase for the Executive Directors in line with the wider workforce, the Executive Directors informed the Committee that they would forego any proposed salary increase for 2024 (as was also the case in 2021, 2022 and 2023).

Annual bonus

In line with the Remuneration Policy, annual bonus awards will be granted with a maximum opportunity of 100% of base salary for each of the Executive Directors.

The measures and weightings for the 2024 bonus awards for Matthew Moulding and Damian Sanders will be:

- Group Sales (continuing) (35%);
- Adjusted EBITDA (continuing) (35%); and
- Free Cash Flow (30%).

The measures and weightings for John Gallemore's 2024 bonus award will be:

- Group Sales (continuing) (30%);
- Adjusted EBITDA (continuing) (30%);
- Free Cash Flow (20%); and
- Operational objectives relating to Adjusted Distribution Costs (20%).

John Gallemore was appointed to the newly created, stand-alone role of COO at the beginning of 2023, a role which is viewed as integral in developing and driving THG's global fulfilment footprint, evolving the Group's commercial and operating models and continuing to reduce distribution costs. Noting the specific nature of this position, it was therefore considered appropriate to vary the measures and weightings applicable to John Gallemore's 2024 bonus award on the basis detailed above.

While ESG metrics previously featured within the annual bonus assessment, the Committee feels that, given the longer-term ambition of the Group's ESG goals, this metric would be better aligned with the LTIP time horizon. Further details are outlined in the LTIP section which follows.

LTIP

As previously mentioned, when I joined the Remuneration Committee it was important for me to ensure that we were able to set meaningful and robust LTIP targets, and we therefore postponed granting a 2023 LTIP award until earlier this year.

On 7 March we granted LTIP awards of 250% of base salary to each of John Gallemore and Damian Sanders, linked to relative TSR (80%) and a stretching ESG target (20%). The details of these awards are set out within the "Implementation of Remuneration Policy for the 2024 financial year" section of this Report. Relative TSR was chosen as a key financial metric due to its inherent alignment with the creation of long-term Shareholder value. As previously noted, assessment of progress versus ESG strategic priorities will take place within the LTIP going forward, where rigorous three-year targets can be determined.

From 2024 we intend to grant annual awards on a normal cycle, typically following the Company's annual general meeting.

In line with the current Remuneration Policy (proposed to be rolled forward for Shareholder approval at the forthcoming AGM), the Remuneration Committee intends to grant awards of 250% of base salary to each of John Gallemore and Damian Sanders under the LTIP during 2024. 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. While no direct workforce engagement took place during the 2023 financial year on Executive Director remuneration specifically, the implementation of a LTIP for Executive Directors is aligned with the approach across the wider business which has broad equity-based incentive plans in place. 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 during 2023 sought to enhance the level of remuneration-specific engagement via the annual 'b-Heard Survey' (the "Survey"). The Survey was run by a workforce engagement specialist and provided employees globally with the opportunity to feed back on all aspects of life

at THG, including pay and benefits, on an anonymous basis. While the Survey results continue to be interrogated to ensure full use is made of the insights generated, they will be used to help shape and inform future workforce engagement initiatives and strategies, including remuneration-related, across the Group.

AGM

I very much look forward to meeting with Shareholders at the forthcoming AGM to discuss any queries or comments on the proposed roll forward of the current Remuneration Policy, this Directors' Remuneration Report or on Group remuneration matters more generally. If Shareholders have any concerns or questions that they would like to discuss prior to the AGM, I can be contacted via the Company Secretary.

On behalf of the Remuneration Committee



Helen Jones
Chair of the Remuneration Committee

9 April 2024

Remuneration Policy

Introduction

As previously detailed, the Remuneration Committee has reviewed the current Remuneration Policy (as originally approved by Shareholders at the 2021 AGM, with subsequent amendments approved by Shareholders at the 2022 AGM) and concluded that it remains fit for purpose, subject to minor amendments to allow additional flexibility and ensure market alignment. It is therefore proposed that the current Remuneration Policy is rolled forward for Shareholder approval at the forthcoming AGM. This section details the Remuneration Policy which will be put to a binding Shareholder vote at the AGM.

The Remuneration Committee has designed the Remuneration Policy to reflect the following six pillars:

Clarity:

The Remuneration Committee believes that the disclosure of the remuneration arrangements is transparent, with clear rationale provided on their maintenance and any changes to the Remuneration Policy. The Remuneration Committee remains committed to consulting with Shareholders on both the Remuneration Policy and its implementation.

Simplicity:

The Remuneration Policy and the Remuneration Committee's approach to implementation is simple and well understood. The performance measures used in the incentive plans are well-aligned to the Group's strategy.

Risk:

The Remuneration Committee has ensured that remuneration arrangements do not encourage and reward excessive risk taking by setting targets to be stretching and achievable, with discretion to adjust formulaic outcomes under both the annual bonus and new LTIP.

Predictability and proportionality:

The linkage of the performance measures to strategy and the setting of targets balances predictability and proportionality by ensuring outcomes do not reward poor performance.

Culture:

The Remuneration Policy is consistent with the Group's culture as well as strategy, therefore driving behaviours that promote the long-term success of the Group for the benefit of all stakeholders.

Remuneration Policy table

The following table sets out each element of remuneration and details how they support the Company's short and long-term strategic objectives. For the avoidance of doubt, the overall structure of the Remuneration Policy is unchanged from the current Remuneration Policy (as originally approved by Shareholders at the 2021 AGM, with subsequent amendments approved by Shareholders at the 2022 AGM), subject to minor amendments to allow additional flexibility and ensure market alignment (including clarifying the application of Damian Sanders' shareholding requirement).

Component and objective	Operation	Opportunity	Performance measures
<p>Base salary</p> <p>To enable the Group to attract, motivate and retain the people it needs to maximise the value of the business</p>	<p>Generally reviewed each year, with increases effective 1 January.</p> <p>Salary levels take account of:</p> <ul style="list-style-type: none"> 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. <p>There is no fixed maximum.</p>	<p>Salaries in respect of the year under review (and for the following year) are disclosed in the Annual Report on Remuneration.</p> <p>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).</p>	n/a
<p>Pension</p> <p>To provide a level of retirement benefit that is competitive in the relevant market</p>	<p>Executive Directors receive pension contributions either as a direct payment or a cash allowance.</p> <p>Base salary is the only element of remuneration that is pensionable.</p>	<p>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.</p> <p>Pensionable salary is determined in line with the approach taken for the wider workforce which is currently in line with auto-enrolment levels.</p>	n/a
<p>Benefits</p> <p>To provide a level of benefits that is in line with relevant market practice</p>	<p>Executive Directors receive benefits set at an appropriate level taking into account total remuneration, market practice, the benefits provided to other employees in the Group and individual circumstances. This may include, but is not limited to, medical insurance benefits, permanent health insurance and life assurance.</p> <p>The Remuneration Committee reserves the right to introduce other benefits (e.g. in the case that this is necessary to attract and/or retain key Executive Directors).</p> <p>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.</p>	<p>Benefits may vary by role and the level is determined each year to be appropriate for the role and circumstances of individual Executive Directors.</p> <p>Whilst the Remuneration Committee has not set an absolute maximum on the level of benefits Executive Directors may receive, the value of benefits is set at a level which the Committee considers to be appropriately positioned taking into account relevant market levels based on the nature and location of the role, the level of benefits provided for other employees in the Group and individual circumstances.</p> <p>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 outside the Group's control have changed materially (e.g. market increases in insurance costs).</p>	n/a
<p>Annual bonus</p> <p>To focus Executive Directors on achieving demanding annual targets relating to Group performance</p>	<p>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.</p> <p>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.</p> <p>A payment equivalent to the dividends that would have accrued on deferred bonus awards that vest may be made to participants on vesting.</p>	<p>Maximum opportunity: 200% of base salary (with 50% deferred into Ordinary Shares vesting after three years).</p> <p>Target opportunity: 50% of maximum opportunity.</p> <p>Threshold opportunity: at most, 25% of maximum opportunity.</p> <p>Matthew Moulding and John Gallemore will have a reduced opportunity of 100% of salary which will be payable fully in cash.</p>	<p>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.</p> <p>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.</p> <p>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.</p>

Component and objective	Operation	Opportunity	Performance measures
<p>LTIP</p> <p>To incentivise Executive Directors while providing alignment with Shareholder interests</p>	<p>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.</p> <p>A further two-year holding period will apply post vesting.</p> <p>The Remuneration Committee may award dividend equivalents on awards to the extent that these vest.</p> <p>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.</p>	<p>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.</p> <p>Matthew Moulding will not be eligible to participate in the LTIP.</p>	<p>The majority of the awards will be based on financial metrics, with the balance based on strategic metrics.</p> <p>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.</p> <p>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.</p>
<p>Shareholding requirement</p> <p>To align Executive Director and Shareholder interests and reinforce long-term decision making, including for a period following cessation of employment</p>	<p>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.</p> <p>All other 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.</p> <p>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 all other Executive Directors (or full actual holding if lower).</p>	n/a	n/a
<p>Chair and NED fees</p> <p>To attract and retain NEDs of the highest calibre with broad commercial experience relevant to the Group</p>	<p>NEDs are paid a basic annual fee. Additional fees may be paid to NEDs who chair a Board Committee and/or who sit on a Board Committee to reflect additional responsibilities.</p> <p>The fees paid to NEDs are determined by the Board and may be paid in a mix of cash and Ordinary Shares.</p> <p>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.</p>	<p>Fee increases will be applied considering the outcome of the review.</p> <p>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.</p>	n/a

Recruitment policy

External appointments

In cases of hiring or appointing a new Executive Director from outside the Group, the Remuneration Committee may make use of all existing components of remuneration as follows:

Component	Policy
Base salary	<p>The base salaries of new appointees will be determined by reference to relevant market data, experience and skills of the individual, internal relativities and the current salary of the incumbent in the role.</p> <p>Where a new appointee has an initial base salary set below market, the Remuneration Committee may make phased increases which are above the average employee rate, subject to the individual's development and performance in the role.</p>
Benefits	<p>As set out in the Remuneration Policy table, benefits may include (but are not limited to) the provision of medical insurance benefits, permanent health insurance and life assurance, and any necessary expatriation allowances or expenses relating to an Executive Director's relocation.</p>
Pension	<p>New appointees will receive pension contributions in line with the wider workforce at the time.</p>
Annual bonus	<p>The bonus structure described in the Remuneration Policy table will apply to new appointees.</p> <p>The maximum opportunity will be 200% of salary, pro-rated in the year of joining to reflect the proportion of that year employed.</p> <p>Performance measures may include financial and non-financial performance targets, tailored to the individual in the financial year of joining and with at least 50% of the total opportunity being based on financial performance.</p> <p>At least 50% of any bonus earned will be subject to three-year deferral.</p>
LTIP	<p>The LTIP described in the Remuneration Policy table will apply to new appointees.</p> <p>The maximum opportunity will normally be 250% of salary but in exceptional circumstances, such as to secure an external appointment or in specific retention scenarios, an award of up to 300% of base salary may be made.</p> <p>Performance measures may include financial and strategic objectives, with the majority of the award being based on financial performance.</p> <p>Awards will vest at the end of a three-year period subject to continued employment and satisfaction of the performance conditions. A further two-year holding period will apply post vesting.</p>
Maximum variable remuneration	<p>The maximum variable remuneration which may be granted will be in line with the Remuneration Policy which allows for variable remuneration of up to 500% of salary i.e. the maximum annual bonus and the exceptional maximum LTIP opportunity.</p>
"Buyout" of incentives forfeited on cessation of employment	<p>Where the Remuneration Committee determines that the individual circumstances of recruitment justify the provision of a buyout, the equivalent value of any incentives that will be forfeited on cessation of an Executive Director's previous employment will be calculated considering the following:</p> <ul style="list-style-type: none"> – the proportion of incentive awards forfeited upon the Executive Director's cessation of employment; – the performance conditions attached to the vesting of these incentives and the likelihood of them being satisfied; and – any other terms and conditions having a material effect on their value ("lapsed value"). <p>The Remuneration Committee may then grant up to the same value as the lapsed value, where possible, under the Group's incentive plans. To the extent that it is not possible or practical to provide the buyout within the terms of the Group's existing incentive plans, a bespoke arrangement will be used.</p>

In determining the appropriate remuneration structure and level for the appointee, the Remuneration Committee will take into consideration all relevant factors to ensure that arrangements are in the best interests of Shareholders.

The Company's policy when setting fees for the appointment of new NEDs is to apply the Remuneration Policy which applies to current NEDs. In recruiting a new NED, the Remuneration Committee will use the Remuneration Policy as set out in the preceding table. A base fee in line with the prevailing fee schedule would be payable for serving as a Director, with additional fees payable for chairing and/or membership of Board Committees.

Notes to the Remuneration Policy table

Changes from current Remuneration Policy

The Remuneration Committee concluded that the existing Remuneration Policy (as originally approved by Shareholders at the 2021 AGM, with subsequent amendments approved by Shareholders at the 2022 AGM) remains appropriate at the current time. Therefore, the existing Remuneration Policy is rolled forward for approval with:

- updates to the wording on Benefits for Executive Directors, in order to allow additional flexibility;
- update to allow greater flexibility for all Executive Directors to receive some or all of any bonus payments directly rather than being waived in lieu of a charitable donation; and
- minor wording clarifications on how Executive Directors, other than Matthew Moulding and John Gallemore, are referred to, reflecting Damian Sanders' position as CFO.

Payments from previous awards

For the avoidance of doubt, any remuneration payments and/or payments for loss of office made under legacy arrangements prior to the approval of the roll forward Remuneration Policy at the forthcoming AGM may be paid out. For these purposes, "payments" include the satisfaction of an award of variable remuneration where the terms of the award are agreed at the time the award is granted.

Performance measure selection and approach to target setting

The measures used in the annual bonus and LTIP will be selected by the Remuneration Committee to directly reinforce the Group's medium to long-term, growth-orientated strategy (with details of the measures selected for use in the annual bonus and LTIP for the year in review and for the coming year set out in the Annual Report on Remuneration). Targets applying to incentives are reviewed annually, based on a number of internal and external reference points. Annual bonus targets are aligned with the annual budget agreed by the Board. Where annual bonus targets are commercially sensitive, they will be disclosed retrospectively in the next year's Annual Report on Remuneration. Targets for LTIP awards (where possible) will be disclosed prior to the time awards are made in the forward-looking section of the Directors' Remuneration Report.

Internal promotion to the Board

In cases of appointing a new Executive Director by way of internal promotion, the Remuneration Policy will be consistent with that for external appointees detailed in the preceding table (excluding the flexibility to make "buyout" or one-off recruitment awards). Where an individual has contractual commitments made prior to their promotion to the Board and it is agreed that a commitment is to continue, the Company will continue to honour these arrangements even if there are instances where they would not otherwise be consistent with the prevailing Remuneration Policy at the time of promotion.

Service contracts

Executive Directors have signed rolling contracts, terminable on 12 months' written notice by either the Company or the Director.

While NEDs are appointed for an initial three-year fixed term they may be invited by the Company to serve for a further period or periods, conditional, at all times, upon satisfactory performance and annual re-election by Shareholders. With the exception of the Independent Chair and the SID, where six and three months' written notice is, respectively, required, a NED's appointment may be terminated at any time by either party giving the other one month's written notice (or payment of fees in lieu of notice) or in accordance with the Articles of Association.

Details of NEDs' terms and notice periods are as follows:

NED	Original date of appointment ¹	Notice period
Charles Allen	22 March 2022	6 months
Sue Farr	24 April 2023	3 months
Edward Koopman	3 May 2016	1 month
Gillian Kent	15 September 2022	1 month
Dean Moore	15 September 2022	1 month
Helen Jones	21 June 2023	1 month

1. Edward Koopman is the only NED who was appointed pre Admission. He was re-appointed under the terms of a new Letter of Appointment commencing on Admission.

Payment for loss of office

The Remuneration Committee's policy for Directors' termination payments is to provide only what would normally be due to Directors had they remained in employment in respect of the relevant notice period, and not go beyond their normal contractual entitlements. Any incentive arrangements will be dealt with subject to the relevant rules, with any discretion exercised by the Remuneration Committee on a case-by-case basis considering the circumstances of the termination. Termination payments will also take into account any statutory entitlement at the appropriate level, to be considered by the Remuneration Committee on the same basis. The Remuneration Committee will monitor and, where appropriate, enforce the Director's duty to mitigate loss. When the Remuneration Committee believes that it is essential to protect the Group's interests, additional arrangements may be entered into on appropriate terms e.g. post-termination protections, above and beyond those in the contract of employment.

Executive Directors are permitted to take up non-executive positions on the boards of other companies, subject to the prior approval of the Board.

Under the service contracts of each Executive Director, the Group has the discretion to terminate the employment lawfully without any notice by paying to the Director a sum equal to, but no more than, the salary and other contractual benefits of the Director. The payment would be in respect of that part of the period of notice which the Director has not worked, less any appropriate tax and other statutory deductions.

The Director would be entitled to any holiday pay which may otherwise have accrued in what would have been the notice period. The Group may pay any sums due under these pay in lieu of notice provisions as one lump sum or in instalments of what would have been the notice period. If the Group elects to pay in instalments, the Director is under an express contractual duty to mitigate their losses and to disclose any third party income they have received or are due to receive. The Group reserves the right to reduce the amount of the instalments by the amount of such income. The Remuneration Committee would expect to include similar pay in lieu of notice provisions in any future Executive Director's service contract.

Further, if the Director's employment is terminated for whatever reason, they agree, pursuant to the terms of their service contract, that they are not entitled to any damages or compensation to recompense them for the loss or diminution in value of any actual or prospective rights, benefits or expectations under, or in relation to, discretionary incentive schemes. This is without prejudice to any of the rights, benefits or entitlements which may have accrued to the Director under such arrangements at the termination of employment. When considering compensation for loss of office, the Remuneration Committee will always seek to minimise the cost to the Group while applying the following philosophy:

Remuneration element **Treatment on cessation of employment**

General
The Remuneration Committee will honour Executive Directors' contractual entitlements. Service contracts do not contain liquidated damages clauses. If a contract is to be terminated, the Remuneration Committee will determine such mitigation as it considers fair and reasonable in each case. There are no contractual arrangements that would guarantee a pension with limited or no abatement on severance or early retirement. There is no agreement between THG and its Directors or employees providing for compensation for loss of office or employment that occurs because of a takeover bid. The Remuneration Committee reserves the right to make additional payments where such payments are made in good faith in discharge of an existing legal obligation (or by way of damages for breach of such an obligation) or by way of settlement or compromise of any claim arising in connection with the termination of an Executive Director's office or employment.

Salary, benefits and pensions
These will be paid over the notice period. The Group has discretion to make a lump sum payment in lieu.

Cash element of bonus
Good leaver reason
Good leaver reasons will include death, injury, disability, retirement and other reasons at the discretion of the Remuneration Committee.
Performance conditions will be measured at the bonus measurement date. Bonus will normally be pro-rated for the period worked during the financial year in question.
Other reason
No bonus payable for the financial year of cessation.
The Remuneration Committee has the following elements of discretion:
• To determine that an Executive Director is a good leaver. It is the Remuneration Committee's intention to only use this discretion in circumstances where there is an appropriate business case which will be explained in full to Shareholders.
• To determine whether to pro-rate the bonus to time. The Remuneration Committee's normal policy is that it will pro-rate bonus for time. It is the Remuneration Committee's intention to use discretion to not pro-rate in circumstances where there is an appropriate business case which will be explained in full to Shareholders.

Deferred element of bonus
Good leaver reason
Good leaver reasons will include death, injury, disability, retirement and other reasons at the discretion of the Remuneration Committee.
All subsisting deferred Share awards will vest.
Other reason
Lapse of any unvested deferred Share awards.
The Remuneration Committee has the following elements of discretion:
• To determine that an Executive Director is a good leaver. It is the Remuneration Committee's intention to only use this discretion in circumstances where there is an appropriate business case which will be explained in full to Shareholders.
• To vest deferred Shares at the end of the original deferral period or at the date of cessation. The Remuneration Committee will make this determination depending on the type of good leaver reason resulting in the cessation.
• To determine whether to time pro-rate the maximum number of Shares from the date of grant to the date of cessation. The Remuneration Committee's normal policy is that it will not pro-rate awards for time. The Remuneration Committee will determine whether or not to pro-rate based on the circumstances of the Executive Director's departure.

Unvested LTIP awards
Good leaver reason
Good leaver reasons will include death, injury, disability, retirement and other reasons at the discretion of the Remuneration Committee.
Unvested LTIP awards will be pro-rated to time and performance.
Other reason
Lapse of any unvested LTIP awards.
The Remuneration Committee has the following elements of discretion:
• To determine that an Executive Director is a good leaver. It is the Remuneration Committee's intention to only use this discretion in circumstances where there is an appropriate business case which will be explained in full to Shareholders.
• To time pro-rate the maximum number of Shares from the date of grant to the date of cessation. The Remuneration Committee's policy is generally to pro-rate to time. It is the Remuneration Committee's intention to only use this discretion to not pro-rate in circumstances where there is an appropriate business case which will be explained in full to Shareholders.
• To reduce the level of vesting of an award from the formulaic level of vesting if, in the opinion of the Board, the performance of the Executive Director or the Company justifies such a reduction.
• The post-vesting holding period for LTIP awards will continue to apply irrespective of employment status unless the Remuneration Committee, in exceptional circumstances, determines otherwise.

Post-cessation shareholding requirement
Upon departure, Executive Directors will be required to retain 100% of their shareholding requirement for a period of two-years post-cessation.

Change of control

The Remuneration Committee's policy on the vesting of incentives on a change of control is summarised as follows:

Remuneration element	Treatment on change of control	Discretion
Annual bonus	Pro-rated to time and performance to the date of the change of control.	The Remuneration Committee has discretion to continue the operation of the bonus scheme to the end of the bonus year.
LTIP	The number of Shares, subject to subsisting LTIP awards vesting on a change of control, will be pro-rated to time and performance to the date of the change of control.	The Remuneration Committee retains absolute discretion regarding the proportion vesting, taking into account time and performance. There is a presumption that the Remuneration Committee will pro-rate to time. The Remuneration Committee will only waive prorating in exceptional circumstances where it views the change of control as an event which has provided a material enhanced value to Shareholders and which will be fully explained to Shareholders. In all cases the relevant performance conditions must be satisfied.



Performance scenario charts

The following charts illustrate the remuneration that would be paid to each of the Executive Directors on a forward-looking basis pursuant to the Remuneration Policy and under the following performance scenarios: (i) minimum; (ii) on-target; (iii) maximum; and (iv) maximum with 50% Ordinary Share price appreciation. The elements of remuneration have been categorised into three components: (i) fixed; (ii) annual bonus; and (iii) LTIP, with the assumptions set out below:

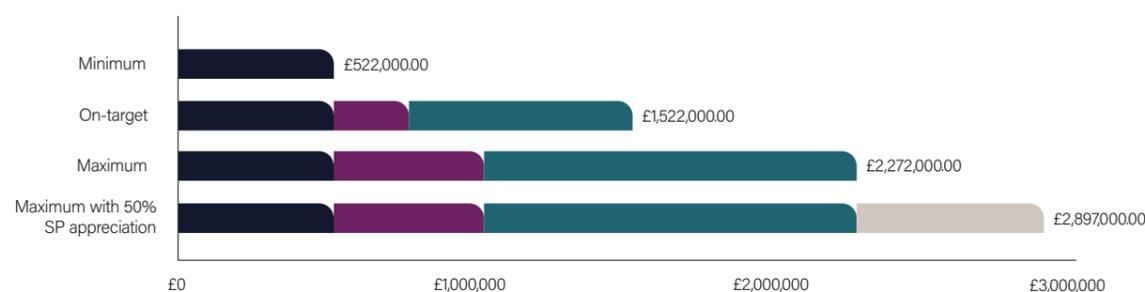
Element	Description	Minimum	On-target	Maximum
Fixed	Salary, benefits and pension	Included in full	Included in full	Included in full
Annual bonus	Annual bonus awards	No variable pay	Payout of 50% of the maximum bonus	Full payout of the maximum bonus
LTIP	Awards under the LTIP	No variable pay	Vesting of 50% of the maximum award	Full vesting of the maximum award

Please note that dividend equivalents have not been added to LTIP awards for the purpose of the following illustration.

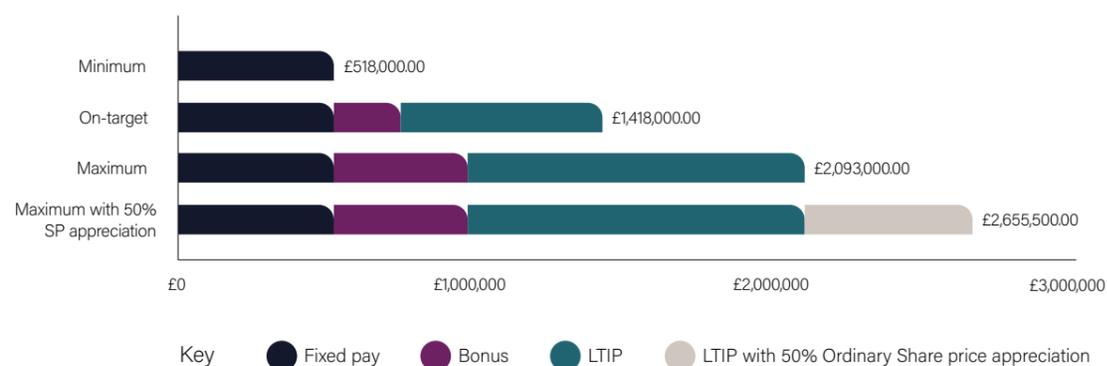
CEO - Matthew Moulding



CFO - Damian Sanders



COO - John Gallemore



The potential opportunities illustrated are based on the Remuneration Policy applied to the base salary for the 2024 financial year. For the annual bonus, the amounts illustrated are those potentially receivable in respect of performance for the year to 31 December 2024.

Matthew Moulding will not participate in any future long-term incentive arrangements under the Remuneration Policy.

Differences in Remuneration Policy for other employees

The remuneration policy for other Group employees is based on broadly consistent principles as described above. Annual salary reviews across the Group take into account Group performance, local pay and market conditions and salary levels for similar roles in comparable companies.

The Group operates an annual bonus scheme for many of its employees and operates equity-based awards for the Executive Leadership Team and other key employees. Opportunities and performance measures vary by organisational level, geographical region and an individual's role.

Consideration of employment conditions elsewhere in the Group

Prior to annually reviewing the remuneration of the Executive Directors, the Remuneration Committee considers base pay and share scheme practices across the Group. THG aims to provide a remuneration package for all employees that is market competitive and operates pension provisions which are provided on the same basis to Executive Directors and employees alike. In addition, any salary increases for Executive Directors are expected to be generally in line with those for UK-based employees.

The Group seeks to promote and maintain good relations with employees and, where relevant, their representative bodies as part of its broader employee engagement strategy and intends to continue to improve remuneration-specific engagement over the course of 2024.

Consideration of Shareholder views

The Remuneration Committee will consider all Shareholder views received, whether as part of a formal consultation or at the Company's annual general meeting, together with guidance from Shareholder representative bodies more broadly. The Remuneration Committee will consult with Shareholders before making any significant changes to the Remuneration Policy.

Discretion of Remuneration Committee

The Remuneration Committee has discretion in several areas of the Remuneration Policy, as previously detailed. The Remuneration Committee may also exercise operational and administrative discretions under relevant plan rules approved by Shareholders and as set out in those rules. In addition, the Remuneration Committee has the discretion to amend the Remuneration Policy with regard to minor or administrative matters where, in the opinion of the Remuneration Committee, it would be disproportionate to seek or await Shareholder feedback.

Annual Report on Remuneration

This section covers the reporting period from 1 January 2023 to 31 December 2023 and provides details of the implementation of the Remuneration Policy during the period, as well as the intended implementation during the current 2024 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 2023, together with comparative figures for the financial year to 31 December 2022. 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	2023	23	6	0	29	0	0	0	0	29
	2022	21	12	0	33	0	0	0	0	33
John Gallemore	2023	450	5	1	456	0	0	0	0	456
	2022	235	5	1	241	0	0	0	0	241
Damian Sanders ²	2023	470	7	0	477	0	0	0	0	477
	2022	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
NEDs										
Charles Allen ³	2023	397	0	0	397	0	0	0	0	397
	2022	328	0	0	328	0	0	0	0	328
Edward Koopman	2023	34	0	0	34	0	0	0	0	34
	2022	36	0	0	36	0	0	0	0	36
Iain McDonald ⁴	2023	53	0	0	53	0	0	0	0	53
	2022	58	0	0	58	0	0	0	0	58
Gillian Kent ³	2023	99	0	0	99	0	0	0	0	99
	2022	30	0	0	30	0	0	0	0	30
Dean Moore ³	2023	102	0	0	102	0	0	0	0	102
	2022	30	0	0	30	0	0	0	0	30
Sue Farr ⁵	2023	74	0	0	74	0	0	0	0	74
	2022	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Helen Jones ⁵	2023	47	0	0	47	0	0	0	0	47
	2022	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Former NEDs										
Damian Sanders ²	2023	37	0	0	37	0	0	0	0	37
	2022	157	0	0	157	0	0	0	0	157

- From Admission and subject to minimum statutory limits, Matthew Moulding has elected to waive his salary. John Gallemore elected 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 2022, the salaries waived by Matthew Moulding and John Gallemore were £729,331 and £214,328 respectively. For the financial year ending 31 December 2023, the salary waived by Matthew Moulding was £727,480. For the financial year ending 31 December 2023, 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 2022.
- Damian Sanders held the position of NED during the 2022 reporting period and until he was appointed as CFO on 24 January 2023. His 2023 remuneration has therefore been split between the relevant periods of service in each role, with each element pro-rated to reflect his position as NED from 1 January 2023 to 23 January 2023 and subsequent position as CFO from 24 January 2023 to 31 December 2023. For the financial year ending 31 December 2023, Damian Sanders waived his entitlement to participate in the annual bonus plan.
- 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.
- Iain McDonald stepped down from the Board on 31 March 2024.
- The figures for the 2023 reporting period have been pro-rated to reflect the appointments of Sue Farr and Helen Jones to the Board from, respectively, 24 April 2023 and 21 June 2023.

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 a similar size and/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 2023 reporting period. As such, at 31 December 2023 salary levels were as follows:

- Matthew Moulding: £750,000;
- Damian Sanders: £500,000; and
- John Gallemore: £450,000.

As previously stated, Matthew Moulding waived as much as was legally permissible of his base salary during 2023 in return for the Group making a charitable donation to The Moulding Foundation of a similar value. For the financial year ending 31 December 2023, the salary waived by Matthew Moulding was £727,480.

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 2023 financial year, £488, £294 and £1,321 were paid into the personal pension plans of Matthew Moulding, Damian Sanders and John Gallemore respectively. These amounts represent 3% of pensionable salary, in line with the UK wider workforce. Executive Directors participate in a Qualifying Earnings scheme where employer contributions are capped at a monthly threshold, such that the effective contribution rate is less than 3% of salary in practice. Damian Sanders subsequently opted out of the Qualifying Earnings scheme in April 2023. None of the Executive Directors participate in a Group defined benefit pension scheme.

Benefits (audited)

In line with the current Remuneration Policy, benefits in kind for each of the Executive Directors comprised medical insurance benefits, permanent health insurance and life assurance.

Bonus awards (audited)

All of the Executive Directors chose to waive their entitlement to participate in the annual bonus plan for the 2023 financial year, taking into account wider economic conditions and the cost of living challenges faced by many. As such, no discretion was exercised by the Committee during the 2023 financial year.

Scheme interests awarded (audited)

No such awards were made to Directors during the 2023 financial year.

Payments to past Directors (audited)

No payments were made to past Directors during the 2023 financial year.

Loss of office payments (audited)

No loss of office payments were made during the 2023 financial year.

External appointments

Damian Sanders is a non-executive director of Victorian Plumbing Group plc. Neither Matthew Moulding nor John Gallemore hold any external non-executive roles.

Directors' shareholdings (audited)

The table below shows the shareholdings of each Director as at 31 December 2023:

Director	Ordinary Shares	D1 Shares	D2 Shares	Deferred 2 Shares	E Shares	F Shares	G Shares	H Shares
Executive Directors								
Matthew Moulding¹	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	682,947 ²	3,533,879	3,174 (equivalent to 588,702 Ordinary Shares)	813,345	185,476	2,666,963	4,000,537	0
Damian Sanders	21,926	0	0	0	0	0	0	0
NEDs								
Charles Allen³	2,400,000	0	0	0	0	0	0	0
Edward Koopman	0	0	0	0	0	0	0	0
Iain McDonald⁴	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
Sue Farr⁵	67,397 ⁵	0	0	0	0	0	0	0
Helen Jones	0	0	0	0	0	0	0	0

- 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 spouse.
- 578,710 of these Ordinary Shares are held jointly with Joanne Gallemore, John Gallemore's spouse.
- Charles Allen and Sue Farr hold Ordinary 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.
- Iain McDonald stepped down from the Board on 31 March 2024.
- 26,500 of these Ordinary Shares are held by Anthony Mair, Sue Farr's spouse.

There have been no changes to Directors' shareholdings between 31 December 2023 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 required to hold Ordinary Shares equal to at least 350% of their base salary, whilst Damian Sanders is expected to build up a holding in Ordinary Shares of at least 200% of salary over a five-year period from the date of his appointment to the Board. NEDs are not subject to any shareholding requirements.

Executive Directors' share ownership at 31 December 2023 was as follows:

Director	Shareholding requirement (%age of salary)	Shareholding as at 31 December 2023 (%age of salary)	Shareholding requirement met?
Matthew Moulding	350	33,686 ¹	Yes
John Gallemore		2,064 ²	Yes
Damian Sanders	200	3	No

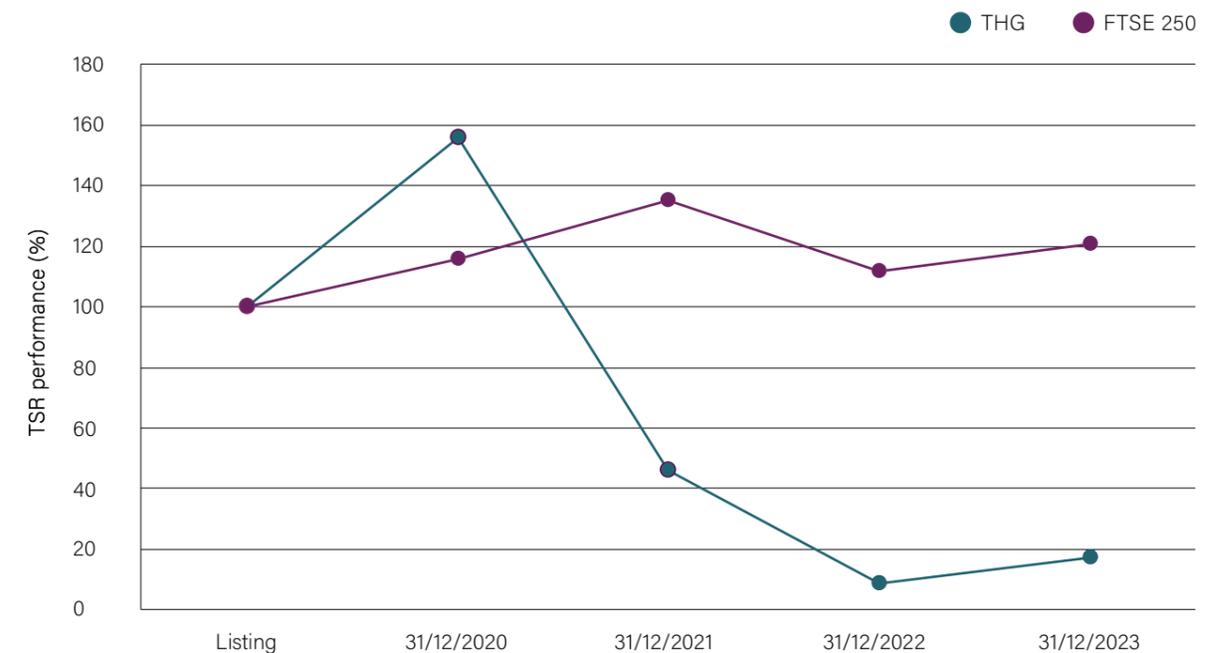
- Matthew Moulding's aggregated shareholding includes all Shares (i.e. Ordinary Shares, D1 Shares, D2 Shares, E Shares, F Shares, G Shares and Deferred 2 Shares) held by Matthew Moulding, his spouse, Jodie Moulding, and FIC ShareCo Limited, a corporate entity wholly owned by Matthew Moulding.
- John 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 and jointly with his spouse, Joanne Gallemore.

Current shareholdings are based on Shares owned outright and valued using the average Ordinary Share price over the three months ended 31 December 2023 i.e. £0.745.

Performance graph and table

The following graph shows the TSR (i.e. total shareholder return) performance over the period from Admission to 31 December 2023 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.

The FTSE 250 Index continues to be considered 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 four financial years:

	2020	2021	2022	2023
Single figure (£'000)	870,139	453	33	29
Bonus outcome as a percentage of maximum	100	n/a ¹	n/a ¹	n/a ¹
Long-term incentive outcome as a percentage of maximum	100	n/a ²	n/a ²	n/a ²

- Matthew Moulding waived his entitlement to participate in the annual bonus plan for each of the 2021, 2022 and 2023 financial years.
- No LTIP was eligible to vest in respect of the 2021, 2022 or 2023 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, 2021 and 2022, and 2022 and 2023 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.

	2022 to 2023			2021 to 2022			2020 to 2021		
	Salary / fees	Benefits	Bonus	Salary / fees	Benefits	Bonus	Salary / fees	Benefits	Bonus
Executive Directors									
Matthew Moulding ¹	9.5%	-46.6%	n/a	5.5%	-97.3%	n/a	-95.8%	17.0%	-100%
John Gallemore ²	91.5%	-5.2%	n/a	1,100.7%	2.6%	n/a	-91.6%	63.0%	-100%
Damian Sanders ³	236.3%	n/a ³	n/a ³	18.8%	0%	n/a	780%	0%	n/a
NEDs									
Charles Allen	21.2% ⁴	0%	n/a ⁵	n/a ⁴	n/a ⁴	n/a ^{4,5}	n/a ⁴	n/a ⁴	n/a ^{4,5}
Edward Koopman	-4.1%	0%	n/a ⁵	2.1%	0%	n/a ⁵	250%	0%	n/a ⁵
Iain McDonald ⁷	-9.1%	0%	n/a ⁵	-2.8%	0%	n/a ⁵	325%	0%	n/a ⁵
Gillian Kent	235.8% ⁴	0%	n/a ⁵	n/a ⁴	n/a ⁴	n/a ^{4,5}	n/a ⁴	n/a ⁴	n/a ^{4,5}
Dean Moore	247.9% ⁴	0%	n/a ⁵	n/a ⁴	n/a ⁴	n/a ^{4,5}	n/a ⁴	n/a ⁴	n/a ^{4,5}
Sue Farr	n/a ⁶	n/a ⁶	n/a ^{6,8}	n/a ⁶	n/a ⁶	n/a ^{6,8}	n/a ⁶	n/a ⁶	n/a ^{6,8}
Helen Jones	n/a ⁶	n/a ⁶	n/a ^{6,8}	n/a ⁶	n/a ⁶	n/a ^{6,8}	n/a ⁶	n/a ⁶	n/a ^{6,8}
Wider workforce									
Average employee ⁸	4.7%	22.5%	12.9%	10.5%	-20.8%	-85.4%	10.1%	217.3%	-37.5%

- 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 2021 to 2022 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 and 2022, Matthew Moulding waived his entitlement to participate in the annual bonus plan in 2023.
- During 2021 John Gallemore elected to waive his salary subject to minimum statutory limits. In 2022 John Gallemore elected to waive his salary for the period 1 January 2022 to 30 June 2022 and since this date has been paid his standard base salary. The percentage increase stated above for 2021 to 2022 reflects John Gallemore electing not to waive his salary for the period 1 July 2022 to 31 December 2022. As in 2021 and 2022, John Gallemore waived his entitlement to participate in the annual bonus plan in 2023.
- The salary/fees change for Damian Sanders reflects a change in his role during the 2023 financial year. He held the position of NED during the 2020, 2021 and 2022 financial years and from 1 January 2023 to 23 January 2023. He was appointed CFO on 24 January 2023 (and has held this position from this date to the date of this Report). The percentage increase stated above for 2022 to 2023 relates to this change in role. It is not possible to show a percentage change for benefits and bonus as Damian Sanders was not eligible to receive these remuneration elements prior to his appointment as CFO.
- Charles Allen, Gillian Kent and Dean Moore were not Directors during the 2020 and 2021 financial years. Charles Allen was appointed to the Board on 22 March 2022 and Gillian Kent and Dean Moore were both appointed on 15 September 2022. The percentage change figure disclosed for 2022 to 2023 for: (i) Charles Allen therefore reflects his full year's service in 2023 in comparison to his part year's service in 2022 (i.e. the figure reflects 12 months' service in 2023 versus approximately 9 months' service in 2022); and (ii) each of Gillian Kent and Dean Moore therefore reflects their full year's service in 2023 in comparison to their part year's service in 2022 (i.e. the figures reflect 12 months' service in 2023 versus approximately 3.5 months' service in 2022).
- NEDs are not entitled to participate in the annual bonus plan.
- Sue Farr and Helen Jones were not Directors during the 2020, 2021 and 2022 financial years, being appointed to the Board on 24 April 2023 and 21 June 2023 respectively.
- Iain McDonald stepped down from the Board on 31 March 2024.
- 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.

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.

Year	Method	CEO remuneration (£'000)	UK employees (full-time equivalents)		
			25 th percentile pay ratio	Median pay ratio	75 th percentile pay ratio
2023	Option A	29	1.2:1	1.0:1	0.7:1
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:

Year		UK employees (full-time equivalents)		
		25 th percentile	Median	75 th percentile
2023	Salary	£24,408	£28,340	£40,700
2023	Total pay and benefits	£24,844	£28,745	£41,830

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 2023 financial year as the Company believes this is the most robust methodology for calculating these figures (and reflects the approach adopted for the preceding two financial years). The full-time equivalent annualised remuneration (comprising salary, benefits, pension, annual bonus and long-term incentives) was then calculated for those employees for the 2023 financial year.

The ratio continues to remain around 1:1 on a median basis, 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. 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 2023 financial year versus the prior financial year, together with the percentage change year on year.

	2023 (£m)	2022 (£m)	%age change
Profit distributed by way of dividend	0	0	n/a
Total spend on remuneration	316.9	336.3	-5.8

Shareholder dilution

Any share incentive plans (including The THG PLC 2022 Executive Long-Term Incentive Plan) 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 The THG PLC 2022 Executive Long-Term Incentive Plan.

AGM voting outcomes

The following table sets out the Shareholder voting results in respect of the approval of the 2022 Directors' Remuneration Report (which was put to Shareholders at the 2023 AGM) and the changes to the Shareholder-approved Directors' Remuneration Policy (which were put to Shareholders at the 2022 AGM).

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 2022 Directors' Remuneration Report (excluding the Remuneration Policy)	796,923,612	96.46	29,288,261	3.54	826,211,873	63.59	933,261
To approve the changes to the Directors' Remuneration Policy	718,254,407	99.88	827,864	0.12	719,082,271	58.88	14,559,630

Implementation of Remuneration Policy for the 2024 financial year

The Remuneration Committee proposes to implement the Remuneration Policy for the 2024 financial year as follows:

Base salary

Executive Directors have voluntarily waived any salary increase in respect of the 2024 reporting period. Therefore, base salaries will continue to be as follows for the financial year ending 31 December 2024:

- 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 2024 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.

Executive Directors participate in a Qualifying Earnings scheme where employer contributions are capped at a monthly threshold, such that the effective contribution rate is less than 3% of salary in practice. None of the Executive Directors participate in a Group defined benefit pension scheme.

Benefits

There are no proposed changes to the benefits provisions for Executive Directors for the financial year ending 31 December 2024.

Annual bonus

In line with the Remuneration Policy, the maximum opportunity for the financial year ending 31 December 2024 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 Matthew Moulding and Damian Sanders for the 2024 financial year will be:

- Group Sales (continuing) (35%);
- Adjusted EBITDA (continuing) (35%); and
- Free Cash Flow (30%).

The measures and weightings for John Gallemore for the 2024 financial year will be:

- Group Sales (continuing) (30%);
- Adjusted EBITDA (continuing) (30%);
- Free Cash Flow (20%); and
- Operational objectives relating to Adjusted Distribution Costs (20%).

The specific targets are considered commercially sensitive and will be disclosed in next year's Annual Report on Remuneration.

LTIP

2023 LTIP award

As noted in the Chair's letter, the Committee decided to delay LTIP grants in respect of the 2023 reporting period until March 2024. On 7 March 2024 an award equal to 250% of base salary was granted to each of Damian Sanders and John Gallemore. Full details of the number of options granted were disclosed via a RNS (i.e. Regulatory News Service) announcement at the time of grant. The performance period of these awards is three years from the date of grant, with the following targets:

- 80% based on relative TSR versus FTSE 250 Index comparator group: performance in line with the median of the comparator group will deliver 25% of maximum vesting, and performance in line with the upper quartile of the comparator group will deliver 100% of maximum vesting (with straight line vesting in between).
- 20% based on ESG target: by end of 2026, THG operational sites to achieve Zero Waste TRUE Gold Certification. This will be assessed via a binary approach, with full vesting if achieved, and zero vesting if not achieved.

These awards will vest on the third anniversary of the date of grant and will be subject to a further two-year holding period.

2024 LTIP award

As noted in the Chair's letter, from 2024 onwards we intend to grant annual awards on a normal cycle, typically following the Company's annual general meeting each year. A 2024 LTIP award of 250% of salary is therefore expected to be granted after the upcoming AGM to each of Damian Sanders and John Gallemore. These awards will vest three years after grant and will be subject to a further two-year holding period. These awards will be subject to stretching financial and strategic performance conditions which will be disclosed at the time of grant via a RNS announcement which will also be published on the Company's website.

NED fees

Following a review of the fees paid to NEDs, an increase of 4% will be applied to core/base NED fees in line with wider workforce salary increases. This 4% increase does not apply to the additional chairing/membership fees. Accordingly, annual NED fees will be as follows, noting that, in line with prevailing market practice, a fee was introduced during 2023 in respect of the SID role:

NED fee type	Fee
Fee for Independent Chair	£416,000
Fee for SID	£90,000
Base fee for independent NEDs	£72,800
Base fee for non-independent NEDs	£36,400
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 2023 was objective and independent and, while 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 2023 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 2022 Directors' Remuneration Report;
- the remuneration packages for the new CFO and SID;
- appropriate performance metrics for 2024 incentive arrangements; and
- 2023 AGM season remuneration trends.

Fees charged by PwC for advice provided to the Remuneration Committee for the financial year ended 31 December 2023 amounted to £47,050 (excluding VAT).

On behalf of the Remuneration Committee



Helen Jones
Chair of the Remuneration Committee

9 April 2024

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 2023 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 2023 which comprise:

Group	Parent company
Consolidated statement of comprehensive income for the year ended 31 December 2023	Company statement of financial position as at 31 December 2023
Consolidated statement of financial position as at 31 December 2023	Company statement of changes in equity for the year ended 31 December 2023
Consolidated statement of changes in equity for the year ended 31 December 2023	Related notes 1 to 8 to the financial statements including material accounting policy information
Consolidated statement of cash flows for the year ended 31 December 2023	
Related notes 1 to 29 to the financial statements, including material accounting policy information	

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 base case and downside scenario 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 forecasts, including checking the arithmetical accuracy and appropriateness of management's base case forecast over the going concern assessment period to 30 April 2025.
- We challenged the reasonableness of the key assumptions such as the revenue growth rate and EBITDA margin achieved by the Group used within the base case and downside scenarios, and compared them to external evidence including sector reports, industry trends and historical data where appropriate.
- We compared management's scenario analysis to the principal risks disclosed in the Annual Report and Accounts, and evaluated whether the downside scenarios were appropriately severe with reference to historical data on each input sensitised.
- 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.
- We verified the cash positions as at 31 December 2023 and 31 March 2024 to bank statements.
- We reviewed the accuracy of management's forecasting by comparing the forecast results for the year to date to 29 February 2024 to actual results as reported within management accounts and flash results to the 31 March 2024.
- We have reviewed the terms of the extension of the facility arrangement confirmed in March 2024 confirming the value and the period of the extension.
- 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 the EBITDA margin achieved by the Group, both of which would impact the

liquidity headroom in the going concern period. Covenant compliance only becomes applicable when 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 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 2025.
- 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 scenario the Group retained headroom on forecast cash and covenant compliance throughout the going concern assessment period. Neither the base case nor the sensitised scenario assumes any draw down of the RCF. The lowest level of cash headroom identified is £168.7m in management's downside scenario, this cash headroom position does not include any drawdown of the RCF facility of £170m (inclusive of £15m ringfenced for supply chain financing). The RCF facility decreases from £170m in December 2024 to £150m until its expiry in May 2026, following an extension agreed in March 2024.
- Cash balances as at 31 December 2023 total £416m. 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 2025.

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	<ul style="list-style-type: none"> We performed an audit of the complete financial information of 1 component and specified audit procedures on a further 2 components. The components where we performed full or specified audit procedures accounted for 100% of the loss before tax, 96% of revenue, 89% of total expenses and 89% of total assets. We also performed specified procedures on 2 other components which were targeted to gain assurance over the existence of assets and occurrence of revenue and expenses.
Key audit matters	<ul style="list-style-type: none"> Revenue recognition. Impairment of intangible assets and tangible assets in the THG Beauty and THG Ingenuity CGUs. Accounting for platform development costs.
Materiality	<ul style="list-style-type: none"> Overall Group materiality of £10m which represents 0.5% 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.

Of the 3 components selected, we performed an audit of the complete financial information of 1 component ("full scope component") which was selected based on its size and risk characteristics.

For the current year, the full scope component contributed to 83% of the Group's revenue, 81% of the Group's expenses, and 73% of the Group's assets.

We performed specified procedures over balances not in the full scope component, that amounted to a further 13% of the Group's revenue, 8% of the Group's expenses, and 16% of the total assets. The specified procedures were targeted primarily at obtaining bank confirmations for an additional £391m of cash balances, performing data analytical procedures over a further £270m of revenue, and to perform sample testing over a further £179m of expenses.

Of the balances within the components that are not covered through our full scope or specified audit procedures, that together represent 4% of the Group's revenue, none are individually greater than 2% of the Group's revenue.

For these components, we performed other procedures, including analytical review procedures, to respond to any potential risks of material misstatement to the Group financial statements.

Changes from the prior year

There are no significant changes to our scoping from the 2022 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.

Climate change

Stakeholders are increasingly interested in how climate change will impact THG PLC. The Group has determined that the most significant future impacts from climate change on its operations will be through transition and physical risks as described in the TCFD section on [pages 69 to 77](#) and in the Sustainability report, as well as on [page 90](#) within the principal risks and uncertainties, which form part of the "Other information," rather than the audited financial statements. Our procedures on these unaudited 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, in line with our responsibilities on "Other information."

In planning and performing our audit we assessed the potential impacts of climate change on the Group's business and any consequential material impact on its financial statements.

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 Group's disclosure of its assessment of climate change within the critical accounting judgements and estimates section of the Group's accounting policies on [page 188](#).

Whilst the Group has stated its commitment to the aspirations of the Paris Agreement to achieve net zero emissions by 2040, 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
<p>Revenue recognition (£2,045m, 2022: £2,239m)</p> <p><i>Refer to the Audit Committee Report (page 123); Accounting policies (page 182); and Note 2 of the Consolidated Financial Statements (page 189).</i></p> <p>THG PLC has reported revenue of £2,045m for the year ended 31 December 2023 (2022: £2,239m).</p> <p>Revenue is a key metric when evaluating the performance of the Group and receives significant scrutiny externally and internally.</p> <p>Product revenue (D2C/B2B revenue) is primarily comprised of a large volume of small value transactions. Revenue from THG Ingenuity is split across both product revenues and other revenues (services, hosting). As the Group makes 30% of its revenue in the final quarter of the year, our risk response is heightened on this quarter.</p> <p>Our risk in relation to revenue recognition incorporates three elements:</p> <p><i>All significant revenue streams:</i></p> <ul style="list-style-type: none"> A risk of bias or fraud through management manipulation of revenue recognised by non-routine/manual adjustments, with a particular focus on postings made in the final quarter of the year. Risk of bias or fraud through management inappropriately reclassifying revenue between segments. <p><i>THG Ingenuity only</i></p> <ul style="list-style-type: none"> Risk of inappropriate recognition of revenue through management manipulating the performance obligations against which revenue is recognised. 	<ul style="list-style-type: none"> We assessed the design and implementation of the key controls over revenue recognition for all significant revenue streams within the Group. <p><i>Non-routine adjustments:</i></p> <ul style="list-style-type: none"> We adopted a data analytics approach to online websales direct to consumers to corroborate our expectation of the relationship between revenue, trade receivables and/or cash receipts. Any material exceptions, representing journals outside of the standard process which may have been indicative of management override of controls were substantively tested. For revenue not tested via data analytics a substantive sample of invoices, proof of delivery and cash receipts was tested. We identified material topside journal entry/consolidation postings recorded to any significant revenue stream during the period or with the purpose of reclassifying revenue between segments. For journals identified which satisfied these criteria we obtained supporting evidence from management to corroborate that the journal entry was valid, appropriate and supported. We performed an assessment of cash-in-transit balances and tested them by agreeing a sample through to cash receipts after the year-end. <p><i>Inappropriate classification</i></p> <ul style="list-style-type: none"> We obtained management's definition of segmental revenues, as described within THG's accounting policy and notes regarding segmental revenues, and challenged any material changes from prior year to understand the business purpose and rationale. We reviewed segmental disclosures including those regarding internal recharges levied by THG Ingenuity to THG Beauty and THG Nutrition, to ensure that amounts recorded and disclosed were an accurate reflection of the terms of the Master Services Agreement ("MSA") between the parties. <p><i>THG Ingenuity</i></p> <ul style="list-style-type: none"> We selected a sample of material new or amended THG Ingenuity sales contracts. For each contract we reviewed the contractual terms and conditions and evaluated 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.

Key observations communicated to the Audit Committee

Based on the audit procedures performed, we did not identify evidence of material misstatements in the revenue recognised in the current year. We are satisfied that the disclosures appropriately describe the classification of revenue and that revenue recognised is in compliance with IFRS 15.

Risk	Our response to the risk
<p>Impairment of intangible assets in the THG Beauty CGU</p> <p>(£878.6m, 2022: £954.4m)</p> <p><i>Refer to the Audit Committee Report (page 123); Accounting policies (page 182); and Note 11 of the Consolidated Financial Statements (page 199).</i></p> <p>There is a risk that the recoverable value of the assets are below the carrying amount of the THG Beauty cash generating unit ('CGU').</p> <p>An impairment charge was recorded against the THG Beauty CGU in 2022, and the model used was sensitive to changes in growth rates and discount rates. Given the continuing challenging macroeconomic environment, we concluded there is a significant risk in relation to the impairment assessment for this CGU.</p> <p>Judgements are applied in determining the forecast cashflows including short and long-term growth rates, EBITDA margins, and the discount rates adopted.</p>	<p><i>In response to this risk, we have:</i></p> <ul style="list-style-type: none"> Performed a walkthrough of management's annual impairment review process and assessed the design effectiveness and implementation of key controls. Obtained management's impairment assessment and evaluated the methodology adopted to confirm it is consistent with the requirements of IAS 36. Assessed the reliability of management's forecasts by comparing previous forecasts to actuals. We validated that the source of the forecasts used for the impairment model is the same underlying cash flows used for other parts of the audit, including going concern. Challenged the reasonableness of the forecasts used in the assessment including key assumptions (such as growth rates and EBITDA margins) by reference to third party industry forecasts, competitors and historic actuals. We also engaged an EY valuations specialist to calculate an independent range of the discount rate expected for the THG Beauty CGU and validated whether management's discount rate was within this range. Assessed the sensitivity of the headroom to changes in key assumptions. Tested the mathematical accuracy of the models used. Assessed the impairment disclosure presented by management and ensured this is in accordance with the requirements of 'IAS 36 Impairment of Assets' and 'IFRS 13 Fair Value Measurement.'

Key observations communicated to the Audit Committee

We are satisfied that the carrying value of assets in this CGU is not impaired. We have highlighted to the Audit Committee the sensitivity of the THG Beauty impairment model to reasonably possible changes in key assumptions in combination such as the revenue growth rate and the discount rate. We have concluded that THG's disclosures sufficiently describe this sensitivity, and that the disclosures in the Annual Report and Accounts regarding the Impairment assessment for this CGU are in line with IAS 36.

Risk	Our response to the risk
<p>Impairment of intangible assets in the THG Ingenuity CGU</p> <p>(£146.7m, 2022: £124.5m)</p> <p><i>Refer to the Audit Committee Report (page 123); Accounting policies (page 182); and Note 11 of the Consolidated Financial Statements (page 199).</i></p> <p>There is a risk that the recoverable values of the assets are below the carrying amount of THG Ingenuity cash generating unit ('CGU').</p> <p>An Impairment charge was recorded against the THG Ingenuity CGU in 2022, and the model used was sensitive to changes in growth rates and discount rates. Given the continuing challenging macroeconomic environment, we concluded there is a significant risk in relation to the impairment assessment for this CGU.</p> <p>Judgements are applied in relation to determining the replacement cost of the Ingenuity platform including the number of technology developers it would take to recreate the platform, the time period development would occur over and the estimated rate per hour.</p>	<p><i>In response to this risk, we have:</i></p> <ul style="list-style-type: none"> Performed a walkthrough of management's annual impairment review process and assessed the design effectiveness and implementation of key controls. Obtained management's impairment assessment and evaluated the methodology adopted to confirm it is consistent with the requirements of IAS 36. Engaged an EY internal specialist to assist with independently assessing the appropriateness of the assumptions adopted in relation to the value of platform development costs. Engaged an EY internal specialist to assist with independently assessing the appropriateness of the assumptions adopted in relation to the value of certain leased assets. Engaged an EY internal specialist to assist with independently assessing the appropriateness of the assumptions adopted in relation to the value of fit out costs and robotic assets within certain warehouses. Assessed the sensitivity of the headroom to changes in key assumptions. Tested the mathematical accuracy of the models used. Assessed the impairment disclosure presented by management and ensured this is in accordance with the requirements of 'IAS 36 Impairment of Assets' and 'IFRS 13 Fair Value Measurement.'

Key observations communicated to the Audit Committee

We are satisfied that the carrying value of assets in this CGU is not impaired. We do not consider the model to be sensitive to a reasonably possible change of assumptions and therefore have concluded that enhanced disclosures in this area are not required.

We have concluded that THG's disclosures sufficiently describe this sensitivity, and that the disclosures in the Annual Report and Accounts regarding the impairment assessment for this CGU are in line with IAS 36.

Risk	Our response to the risk
<p>Accounting for platform development costs</p> <p>(£120m, 2022: £100m)</p> <p>Refer to the Audit Committee Report (page 123); Accounting policies (page 182); and Note 11 of the Consolidated Financial Statements (page 199).</p> <p>Within capitalised platform development costs there is a risk that management and other employee time is capitalised that does not meet the criteria required for capitalisation.</p> <p>This assessment includes judgement in assessing the incremental value/future economic benefits expected from the project.</p>	<p><i>In response to this risk, we have:</i></p> <ul style="list-style-type: none"> Performed a walkthrough of the process associated with capitalised platform development costs and assessed the design effectiveness and implementation of key controls Obtained a breakdown by project of all platform development costs capitalised in the period. From this breakdown, we selected a sample of projects for further testing and for each project we: <ul style="list-style-type: none"> Obtained an understanding and related support for management's evaluation of how the project satisfies the requirements of 'IAS 38 Intangible Assets' to be capitalised. This was completed through questionnaires sent directly to a sample of developers. Held interviews with 26 project managers to understand a) the nature and responsibilities associated with their role and b) the nature of the main project they had been working on in the period. We utilised this information to assess the appropriateness of capitalisation in line with the accounting standard requirements and management's accounting treatment. We enquired with the project managers as to when the projects went live, and compared this to the actual date at which management began to amortise the projects. For the developers captured in our above procedures, we used payroll data by employee to form an expectation of the amount capitalised based on that employee's payroll capitalisation rate, and compared this to the actual amount capitalised. We examined the underlying ledger to identify any descriptions of projects included that may indicate that the costs capitalised are more akin to operating costs in nature. We performed a trend analysis to assess any unusual fluctuation in the pattern of time capitalised on a month-on-month basis, in comparison to payroll costs for the same period. We benchmarked management's standard policy to assign a useful economic life to most projects with other comparable companies to identify potential inconsistencies.

Key observations communicated to the Audit Committee

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.

In the prior year, our auditor's report included a key audit matter in relation to 'Significant Disclosures' which incorporated our risks on adjusted profit measures, related party transactions, and narrative related to THG Ingenuity, and presentation of segmental reporting (including the impact of IFRS 5 discontinued operations).

However, in the current year, we have seen a reduction in the level of adjusted items, segmental reporting for the current year is established, and consistent with the prior year there were no IFRS 5 discontinued operations, and for these reasons we have concluded that 'Significant Disclosures' is no longer a key audit matter.

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 £10.0m (2022: £9.2m), which is c.0.5% (2022: 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 reflects that the audit team have determined planning materiality to be 0.5% of Revenue (rather than 0.4% in the prior year).

We determined materiality for the parent company to be £10.0m (2022: £9.2 m), which is 1% of equity (2022: 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% (2022: 50%) of our planning materiality, namely £5.0m (2022: £4.6m). We have set performance materiality at this percentage due to the level of errors identified through the course of the 2022 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 performance materiality allocated to components was £2.50m to £4.375m (2022: £0.9m to £4.0m), 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 (2022: £0.50m), which is set at 5% (2022: 5%) 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 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.

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 97](#);
- 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 97](#);
- 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 89 to 96](#);
- 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 87](#); and
- The section describing the work of the Audit Committee and Risk Committee set out on [pages 123 to 131](#).

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.

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; or
- we have not received all the information and explanations we require for our audit.

Responsibilities of directors

As explained more fully in the directors' responsibilities statement set out on [page 105](#), 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 parent 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 parent 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 (UK-adopted IAS, 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 Committee and Risk Committee.
- We assessed the susceptibility of the group's financial statements to material misstatement, including how fraud might occur by meeting with management and those charged with governance to understand where it considered there was a susceptibility to fraud. We also considered performance targets and the propensity to influence efforts made by management to manage earnings. Where the risk was considered to be higher, we performed audit procedures to address each identified fraud risk. These procedures included testing higher risk journal entries and were designed to provide reasonable assurance that the financial statements were free from fraud and error.
- 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 consolidation journals and journal entries indicating large or unusual transactions based on our understanding of the business. We performed inquiries of internal and external legal counsel, reviewed material items within the Group's legal expenses, and reviewed media coverage of the Group to identify whether there were relevant 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 risk assessment procedures.

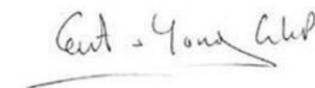
A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at <https://www.frc.org.uk/auditors> responsibilities. This description forms part of our auditor's report.

Other matters we are required to address

- Following the recommendation from the audit committee, we were appointed by the company in 2011 to audit the financial statements for the year ending 31 December 2011 and subsequent financial periods.
- The period of total uninterrupted engagement including previous renewals and reappointments is 13 years, covering the years ending 31 December 2011 to 31 December 2023.
- 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
10th April 2024

Consolidated statement of comprehensive income for the year ended 31 December 2023

		2023	2022
		Total	Total
	Note	£'000	£'000
Revenue	2	2,045,378	2,239,229
Cost of sales		(1,205,088)	(1,359,254)
Gross profit		840,290	879,975
Distribution costs		(298,971)	(402,769)
Administrative costs		(709,048)	(972,771)
Other operating expense	12.1	(17,664)	-
Operating loss	3	(185,393)	(495,565)
Finance income	8	13,329	2,359
Finance costs	8	(79,900)	(56,522)
Loss before taxation		(251,964)	(549,728)
Income tax (charge) / credit	9	3,592	9,771
Loss for the financial year		(248,372)	(539,957)
Other comprehensive (expense) / income			
Items that may be subsequently reclassified to profit or loss:			
Exchange differences on translating foreign operations, net of tax		(46,255)	62,953
Net (loss) / gain in cash flow hedges		(5,220)	9,753
Total comprehensive expense for the financial year		(299,847)	(467,251)
Basic and diluted loss per share (£)	26	(0.19)	(0.44)

Adjusted EBITDA

		2023	2022
	Notes	£'000	£'000
Operating loss		(185,393)	(495,565)
Adjustments for:			
Amortisation	11	68,829	58,581
Amortisation of acquired intangibles	11	50,543	50,394
Depreciation	12.1, 22	95,113	94,191
Adjusted items - cash	4	15,824	40,090
Adjusted items - non-cash	4	34,803	305,689
Other operating expense - non-cash loss on disposal of freehold assets		17,664	-
Share-based payments	7	16,723	10,734
Adjusted EBITDA¹		114,106	64,114

1. Adjusted EBITDA is defined as operating profit before depreciation, amortisation, share-based payments, other operating expense - non-cash loss on disposal of freehold assets 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 2023

		31 December 2023	31 December 2022
	Note	£'000	£'000
Non-current assets			
Intangible assets	11	1,207,383	1,275,762
Property, plant and equipment	12.1	273,171	360,041
Right-of-use assets	22	303,635	294,309
Investments		1,400	1,400
Other financial assets	14	7,999	21,567
		1,793,588	1,953,079
Current assets			
Assets held for sale	12.2	-	21,397
Inventories	13	297,143	373,271
Trade and other receivables	15	271,782	264,949
Other financial assets	14	1,915	301
Current tax asset		-	2,377
Cash and cash equivalents	16	416,162	473,783
		987,002	1,136,078
Total assets		2,780,590	3,089,157
Equity			
Ordinary shares	23	7,072	6,903
Share premium		2,024,824	2,024,452
Merger reserve		615	615
Capital redemption reserve		523	523
Hedging reserve		(20,020)	(6,221)
Cost of hedging reserve		25,283	16,704
FX reserve		15,604	61,859
Retained earnings		(1,032,234)	(803,096)
		1,021,667	1,301,739
Non-current liabilities			
Borrowings	18	621,011	648,197
Other financial liabilities	14	-	4,189
Lease liabilities	22	301,440	290,381
Provisions	19	22,130	18,840
Deferred tax	21	55,698	76,598
		1,000,279	1,038,205
Current liabilities			
Contract liability	20	22,864	34,256
Trade and other payables	17	638,350	636,440
Borrowings	18	29,026	30,992
Current tax liability		1,266	-
Lease liabilities	22	43,537	43,995
Provisions	19	3,838	3,530
Other financial liabilities	14	19,763	-
		758,644	749,213
Total liabilities		1,758,923	1,787,418
Total equity and liabilities		2,780,590	3,089,157

The financial statements on pages 177 to 222 were approved by the Board of Directors on 9 April 2024 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 2023

	Ordinary shares	Share premium	Merger reserve	Capital Redemption reserve	FX reserve	Hedging reserve	Cost of Hedging reserve	Retained earnings	Total equity
Note	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
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 expense:									
Impact of foreign exchange	-	-	-	-	62,953	-	-	-	62,953
Movement on hedging instruments	-	-	-	-	-	6,743	3,010	-	9,753
Total comprehensive (expense) / income 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 in equity	-	-	-	-	-	-	-	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
Balance at 1 January 2023	6,903	2,024,452	615	523	61,859	(6,221)	16,704	(803,096)	1,301,739
Loss for the year	-	-	-	-	-	-	-	(248,372)	(248,372)
Other comprehensive income:									
Impact of foreign exchange	-	-	-	-	(46,255)	-	-	-	(46,255)
Movement on hedging instruments	-	-	-	-	-	(13,799)	8,579	-	(5,220)
Total comprehensive income / (expense) income for the year	-	-	-	-	(46,255)	(13,799)	8,579	(248,372)	(299,847)
Issue of ordinary share capital	169	372	-	-	-	-	-	-	541
Share based payments	7	-	-	-	-	-	-	16,723	16,723
Deferred tax in equity	21	-	-	-	-	-	-	2,511	2,511
Balance at 31 December 2023	7,072	2,024,824	615	523	15,604	(20,020)	25,283	(1,032,234)	1,021,667

Consolidated statement of cash flows for the year ended 31 December 2023

		2023	2022
	Notes	£'000	£'000
Cash flows from operating activities before adjusted cash flows			
Cash generated from operations	25	162,258	87,642
Income tax paid		(5,411)	(4,857)
Net cash generated from operating activities before adjusted cash flows		156,847	82,785
Cash flows relating to adjusted items		(15,040)	(45,071)
Net cash generated from operating activities		141,807	37,714
Cash flows from investing activities			
Acquisition of subsidiaries net of cash acquired	10	(20,259)	(5,691)
Proceeds from sale of non-core freehold assets		55,450	-
Purchase of property, plant and equipment		(46,289)	(94,854)
Purchase of intangible assets		(79,369)	(81,564)
Interest received	8	13,329	2,359
Net cash used in investing activities		(77,138)	(179,750)
Cash flows from financing activities			
Proceeds from issuance of ordinary shares net of fees		-	(73)
Interest paid		(47,803)	(27,923)
Repayment of lease liabilities	22	(49,487)	(49,012)
(Repayment of) / proceeds from bank borrowings		(25,000)	156,000
Net cash flow from financing activities		(122,290)	78,992
Net decrease in cash and cash equivalents		(57,621)	(63,044)
Cash and cash equivalents at the beginning of the year		473,783	536,827
Cash and cash equivalents at the end of the year	16	416,162	473,783

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 2022.

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 30 April 2025.

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 to 106](#).

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. 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 £416m readily available cash held on the balance sheet. Net debt at this date was £563m (note 18) and net debt of £218m 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. In March 2024, this facility was extended by 17 months to May 2026. The facility which remains undrawn will reduce to £150m from December 2024. During FY22 an incremental £156 million export facility was provided by the Groups existing lenders ranking pari passu with the existing facility. This facility expires in October 2025. There are no key covenants attached to the €600m or £156m facilities which are drawn down. Covenants attached to the RCF are unchanged and are linked to gross debt leverage and become effective when the facility is drawn upon. This facility is 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 97](#).

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 2023 and have been applied to 2022 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 2023. 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
- Managements expectation on the recurring or non-recurring nature of the item

These are items which are material in nature and include, but are not limited to, costs relating to acquisitions, disposals and significant events or projects, some of which span multiple years.

Although categories of adjusted items may appear across multiple periods, the underlying event driving that cost or income is often non-recurring.

These items are excluded from adjusted EBITDA as management believe their inclusion distorts the underlying trading performance. This is consistent with the way that financial performance is measured by management and reported to the Board. For further details, refer to note 4.

e. Share-based payments

The Group operates share-based compensation plans, under which the Group receives services from employees as consideration for equity instruments (options) 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	5-10 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. 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 ten years, dependent on the type of development work capitalised. The useful economic life has been amended from between one and five years in the prior year to reflect the longer period in respect of specific projects commenced during FY23. 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.
- Where income streams can be segregated and reliably measured in respect of adjusted costs, these are disclosed accordingly.

Refer to note 4 for details of each class of adjusted items.

Key sources of estimation uncertainty

Inventory provisioning

The Group holds levels of stock sufficient to meet the forecasted demand of its customers. As part of this, a provision is recognised to ensure that the balance sheet value of stock held is at the lower of cost and net realisable value in accordance with IAS 2. As part of the provisioning process, managements consideration includes, but is not limited to: age of stock, type of stock, and inventory acquired through business combinations. All of these positions are variable in nature and management apply judgement in concluding on the recoverable value and changes to risk profiles which could have a material impact on provisioning levels. 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£1m.

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, margin forecasts and discount rates applied. The key estimates within the fair value less costs to dispose, relate to THG Ingenuity capitalised platform costs and are the period over a replacement build could occur, headcount and rates per hour. 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 and which have been included within forecasts where appropriate including increased plastics and waste taxes and levies;
- The impact of climate change on a number of key estimates which the Group has included within forecasts where appropriate such as:
 - The cost of sourcing sustainable raw materials
 - Packaging compliance fees and zero waste implementation costs
 - Membership and consultancy costs in respect of GHC footprint, energy usage, TCFD compliance and UK Plastic Pact
 - Where measurable, the impact of consumer behaviours of sustainable brand recognition and development, for example shifts towards MyVegan
- Continued investment in sustainable businesses, including More Trees, Preston Plastics and Indigo Environmental, as the group continues to work towards and evolve 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

Judgement is required in concluding whether the Group acts as a principal or agent for certain external Ingenuity contracts, with the amount of revenue recognised depending on this conclusion. 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. Each contract is reviewed and concluded on accordingly.

2. Segmental reporting and revenue

The Directors have assessed the criteria and considerations under IFRS 8 'Operating Segments' in order to identify operating segments within the Group. For the year to 31 December 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. The THG Luxury and THG Experience segments were aggregated due to being below the quantitative thresholds as set out in IFRS 8 and were reported separately under Other Central costs.

During 2023, THG Luxury and THG Experience have been reported to the Chief Operating Decision Maker (CODM) as part of the THG Beauty segment. On this basis, the Directors have concluded that for 2023, the Group has four operating segments. The prior year segmental analysis has been represented to provide a like-for-like comparison.

The following table describes the main activities for each reportable operating segment:

Segment	Activities
THG Beauty	A digital-first brand owner, retailer and manufacturer in the prestige beauty market, with a portfolio of own-brands across skincare, haircare and cosmetics. Through its retail websites, including Lookfantastic, Dermstore, Cult Beauty and the beauty subscription box brand Glossybox, it is a route to market globally for over 1,300 third-party premium brands. THG Beauty also operates prestige spa and experience venues, in addition to luxury clothing and homeware D2C sites.
THG Nutrition	A group of digital-first nutrition brands, which includes the world's largest online sports nutrition brand Myprotein and its family of brands (Myvegan, Myvitamins, MP Activewear and MyPRO), with a vertical-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 marketing and operations. Being part of the THG group, Ingenuity is uniquely placed to bring relevant, practical and international expertise in every area of commerce. THG Ingenuity also includes media related services.
Discontinued categories	During the year, certain loss-making categories and territories primarily within THG OnDemand along with some additional small legacy brands within THG Beauty and THG Nutrition have been approved for disposal, or exited. These exits do not 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 key operating decisions for the business. The CODM receives daily financial information at the combined Group level, along with monthly information at a business level and uses this information to allocate resources, make operating decisions and monitor the performance of each of the businesses.

The measure of the Group's profit or loss used by THG's management team is 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.

	THG Beauty	THG Nutrition	THG Ingenuity	Central PLC	Inter-group elimination	Result before discontinued categories ¹	Discontinued categories	2023 Total
2023	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
External revenue	1,171,742	657,911	154,052	-	-	1,983,705	61,673	2,045,378
Internal revenue	-	-	519,871	-	(519,871)	-	-	-
Total revenue	1,171,742	657,911	673,923	-	(519,871)	1,983,705	61,673	2,045,378
Adjusted EBITDA	44,238	88,929	9,039	(21,757)	-	120,449	(6,343)	114,106
Margin %	3.8%	13.5%	1.3%	-	-	6.1%	-10.3%	5.6%
Depreciation	-	-	-	-	-	-	-	(95,113)
Amortisation	-	-	-	-	-	-	-	(119,372)
Share-based payments	-	-	-	-	-	-	-	(16,723)
Adjusted items	-	-	-	-	-	-	-	(50,627)
Other operating expense	-	-	-	-	-	-	-	(17,664)
Operating loss	-	-	-	-	-	-	-	(185,393)
Finance income	-	-	-	-	-	-	-	13,329
Finance costs	-	-	-	-	-	-	-	(79,900)
Loss before taxation	-	-	-	-	-	-	-	(251,964)

1. During 2022, and 2023 certain loss-making categories and territories within non-core divisions were placed under strategic review and subsequently management has exited 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 presented separately in the above table.

An element of THG 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, £67.7m (2022: £73.8m) is recognised over time.

Segment assets and liabilities are not disclosed because they are not regularly reported or reviewed by the Board.

	(Restated) THG Beauty	(Restated) THG Nutrition	(Restated) THG Ingenuity	Central PLC	Inter-group elimination	Result before discontinued categories	(Restated) Discontinued categories	2022 Total
2022	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
External revenue	1,225,977	662,737	159,541	-	-	2,048,255	190,974	2,239,229
Internal revenue	-	-	597,420	-	(597,420)	-	-	-
Total revenue	1,225,977	662,737	756,961	-	(597,420)	2,048,255	190,974	2,239,229
Adjusted EBIT-DA pre SaaS costs	33,585	51,647	29,304	(23,178)	-	91,358	(17,061)	74,297
Adjusted EBITDA	33,585	51,647	19,121	(23,178)	-	81,175	(17,061)	64,114
Margin %	2.7%	7.8%	2.5%	-	-	4.0%	-8.9%	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)

The segmental result for 2022 has been restated within the above table. There is no change to the previously reported Total revenue, Adjusted EBITDA, Operating loss or Loss before taxation. During FY22, THG Luxury and THG Experience were reported separately

(within 'Other'). From 1 January 2023, these results have been internally reported as part of THG Beauty. The results for THG Beauty and THG Nutrition have also been restated for the discontinued categories to show a like-for-like comparison for all categories reported internally as discontinued in 2023.

The result of both of these adjustments is that for 2022, segmental revenue has been restated as follows; THG Beauty £(9.0)m, THG Nutrition £(12.4)m, Other £(50.9)m and discontinued categories £72.3m. Segmental Adjusted EBITDA has been restated as follows; THG Beauty £0.7m, THG Nutrition £(0.1)m, Other £1.9m and discontinued categories £(2.5)m.

The Group has provided an analysis of external revenue by region (by destination):

	2023	2022
	£'000	£'000
UK	937,125	960,535
USA	379,977	446,542
Europe	427,713	449,783
Rest of the world	300,563	382,369
	2,045,378	2,239,229

The Group has provided an analysis of external continued revenue by region (by destination):

	2023	2022
	£'000	£'000
UK	918,351	899,656
USA	348,414	370,330
Europe	421,032	423,905
Rest of the world	295,908	354,364
	1,983,705	2,048,255

The Group's non-current assets by geography are as follows:

	2023	2022
	£'000	£'000
UK	1,189,386	1,257,689
Europe	120,459	145,057
Rest of the world	475,744	550,333
	1,785,589	1,953,079

3. Operating loss

	Note	2023	2022
		£'000	£'000
Operating loss has been arrived at after charging / (crediting):			
Adjusted items – cash	4	15,824	40,090
Adjusted items – non-cash	4	34,803	305,689
Other operating expense – non-cash loss on disposal of freehold assets	12.1	17,664	-
Employee costs		253,446	275,145
Share-based payments	7	16,723	10,734
Depreciation on fixed assets	12.1	55,691	50,896
Depreciation on right-of-use assets	22	39,422	43,295
Amortisation	11	68,829	58,581
Amortisation of acquired intangibles	11	50,543	50,394
Government grants		(1,598)	(1,752)
Net foreign exchange (loss) / gain		(201)	1,424

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.

	2023	2022
	£'000	£'000
Within Cost of sales		
Non-cash loss on disposal of discontinued and the exiting of loss making categories	10,465	25,517
Inventory provision following strategic review	4,786	-
	15,251	25,517
Within Distribution costs		
Transportation and delivery costs in relation to Covid-19	2,456	18,504
Commissioning - new facilities	2,605	3,613
	5,061	22,117
Within Administrative costs		
Non-cash loss on property portfolio restructure	18,369	-
Loss on property portfolio restructure	851	-
Non-cash loss on disposal of (or exit from) discontinued and loss making categories	5,969	3,763
Other costs following the outcome of strategic review	1,515	6,942
Restructuring costs	2,708	6,803
Acquisitions – restructuring and integration	703	8,046
Other legal and professional costs	200	570
Donations	-	362
Non-cash impairment of assets	-	269,828
Non-cash impairment of non-core assets held for sale	-	1,831
	30,315	298,145
Total adjusted items before finance costs	50,627	345,779
Within Finance costs		
Non-cash – revaluation of SBM option	-	(601)
Total adjusted items before tax	50,627	345,178
Tax impact	(2,835)	(11,634)
Total adjusted items	47,792	333,544
Cash adjusting items before tax¹	15,824	40,090

¹ Cash adjusting items before tax total £15.8m (2022: £40.1m) reflecting the total cash before tax expected to be paid. This differs from the Consolidated statement of cash flows which also reflects the timing of such payments. Cash paid in 2023 totalled £15.0m.

Non-cash loss on disposal of (or exit from) discontinued and loss making categories

On 17 January 2023 the Group confirmed its intention to simplify and streamline its operations, undertaking a strategic review of loss-making categories and territories primarily within THG OnDemand. In July 2023, the trade and assets of THG OnDemand were sold to a Newco led by the existing OnDemand management team. This resulted in adjustments in respect of inventory provisions recognised within cost of sales and impairment of other assets, primarily property, plant and equipment included within administrative costs being recognised, and therefore an overall loss on disposal, to reflect the recoverable value of the associated assets.

During the second half of the year, the Group completed its strategic review of non-core categories. As a result in January 2024, approval was obtained for further discontinuation of some additional small legacy brands within THG Beauty and THG Nutrition.

This resulted in adjustments in respect of inventory provisions recognised within cost of sales and impairment of other assets, primarily property, plant and equipment within administrative costs being recognised to reflect the recoverable value of the associated assets.

The total costs incurred regarding these loss making categories are £16.4m (2022: £29.3m) recognised within cost of sales and administrative costs respectively at £10.5m (2022: £25.5m) and £5.9m (2022: £3.8m).

These costs are deemed to be one-off, non-cash losses to enable and complete the exit of loss making areas of the business.

Associated income in respect of costs arising for discontinued categories has been set out in note 2.

Inventory provision following strategic review of business operations

Following the strategic review including THG Beauty manufacturing, efficiencies were identified that would support long-term cost savings. Consistent with this a one-off provision was recognised in respect of inventory that is no longer required to drive forward the operations. This is a one-off item that will not recur following the completion of this review.

Transportation and delivery costs in relation to Covid-19

The Group was severely impacted by high surcharges from suppliers in respect of routes travelling through and into Asia during the Covid-19 pandemic and extended lockdown periods. However, this impact lessened during 2022, with costs reducing further throughout 2023 as prices have normalised back to pre-covid levels. This item will not continue into 2024.

The impact of rising costs was not fully passed on to customers. On this basis, it is not possible to reliably measure any associated revenues associated with the operational costs.

Commissioning – new facilities

Consistent with strategic priorities which include warehouse optimisation, the Group has continued its commissioning of the campus at Manchester Airport, UK ("Icon") and New Jersey, US. Both warehouses are now operational, although further automation continues to be implemented in both sites to further efficiency gains. The majority of the costs incurred during the period relate to the Autostore automation of the New Jersey warehouse and the transfer of stock to this facility. Associated costs are expected to have been fully incurred by the end of the first half of 2024.

Loss on property portfolio restructure

During the year, as part of the cost reduction programme, the Group completed a review of the properties held within its portfolio, streamlining space where possible to gain efficiencies. Following consolidation of warehousing and offices across the Group, some properties across the portfolio are now vacant and not currently being utilised to generate economic benefits for the group.

Where possible assets held in leased properties have been sold or repurposed. However, residual leasehold improvement assets in respect of vacated properties have been fully impaired, being a one-off loss arising from the streamlining exercise undertaken. A provision has also been included for such unavoidable costs that are expected on these vacant leased properties over the remaining life of the lease.

Other costs following the outcome of strategic review

As part of the strategic review the Group has consolidated acquired warehouses into the existing THG network. The costs that have been incurred as part of this process, include:

- Those incurred to relocate the stock across the fulfilment network.
- Restructuring costs associated with the dual running of facilities, severance payments and other third party costs such as rent and utilities.

All costs recognised within adjusted items are from the point of management's decision to exit the acquired warehouse. The costs associated with the decommissioning of these warehouses are considered to be one-off costs and are incremental to the ongoing trading of the group.

Restructuring costs

Costs within restructuring are those incurred in executing and embedding the Group's simplification project which was previously announced as part of the strategic review. Current year costs relate directly to one-off costs arising following the decision to discontinue certain categories which are not expected to recur.

Acquisitions – restructuring and integration

On 26 July 2023 the Group purchased City AM. The costs incurred during the year relate to the integration of the acquisition within the wider THG Group and the dual running of warehouse facilities of businesses acquired in recent years. The size and nature of acquisitions and the complexity of the integration plan has led to costs being incurred over an extended post-acquisition period. It is expected that the costs will continue to further reduce in 2024.

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. The legal and professional costs incurred during 2023 relate directly to the purchase of City AM and Biossance.

Donations

There has been no donations recognised in adjusted items within 2023.

Whilst there have been donations in 2023 totalling £0.3m, these items have been included within the normal course of trade and therefore recognised outside of adjusted items. In 2022, in addition to donations made in the normal course of trade, the Group donated £0.4m related to aid in the form of nutrition and hygiene products to charities assisting with the war in Ukraine which was deemed to be a one off item and was therefore recorded in adjusted items and have not recurred.

Impairment of assets

In 2022, an impact of the divisional reorganisation was that the assets and cash flows of each division were separately identifiable. The result being the identification of additional cash-generating-units ('CGUs'). This more granular review, combined with significant acquisitions within THG Beauty division generating a substantial amount of intangible assets; the market price for many technology businesses falling; and the macroeconomic, inflationary and interest rate pressures in the wider market generated one-off impairment charges of £183m within the THG Beauty CGU and £87m within the THG Ingenuity CGU.

No impairment has occurred in 2023.

Impairment of non-core assets held for sale

No impairment of non-core assets held for sale has occurred in 2023.

In 2022, an impairment charge of £1.8m was recognised against non-core assets that met the criteria to be classified as held for sale under IFRS 5. The net book value of these assets has been reclassified to current assets and an impairment charge has been recognised for the difference between the selling price and the carrying value.

5. Auditors remuneration

	2023	2022
	£'000	£'000
Fees in respect of the audit of the Consolidated and Parent Company Financial Statements	2,300	2,300
Total audit fees	2,300	2,300
Other services:		
- other assurance services*	480	100
Total non-audit services	480	100
Total fees	2,780	2,400

*Fees in respect of other assurance services relate to interim procedures in accordance with International Standard for Review Engagements (UK and Ireland) 2410 and other assurance procedures.

6. Employee costs and Directors' remuneration

	Note	2023	2022
		£'000	£'000
Wages and salaries		259,955	283,080
Social security costs		29,525	32,091
Pension costs		10,728	10,407
Share-based payments	7	16,723	10,734
		316,931	336,312

The aggregate amount of employee costs included above that have been capitalised within platform development costs was £46.8m (2022: £50.5m).

The costs incurred in respect of the Executive Directors and Non-Executive Directors, who are regarded as the key management personnel, were as follows:

	2023	2022
	£'000	£'000
Wages and salaries	1,786	1,056
Social security costs	267	124
Pension costs	2	1
	2,055	1,181

No retirement benefits are accruing to any of the Directors at 31 December 2023 (2022: nil).

The average number of employees (including executive directors) during the year was:

	2023	2022
	Number	Number
Retail	2,108	3,287
Administration	1,483	1,051
Distribution	3,465	3,834
Information technology	908	869
	7,964	9,041

The above table reflects the full time equivalent (FTE) number of employees calculated as an average throughout the year. The total staff numbers on an actual basis at 1 January 2023 were 8,239 and at 31 December 2023 were 7,291.

7. Share-based payments

The Group operates a share-based compensation plan, under which the Group receives services from employees as consideration for equity instruments (options) of the Company. A total of 35,529,895 shares were issued in the 12 months to 31 December 2023. The shares issued during the year are as follows:

- On 27 January 2023 a total of 34,969,541 options were granted with 234,929 of these shares only vesting if targets linked to ESG are met. 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.
 - 1,410,209 shares vested on 31 December 2023;
 - The remaining awards vest in two equal tranches. The second and third tranches for each separate grant will vest on 31 December in the following two years respectively.
- On 1 December 2023 a further 560,283 options were granted. The awards vest in three equal tranches, with the first being 31 December following the date of grant. The second and third tranches for each separate grant will vest on 31 December in the following two years respectively.

	2023	2022
	£'000	£'000
Expense arising from equity-settled share-based payment transactions	16,723	10,734

The following table shows the shares granted and outstanding at the beginning and end of the year:

	2023	2023	2022	2022
	Number of shares	Weighted average exercise price	Number of shares	Weighted average exercise price
As at 1 January	41,796,012	£0.06	-	£0.00
Granted during the year	35,529,824	£0.01	43,352,699	£0.05
Forfeited during the year	(5,324,678)	£0.00	(1,556,687)	£0.02
Exercised during the year	(3,283,098)	£0.00	-	£0.00
As at 31 December	68,718,060	£0.03	41,796,012	£0.06
Exercisable as at 31 December	19,975,803	£0.00	12,308,805	£0.10

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 £0.10, and the weighted average remaining contractual life is 8.8 years. The weighted average share price at date of exercise of shares exercised during the year was £0.75.

8. Finance income and cost

	2023	2022
	£'000	£'000
Finance income		
Bank interest receivable	13,329	2,359
Finance costs		
Bank interest payable and charges	65,140	42,791
Interest on lease liabilities	14,760	14,332
Revaluation of SBM option	-	(601)
	79,900	56,522

9. Income tax

	Note	2023 £'000	2022 £'000
Current tax			
Tax charge for the year		3,478	2,218
Adjustments in respect of prior year		5,292	(3,025)
		8,770	(807)
Deferred tax			
Origination and reversal of temporary differences		(9,303)	(6,493)
Adjustments in respect of prior year		(4,841)	(764)
Change in tax rates		1,782	(1,707)
	21	(12,362)	(8,964)
Total income tax credit		(3,592)	(9,771)

The effective tax rate is 1.4% (2022: 1.8%) and is explained below:

	2023 £'000	2022 £'000
Loss before tax	(251,964)	(549,728)
Tax at statutory rate of 23.5% (2022: 19%)	(59,212)	(104,448)
Tax effects of:		
Adjustments in respect of prior year	452	(3,789)
Expenses not deductible	13,161	57,115
Effect of higher tax rates in other jurisdictions	(682)	350
Losses not recognised in the year	40,907	42,708
Effect of change in tax rate	1,782	(1,707)
	(3,592)	(9,771)

The main rate of corporation tax in the UK is 25%. The main rate of corporation tax in UK increased 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 1.4% (2022: 1.8%), based on a total tax credit of £3.6m (2022: £9.8m). The effective tax rate differs from the average statutory rate of 23.5%. This is primarily due to a movement in deferred tax not recognised (-16.2%), and the impact of expenses not deductible (-5.2%).

Pillar Two legislation has been enacted or substantively enacted in certain jurisdictions in which the Group operates. The legislation will be effective for the Group's financial year beginning 1 January 2024.

The Group has performed an assessment of the Group's potential exposure to Pillar Two income taxes. This assessment is based on the most recent information available regarding the financial performance of the constituent entities in the Group. Based on the assessment performed, all jurisdictions should meet the Country-by-Country Safe Harbour provisions and management is not currently aware of any circumstances under which this might change. Therefore, the Group does not expect a potential exposure to Pillar Two top-up taxes in any jurisdiction reviewed through this assessment.

At the balance sheet date the total net deferred tax liability is £55.7m (2022: £76.6m). The deferred tax liability in respect of intangible assets recognised on consolidation was £135.3m (2022: £150.8). The deferred tax asset in respect of tax losses recognised was £29.8m (2022: £54.8m). There were £96.2m of unrecognised deferred tax assets in respect of tax losses at the balance sheet date (2022: £57.8m). 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

2023 Business combinations

Business	Country of incorporation	Nature of activity	Date of acquisition	Percentage ownership
City AM	UK	Publishing of newspapers	26 July 2023	100%
Biossance	USA	Online retailer	28 December 2023	100%

City AM

On 26 July 2023 the Group acquired the trade and assets of London's City AM newspaper for consideration of £1.5m. All identifiable assets and liabilities have been recorded at fair value. The fair value assessment has resulted in overall goodwill of £2.3m being recognised. The acquisition of City AM enhances the Group's media presence through its well established consumer base which accumulates c.2 million online monthly visitors. City AM, has been integrated into THG Ingenuity, also providing a platform to increase customer reach of THG's own beauty and nutrition brands.

Biossance

On 28 December 2023 the Group acquired the intellectual property and assets of US beauty brand, Biossance, a company of Amyris Inc for consideration of £15.7m (\$20m). Biossance is a prestige skincare brand which been integrated into and will further expand THG Beauty's presence in this sector, with the brand being globally recognised, particularly within the US market. The brand was successfully re-platformed onto THG Ingenuity technology on 10 January 2024.

This transaction represented an asset acquisition rather than a business combination under IFRS 3. The fair value of identifiable assets and liabilities upon acquisition exceeded the purchase consideration with amounts therefore apportioned equally across the acquired assets.

Acquired assets and liabilities are set out below.

	£'000
Assets acquired at fair value	
Intangible assets	6,145
Accounts receivable	1,798
Inventories	9,340
Liabilities at fair value	
	(877)
Cash consideration	15,707
Transaction fees and other costs	699

Information as to the operating results of the business prior to acquisition have not been made available. Financial results for the post acquisition period are not considered material for disclosure due to the proximity to the year end.

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 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	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
At 1 January 2023	790,977	268,249	223,972	640,756	13,213	1,937,167
Transfers	-	-	(1,627)	103	1,524	-
Additions	-	60,775	19,988	83	798	81,644
Business combinations (note 10)	2,318	-	1,816	4,329	-	8,463
Currency translation	(18,901)	(199)	(8,730)	(17,606)	(8)	(45,444)
Disposals	(1,175)	(31,226)	(24,078)	(376)	(310)	(57,165)
At 31 December 2023	773,219	297,599	211,341	627,289	15,217	1,924,665
Accumulated amortisation						
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
At 1 January 2023	304,632	168,332	95,323	87,953	5,165	661,405
Transfers	-	97	(130)	33	-	-
Amortisation	-	38,520	26,893	52,474	1,485	119,372
Impairment loss	-	240	-	-	-	240
Currency translation	(1,651)	766	(5,418)	(2,437)	(2)	(8,742)
Disposals	-	(30,853)	(23,468)	(362)	(310)	(54,993)
At 31 December 2023	302,981	177,102	93,200	137,661	6,338	717,282
NBV						
At 1 January 2022	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
At 31 December 2023	470,238	120,497	118,141	489,628	8,879	1,207,383

Included within intellectual property is £5.4m (2022: £4.4m) 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 £1.0m (2022: £0.8m) was recognised in the period in relation to these assets.

Consideration of impairment of goodwill and intangible assets

Goodwill and intangible assets that have an indefinite 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 generates cash inflows largely independently.

The Directors have concluded that there are five (2022: six) CGUs within THG, being THG Beauty, THG Nutrition, THG Ingenuity, THG Luxury and THG Experience. This corresponds to the organisational structure and excludes THG OnDemand which has been exited during 2023.

Goodwill has arisen from previous business combinations across the Group and is allocated to the CGUs that are expected to benefit from 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 Beauty, with a FVLCTD approach being adopted for THG Ingenuity to establish a recoverable amount under IAS 36.

In accordance with IAS 36, THG Luxury and THG Experience CGUs do not include indefinite life assets. The Directors have concluded that there are no Indicators of impairment in respect of 2023 and therefore a further impairment assessment has not been undertaken.

THG Beauty - Goodwill totalling £338.1m (2022: £353.2m)

For THG Beauty, management has estimated a VIU using a discounted cashflow method. In the prior year a FVLCTD basis was adopted, however the Directors consider VIU to be an appropriate basis given the continued macroeconomic uncertainty and the impact this could have on forecasting for periods exceeding five years.

The key assumptions made are as follows:

Key Assumption	
Discount rate	The post tax discount rate used is 9.5% (pre-tax rate 12.7%).
Forecast cash flows	Forecasts are based on assumptions from the Board approved budget with projections covering a five year period. The key assumptions within the cashflow forecasts are the future revenue growth and EBITDA margin. The projections are based on the best estimate of future cash flows, taking in to account externally available expectations that the beauty and online markets will continue to grow at a medium to high single digit rate. The directors believe the forecasts are reasonable and consistent with the strategy, in addition to the medium-term outlook as publicly communicated to the market on a regular basis.
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 long-term growth rate across the beauty market.

No impairment has been recognised in respect of THG Beauty.

Management has performed sensitivity analysis on the key assumptions in the impairment model using reasonably possible changes in these assumptions. The model is not sensitive to reasonably possible changes in these key assumptions in isolation, however it is recognised that a change in more than one of these assumptions could result in a material change. Management consider that a combination of reducing revenue by 5.8%, reducing EBITDA margin by 0.2% and increasing the discount rate by 0.5% would eliminate headroom. 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 Nutrition - Goodwill totalling £132.1m (2022: £133.1m)

The key assumption used within the VIU calculation are:

Key Assumption	
Discount rate	The post tax discount rate used is 8.1% (pre-tax rate 10.8%).
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 sports and nutrition retailing.

The method relies on inputs not normally observable by market participants.

No impairment has been recognised for THG Nutrition.

Management has performed sensitivity analysis in 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 Ingenuity - Goodwill totalling £nil (2022: £nil)

The Directors have reviewed the carrying value of the CGU and have adopted a FVLCTD and a replacement cost basis. This represents a change from the prior year, with the Directors considering this to be the most appropriate basis of valuation consistent with the nature and intended use of the assets held.

The key assumptions used within the FVLCTD relate to the capitalised platform development costs and include the period for replacement, headcount and rates per hour.

The CGU also includes property, plant and equipment and right of use assets with no specific impairment indicators identified.

Management has performed sensitivity analysis over 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 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
Transfers to assets held for sale	-	-	(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
At 1 January 2023	2,317	143,100	141,393	118,719	123,719	529,248
Additions	111	11,209	6,707	12,224	2,829	33,080
Business combinations	-	-	8	11	19	38
Transfers	-	5,430	(37,869)	3,009	29,430	-
Currency translation differences	-	(302)	743	(532)	(515)	(606)
Disposals	(165)	(6,474)	(4,117)	(281)	(45,875)	(56,912)
At 31 December 2023	2,263	152,963	106,865	133,150	109,607	504,848
Accumulated depreciation						
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
Transfers 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
At 1 January 2023	1,587	43,103	36,399	54,881	33,237	169,207
Depreciation (note 3)	340	14,494	13,489	21,310	6,058	55,691
Impairment loss	-	1,064	987	115	10,950	13,116
Currency translation differences	-	(342)	232	(581)	(187)	(878)
Disposals	(170)	(1,949)	(51)	(257)	(3,032)	(5,459)
At 31 December 2023	1,757	56,370	51,056	75,468	47,026	231,677
NBV						
At 1 January 2022	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
At 31 December 2023	506	96,593	55,809	57,682	62,581	273,171

Disposals to property, plant and equipment include the sale of non-core freehold assets which were not consummate to the Group's strategic priorities and resulting in a non-recurring and non-cash loss on disposal of £17.7m. Subsequent to the completion of the sale of the subsidiary holding one of these disposed of properties, the group leased the property back, with this now sublet to a third party. Sale and leaseback accounting has therefore not been applied as this was the leaseback of an asset that was held in a single asset entity previously owned by the Group.

Transfers relate to work in progress assets that have been transferred to the relevant asset class as these became ready for use in the current year.

The impairment loss relates primarily to assets held in properties which have been vacated during the year which have not been sold or repurposed within the group.

12.2 Assets held for sale

During 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.

During 2023, the assets held for sale were sold generating cash proceeds of £13.5m.

There were no assets held for sale as at 31 December 2023.

	2023	2022
	£'000	£'000
Assets classified as held for sale		
Transfer from property, plant and equipment (note 12.1)	-	21,397
	-	21,397

13. Inventories

	2023	2022
	£'000	£'000
Goods held for resale	225,600	296,133
Raw materials	67,427	72,327
Goods in transit	4,116	4,811
	297,143	373,271

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 £1,079.9m (2022: £1,272.9m). The value of inventories written down and recognised as an expense in the statement of comprehensive income in the year was £5.1m (2022: £8.6m). Within goods held for resale is a £2.4m (2022: £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	2023	2022
		£'000	£'000
Assets as per balance sheet - financial assets			
Trade and other receivables excluding non-financial assets	15	147,686	162,835
Cash and cash equivalents	16	416,162	473,783
Investments		1,400	1,400
Assets as per balance sheet - held at fair value through OCI			
Derivative financial instruments designated as hedging instruments		9,613	21,567
Derivative financial instruments held at fair value through profit and loss		301	301
		575,162	659,886

	Note	2023	2022
		£'000	£'000
Liabilities as per balance sheet - other financial liabilities at amortised cost			
Bank borrowings	18	650,037	679,189
Lease liabilities	22	344,977	334,376
Trade and other payables excluding non-financial liabilities	17	553,656	574,994
Liabilities as per balance sheet - other financial liabilities at fair value			
Derivative financial instruments designated as hedging instruments		19,763	4,189
		1,568,433	1,592,748
Derivative financial instruments designated as hedging instruments			
FX forwards hedging foreign exchange risk on borrowings		(19,763)	(3,377)
Interest rate swaps		7,999	21,567
FX forwards hedging foreign exchange risk on highly probable future cash flows		1,615	(812)
		(10,149)	17,378

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'

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.

2023	Notional	Impact on OCI*	Impact on OCI**	Recycled through interest payable in the statement of comprehensive income
		£'000	£'000	£'000
Notional				
Derivatives hedging foreign exchange risk on borrowings	€600,000,000	(3,138)	(4,183)	(20,568)
Derivatives hedging interest rate risk on borrowings	€600,000,000	10,176	13,568	(6,993)
Derivatives hedging foreign exchange risk on future cash flows	£69,655,812	(1,820)	(2,426)	(5,130)

*Note impact on OCI is shown net of deferred tax
**Note impact on OCI is shown gross 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 £43.1m (2022: £53.7m) 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.

	Carrying amount	Contractual 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 2023:							
Bank borrowings	650,037	657,934	-	29,026	109,000	519,908	-
Lease liabilities	344,977	557,100	11,636	33,128	44,764	134,290	333,282
Trade payables	553,656	553,656	524,387	29,269	-	-	-
Derivative financial liabilities	19,763	19,763	-	19,763	-	-	-
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	-	-

Undiscounted bank borrowings disclosed in the table above exclude the impact of interest owed from 2024 onwards which is variable rated. The respective amounts for less than 3 months is £14.5m (2022: £12.4m), 3 to 12 months is £43.7m (2022: £42.8m), 1 to 2 years is £54.9m (2022: £58.0m), 2 to 5 years is £41.9m (2022: £94.0m) and more than 5 years is nil (2022: nil).

The fair value of bank borrowings at 31 December 2023 was £652.5m (2022: £686.6m). 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 2023, the Group held €600m notional of forward contracts expiring in June 2024.

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*	Effect on change in USD rate**	Effect on change in PLN rate
		£'000	£'000	£'000
2023	+5%	(372)	2,766	2,367
2023	-5%	411	(3,057)	(2,617)
2022	+5%	(271)	3,222	2,834
2022	-5%	300	(3,561)	(3,132)

*If the closing exchange rate was 5% higher/lower, the impact on Group Equity would be £41m (2022: £10.4m) reflecting the impact of the derivative hedges associated with the €600m term loan B.

**If the closing exchange rate was 5% higher/lower, the impact on Group Equity would be £61.8m (2022: £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 2023, the Group held €600m expiring December 2026. Interest rate sensitivity is summarised in note 18.

The Group's financial risks are detailed within [pages 87 to 98](#) of this Annual Report.

Changes in liabilities arising from financing activities

The changes in liabilities arising from financing activities are presented below:

	1 January 2023	Cash flows	New leases & Lease modifications	Repayment of bank borrowings	Foreign exchange movement	Other	31 December 2023
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Borrowings	679,189	(47,804)	-	(25,000)	(9,133)	52,785	650,037
Lease liabilities	334,376	(49,486)	47,844	-	(2,396)	14,639	344,977
Total liabilities from financing activities	1,013,565	(97,290)	47,844	(25,000)	(11,529)	67,424	995,014
	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

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

	2023	2022
	£'000	£'000
Trade receivables	110,912	121,122
Less: loss allowance	(2,056)	(1,805)
Net trade receivables	108,856	119,317
Prepayments	28,483	28,362
Accrued income	36,428	40,004
Other taxation and social security	59,185	33,748
Other receivables	38,830	43,518
	271,782	264,949

Trade and other receivables are principally denominated in Sterling.

At 31 December 2023, there were 160,392,591 fully vested, but partly paid and unlisted Shares (31 Dec 2022: 160,809,675). The average amount of unpaid share capital per fully vested but partly-paid and unlisted Share is £0.17 (2022: £0.17) representing a receivable to the Group of £26.7m (2022: £26.9m). The amount is included within other receivables. 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 2023 the ageing of trade receivables was as follows:

	2023	2022
	£'000	£'000
Not due	68,952	61,178
0 to 3 months overdue	25,041	45,318
More than 3 months overdue	16,919	14,626
	110,912	121,122

The movement in the loss allowance of trade receivables was as follows:

	£'000
At 1 January 2023	1,805
Charge for the year	4,091
Released	(3,817)
Utilised	(16)
Foreign exchange movement	(7)
At 31 December 2023	2,056

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	1.72%	1.83%	1.95%	2.06%	2.41%	
Estimated total gross carrying amount at default	68,952	21,202	3,228	611	16,919	110,912
Expected credit loss	(1,183)	(389)	(63)	(13)	(408)	(2,056)
At 31 December 2023	67,769	20,813	3,165	598	16,511	108,856

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

	2023	2022
	£'000	£'000
Cash and cash equivalents	416,162	473,783

Cash and cash equivalents includes amounts receivable of £3.5m (2022: £3.1m) from banks and £16.7m (2022: £17.4m) 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

	2023	2022
	£'000	£'000
Trade payables	368,855	321,709
Accruals	182,922	244,553
Other taxation and social security	82,351	58,811
Other payables	-	1,880
Government grants	2,343	2,635
Contingent consideration on acquisitions	1,879	6,852
	638,350	636,440

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 £3.4m.

Included within trade payables is £43.1m (2022: £53.7m) 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

		2023	2022
	Note	£'000	£'000
Current			
Bank borrowings		29,026	30,992
Lease liabilities	22	43,537	43,995
		72,563	74,987
Non-current			
Bank borrowings		621,011	648,197
Lease liabilities	22	301,440	290,381
		922,451	938,578

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 prior 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.£7.3m higher / lower (2022: c.£3.7m) and the subsequent move on the derivative valuation would cause equity to be c.£15.5m higher / lower (2022: c.£18.5m) 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:

	2023	2022
	£'000	£'000
Loans and other borrowings	(650,037)	(679,189)
Lease liabilities	(344,977)	(334,376)
Cash and cash equivalents	416,162	473,783
Sub-total	(578,852)	(539,782)
Adjustments:		
Retranslate debt balance at swap rate where hedged by foreign exchange derivatives	15,653	24,782
Net debt	(563,199)	(515,000)
Net debt before lease liabilities	(218,222)	(180,624)

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 2023	20,805	1,565	22,370
Acquired	-	-	-
Utilised	(380)	(614)	(994)
Created	6,001	1,933	7,934
Released	(3,201)	-	(3,201)
Interest	119	-	119
FX on retranslation	(260)	-	(260)
At 31 December 2023	23,084	2,884	25,968
Current	2,712	1,126	3,838
Non-current	20,372	1,758	22,130

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 2023	2,544	5,488	1,178	3,145	456	11,019	23,830
At 31 December 2022	3,025	5,490	2,609	2,367	456	9,736	23,683

Other provisions relate to onerous contracts and unavoidable costs arising where the Group no longer operates from a leased property. Unless a separate sublease or exit has been agreed with the landlord, the Group has provided for the costs of meeting the obligations of the contract, being primarily service charges. The cost is recognised for the existing contractual term.

20. Contract liabilities

	2023	2022
	£'000	£'000
Contract liabilities	22,864	34,256

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 relate to THG Beauty and THG Nutrition. 100% of the transaction price of the unsatisfied contracts as at 31 December 2022 were recognised as revenue during 2023. Contract liabilities have reduced in 2023 as a result of investment in automation and faster delivery times to customers.

21. Deferred tax

The deferred tax balance comprises:

	2023	2022
	£'000	£'000
Short term timing differences	(6,920)	106
Accelerated capital allowances	(5,754)	3,361
Business combinations	135,335	150,827
Tax losses	(29,821)	(54,809)
Loan relationships	(38,577)	(25,627)
Derivatives	2,253	3,558
Other balance sheet amounts	(818)	(818)
	55,698	76,598

At the balance sheet date there are unrecognised deferred tax assets in respect of tax losses of £96.2m (2022: £57.8m). Corporate Interest Restrictions ("CIR") limits tax relief in respect of net interest costs resulting in a deferred tax asset for disallowed amounts which can be utilised in future periods. An asset of £38.6m (2022: £25.6m) has therefore been recognised on interest bearing loan relationships.

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 2023	3,361	106	(54,810)	(25,627)	150,827	2,741	76,598
Charged / (credited) to the statement of comprehensive income	(8,534)	(4,370)	24,852	(12,950)	(11,360)	-	(12,362)
Credited to equity	-	(2,511)	-	-	-	-	(2,511)
Charged to OCI	-	-	-	-	-	(1,306)	(1,306)
Other / FX	(580)	(145)	137	-	(4,132)	-	(4,720)
Closing balance 31 December 2023	(5,753)	(6,920)	(29,821)	(38,577)	135,335	1,435	55,699

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 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
As at 1 January 2023	210	164	-	293,935	294,309
Additions	1,920	(3)	-	59,475	61,392
Depreciation (note 3)	(568)	(45)	-	(38,809)	(39,422)
Lease modifications	98	-	-	(10,377)	(10,279)
Disposals	-	-	-	-	-
Currency translation differences	(4)	(3)	-	(2,358)	(2,365)
As at 31 December 2023	1,656	113	-	301,866	303,635

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:

	2023	2022
	£'000	£'000
As at 1 January	334,376	349,173
Additions	56,708	6,620
Accretion of interest	14,641	14,130
Payments	(49,487)	(49,012)
Lease modifications	(8,864)	17,820
Disposals	-	(13,510)
Currency translation differences	(2,397)	9,155
As at 31 December	344,977	334,376
Current	43,537	43,995
Non-current	301,440	290,381

The maturity analysis of lease liabilities is disclosed in Note 14. The Group had total cash outflows for leases of £49.5m in 2023 (2022: £49.0m). The following are the amounts recognised in the year in the consolidated statement of comprehensive income:

	2023	2022
	£'000	£'000
Depreciation expense on right-of-use assets	39,422	43,295
Interest expense on lease liabilities	14,641	14,130
	54,063	57,425

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 nine 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; Deferred 1 Shares of £0.005 each; and Deferred 2 Shares of £0.005 each. As at 31 December 2023, the Company's issued share capital comprised:

Class	2023 Number	2022 Number	Nominal value £ each
Ordinary Shares	1,299,700,302	1,265,377,243	0.005
D1 Shares	56,082,651	56,082,651	0.005
D2 Shares	17,441	17,741	1
E Shares	48,944,593	48,995,797	0.005
F Shares	27,014,247	27,122,287	0.005
G Shares	17,267,066	17,494,614	0.005
H Shares	-	-	0.005
Special Share	-	1	1
Deferred 1 Shares	317,613	313,257	0.005
Deferred 2 Shares	21,563,860	21,563,860	0.005
	1,470,907,773	1,436,967,451	

The rights attaching to the Shares are set out in the Director's Report on [pages 99 to 106](#).

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 2023 the following share conversions took place in respect of pre-IPO employee share schemes:

- (i) 2,500 Ordinary Shares were converted from 2,500 E Shares
- (ii) 9,876 Ordinary Shares were converted from 3,547 F Shares and 6,329 G Shares
- (iii) 13,218 Ordinary Shares were converted from 5,288 F Shares and 7,930 G Shares
- (iv) 45,488 Ordinary Shares were converted from 45,488 G Shares
- (v) 15,765 Ordinary Shares were converted from 15,765 G Shares
- (vi) 8,532 Ordinary Shares were converted from 8,532 E Shares
- (vii) 11,168 Ordinary Shares were created from 5,193 F Shares and 5,975 G Shares
- (viii) 300 D2 Ordinary Shares were subdivided into 60,000 D2 shares of £0.005 each, 55,644 of which converted into 55,644 Ordinary Shares and 4,356 were reclassified into Deferred 1 Shares.
- (ix) 14,807 Ordinary Shares were converted from 14,807 E Shares
- (x) 15,000 Ordinary Shares were converted from 15,000 F Shares
- (xi) 21,144 Ordinary Shares were converted from 21,144 F Shares
- (xii) 5,612 Ordinary Shares were converted from 5,612 E Shares
- (xiii) 3,700 Ordinary Shares were converted from 3,700 F Shares
- (xiv) 20,337 Ordinary Shares were converted from 10,572 F Shares and 9,765 G Shares
- (xv) 61,393 Ordinary Shares were converted from 24,483 F Shares and 36,910 G Shares
- (xvi) 8,717 Ordinary Shares were converted from 3,524 F Shares and 5,193 G Shares
- (xvii) 13,168 Ordinary Shares were converted from 5,193 F Shares and 7,975 G Shares
- (xviii) 9,747 Ordinary Shares were converted from 2,875 E Shares and 6,872 F Shares
- (xix) 16,878 Ordinary Shares were converted from 16,878 E Shares
- (xx) 8,717 Ordinary Shares were converted from 3,524 F Shares and 5,193 G Shares
- (xxi) 81,025 Ordinary Shares were converted from 81,025 G Shares

24. Pension Commitments

During the year, the Group operated an auto-enrolment pension scheme. The scheme is managed by independent fund managers and the Group contributes in accordance with the statutory requirements. In addition to the auto-enrolment scheme, a subsidiary company operates a defined contribution pension scheme which is also managed by independent fund managers and its assets and liabilities are held separately from that of the Group. The pension charge represents the amount paid by the Group and amounted to £10.7m (2022: £10.4m). £1.2m of contributions due to the fund were outstanding at year end (2022: £1.1m).

25. Cash flow generated from operations

		2023	2022
	Note	£'000	£'000
Loss before taxation		(251,964)	(549,728)
Adjustments for:			
Depreciation of property, plant and equipment	12.1	55,691	50,896
Depreciation of right-of-use assets	22	39,422	43,295
Amortisation	11	68,829	58,581
Amortisation of acquired intangibles	11	50,543	50,394
Share-based payments	7	16,723	10,734
Adjusted items	4	50,627	345,178
Other operating expense	12.1	17,664	-
Net finance costs	8	66,571	54,764
Operating cash flow before adjusting items and before movements in working capital and provisions		114,106	64,114
Decrease in inventories		70,678	79,262
(Increase) / Decrease in trade and other receivables		(10,414)	1,027
Increase / (Decrease) in trade and other payables*		(11,336)	(56,893)
Increase/(Decrease) in provisions		(575)	(1,292)
Foreign exchange (loss) / gain		(201)	1,424
Cash generated from operations before adjusting items		162,258	87,642
Free cash flow			
Free cash flow ²		(1,135)	(213,353)

*Included within trade and other payables is a decrease in contract liabilities of £11.4m (2022: decrease £1.9m).

Refer to the Chief Financial Officer's Review on [page 35](#) of this report for details regarding undrawn borrowing facilities that may be available in the future for the operating activities and settling capital commitments.

2. Free cashflow is defined as total cash flow for the group adjusting for debt (repayments) / proceeds and acquisitions cash flows and in respect of FY23 the inclusion of a cash receipt of £11.2m from HMRC which was remitted to the Group in December 2023 but physically cleared the bank on the first working day of 2024. For presentation purposes, this is considered to be free cash flow as at 31 December 2023 as a result of the remittance advice received.

26. Earnings per share

The following table reflects the income and share data used in the basic and diluted EPS calculations:

	2023	2022
Loss for the financial year (£'000)	(248,372)	(539,957)
Weighted average number of ordinary shares for basic EPS	1,296,925,602	1,239,485,253
Basic and Diluted EPS (£'s)	(0.19)	(0.44)

In 2022, if the impact of impairment charges in the year was removed, the Basic and Diluted EPS would have been £(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.

Basic and diluted earnings per share are equal 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 2023	Ordinary Shares 2022
		Number	Number
M J Moulding	0.005	249,294,545	249,294,545
M J Moulding	1	360	361
J A Gallemore	0.005	4,216,826	3,638,116
J A Gallemore	1	3,174	3,174
I McDonald	0.005	2,505,943	2,505,943
D Sanders	0.005	21,926	21,926
C Allen	0.005	2,400,000	2,400,000
S Farr	0.005	67,397	n/a
		258,510,171	257,864,065

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.

		2023	2022	2023	2022
	Date of award	Subscription/ exercise price £	Subscription/ exercise price £	Number	Number
M J Moulding	Dec-19	0.23	0.23	43,641,266	43,641,266
M J Moulding	Aug-20	0.33	0.33	20,197,808	20,197,808
M J Moulding	Aug-20	0.28	0.28	7,733,792	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
I McDonald	Dec-19	0.23	0.23	185,476	185,476
				78,611,318	78,611,318

Also refer to note 15 and the remuneration report for further information as to shareholdings.

The Group has not provided any interest free loans to the Directors in 2023 (2022: none). 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 159](#).

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 £307,720 (2022: £269,017) 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:

	2023	2022
	£'000	£'000
Right-of-use asset	154,682	159,000
Lease liability	174,457	178,694

The amounts recognised on the Group's statement of comprehensive income in relation to the leases with Propco in the year are as follows:

	2023	2022
	£'000	£'000
Depreciation arising on right-of-use assets	10,066	11,277
Expense recognised in financing costs	7,198	8,812
Impairment arising on property plant and equipment	9,663	-

The table below gives further detail around the leases in place:

Number of properties	Residual lease term date divestment	FY23 rent £'000
9	0-4 years	962
12	12-14 years	3,285
7	18-24 years	9,923
28		14,170

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.

Related party	2023		2022	
	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	-	29	-	100
Allenby Square Ltd	-	7	-	190
MCL Alpha PropCo Ltd	-	-	-	161
MCL Icon Unit 3 PropCo S.à r.l.	-	74	-	296
MCL Gadbrook PropCo Ltd	-	34	-	242
MCL Icon Unit 4 PropCo Ltd	-	45	-	217
MCL PV PropCo Ltd	-	-	-	45
MCL A&A PropCo Ltd	-	-	-	241
MCL GJS PropCo Ltd	-	35	-	195
MCL HCC PropCo Ltd	-	75	-	285
MCL KS PropCo Ltd	-	63	-	225
Moulding Capital Limited	-	-	-	10,454
MCL Wroclaw sp. Z.o.o	-	1	-	-
MCL ICON S.à r.l	-	170	-	1,101
MCL Icon Unit 2 PropCo Limited	-	292	-	953
	-	825	-	14,705

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 2023 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
Enesco 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.	29	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	30	USA	Marketing company
Performance Supplements LLC	30	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	32	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

EI 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	33	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	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 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, SL	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	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)	11	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 Eco Ltd	1	England and Wales	Holding company
THG EU PP Limited	21	Ireland	Holding company
THG Ingenuity Germany GmbH	22	Germany	Online retailing
THG Beauty Limited	1	England and Wales	Online retailing
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 EU Limited	21	Ireland	Holding company
THG Nutrition Limited	1	England and Wales	Online retailing
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 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 EU Limited	21	Ireland	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	27	UAE	Online retailing
THG Ingenuity General Trading LLC	28	UAE	Holding company
THG Insurance Limited*	3	Guernsey	Holding company
THG Icon CP PropCo Limited	1	England and Wales	Holding company
Dermstore LLC (previously Inteladerm LLC)	31	USA	Holding company
City A.M. Limited	1	England and Wales	Financial and businesses newspaper

*Companies owned directly by THG PLC

Registered Offices:

- Icon 1 7-9 Sunbank Lane, Ringway, Altrincham, United Kingdom, WA15 0AF.
- 2nd Floor, Charter Place, 23/27 Seaton Place, St Helier, Jersey, JE1 1JY.
- Sarnia House, Le Truchot, St Peter Port, Guernsey, GY1 4NA.
- Corporation Trust Center, 1209 Orange Street, Wilmington, DE 19801, USA.
- 517 West 100 North, Providence, UT 84332, USA.
- 100 SE 2nd Street, Suite 2000, Miami, FL 3313, USA.
- Language Connect, Inc. 79 Madison Avenue, Suite 205, New York, NY 10016, USA.
- 73 rue Sainte-Anne, Paris, France.
- 79060, Ukraine, Lviv, Naukova str. 7D, office No. 305.
- ul. Magazynowa 1, 55-040 Magnice, Poland.
- 06-101, WeWork 115 Broadway, New York, NY 10006, USA.
- DLA Piper Tokyo, 2-1-1 Marunouchi, Chiyoda-ku, Meiji Seimei Kan 7F, Tokyo, 100-0005, Japan.
- 600 Montgomery St Ste 2500, San Francisco, CA, 94111-2724, USA.
- Monte Equinza 30 Bajo Izquierda 2810, Madrid, Spain.
- Room 753, Level 7, Building 2, No. 155, Fu Texi 1st Road, China (Shanghai) Pilot Free Trade Zone.
- Lote D, Área Empresarial de Marim, 8700-122 Olhão, Portugal.
- Jebel Ali Free Zone, Dubai, UAE.
- 300 Creekview Road, Suite 209, Newark, New Castle, 19711.
- 111 Fieldcrest Avenue, Edison NJ 08837.
- Azure Group Pty Level 10, 171 Clarence Street, Sydney, NSW 2000.
- City Trust & Corporate Services Limited 1st Floor Liffey Trust Centre, 117 -126 Sheriff Street Upper, Dublin 1.
- Maximilianstrasse 5480538 Munich.
- 100 Tras Street, #16-01 100AM, 079027, Singapore.
- 203, 2nd Floor, Time Tower, Gurgaon Haryana, India.
- Eternity Realty Building-ER 3 Deira Al Marrar Office: 041.
- Barbara Strozziilaan 2011083 HN Amsterdam, The Netherlands.
- Office no 101-105, Bayan Business Center, Dubai Investment Park - First, Dubai, United Arab Emirates.
- Office no 08-106, 8th & 9th Floor, The Office 4, We Work, One Central, Dubai World Trade Centre, Dubai, United Arab Emirates.
- 555 California Street Ste 4925, San Francisco, CA 94104.
- 632 N 2000 W Ste 110, Lindon, UT 84042.
- 7405 E Monte Cristo Ave, Scottsdale, AZ, 85260.
- Drottningatan 108113 60 Stockholm Sweden.
- Rawlinson & Hunter Singapore - 30 Cecil Street, #18-02 & 03, Prudential Tower, Singapore 049712.

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
Indigo Environmental Holdings Ltd	11738577	The Engine House Media Services Ltd	10597642	Indigo Environmental Ltd	10695826
The Protein Lab (UK) Ltd	8491800	THG Hangar Holdco Ltd	12698636	Three Counties Reclamation Ltd	3792922
THG Nutrition Ltd	13400484	Preston Plastics (Holdings) Ltd	13265838	Preston Plastics Ltd	3377914
THG Ingenuity Ltd	13414244	THG Beauty Ltd	13400467	THG OnDemand Ltd	13400489
The Hut.com Limited	5016010	THG Luxury Ltd	13515580	THG Experience Ltd	13515614
Iwantoneofthose.com Limited	52189	Media Ark Limited	6127322	Arrow Film Distributors Limited	2584648
CNP Professional Holdings Limited	53443	Ameliorate Skincare Limited	3427037	Brighter Foods Limited	8815259
Gadbrook Limited	9867117	THG Trustee Limited	10511000	Cult Beauty Limited	6195011
Virtual Internet Holdings Limited	5943486	THG Intermediate OpCo Limited	12297092	THG Eco Limited	13400476
THG Icon CP PropCo Limited	12940601	THG Shelfco Limited	13120197	THG Insurance Limited	2770512
Lookfantastic London Limited	6338404	Exante Diet Limited	7126424	Bike Kit Limited	8317188
Mama Mio Distribution Limited	7721655	Mankind Holdings Limited	52666	The Hut Holdings Limited	7002848
Fair Juice Limited	6494686	1010 Products Limited	3402920	Indigo Polymers Limited	11526560
Myvitamins Limited	8179216	The Hut Group Limited	12526836	City A.M. Limited	15016484

29. Post balance sheet events

Discontinued categories and operations

At the year end, certain loss making categories and territories within THG Beauty and THG Nutrition, were under strategic review. Post year end, the Board approved the exit of these categories and territories. These operations will be fully exited throughout the course of 2024. The optimal exit route remains under review. The impact of this decision has resulted in inventory provisioning and the impairment of assets which have been recognised within cost of sales and administration expenses respectively and included within adjusted items (note 4). This has been concluded as an adjusting post balance sheet event.

Revolving Credit Facility

The existing RCF of £170m was due to mature in December 2024. On 4 March 2024, an extension of 17 months to May 2026 was agreed. From December 2024, the facility will reduce to £150m. Covenants attached to the RCF are unchanged and are linked to gross debt leverage and become effective when the facility is drawn upon. The facility remains undrawn and is not forecast to be drawn in the future period.

Long Term Incentive Plan

On 7 March 2024, nil cost options were issued over 3,685,598 shares to certain directors under the THG PLC Long Term Incentive Plan. This is a non-adjusting post balance sheet event and the associated charge will be recognised from the grant date in 2024.

Subsidiary Audit Exemptions

The below subsidiaries have taken the exemption from an audit for the year ended 31 December 2023 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
Ensko 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

Company statement of financial position as at 31 December 2023

		2023	2022
	Note	£'000	£'000
Non-current assets			
Investments	4	541,303	524,580
		541,303	524,580
Current assets			
Receivables	5	1,599,654	1,612,636
Cash		52,112	56,267
		1,651,766	1,668,903
Payables: amounts falling due within one year	6	(7,320)	(8,710)
Net current assets		1,644,446	1,660,193
Total assets less current liabilities		2,185,749	2,184,773
Net assets		2,185,749	2,184,773
Capital and reserves			
Called up share capital	7	7,072	6,903
Share premium		2,024,824	2,024,452
Merger reserve		615	615
Capital redemption reserve		523	523
Loss for the year		(16,288)	(22,560)
Retained earnings		169,003	174,840
Total shareholders' funds		2,185,749	2,184,773

The financial statements on pages 223 to 228 were approved by the Board of Directors on 9 April 2024 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 2023

	Ordinary shares	Share premium	Merger reserve	Capital Redemption Reserve	Retained earnings	Total equity
	£'000	£'000	£'000	£'000	£'000	£'000
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
Balance at 1 January 2023	6,903	2,024,452	615	523	152,280	2,184,773
Loss for the year	-	-	-	-	(16,288)	(16,288)
Issue of ordinary share capital	169	372	-	-	-	541
Share-based payment	-	-	-	-	16,723	16,723
Balance at 31 December 2023	7,072	2,024,824	615	523	152,715	2,185,749

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 £16.3m (2022: £22.6m). 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 this financial instrument 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 adjusted for applicable intercompany borrowings and external borrowings held at a subsidiary level, consistent with the impairment review for the Group's goodwill. It has been 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 which could impact the group level assessment. There are no critical assumptions in respect of the parent level adjustments which would reasonably change to the overall assessment performed.

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 loss given default (LGD) and probability of default (PD) to compute the ECL, which is deemed to reflect the risk over recoverability of intercompany debtors.

The Group external credit risk ratings have been used as the primary measure of PD. Management consider this to be a reasonable metric of the Company as a result of the funding arrangements in place and as these ratings provide an independent view as to financial health and market sentiment, including the impact of macroeconomic factors. Other sources of internal and external information are also used in determining the final PD applied, including financial forecasts, financing arrangements and an assessment as to significant changes in credit risk and default events of each borrower.

2. Employee costs and numbers

	2023	2022
	£'000	£'000
Short term employee benefits	961	270
Social security costs	137	25
Pension costs	1	2
	1,099	297

The average number of employees during the year was 3 (2022: 2).

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.

	2023	2022
	£'000	£'000
At 1 January	524,580	508,846
Additions	16,723	15,734
At 31 December	541,303	524,580

5. Receivables

	2023	2022
	£'000	£'000
Trade and other receivables	3,004	2,480
Amounts owed from Group undertakings	1,564,437	1,575,903
Unpaid share capital	26,685	26,919
Corporation tax asset	2,486	4,741
Other taxation and social security	1,080	1,229
Prepayments and accrued income	1,962	1,362
	1,599,654	1,612,634

Amounts owed by Group undertakings are unsecured, non-interest bearing and repayable on demand. The current amount includes amounts of £1,564.4m (2022: £1,575.9m) due on demand but expected to be settled after 1 year.

At 31 December 2023, there were 160,392,591 fully vested, but partly paid and unlisted Shares (31 Dec 2022: 160,809,675). The average amount of unpaid share capital per fully vested but partly-paid and unlisted Share is £0.17 (2022: £0.17) representing a receivable to the Group of £26.7m (2022: £26.9m). 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

	2023	2022
	£'000	£'000
Trade creditors	1,697	1,900
Accruals and deferred income	5,488	6,810
Other taxation and social security	135	-
	7,320	8,710

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 nine 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 2023, the Company's issued share capital comprised:

Class	2023 Number	2022 Number	Nominal value £ each
Ordinary Shares	1,299,700,302	1,265,377,243	0.005
D1 Shares	56,082,651	56,082,651	0.005
D2 Shares	17,441	17,741	1
E Shares	48,944,593	48,995,797	0.005
F Shares	27,014,247	27,122,287	0.005
G Shares	17,267,066	17,494,614	0.005
H Shares	-	-	0.005
Special Share	-	1	1
Deferred 1 Shares	317,613	313,257	0.005
Deferred 2 Shares	21,563,860	21,563,860	0.005
	1,470,907,773	1,436,967,451	

During the financial year ending 31 December 2023 the following share conversions took place in respect of pre-IPO employee share schemes:

- (i) 2,500 Ordinary Shares were converted from 2,500 E Shares
- (ii) 9,876 Ordinary Shares were converted from 3,547 F Shares and 6,329 G Shares
- (iii) 13,218 Ordinary Shares were converted from 5,288 F Shares and 7,930 G Shares
- (iv) 45,488 Ordinary Shares were converted from 45,488 G Shares
- (v) 15,765 Ordinary Shares were converted from 15,765 G Shares
- (vi) 8,532 Ordinary Shares were converted from 8,532 E Shares
- (vii) 11,168 Ordinary Shares were created from 5,193 F Shares and 5,975 G Shares
- (viii) 300 D2 Ordinary Shares were subdivided into 60,000 D2 shares of £0.005 each, 55,644 of which converted into 55,644 Ordinary Shares and 4,356 were reclassified into Deferred 1 Shares.
- (ix) 14,807 Ordinary Shares were converted from 14,807 E Shares
- (x) 15,000 Ordinary Shares were converted from 15,000 F Shares
- (xi) 21,144 Ordinary Shares were converted from 21,144 F Shares
- (xii) 5,612 Ordinary Shares were converted from 5,612 E Shares
- (xiii) 3,700 Ordinary Shares were converted from 3,700 F Shares
- (xiv) 20,337 Ordinary Shares were converted from 10,572 F Shares and 9,765 G Shares
- (xv) 61,393 Ordinary Shares were converted from 24,483 F Shares and 36,910 G Shares
- (xvi) 8,717 Ordinary Shares were converted from 3,524 F Shares and 5,193 G Shares
- (xvii) 13,168 Ordinary Shares were converted from 5,193 F Shares and 7,975 G Shares
- (xviii) 9,747 Ordinary Shares were converted from 2,875 E Shares and 6,872 F Shares
- (xix) 16,878 Ordinary Shares were converted from 16,878 E Shares
- (xx) 8,717 Ordinary Shares were converted from 3,524 F Shares and 5,193 G Shares
- (xxi) 81,025 Ordinary Shares were converted from 81,025 G 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:

- 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.

APM	Closest equivalent IFRS measure	Adjustments to reconcile to primary statements	Purpose
Adjusted gross profit	Gross profit	<ul style="list-style-type: none"> • Depreciation • Amortisation <p>See the Chief Financial Officer review for a reconciliation.</p>	To show gross profit before depreciation and amortisation charged due to its nature to aid comparability.

APM	Closest equivalent IFRS measure	Adjustments to reconcile to primary statements	Purpose
Adjusted distribution costs	Distribution costs	<ul style="list-style-type: none"> • Adjusted items • Depreciation and amortisation <p>See the Chief Financial Officer review for a reconciliation.</p>	To show distribution costs before adjusted items and depreciation and amortisation charged due to their nature to aid comparability.
Adjusted administrative expenses	Administrative expenses	<ul style="list-style-type: none"> • Adjusted items • Depreciation and amortisation • Share-based payments <p>See the Chief Financial Officer review for a reconciliation.</p>	To show administrative expenses before adjusted items and depreciation and amortisation charged due to their nature to aid comparability.
Adjusted EBITDA	Operating profit	<ul style="list-style-type: none"> • Adjusted items • Depreciation and amortisation • Share-based payments • Other operating expense – non-cash loss on disposal freehold assets <p>See the Chief Financial Officer review for a reconciliation.</p>	<p>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.</p> <p>Share-based payment costs are added back, following the launch of the share-based payment scheme in the prior 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.</p>
Adjusted EBITDA from continuing operations	Operating profit	<ul style="list-style-type: none"> • Adjusted items • Depreciation and amortisation • Share-based payments • EBITDA from discontinued categories <p>See the Chief Financial Officer review for a reconciliation.</p>	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.
Free cash flow	Cash flow	<ul style="list-style-type: none"> • Debt (repayments) / proceeds • Acquisitions cash flows • In respect of FY23, a cash receipt remitted from HMRC to the group <p>Refer to note 25 for further detail</p>	Free cash flow is a useful measure that is closely tracked by management in order to evaluate and assess the profitability of the business. The free cash flow calculation is routinely reviewed by management and forms the basis of strategic decisions made in respect of working capital management.
Net (debt)/ cash before lease liabilities	Cash	<ul style="list-style-type: none"> • Loans and other borrowings • Foreign exchange (Retranslate debt balance at swap rate where hedged by foreign exchange derivatives) • Lease liabilities <p>See the Chief Financial Officer review for a reconciliation.</p>	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	<ul style="list-style-type: none"> • Loans and other borrowings • Foreign exchange (Retranslate debt balance at swap rate where hedged by foreign exchange derivatives) <p>See the Chief Financial Officer review for a reconciliation.</p>	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 AGM	means the annual general meeting of the Company held on 24 June 2021
2022 AGM	means the annual general meeting of the Company held on 10 June 2022
2023 AGM	means the annual general meeting of the Company held on 21 June 2023
2022 Annual Report	means the Annual Report and Accounts of the Company in respect of the financial year ending 31 December 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 2023
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 24 June 2024
Annual Report	means this Annual Report and Accounts of the Company in respect of the financial year ending 31 December 2023
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	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 from time to time
Board Committees	means the Company's Board-constituted committees comprising the Audit Committee, the Risk Committee, the Remuneration Committee, the Nomination Committee, the Related Party Committee and the Sustainability Committee
Brexit	means the UK's decision to leave the European Union following the referendum on 23 June 2016
Brighter	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)
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
EDI	means Equity, Diversity and Inclusion
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 Group 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
Headless Commerce	Headless Commerce is an ecommerce architecture which decouples the front-end experience from the back-end applications of the technology stack
H1	means the six-month period from January to June
H2	means the six-month period from July to December
H Shares	means the H ordinary shares of £0.005 each in the capital of the Company, having the rights and being subject to the restrictions set out in the Articles of Association
IAS	means International Accounting Standards
ICON Technology campus	means the Manchester ICON Technology Campus
IFRS	means International Financial Reporting Standards
IPO	means the initial public offering of Ordinary Shares by the Company in September 2020
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 from time to time 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
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 direct reports of the Executive Leadership Team
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 and Deferred 2 Shares or any, or a combination, of them as the context requires
SID	means the Board's senior independent NED, currently Sue Farr who was appointed on 24 April 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, which was transferred and cancelled in accordance with the relevant provisions of the Articles of Association on 21 June 2023
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 organisations more effectively disclose climate-related risks and opportunities through their existing reporting processes
THG Beauty	means a key business 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 business
THG Experience	means the prestige event and experience venues included within the THG Beauty business in support of the Group's influencer marketing
THG Ingenuity	means a platform created and used by the Company to achieve global ecommerce competitive advantage
THG Luxury	means the Company's luxury fashion retail included within the THG Beauty business
THG Media	means the Company's digital content, licensing, social and retail media proposition
THG Nutrition	means a key business of the Company relating to nutritional products, commerce and distribution
THG OnDemand	means the Company's business unit offering personalisation and customisation to a range of consumers via online platforms – this business unit was sold during FY23
THG Procure	means the Company's internally developed procurement system
THG Studios	means the Company's business unit which produces digital content and included within the THG Ingenuity business
THG Technology	means the technology business unit included within the THG Ingenuity business
THG Values	means the Company's values, namely collaboration, leadership, innovation, decisiveness and ambition
YoY	means year on year