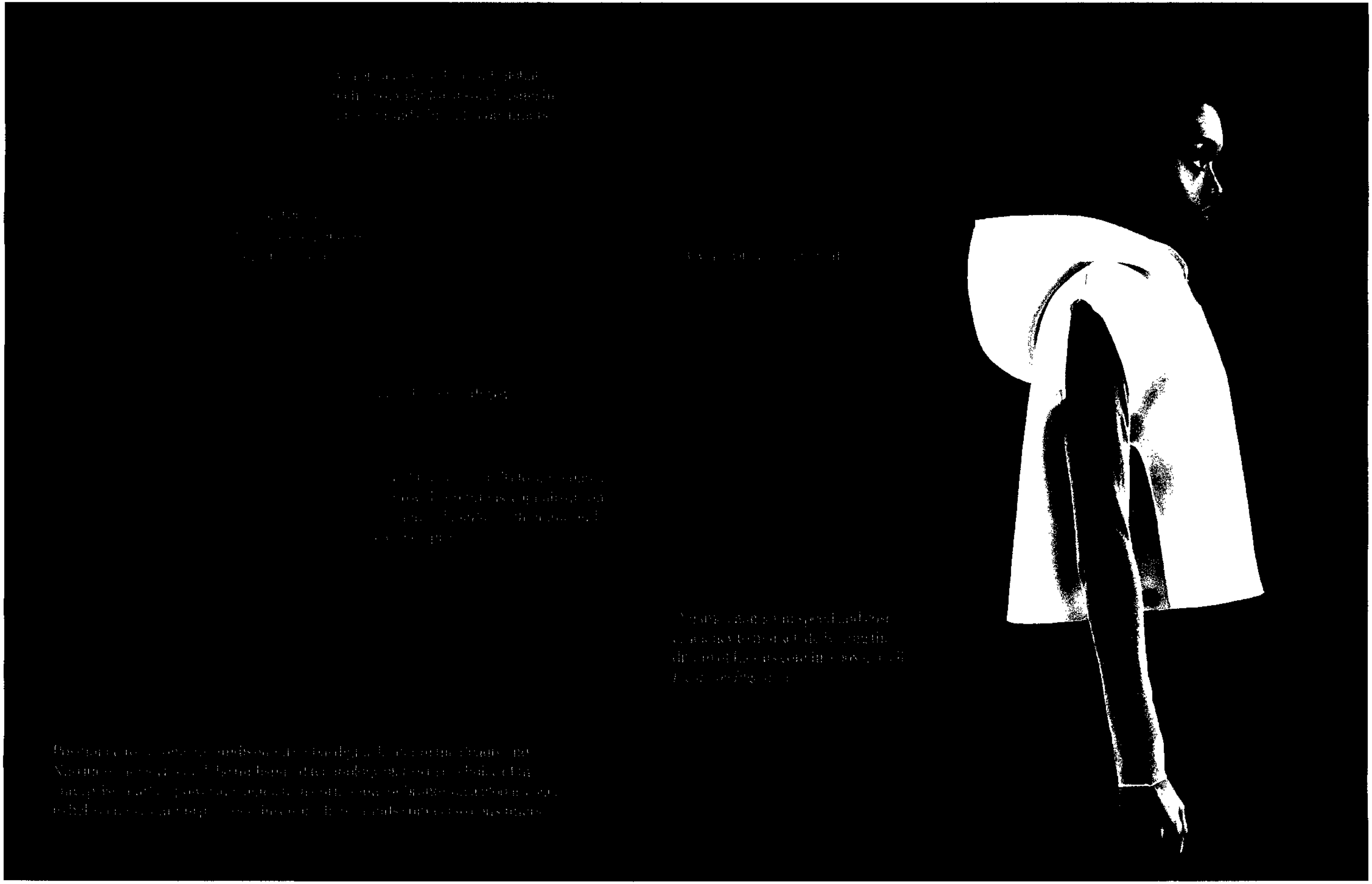
Annual Report



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Executive Chair and Chief Executive Officer's Statement

Dear Shareholder,

It has been a monumental 2020 for THG PLC ("THG", or the "Group") and we are less than a year into our life as a public listed company on the London Stock Exchange ("LSE").

The Executive Leadership Team have been fortunate to have strong, passionate people around them who have been able to steer the business successfully through months of disruption caused by the Covid 19 global pandemic.

We are enthused by the accelerated shift to digital channels and are passionate about delivering on that opportunity. These are exciting times for THG, and we are making progress towards our strategic objectives. I am grateful to our employees, partners and investors for their support.

Our purpose

THG's purpose is to reinvent how brands digitally connect to consumers globally and to be best in class at building, growing and accelerating brands in order to deliver long term sustainable growth for its shareholders. This is achieved through *THG Ingenuity*, our Beauty and Nutrition brands and our own e-commerce websites, whilst ensuring we use our position to promote responsible and sustainable retailing.

Landmark IPO

In September 2020, the Group's Initial Public Offering ("IPO") on the LSE was the largest UK IPO in five years and we were delighted by the strong reception from investors.

Six months on, I am proud to report a record-breaking year for the Group, with growth across all divisions and all major geographies. We have delivered ahead of expectations set at the time of the IPO and remain committed to driving further value for our shareholders by investing for growth.

The IPO raised £920m of capital, which has allowed us to improve and grow our company, both through investment in our platform and through strategic acquisitions. It has also given us the ability to reward and motivate our employees, who are the driving force behind THG's success. The money raised in our IPO was crucial in enabling us to respond nimbly and effectively to the accelerated shift in consumer habits promoted by the Covid-19 pandemic.

Investment for growth

We have a proven track record of acquiring and scaling brands, both digitally and internationally, while investing in the technology and assets to strengthen our vertically integrated model. Since our IPO, we have completed eight acquisitions (including *one exchanged and expected to close* in April) ranging from Perricone MD and Dermstore.com, two category leading US based beauty assets to Claremont and Berryman within our Nutrition division, each BRC AA Grade accredited and contributing flavour house expertise and

ready-to-drink product development and production. We have completed two Environmental, Social and Governance ("ESG") related acquisitions since IPO with other businesses in advance talks ahead of acquisition. Through our ESG focused investments since IPO we have added a UK leading in-house expertise across plastic recycling technologies, addressing the most difficult to recycle plastics most typically used by the beauty industry, plus we have added reforestation supply chain know-how which will feature at check-out. All our ESG innovations and investments will support both our own brands plus our Ingenuity clients, helping THG to deliver digital transformations sustainably.

The investments since IPO each execute on our long-term acquisition strategy as outlined at IPO which remains unchanged. Specifically, THG is the leading digital beauty brand globally, we maintain a growing pipeline of attractive acquisition opportunities, targeting brands with compelling potential for rapid expansion through digital penetration and internationalisation. Acquisitions play an important role in our overall strategy, with a focus on beauty brands with vertical integration through best in class production facilities, technology assets encompassing both software and infrastructure, in addition to an expansive commitment on ESG.

Covid 19

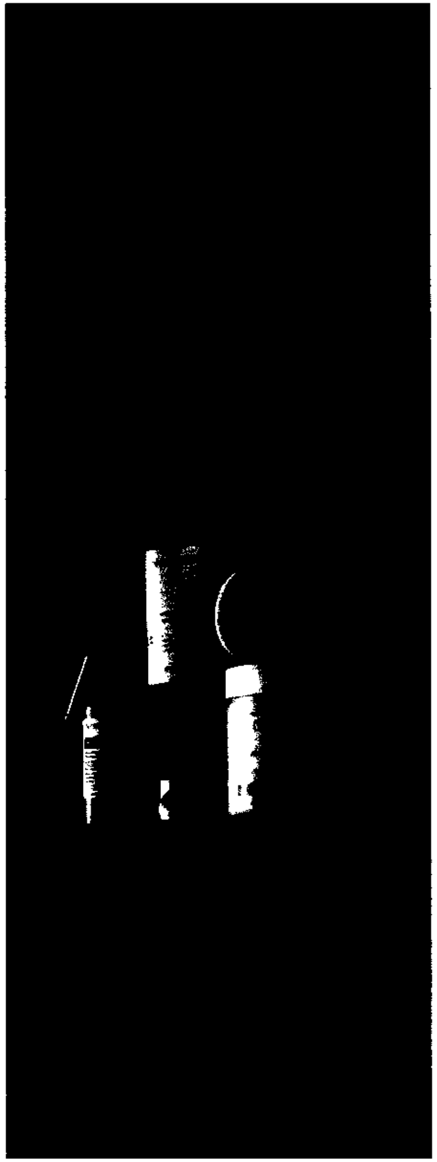
In common with the rest of the world, the THG team has been saddened by the human toll taken by the Covid-19 pandemic. We have sought to support the communities we serve, with more than £10m committed to charitable causes during the year (£6.6m delivered in 2020, with the remainder to be delivered in 2021), in addition to opening up our accommodation for use by key workers.

The pandemic continues to impact both the online retail marketplace and the wider global economy. As consumers have stayed at home, a shift onto digital platforms has undoubtedly accelerated THG's revenue growth. Notwithstanding this, the reasons for long-term retail channel shift and repeat purchasing online remain unchanged and include broader product availability given no shelf-space limitations, greater product education with thousands of user generated and professional posts available online and greater convenience across delivery and payment options. The pandemic has, of course, posed challenges in ensuring that we can provide manufacturing and fulfilment in a safe and secure environment for our employees. THG has responded decisively, with the safety and wellbeing of colleagues of paramount priority at all times.

Reflections on 2020

THG has delivered superb revenue and adjusted EBITDA growth of 42% and 35% respectively, with headline revenue of £1.6bn and adjusted EBITDA of £151m. Due to the unique circumstances occurring in connection with the IPO and the Covid-19 pandemic, the result includes one off charges including significant non-cash expenses, resulting in an operating loss of £(482)m (c.89% non-cash). The biggest non-cash element was a £332m charge associated with equity awarded to staff in the years running up to the IPO, which vested in Q4 2020. While we are confident the Group is well positioned for future growth, we remain alert to emerging risks, and through our proprietary technology platform we are prepared and able to respond swiftly and decisively.

As well as adapting elements of our own business in response to the pandemic, changing consumer needs have accelerated a long-term trend towards e-commerce, creating a challenge for brands that lack a meaningful online presence. The Group's Ingenuity platform powered 89 direct to consumer ("D2C") websites for THG Ingenuity Commerce clients at the end of 2020 - a more than fourfold increase on the 2019 total - providing frictionless end-to-end solutions for major consumer goods companies, brand owners and retailers. Whilst revenue contribution from THG Ingenuity Commerce remains below two per cent of the total Group, the growth rate is strong and we are encouraged by the strength and diversity of pipeline opportunities, the highly accretive earnings margins, and strong cash generation.



Our expertise as a digital brand builder is highly valued by our Ingenuity clients, underpinned by the continued successful growth of our own portfolio of brands (15 brands). Through considered mergers and acquisitions and a well-executed integration strategy, the Group has an established record of digitalising brands from largely offline channels. The addition of Perricone MD to the portfolio in September 2020 enhanced our prestige own brand offering, with the transition to the Ingenuity platform completed within a matter of weeks. We are very pleased with the progress of the acquisition as the brand pivots to a D2C, digital first model. Transforming brands in our own portfolio is testament to our ability and expertise to support third-party brands with the same strategy.

In addition to our own brands, the Group's beauty business has delivered phenomenal sales growth through Lookfantastic, our global reseller flagship brand and over 1,000 brands now partner with us. The breadth of range, convenience and educational content are key factors in high rates of repeat purchase and rising average order values ("AOV"). Beauty brand owners are increasingly analysing their own marketing spend, directing investment towards digital sampling and consumer engagement. Our subscription box model has seen significant growth in subscriber numbers as customers seek to stay at the forefront of emerging brands and trends across skincare, haircare and cosmetics.

As consumers seek healthier lifestyles, THG Nutrition's brand family is innovating to meet growing demand through the launch of over two hundred new products with a focus on convenience, sustainability and education. Myprotein is a global aspirational health and wellness brand, with a strong sense of community and engagement, serving a broadening demographic as the family of brands evolves to serve large addressable markets aligned to its leading position within the D2C sports nutrition market.

Whilst our Beauty and Nutrition divisions have delivered exceptional growth during the year, we are equally proud to achieve the £100m revenue milestone within the OnDemand division. Personalisation is prized by many consumers, we have pivoted the heritage brands within this division including Zavvi and IWOOT to meet this demand, often under exclusive product license (over 1,000 in the Group) or by customised 'print-on-demand' products.

Operational excellence

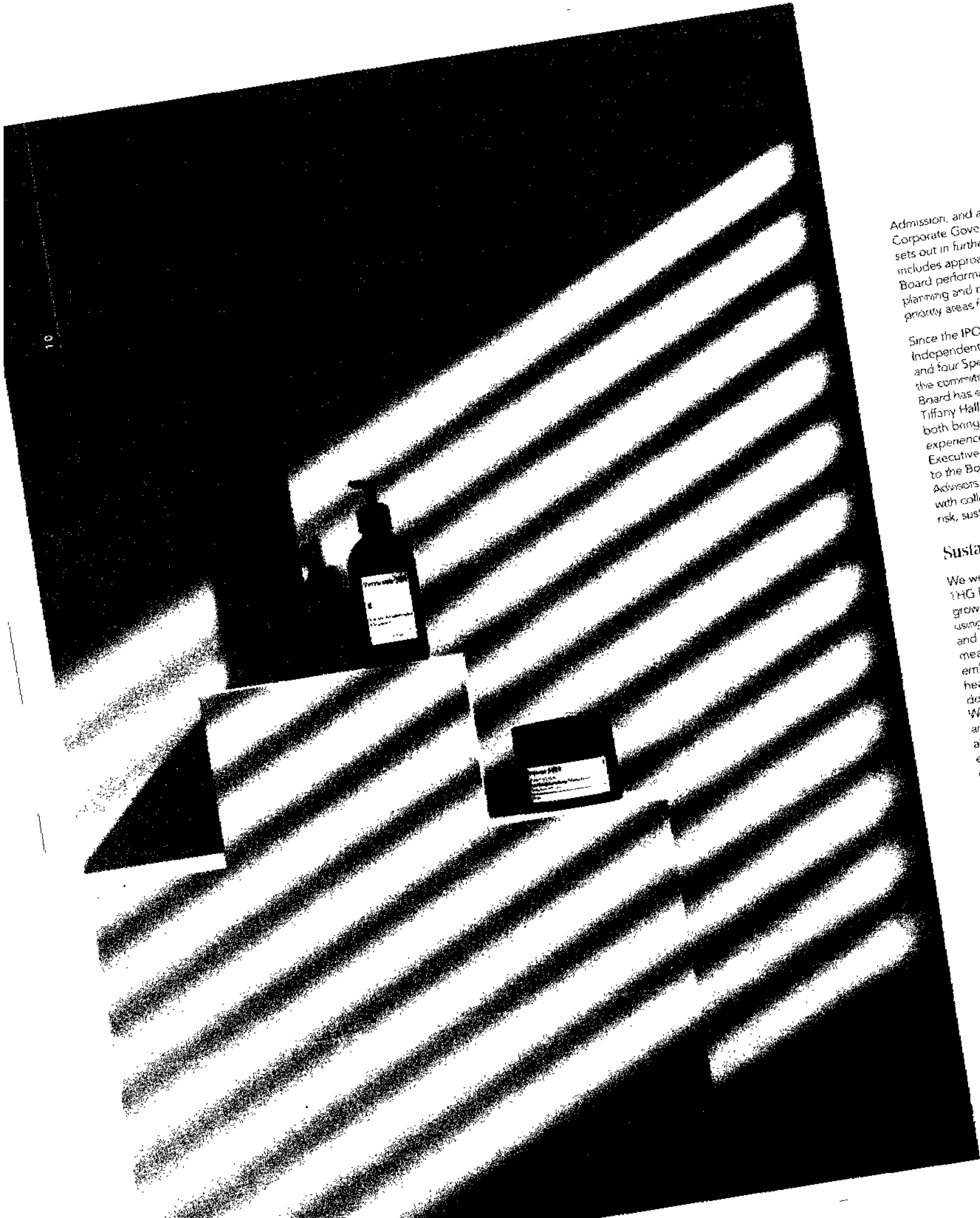
Global lockdown conditions provided a unique opportunity to acquire new customers efficiently, whilst continuing to serve existing customers from our global network of fulfilment centres (18). The launch of branded mobile apps at the end of 2019 has supported repeat purchase rates, with over 2.6 million users globally at the end of 2020.

The cost to serve customers globally as a result of Covid 19 related restrictions resulted in higher than anticipated adjusted item costs in 2020. In particular, commercial airlines have been unavailable to carry cargo leading to an increase in freight costs (for further details see note 4). Strategically we made the decision to further progress investment in global warehousing and fulfilment infrastructure in anticipation of the continuing trend towards online channels which was evident prior to this financial year.

The Group's robust infrastructure and technology is able to manage in excess of 11 million daily website visitors around peak trading periods and fulfilling over 50,000 orders per hour in peak trading periods. The Groups multi-continent operational footprint of data centres (31), production and fulfilment sites (18) continues to expand, enhancing our customer journey and realising operating cost efficiencies, whilst minimising the impact of Brexit.

Corporate governance

The Board recognises that strong corporate governance underpins the long term prospects of the Group. My introduction to the Corporate Governance report on page 159 sets out how the Board has implemented a strong framework in line with the Wates Corporate Governance Principles for Large Private Companies prior to



Admission, and afterwards the UK Corporate Governance Code. The report sets out in further detail our focus and includes approaches to risk management, Board performance evaluation, succession planning and diversity, all of which are priority areas for the Board across 2021.

Since the IPO we have appointed two Independent Non-Executive Directors and four Special Advisors, exceeding the commitments we made at IPO. The Board has extended a warm welcome to Tiffany Hall and Damian Sanders, who both bring a wealth of PLC and industry experience to THG, as independent Non-Executive Directors ("NEDs"). Reporting to the Board sub-committees, the Special Advisors are leading on specific projects with colleagues within the business across risk, sustainability and data protection.

Sustainability

We were particularly pleased to launch THG (eco) in 2020. At THG, we build, grow and accelerate world class brands using innovative technology and solutions and our vertically integrated business means that we are uniquely placed to embed sustainability best practice at the heart of product design, manufacture, delivery and the entire customer journey. We are committed to the development and expansion of sustainability across all our products and services to create enduring and permanent positive changes for our customers and THG Ingenuity partners. THG (eco) embodies our commitment to sustainability and innovation and is dedicated to driving forward positive change.

Powered by THG Ingenuity, we continue to provide a world leading proposition as a sustainable, digital first consumer brands group.

Our stakeholders

Set out on page 32 and under our Section 172 Statement, Stakeholder Engagement Statement and Employee Engagement Statement, we have provided further explanation on how the Board, supported by the Executive Leadership Team, identified and assessed risks to THG, its employees and stakeholders arising from the pandemic, along with the critical measures put in place to minimise the impact and mitigate risk. At the heart of our response was the wellbeing and welfare of our employees, the communities we support, along with the need to maintain critical business infrastructure. As the pandemic continues to evolve, we remain committed to supporting local communities, working in conjunction with local and national government strategies. The learnings that we have gained will inform our approach to risk identification and business continuity plans which remain under regular review.

Our culture

Our corporate culture fosters innovation, teamwork, entrepreneurship, accountability and solutions focused technology development. We believe this culture is an important contributor to our success.

Intrinsic to this is a commitment to diversity and inclusion, which was a focus throughout the last 12 months and will continue to be over the year ahead. As set out in the Corporate Governance Report on page 159, we have established a Diversity and Inclusion ("D&I") Committee to identify areas for improvement and drive positive cultural change.

Given the importance we place on our employees and the nature of our consumer led business, diversity and inclusion is critical to THG. The Board recognises that failure to identify and respond to diversity issues could cause significant reputational damage to THG, our brands and compromise our partnerships. The Board and I acknowledge these challenges because it is the right thing to do and it is essential for our employees, stakeholders, consumers and partner brands.

Our people

I would personally like to welcome new colleagues to the Group and to thank everyone for their contribution to a successful year in a challenging working environment. Your performance during 2020 continues to demonstrate the strength of our talent and business model and our collective ability to meet the demands of our consumers and partners, as they adapt their own businesses and undergo major transformations.

Our colleagues have demonstrated outstanding efforts and commitment. I look forward to their continued contribution in achieving the ambitions of the Group.

The year ahead

Fantastic opportunities lie ahead, and the Group has the capability to maintain and grow leading positions in its core markets of technology, beauty and nutrition.

The first quarter of the new financial year has begun very positively, and we were pleased to complete the acquisition of Dermstore.com on 2 February 2021. The integration strategy is progressing in line with plan, providing further scale to our Group US operations, which as a market will now represent over 20% of Group revenue.

2020 has been a superb year for THG and I would like to take this opportunity to thank all THG employees for their outstanding dedication and diligence in these most testing times. The talent, passion and enthusiasm of the whole team at THG has enabled our strong performance. Delivery against the strategic plan remains robust and the Board are confident and excited by the long-term prospects for the Group.

Matthew Moulding
Executive Chair and
Chief Executive Officer

Strategic Report
Company Overview: Introducing THG

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

We are a digital innovator revolutionising how brands connect to consumers globally.

- We are a **global digital innovator,** transforming how consumer brands go to market in the digital age. Through our proprietary platform Ingenuity, we are providing a **simpler, integrated** and **frictionless** retail experience for consumers and brand owners.
- In doing so, **we are reinventing online retail for the better:**
  - **For customers** we create accessible, fast, education-rich, highly engaging experiences
  - **For brands** we provide a best in class, unique end-to-end route to market, transforming their growth potential, and enabling them to understand and focus on meeting the developing needs of their customers and what differentiates them
  - **For our employees** we provide invaluable skills as they join a disruptive, forward-looking digital business that is creating a technological digital talent bank in the UK
  - **For society and the environment,** our end-to-end vertical integration gives us the opportunity to mitigate harmful impacts of consumer goods and build a more circular, sustainable model
  - **And we are democratising online retail** – overcoming the structural technology barriers by enabling brands and retailers to have direct relationships with consumers, improving accessibility

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

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

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

- We are [illegible] a **leading sustainable e-commerce platform** [illegible] **responsible products** [illegible]
- [illegible] **empower the brands that we work with to have sustainability woven throughout their supply chain** [illegible]
- We will **start with our own operations** [illegible] grow, it is paramount that we reduce our impact on the environment and create and implement innovative new sustainability practices
- There are considerable steps to take, but we ultimately seek to deliver on our ambition through innovative **solutions to societal and environmental issues**

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

- [illegible] is **part of the community in the North West of England** [illegible]

  [illegible] **social mobility** [illegible] **positive impact for employment, developing talent and building the skills of tomorrow.** [illegible] **attracting and retaining the most innovative and inventive talent** from across the globe
- At the same time, we have an **international focus** [illegible] and we are proud to be [illegible] insight globally, as we build skills on a global scale
- Even with a fully global footprint, we are able to **leverage our technology infrastructure for deep local relevance** in the markets we operate

Values

Leadership

We believe that our pioneering vision sets us apart, as we seek to be a global digital leader. We believe that we should have the courage to do things differently, and in doing so we draw on our meritocratic culture to empower our people to lead with confidence and conviction. Regardless of background, age or experience, our people are given the opportunity to lead and succeed with us and we nurture their [illegible]. Our value of leadership [illegible] impact [illegible] seek to use our [illegible] to be the leading [illegible] platform, and to bring [illegible] us on that journey.

Innovation

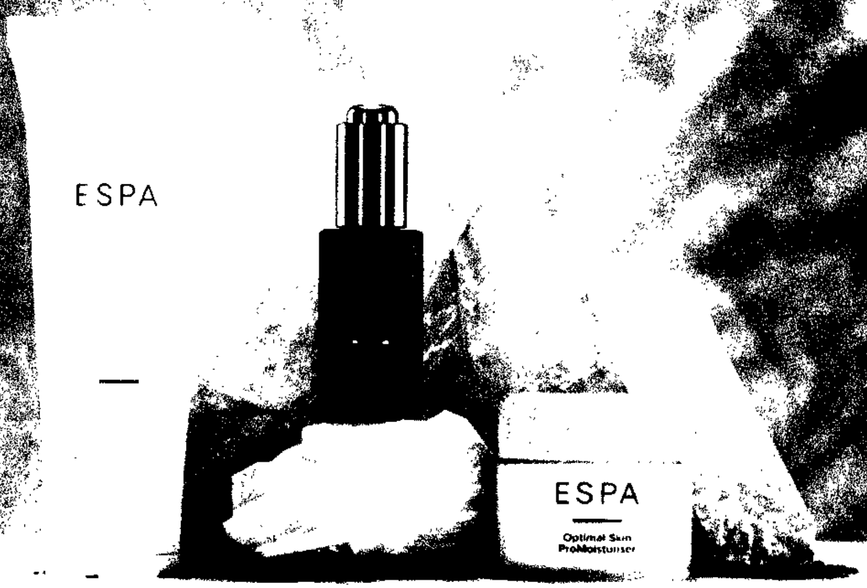
We believe that the way consumers and brands connect is ever-changing and it is critical to consistently evolve and adapt, to challenge ourselves and others to think differently. We are pioneering innovators – who do not defer to the well-trodden path of least resistance – and we strive to be at the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

Decisiveness

We believe that focused, evidence-based and timely decision-making drives success in a fast moving sector. This is enabled by having timely and accurate data at our fingertips, using this to continuously learn and improve our decision-making. We empower our people to make decisions that balance risk and opportunity and are firmly rooted in our purpose. We encourage accountability for decisions [illegible]

Ambition

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



Our Vision & Strategy

Our vision

We are focused on becoming the undisputed global digital leader in the beauty and nutrition categories and the undisputed technology platform of choice of the enterprise market, powering digital transformation for brands on a global stage, to help achieve our purpose of reinventing how brands connect to consumers. We have a long term focus on delivering this vision, with our innovation powered by Ingenuity, the Group's proprietary digital ecosystem, uniquely combining all the necessary software, infrastructure and digitally native employees required to build brands online globally

Brands and retailers require a complex combination of technology and real-world assets to retail online worldwide; the e-commerce engine, digital marketing, payments, fraud, data analytics, fulfilment, courier integrations, customer services, hosting and content. Typically brands and retailers have outsourced each function across a multitude of unconnected suppliers. THG has built and operates each function in-house.

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

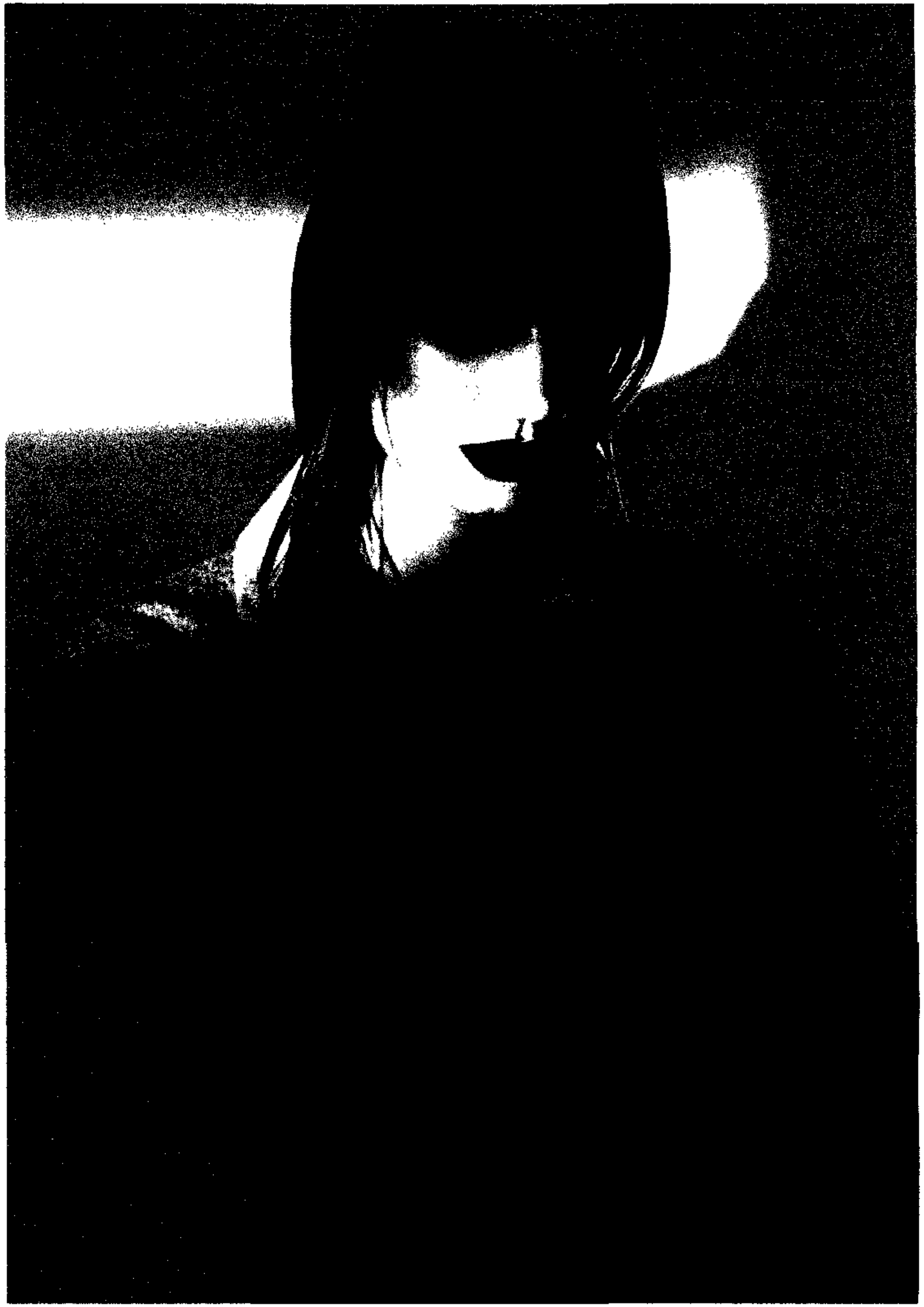
Having built THG Ingenuity over the last 15 years and with tens of thousands of code updates released annually to drive continuous improvement, we are reinventing online retail for the better.

Our strategy

We will continue to power e commerce enablement for our global brand owner customer base through the Ingenuity division, alongside capitalising upon the global market opportunity within the nutrition and prestige beauty markets, supported by the accelerating consumer shift to the e-commerce channel.

THG provides an end-to-end e commerce solution that enables brands to sell online direct to consumer - a global e-commerce solution in a box Through our proprietary technology platform, THG Ingenuity, we sell both our own products and those of others direct to consumers all over the world. We also licence the full technology stack to others ("THG Ingenuity Commerce"), enabling some of the world's biggest brands to sell their products direct to the end customer wherever they are in the world.

THG specialises in building digital brands, as is demonstrated by the success of our own brands and the rapid online sales growth that they have achieved In Nutrition, this includes the Myprotein brand family, which was the largest online sports nutrition brand globally in 2020. In Beauty, this includes Lookfantastic, which retails over 1,000 prestige beauty brands and in 2020 was the largest online pure play beauty retail platform globally. These brands continue to deliver outstanding growth rates as we grow both their domestic and international customer bases through a network of fully localised direct to consumer websites, powered by the THG Ingenuity platform.



Strategic KPIs

Strategy	Strategic objectives	KPIs
[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]

Non financial KPIs

THG Ingenuity

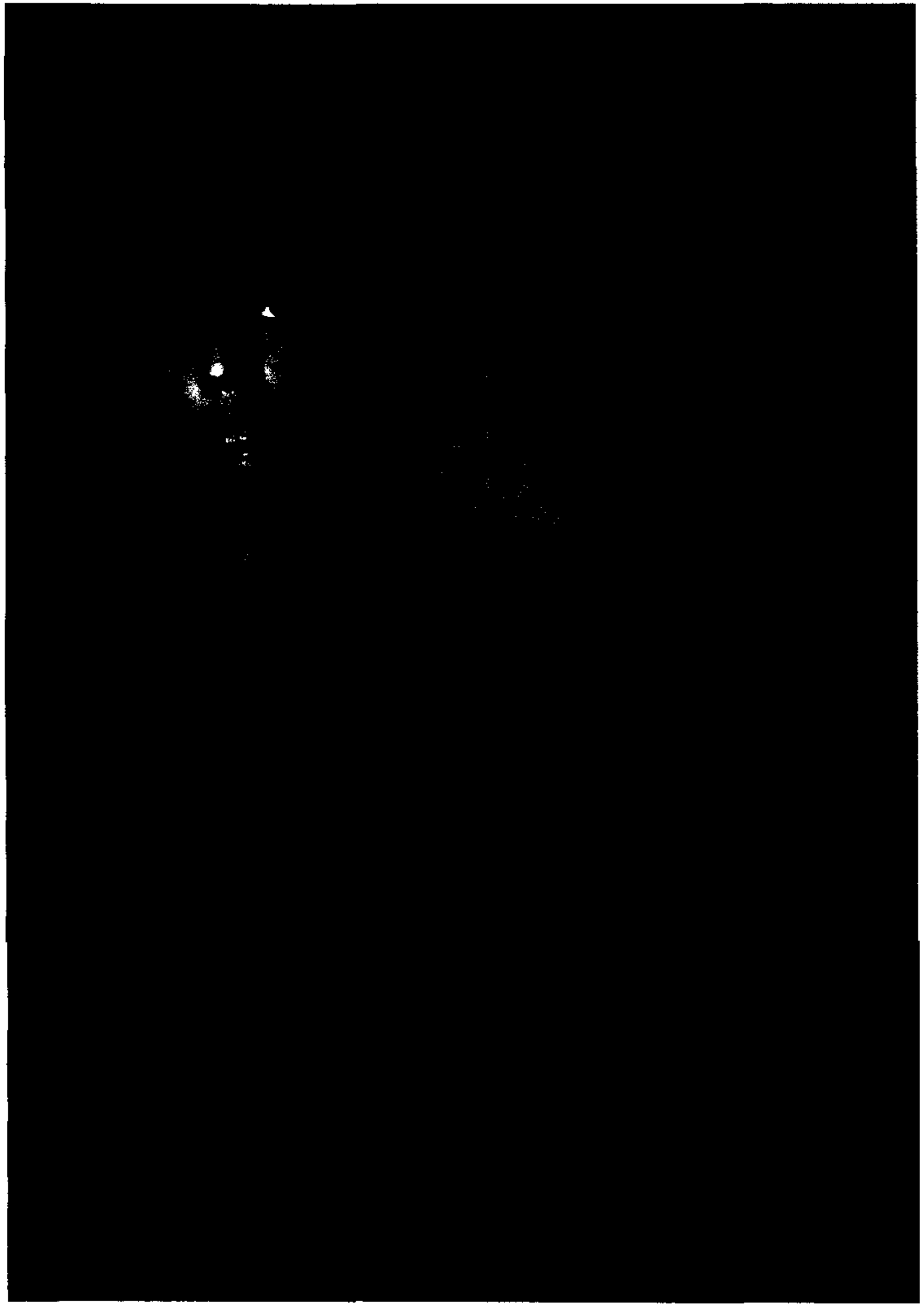
	[illegible]	[illegible]
[illegible]	89	[illegible]
[illegible]	21	[illegible]

THG Beauty

	[illegible]	[illegible]
[illegible]	6.9	[illegible]
[illegible]	13.1	[illegible]
[illegible]	55	[illegible]

THG Nutrition

	[illegible]	[illegible]
[illegible]	6.3	[illegible]
[illegible]	12.3	[illegible]
[illegible]	47	[illegible]



Our Business Model

THG is a leading, digital first consumer brands group, active in the beauty, nutrition and technology services e commerce sectors, and powered by its proprietary e commerce technology, THG Ingenuity.

Our vision is to become the undisputed global digital leader in the beauty and nutrition categories, and for THG Ingenuity to become the technology platform of choice of the enterprise market, powering digital transformation for brands on a global stage.

THG Ingenuity powers THG's vertically integrated business model, spanning the entire product and customer journey, including product development, manufacturing, content creation, marketing, digital commerce, integrated global payment, hosting, the courier and logistics networks plus customer services. THG has developed all of its critical infrastructure in-house, with this development supported by a team of over 700 technologists that continuously optimise and improve the Ingenuity platform. This platform is the route to market for both THG's own brands in the beauty and nutrition sectors, as well as being a critical route for over 1,000 third-party brands.

THG's business is operated through four divisions: THG Beauty, THG Nutrition, THG Ingenuity and Other (comprising THG OnDemand, THG Experience and THG Luxury). Further detail on each of those divisions is found in the rest of this report (pages 77, 97, 51 and 114 respectively)

Our ambitious growth trajectory and our brand partnerships bring opportunities but also risks to our operating model. The Board has set out on page 122 their assessment of principal risks and the steps taken to manage and mitigate such risks

Ingenuity

THG is a vertically integrated, global e-commerce technology group and brand owner, powered by its proprietary technology platform, Ingenuity

Beauty

- LOOKFANTASTIC
- Perricone MD
- DERMSTORE
- ESPA
- SkinStore
- GLOSSYBOX
- HQhair
- MANKIND
- mio
- mio
- SkinCareRx

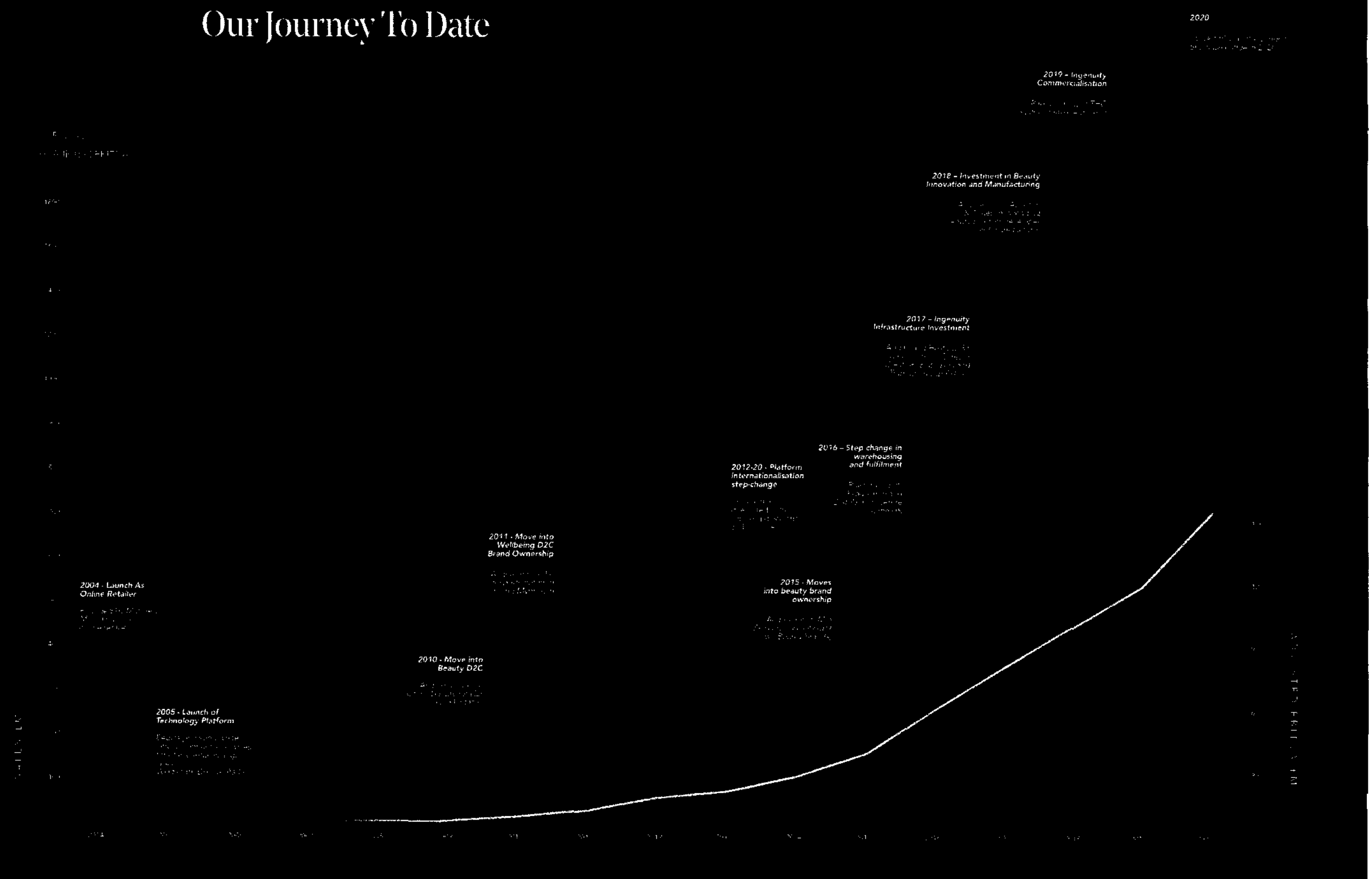
Technology

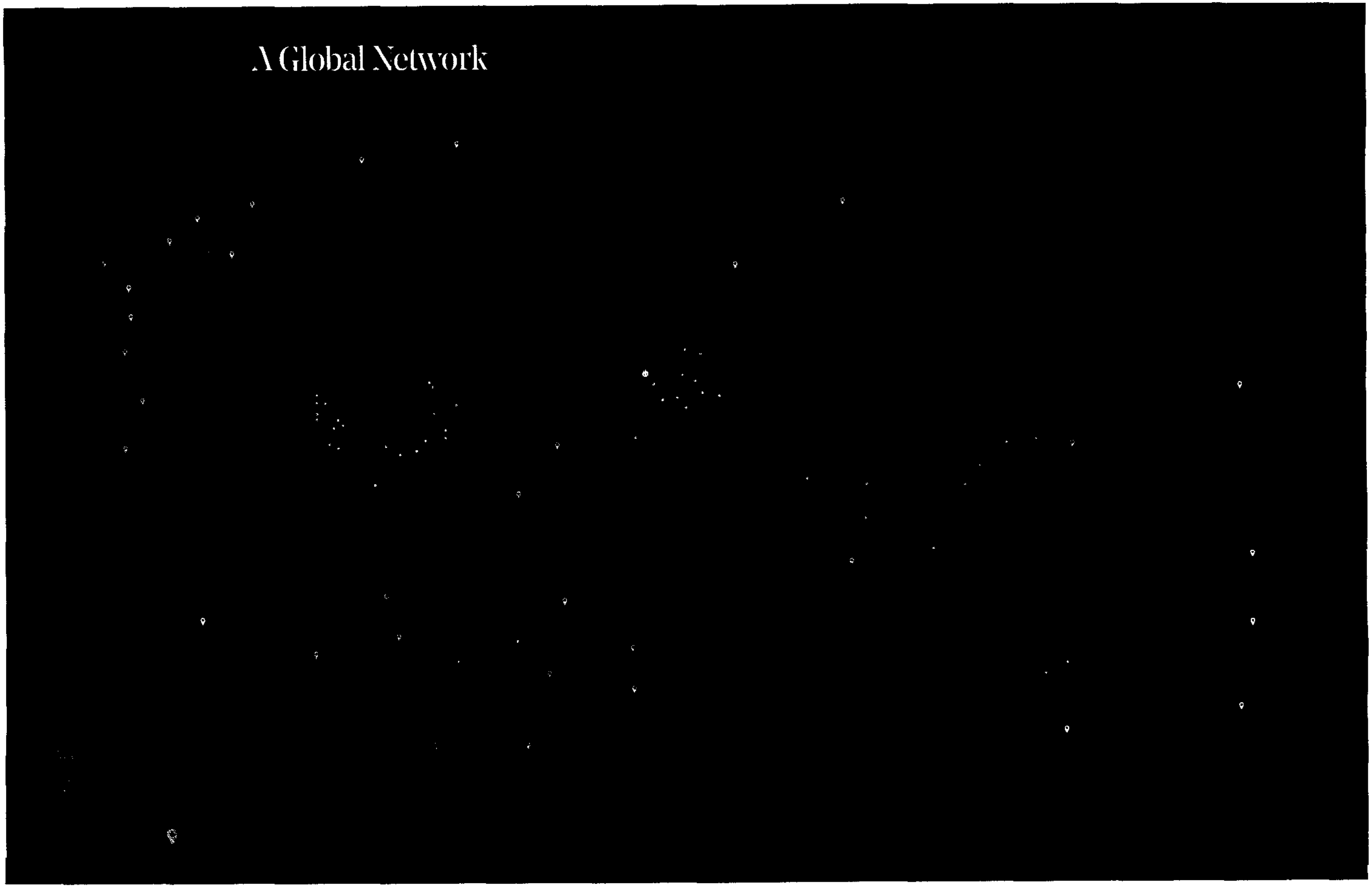
- L'OCCITANE
- HOMEBASE
- Dulux
- ORLEBAR BROWN
- Microsoft
- Hotel Chocolat

Nutrition

- MYPROTEIN
- MYVITAMINS
- MYVEGAN
- MP
- exante

Our Journey To Date

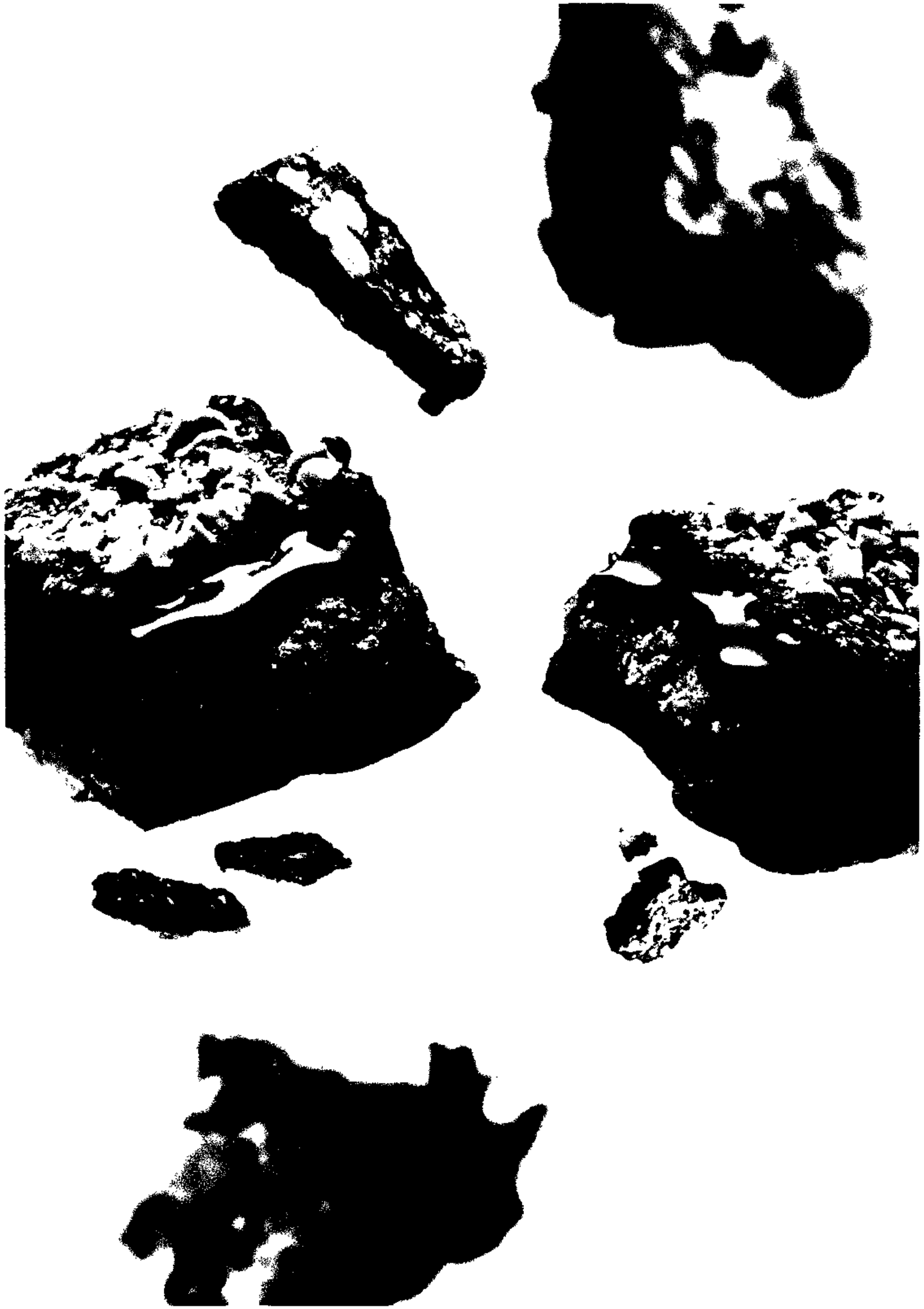



A Global Network

Highlights & Progress in 2020

2020 has been another year of exceptional progress for THG, with highlights including:

- Net revenue growth of 42% year on year, delivered broadly across all our divisions and territories
- Adjusted EBITDA of £15[illegible]m, an increase of 35% year on year
- Operating loss of £(482)m, principally driven by a non cash share-based payment charge (2020: £332m, 2019: £27m) arising as a result of the growth in share price post IPO, along with costs incurred as a result of Admission and the impact of Covid-19
- Another year of landmark growth for the THG Ingenuity division, with annual revenue from Software as a Service ("SaaS") Commerce clients growing +160% year on year to £19m
- Over £40m of capital investment across Ingenuity and our digital-first consumer brands
- Strategic expansion of our global beauty retail platform through the acquisition of Dermstore, which is the leading US pure-play beauty retailer. THG Beauty is the #1 online prestige beauty retailer globally, and represents a critical route to market for over 1,000 brands
- Continued expansion of our own brand beauty portfolio to 8 brands, with the acquisition of Perricone MD, a leading prestige US skincare brand
- The acquisition of two of THG Nutrition's long-standing UK-based BRC AA Grade product suppliers, Claremont Ingredients and David Berryman Limited
- Another year of significant Ingenuity technology development, which included the launch of THG's in-house proprietary fraud detection solution, THG Detect
- A record-breaking Initial Public Offering, the largest UK IPO since 2015
- Launch of THG (eco), putting sustainable business practice at the core of our vertically integrated business model and Ingenuity offering including significant investments to in-house plastic recycling technologies addressing hard to recycle plastics commonly used in the Beauty industry and establishing a reforestation supply chain solution



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

Over **10.7m new customers** added, which was +73% year on year

Over **2.6m app users** by year-end, compared to less than 0.1m at the end of 2019

Over **19,000 influencers** globally

Consistently **High AOVs** in Nutrition (£47) and Beauty (£55)

Consistently **Strong repeat** purchase rates

Returned products represented **only c.2%** of sales

THG Stakeholders

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

THG is a global digital innovator focused on transforming the retail experience for both consumers and brand owners and prides itself on building strong business relationships to enable this. Building on THG's purpose to reinvent how brands connect to consumers, the Board and Executive Leadership Team have undertaken a review of the stakeholder groups that interact across the Group allowing it to determine, monitor and assess its engagement strategies and impact. THG's values of leadership, innovation, decisiveness and ambition drive the engagement strategy across these stakeholder groups. Details of these stakeholder groups are provided below alongside why they matter to THG.

Through THG's purpose and strategy, the Board is focused on delivering sustainable and long-term growth enabling the business to generate positive and impactful change for shareholders, customers, our people and across the local societies and environments where our business is conducted.

The Section 172 statement on page 38 provides further explanation on how the Board engages with its stakeholders and how this is considered by the Board and the impact it has had on the Board's approach to decision making with a particular focus on those strategic decisions made by the Board.

THG's Key Stakeholders	Why are they important to THG
D2C Customers	Reinventing how brands innovate and connect to consumers is core to THG's purpose. THG enables brands and retailers to have direct relationships with consumers by providing a high quality user experience and establishing a relationship of trust, and in so doing THG is "democratising the retail sector". THG's customer engagement, which is focused on creating a fitter and happier population with access to healthier lifestyle choices, has enabled us to reach a much wider customer base. This has resulted in 10.7 million new customers, which coupled with consistently high repeat rates, creates a significant health and wellbeing impact to society.
THG Ingenuity Customers	Our THG Ingenuity platform is a business to business model, which relies on active engagement with our customers and participants across the supply chain. THG can identify and anticipate evolving customer needs and deliver them through THG Ingenuity, ultimately reinventing retail for the better. This is a key driver for the "land and expand" strategy, more information on which can be found in the Strategic Report on page 51. It is also a key enabler for THG to be positioned as a leading sustainable e-commerce platform.
Our People	THG is a people-led business, with a clear set of values that help drive behaviours. Creative **innovation** and entrepreneurial **leadership** are at the heart of the Group's people engagement, as is talent development, building the skills of tomorrow. The aspirations of the business encourage people to be **decisive, ambitious** and to push boundaries, focusing on their development thereby driving the scale in success of THG's brands, divisions and partnerships.
Our Shareholders	A key objective of the Board is to create value for shareholders and our purpose, vision, values and strategy strive to deliver long- term, sustainable growth. THG maintains an "open door" culture with shareholders. This engagement is critical for the Board as it aids and supports the development of strategy and ensures that the plans set out by the Board are aligned to the interests of all its shareholders. For example, engagement with shareholders has highlighted to the Board that more context around our governance procedures is beneficial to our investors. Since Admission, the Board has sought to explain in more detail its governance arrangements and to the extent where the Board has gone beyond what is required to do, in particular with respect to the Board's independence.
Our Suppliers	THG partners with suppliers to ensure it can continue to address the evolving consumer demands. The Board is committed to fostering and developing supplier relationships in a way that empowers the brands we work with to drive innovative solutions to consumer demands whilst balancing the need to tackle societal and environmental issues. The Group's Supplier Manual governs our relationships with suppliers and ensures that THG maintains high standards of business conduct. THG's purpose guides the ambitions of the business promoting environmental and social responsibility across the supply chain, positioning the growth of the business in a sustainable way that enhances long term value creation for all stakeholders. THG engages with each of its suppliers to establish suitable payment terms with each individual supplier, recognising that different businesses will have different cash flow pressures.
Our Local Communities	THG plays a pivotal role in the local communities and societies in which it conducts its business, most notably in the North West of England where THG has a sense of wider social responsibility. The Group's heritage is rooted in the North West and is one of the largest businesses in the region. Developing talent, building skills and enabling greater social mobility, not only in the North West, but across the UK and global communities in which we operate is core to our purpose. Our organisational expertise and the continual evolution of our technology allows us to grow talent and skills locally and globally.

Our People

The wellbeing of our people and engagement is a core part of delivering THG's purpose, strategy and values. The Board *recognises that a highly skilled, developed and engaged workforce* is essential for delivering on THG's purpose of reinventing how brands connect to consumers and is a priority for the Board and the Executive Leadership Team.

THG's values of innovation and ambition drive the Board's focus in investing in a workforce that is fit for the future, attracting and retaining innovative and inventive talent both at home in the UK and across the globe.

Set out below is further detail as to how this engagement and focus has been translated into action and real change

Covid 19

Like many businesses, Covid-19 fundamentally tested how THG engaged with its people, prioritising health and safety, enabling significant changes to ways of working in challenging conditions. Engagement with our people was a critical priority for the Board and Executive Leadership Team during 2020, with increased focus on safety *and wellbeing.*

From the end of January 2020 THG issued regular communications to all of its people in relation to Covid 19 in order to promote NHS advice, issue guidance on travel and how THG could support. Initially the business safeguarded people by restricting travel internationally and between offices. *Subsequently, arrangements were made* for as many of the workforce as possible to work from home, in advance of the first national lockdown.

Office based workers quickly adapted to working from home, with strong trading results delivered across all divisions, despite the sudden change in circumstances. Once working from home patterns and practices were established, the focus for senior management shifted to wellbeing, recognising the challenges that our people were experiencing, personally, professionally and financially. From May 2020 onward the business received weekly feedback via 'people' surveys (from over 1,000 employees globally) which allowed the business to respond quickly to people's needs. The results were *fed back to the Board to help* inform broader strategy and decision making in relation to the pandemic.

The feedback covered a wide range of topics including employee wellbeing, current working arrangements and people communications. This subsequently reinforced a culture of openness and transparency, by encouraging people to speak up and share their views with senior management. The results from the surveys were discussed by the Executive *Leadership Team on a bi weekly* basis and included in Board briefings.

This allowed the Executive Leadership team to quickly address issues such as providing equipment for working from home, establishing flexible working practices and also addressing the wellbeing needs on a case by case basis where issues had been raised.

THG has a very diverse workforce with employees from over 121 nationalities, many of whom have relocated to the UK to take up their role in THG. The Board recognised that the wellbeing of many employees was suffering as a result of the continued pandemic and working from home, particularly for employees with no support network in the UK. As such, in the fourth quarter of the year, our People team was tasked with contacting every person that was working remotely from home over the course of a 6 week period to identify people that may be struggling due to isolation. As part of this exercise approximately 150 employees were identified that they would be alone over the Christmas period. As a gesture of our support, each of these employees were sent a care package which included a pre-prepared Christmas dinner and invited to join a zoom call on Christmas day with entertainment hosted by our Wellbeing Committee.

Health and safety of our people was and remains of paramount importance. All office, warehouse and manufacturing employees were provided where required with PPE and regular testing measures were implemented, hand sanitisers were also issued and varied shift patterns introduced to minimise social interactions. The decision was made to put approximately 450 of our people based in retail and leisure (where sites were closed) on full paid leave. During this time, employees were encouraged to undertake professional development courses such as business and supply chain management and upskill themselves in order to be able to re-deploy them elsewhere in the business. Catering staff in our hotels were tasked with preparing meals which were delivered to care homes and NHS staff.

Talent development and workforce engagement

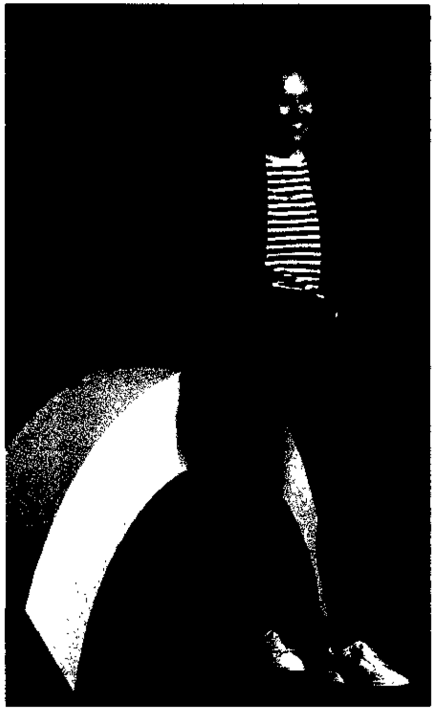
In delivering against its strategy to be an ambitious business with a global focus the Board operates several initiatives to engage with its people. Examples include:

- Representatives of each division regularly attend Board meetings (including the Group People Director); and
- The Board has established a D&I Committee to facilitate wider engagement across THG's global workforce.

These actions reinforce the transparent and reciprocal relationship between the Board and the workforce and maintain transparent lines of communication between THG's people, the Executive Leadership Team and the Board.

A number of communication channels are in place to encourage our people to share their views, which are regularly publicised by email and on THG Intranet (THG Globe). Each of THG's divisions have community forums which is an inclusive initiative for all employees to participate and share innovative ideas. A nominated representative from each division attends part of each Board meeting to provide financial and non-financial updates on their division, these updates include employee related matters.

D&I is a key priority for THG and we have provided more information on the Group's D&I initiatives, in addition to a breakdown of gender diversity in accordance with Section 414C of the Act in our Corporate Governance Report on page 159.



Over the course of 2020 our global footprint has continued to expand significantly; THG is building global teams and anticipates that more locations opening around the globe, recognised by significant growth within the US, Australia, Germany and Singapore. THG has invested significantly in its people. By the end of the year, THG employed over 10,000 people, with more than 3,000 new opportunities (over 2,000 new jobs in the North West of England) recognising a 46% uplift in talent growth throughout the year. The business has also seen significant growth within our headcount from acquisitions and integration of these employees is an important consideration in the determination of our current and future people strategy.

World class talent supports the unparalleled growth that THG has achieved and our aspiration is to be the number one destination for ambitious, innovative and inventive talent. THG is focused on building the skills of the future. This is supported by THG's unique high performance and meritocratic culture which encourages ambition, while embracing innovation.

The DNA of THG creates life changing career opportunities, enabled by driving progression at an exceptional rate.

Applications for employment by disabled persons are always fully considered, bearing in mind the respective aptitudes and abilities of the applicant concerned. In the event of members of staff becoming disabled, every effort is made to ensure that their employment with THG continues and the appropriate training is arranged. It is the policy of THG that the training, career development and promotion of a disabled person should, as far as possible, be identical to that of a person who does not suffer from a disability.

In 2020, THG made record levels of investment into its People functions, which included the launch of our truly expert centric divisional people teams, the development of our global people platform and system infrastructure and the launch of new people talent programmes, all of which support THG's continued scaling over the coming years.

The Board continues to focus on driving innovation through our talent programmes with new innovative routes to market being developed each year, including the launch of our in-house elevate trading and marketing programme, building THG a pipeline of future talent. This investment has been recognised externally with THG being listed in the 2021 Times Top 100 Graduate Employers.

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

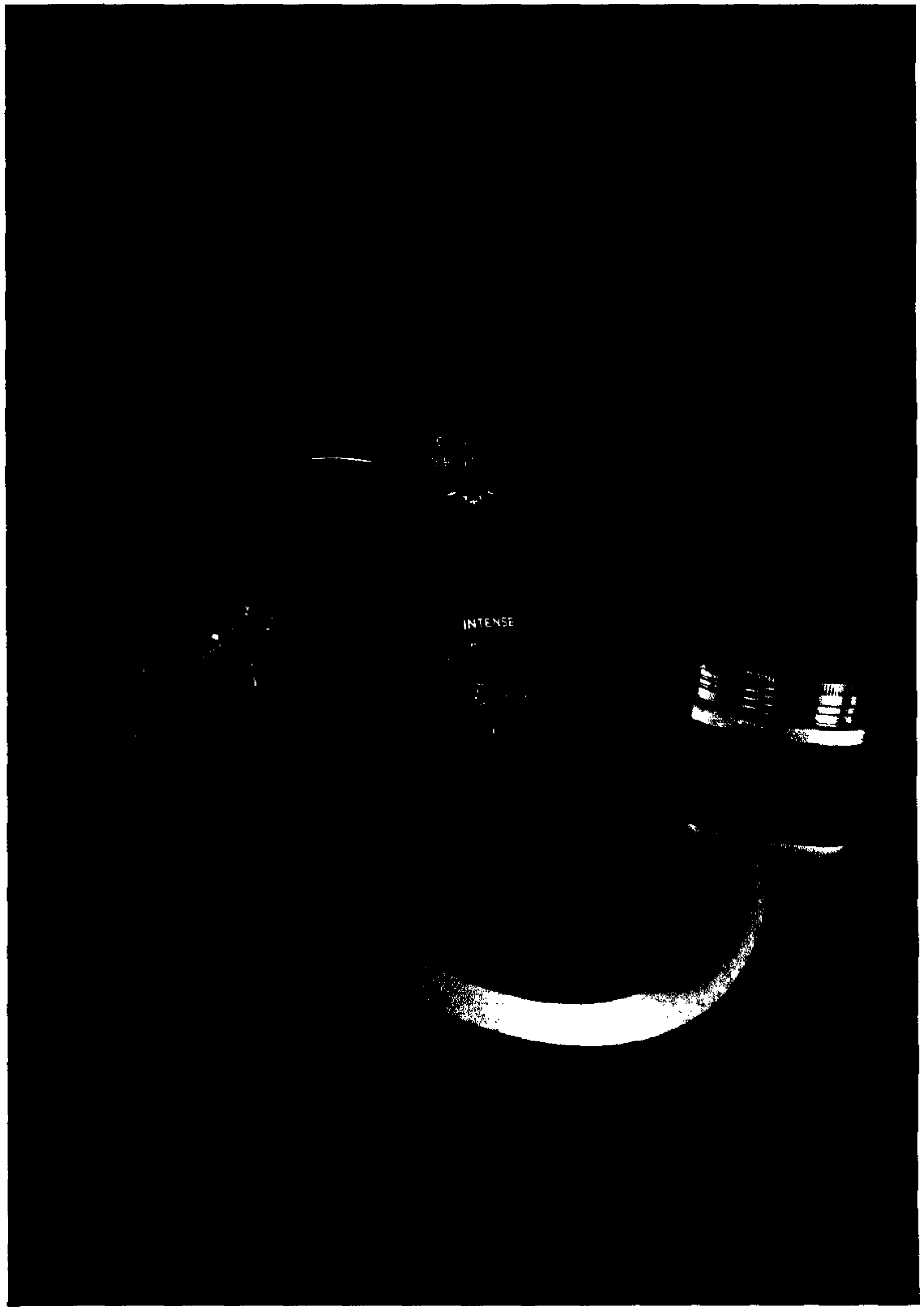
The directors of THG set out below their Section 172 compliance statement as required under the Regulations.

Under the Regulations the Board is required to set out how they have had regard to the matters as set out in Section 172(1)(a) to (f) when performing their duties. The approval of THG's business plan and strategy leading to the Admission and the renewed focus on a new sustainability strategy, underpinning all of THG's operations, divisions and brands, is testament to the Board's approach to and consideration of the key issues set out under the requirements of Section 172.

THG's Corporate Governance statement sets out on pages 159 to 183 details of the Board's commitment to uphold strong standards of governance. At the centre of the Board's approach is to ensure that the requirements and considerations of Section 172 form the basis of its decision making and stakeholder engagement strategy including across each of its Committees and THG's wider leadership teams and divisions.

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

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



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

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

The Board's focus and involvement in the development of its brands, partnership arrangements, the evolution of THG's end to end e-commerce technology platform, and enhancement and creation of new experiences have generated strong and positive stakeholder interactions which saw THG add 10.7 million new customers for the full reporting year under review. Increased shareholding positions taken up by existing investors reflects the Board's engagement with its investors and commitment to implementing its governance undertakings as set out in the prospectus in support of the Admission.

A critical part of THG's stakeholder engagement framework is established through THG's policy infrastructure, in particular THG's sustainability strategy, supplier payment policy and anti-slavery policy guidelines. The Board's composition along with its combined skills and experience enables the Board to be agile in its engagement strategies across each of its divisions and brands. Further details are set out in the corporate governance statement on pages 159 to 183.

The Board's Committee structure is an example of the breadth and depth of the Board's engagement strategy notably the establishment of the Sustainability Committee in 2020 with a clear remit to focus on THG's strategy on critical climate related issues impacting its operating businesses and supply chain. This reflects THG's heightened focus on ESG business related issues and the impact these will have on its supply chain, customers, business partners and employees. Further details are set out under the Sustainability Committee report on pages 194 to 195.

The Board is fully aware of its legal responsibilities and statutory obligations as set out under Section 172 and have received briefings and training from an external third-party provider, not only on their primary duties under the Act but also key regulatory obligations impacting THG and its operating businesses. This has allowed the Board to challenge and self-evaluate the impact and effectiveness of its decisions with an appreciation of the wider environment and context in which it operates and the impact the decisions the Board makes will have. The Board intends to build on this foundation in 2021 by undertaking a Board evaluation process.

During the period leading up to the Admission the Board had adopted the Wates Principles which required the Board to keep under review its Board governance and operating protocols to ensure long term value creation was maintained. The application of the UK Corporate Governance Code post Admission has reinforced this position and the underlying governance controls and processes that embed the ethos of Section 172 across the Group. Set out below are examples of strategic decisions made by the Board and details of how the factors set out under Section 172 along with engagement with THG's stakeholders have been considered in the decision making.

Principal Decision 1: Admission

The entire issued Ordinary Shares were admitted to the standard listing segment of the Official List of the FCA and to trading on the London Stock Exchange's Main Market for listing securities.

Impacted Stakeholder Groups

Shareholders

Engagement

As an inevitable consequence of THG's growth and success, the Admission had been a proposal raised regularly by various shareholders over a number of years. Throughout this period the Board adopted a transparent engagement policy with shareholders in relation to its strategic plans. The Board regularly engaged with shareholders, including through (a) dialogue with individual shareholders and (b) through discussion at Board meetings with shareholder representatives (both directors appointed by shareholders and shareholders' observers). When presented all shareholders were supportive of the Admission and therefore the Board proceeded.

Impacts and considerations

The Board considered that the benefits to shareholders would include (a) liquidity opportunities, both at Admission and in the future, (b) improving THG's ability to raise capital by accessing capital markets enhancing THG's ability to deliver its *strategy for growth* in the medium and long term, thereby delivering future value for shareholders and (c) increasing THG's public profile and brand awareness.

Additionally, whilst as a private limited company THG's governance structures and practices were considered to be robust, the Board considered the increased reporting and governance requirements that would come with Admission would further benefit and reinforce the confidence of shareholders.

The Board also reflected on the fact that Admission would dilute existing shareholders, if accompanied by an initial public offering of shares. Weighed against the potential benefits to shareholders, and as raising capital through equity offerings has been a regular occurrence with which THG's shareholders are familiar, key to THG delivering its strategy and proven to be accretive to shareholder value, the Board determined the benefits to shareholders exceeded the negative *effect of any dilution*.

Impacted Stakeholder Groups

Employees

Engagement

All employees participating in share schemes that would vest at Admission were emailed in advance with guidance on the effect of Admission and offering them the opportunity to sell up to 50% of their vested shares at Admission.

All employees that were to be granted share awards pursuant to the 2020 Long term incentive plan ("LTIP") (as described in the Remuneration Committee Report on page 196-229) were emailed with details of the scheme and what it may mean for them in the period following Admission.

THG's senior leadership team were involved in Board teach-in sessions and were educated about the upcoming Admission, enabling them to disseminate relevant information to team leaders in THG's divisions who, in turn, could engage with employees.

Impacts and considerations

The Board considered Admission to be a good liquidity opportunity (both at Admission and in the future) for a large number of employees whose performance and loyalty to THG had been rewarded through their participation in THG's historical employee share schemes.

The Board recognised that, as historical employee share schemes would vest in full at Admission, in order to retain and incentivise the best talent for a period post Admission it would need to implement a new share scheme. This would also be an opportunity to incentivise key talent that had joined THG in recent years and had not yet had the opportunity to benefit from THG's employee share schemes. Working with THG's advisers, a new share scheme was implemented that focused on both financial performance and delivering value for shareholders post Admission.

The Board considered that Admission may potentially increase or change the workload and/or responsibilities of certain employees. The Board determined that, whilst Admission may result in amplification of the reporting requirements to which THG is subject or the expansion of existing policies, THG was a large, mature company with robust governance policies and procedures in place. The Board considered that employees were well placed to take advantage of the personal growth opportunities that Admission presented. The Board concluded that, despite this risk (and considering the consensus among shareholders), Admission was a necessary next step on its continued growth journey.

Principal Decision 2: Covid-19 Decisions

Moving office workers to a fully remote working, early implementation of Covid-19 safeguarding procedures such as social distancing and making available ongoing support to employees, suppliers, customers and the local community.

Impacted Stakeholder Groups

Our People

Engagement

The wellbeing and safety of THG's workforce was and remains of paramount importance. Detailed explanation of the Board's approach and engagement is provided on pages 35 to 37.

Impacts and considerations

The impacts and considerations given by the Board in the decisions it made in relation to Covid-19 are provided on pages 130 to 131.

Impacted Stakeholder Groups

D2C Customers

Engagement

Mitigation and delays to customer fulfilment was an agenda item for all senior management meetings whilst the pandemic developed and the extent of its effect on infrastructure became apparent. As a result of pro-active Board decision making, there were negligible delays to customer orders resulting in limited Covid-19 related customer interaction

A working group was established by the Board involving senior members of the customer service and logistics teams. They would collaborate daily (often hourly at the beginning of the pandemic) to review customer feedback relating to (a) products that customers were identifying as being necessities and requesting assurances that supply would not be interrupted and (b) routes for delivery (either to logistics hubs or customers) that were being hindered due to the developing and different Covid-19 restrictions put in place globally. Continuity of customer orders was of paramount.

Customer in-bound communications and enquiries relating to Covid-19 effects on stock availability or fulfilment were prioritised by the customer services team in order to reassure customers and provide clear, up to date guidance on the developing situation.

Impacts and considerations

Various Covid-19 decisions were made that impacted customers throughout the year, for example:

- Contingency planning to ensure business continuity;
- Warehouse enhancements to ensure Covid-19 safety, and
- Switch to manufacturing of hand sanitiser.

The Board considered that THG's global customers being able to access THG's products (many essential in nature and particularly those supporting customers' mental and physical health and wellbeing) online and have them delivered to their doors whilst many territories were subject to lockdowns was paramount.

Procuring freight passage to THG's global distribution centres was identified as key to mitigate any Covid-19 related delays to fulfilment. The Board supported the establishment of focus groups to address these challenges, requesting regular reports on KPIs.

Recognising global shortages, THG adapted its operations at its Acheson & Acheson manufacturing facilities to produce hand sanitiser at an early stage of the pandemic. Hand sanitiser was added as a "gift with purchase" to promote customer health and safety, at a time of national and international shortages.

The Board directed THG's logistics team to secure new fulfilment/delivery routes globally where securing freight passage was significantly more challenging and expensive. Whilst this led to an increase in cost, the Board considered the increase to be necessary for the overall wellbeing of its customers.

Impacted Stakeholder Groups

Suppliers

Engagement

As with all businesses, THG's suppliers have had to adapt their procedures and processes to mitigate Covid-19 related risks. THG engaged with its supply chain early in the pandemic to discuss potential challenges and share knowledge to help seek solutions.

The Board, identifying the importance of insights and feedback from all suppliers, required all divisions of the business to discuss Covid-19 related effects with all suppliers.

Supplier feedback was collated and presented to the Board. Insights from THG's customer engagement (e.g. expected demand from customers) was also shared with suppliers to assist in their demand planning, where their supply chains were often subject to Covid-19 related stresses and impairments

Impacts and considerations

Various Covid-19 decisions were made that impacted suppliers throughout the year, for example:

- Contingency planning to ensure business continuity; and
- THG payment terms with suppliers to manage cash flow.

The Board identified engagement with suppliers as being key to both assisting suppliers in fulfilling their obligations through sharing THG's insights obtained from its customer engagement/trend infrastructure and working with suppliers to understand how Covid-19 had impaired their supply chains or inhibited their ability to meet demand.

The Board continued with supplier payments in line with past practice and considered it to be of paramount importance to support suppliers and give liquidity confidence.

Impacted Stakeholder Groups

Community

Engagement

In line with THG's corporate purpose to champion our local community and recognising the struggle that many were facing due to the unprecedented circumstances, the Board was committed to supporting local healthcare organisations in the North West of England.

The Board is committed to supporting the local communities and values being part of the community in the North West.

Impacts and considerations

The Board pledged charitable donations totalling £10m in cash, goods and services, primarily to the North West region as a response to Covid-19 (£6.6m of which was delivered in 2020), including a £1m cash donation and a donation of PPE to hospitals, front line services and other health services, along with hand sanitisers manufactured in THG's production facility. THG also made the decision to support NHS staff and emergency workers by offering free rooms and meals at our Great John Street Hotel.

In determining to make the charitable donation, the Board considered it would have a positive effect on the health and safety of the North West community, including its frontline workers. For the Board this action was appropriate and necessary. Whilst the majority of the pledge has been donated to our local community, THG has also donated internationally.

Principal Decision 3: Mergers and Acquisitions

Several acquisitions were undertaken during the financial year ending 2020, including Perricone MD, Claremont Ingredients Limited, David Berryman Limited and Dermstore LLC (contracts were exchanged in 2020 with completion taking place in 2021 after expiry of an anti trust waiting period).

Impacted Stakeholder Groups

Shareholders

Engagement

Due to the confidential nature of M&A (including in particular where (a) non-disclosure agreements restrict information dissemination to those who need to know; and (b) prospective M&A may constitute inside information and therefore disclosure is statutorily restricted) and absence of requirement for shareholder approval to M&A, direct engagement with shareholders does not take place prior to acquisitions. However, shareholders are aware of THG's acquisitive nature and general strategies are communicated to shareholders during investor meetings and other shareholder engagement methods.

The Board is consulted and updated regularly in relation to M&A and full Board approval is sought prior to any acquisition being signed. The Board's NEDs have direct dialogue with senior members of the transactional M&A team.

Impacts and considerations

M&A has complemented THG's success to date and will continue to form part of THG's strategy in the future. Strategic M&A has driven considerable shareholder value to date.

M&A has potential to divert resources (including both capital and time) from other areas of the business which are important. As such, prospective targets must meet certain criteria in order to ensure the investment will deliver value (which is not necessarily a purely financial metric). Robust and well tested processes have been developed over the last c.10 years, covering all aspects of the M&A process from origination to execution. THG's acquisitions are implemented by a dedicated M&A function supported by in house legal and operational functions (including integration) which together manage the process including and post-completion integration. The combined transactional team reports to the Board ahead of signing. Processes are in place whereby the M&A and legal team will regularly report on prospective acquisition targets to update and seek approval from THG's Board. The Board ensures M&A activity delivers value for shareholders.

Impacted Stakeholder Groups

THG Ingenuity Customers & D2C Customers

Engagement

In relation to beauty brand acquisitions, target brands are typically stocked by THG's retail websites. In assessing targets, the Board considers a broad spectrum of data including customer reviews and demand.

Each Ingenuity customer has a relationship manager who collates feedback and provides it to the CFO. The CFO and others from the Ingenuity division report on this and other Ingenuity customer trends to the Board. This allows the Board to assess and adapt the M&A target strategy to meet customer needs.

Impacts and considerations

Engagement with customers directly influences the Board's decision making in relation to M&A, in particular for brand acquisitions. THG's Ingenuity customers benefit from infrastructure acquisitions that enhance the Ingenuity platform. Where brands and/or retail websites are acquired, they become clients of the Ingenuity platform. THG's D2C customers benefit from both infrastructure acquisitions, through delivery of improved retail experiences, and the diversification of THG's brand and retail portfolio through other acquisitions.

The Board identifies customer continuity as key when effecting acquisitions and ensures that a business integration plan is put in place in advance to mitigate any interruption resulting from THG acquiring a target. Historical focus on continuity has led to THG developing a strategy that prioritises a seamless customer experience e.g. wherever possible avoiding the need for customers to sign-up for new accounts.

Historically, infrastructure acquisitions have increased the range and quality of services THG is able to offer to its Ingenuity customers in addition to supporting its own businesses.

Principal Decision 4: Sustainability – Establishment of a Sustainability Committee supporting THG (eco)

Sustainability is a strategic priority for THG with the ambition to leave the world in a more sustainable position, using innovation and building environmental and social considerations into every decision that THG makes. Further explanation and detail on THG's strategic approach to sustainability can and broader ESG issues can be found in the Sustainability Section on pages 132 to 133.

Impacted Stakeholder Groups

Customers

Engagement

Sustainability and environmental considerations are a key priority for the Board and Executive Leadership Team. Sustainability is an integral part of THG's purpose and strategy.

THG is aware, from market research and engagement with customers, that sustainability is an increasingly important factor in purchasing decisions.

THG communicates its environmental principles, objectives and initiatives to its customers through online channels. For example, updates on websites and through personalised updates to customers who have opted-in to receive such communications.

Impacts and considerations

The need to protect the environment and global ecosystems means all customers of THG's own brand products and retail websites are all affected in THG's environmental sustainability. The Board considers it to be an absolute priority to build a sustainable retail model and believes our integrated business is well placed to achieve this over time.

During the year, THG launched the 'recycle me' initiative for its ESPA skincare brand as a pilot prior to wider rollout. THG's customers are able to return for free all plastic containers they receive from any brand, not just ESPA. Due to its success, the Board intends to roll out recycle.me for all of THG's beauty brands in 2021.

The Executive Leadership Team has been delegated the responsibility by the Board to implement sustainable initiatives with regular reporting to the Board. Considering the importance of sustainability for a wide range of stakeholders, including customers and employees, the Board decided to formalise and expand THG's sustainability strategy. Accordingly, in 2021 the Group will publish its 2030 and beyond ESG Framework and Strategy.

Impacted Stakeholder Groups

Suppliers

Engagement

The Group Procurement Director proactively engages with suppliers to assess their sustainability credentials and reports the outcome of those findings to the Board on a regular basis.

The Board evaluates these reports in setting its supply chain ethics and sustainability agenda, including the expansion of its internal sustainability function and prospective M&A targets. Recognising the need for an ethical and sustainable supply chain, during the year THG joined Sedex, a leading ethical trade membership organisation, to enhance visibility of THG's supply chain and conduct a formal supplier review and rolling audit program.

Impacts and considerations

THG's sustainability initiatives focus its suppliers and encourage positive development on sustainability matters.

The reports prepared by THG's Group Procurement Director are evaluated by the Board and used in setting its sustainability agenda.

The Board's consideration of sustainability matters has led to its 2021 focus on sustainability, which will see increased engagement with suppliers to educate, address and assess sustainability, including climate related risks.

Analysis of the output from THG's supplier review, which commenced in 2020, is underway and during 2021 THG intends to take remedial steps to address any shortcomings, which will range from working with suppliers to improve their ethical and sustainability credentials and impact.

Impacted Stakeholder Groups

Local Communities

Engagement

Engagement with the community in relation to sustainability is indirect.

The Board is aware of general trends in society in relation to sustainability and keeps abreast of regulatory requirements in respect of sustainability which are influenced by societal pressures.

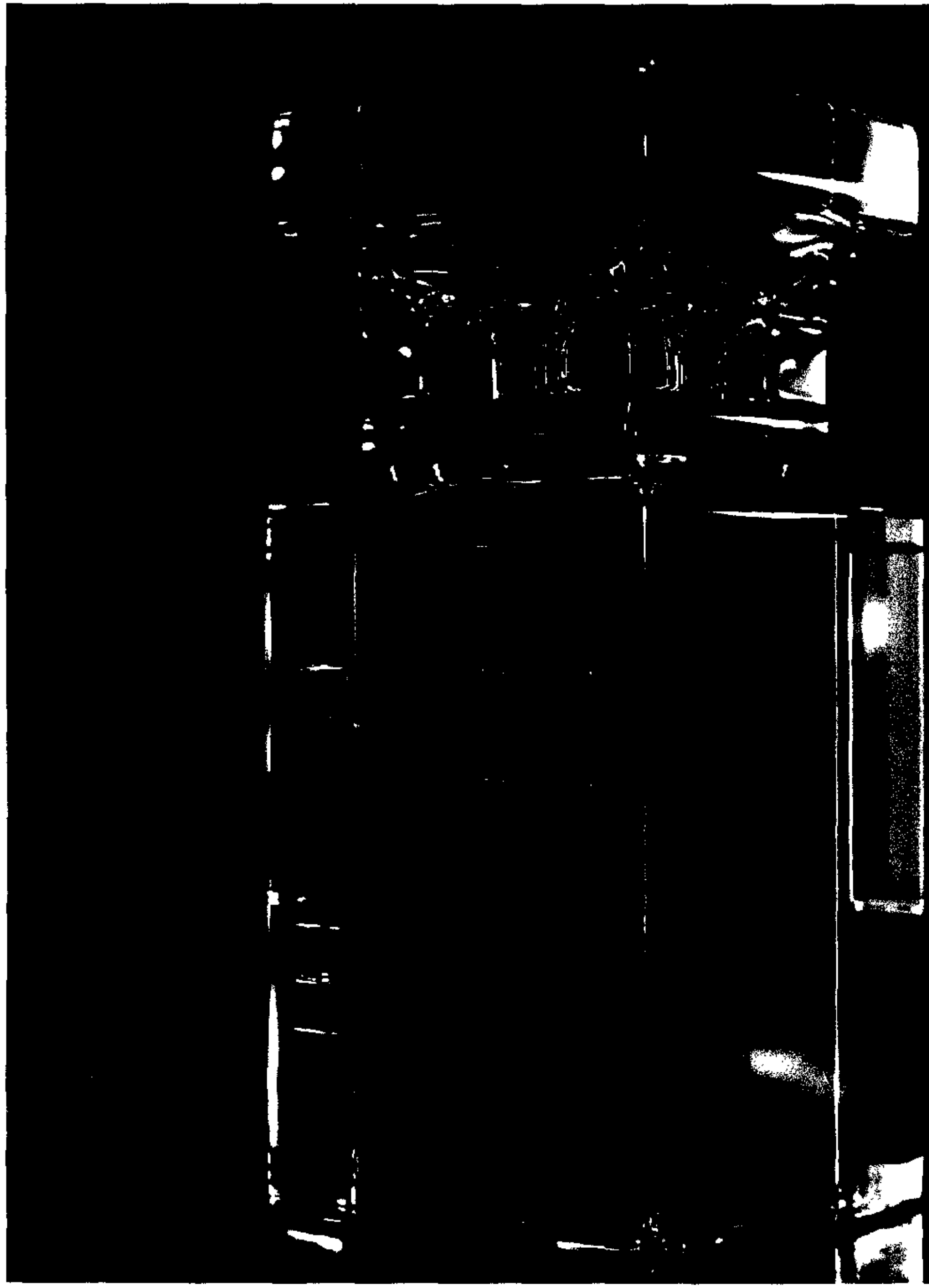
Impacts and considerations

Sustainability and ESG focus directly positively affects the communities in which THG operates.

The Board's sustainability initiatives, reducing THG's carbon footprint and seeking to expand existing sustainability initiatives through acquisitions has a direct positive affect on the communities of THG's employees and customers including through the positive health benefits brought by cleaner and more sustainable environments.

The establishment of the Sustainability Committee and the strategy emanating therefrom has led to the acquisition in 2021 of Indigo Environmental, a leading plastic recycling business which will move THG closer to 'closed loop' plastic use.

THG has gained Carbon Neutral certification in accordance with the Carbon Neutral Protocol. This evidences THG's sustainability agenda directly reducing its carbon footprint.



Ingenuity

About THG Ingenuity. THG Ingenuity is an end-to-end enterprise e-commerce solution that addresses the entire consumer brand owner and retailer market globally.

Complexity and Cost Incurred in Scaling D2C

In order to succeed D2C, other functionalities are required in addition to the core e-commerce

Tech & Infrastructure

Hosting & Development

Core Commerce Add-ons & Plug-ins

Global Operations

Fulfilment & Logistics

Customer Services

All functions delivered as a single service resulting in low cost, low risk, simple management, and efficient internationalisation.

Fragmented outsourcing with 30+ suppliers means

Digital Services

Traffic Generation

Content Creation and Management

Ingenuity -- Addressable Market

The global outsourced D2C technology market within fast moving consumer goods ("FMCG") was estimated at £41 billion in 2018 and is forecast to grow to £114 billion in 2023, a 23 per cent CAGR from 2018 to 2023, according to THG estimates.

We believe that the revenue opportunity across other relevant industry sectors, including those outside FMCG, amounted to approximately £30 billion in 2019, which THG Ingenuity Commerce is also able to address given the category-agnostic nature of the Ingenuity platform, as is evidenced by recent client wins

The acceleration of FMCG companies adopting a D2C strategy is underpinned by multiple favourable structural tailwinds For instance, consumers are becoming increasingly comfortable buying online and are looking to take advantage of the greater variety, convenience and information offered by e-commerce, which drives growth broadly across geographies and product categories. Further, online offers the benefit of greater education through user and in-house generated content.

The D2C channel also offers numerous benefits to brand owners, including increased control over the customer experience and the opportunity to develop a direct relationship with customers. In addition, with the data points gathered from D2C sales, brand owners are able to gain a detailed understanding of their customers at an individual, regional and global level. This data can be analysed to provide insights to inform new product development decisions, providing brand owners with quicker and more targeted development of new products. In addition, brand owners can target customers with bespoke marketing based on their purchase history and browsing habits, enabling for a significantly enhanced customer experience

As a result of these prevailing tailwinds, brand owners with no D2C operations or less effective D2C operations risk losing market share and customers to brand owners that are more adept at capturing online customers, which in turn drives brand owners to focus investment on their D2C operations. In addition, the importance of the D2C channel has been accentuated during the Covid-19 pandemic, with many traditional retailers closing their shops and consumers switching to online sales channels at an accelerated rate. Brand owners without a D2C strategy have consequently lost sales and market share, while brands with a D2C strategy have thrived

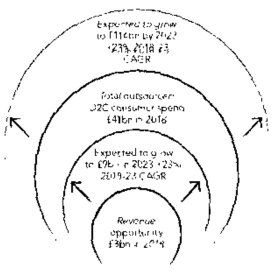
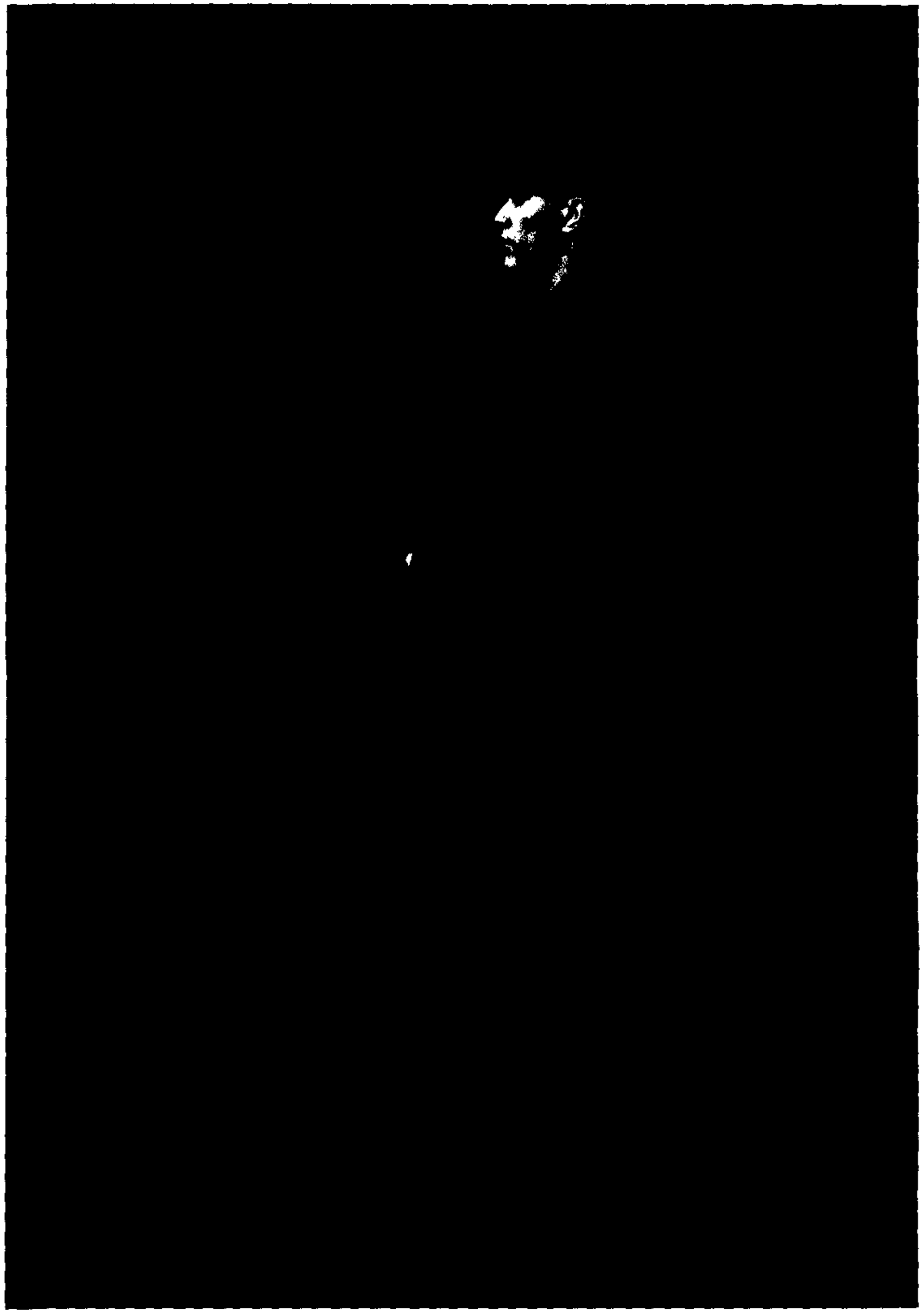


FIGURE 1 - THG INGENUITY'S ADDRESSABLE MARKET



Ingenuity – The Platform

The THG Ingenuity platform is a fully vertically integrated e-commerce solution, spanning the entire product and customer journey, from content creation, marketing and digital commerce, through to THG's leading websites and integrated global payment, hosting, courier and logistics networks.

- 31 Data Centres
- 900M+ Annual visits to our websites
- 195 Integrated courier services
- 195 shipping destinations
- 31M Worldwide customer database
- 300+ Localised websites
- 10.7M New customers in 2020
- 10,000+ employees
- 60 Supported languages
- 1,500+ Brands retailed
- 50+ Local & global payment methods
- 18 Global fulfilment centres

Addressable verticals include global consumer packaged goods ("CPG") brand owners, retailers, food and beverage, beauty and wellness, apparel, consumer electronics and others across a broad range of [illegible] and geographies (UK, Europe, North America, Asia Pacific and the Middle East).

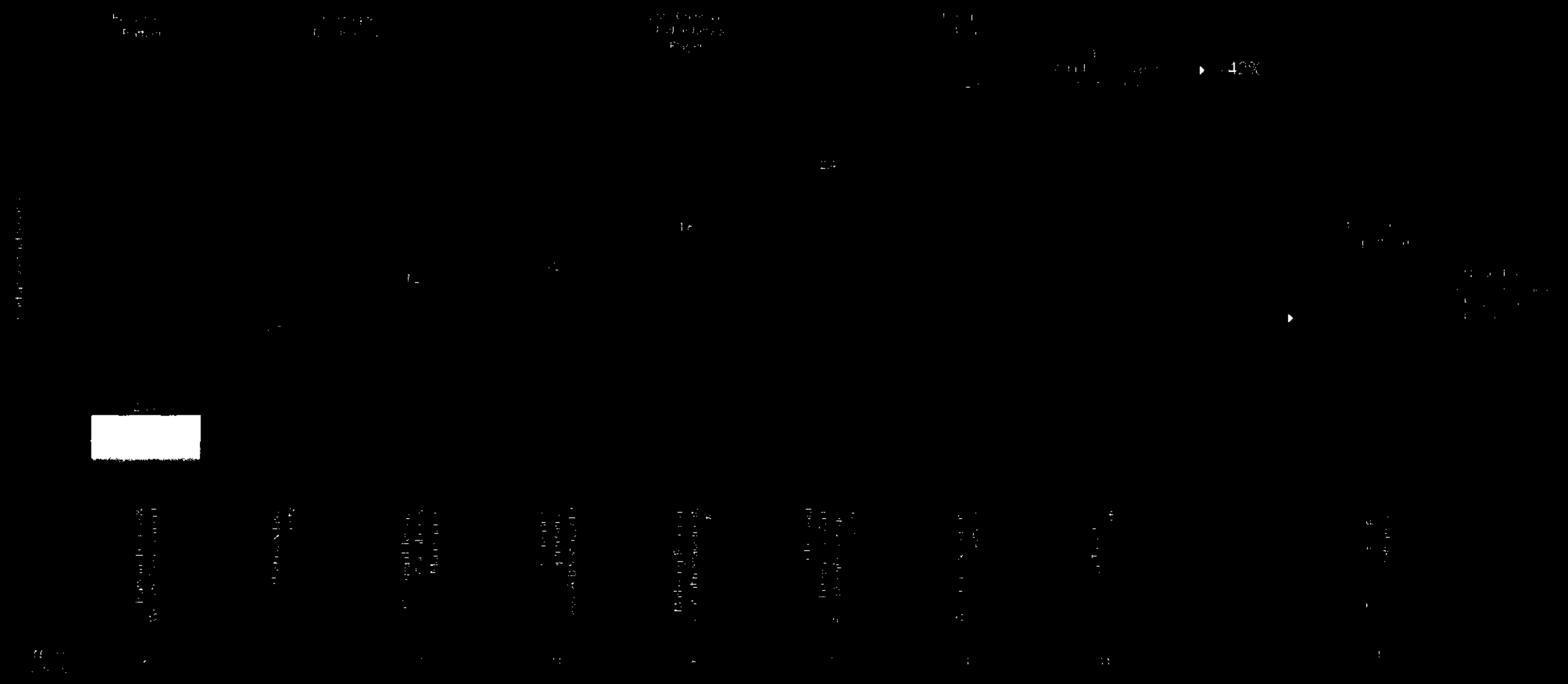
The THG Ingenuity platform has been in development for over 15 years and is the critical enabler of THG's brand building and digital commerce activities. Success is defined by the digital growth and international leadership positions of the Lookfantastic and Myprotein brands. The international sales growth of THG's brands has been driven by the unique localisation capabilities of the vertically integrated Ingenuity platform, including localised content, marketing, promotional calendars, influencers, new product development, product catalogues delivery and customer service.

In the process of growing these and other THG brands globally, it has become evident that building a D2C proposition that can efficiently scale and is truly localised to its market(s), requires significant financial investment, time and resource. This is because the current D2C model typically requires working with an off-the-shelf SaaS platform at the core, before adding multiple 3rd party plug-ins, IT vendors and agencies to knit together a truly end-to-end offering. The complexity and cost incurred through this set-up is then further compounded by localisation requirements as brands begin to look outward for growth and more sites are launched in international markets.

Consequently, we have continuously developed the THG Ingenuity platform over time to address all of these challenges, first for our own brands and now for our THG Ingenuity commerce customers. It has been built by brand-owners for brand-owners and has demonstrably built market-leading and highly scalable D2C offerings globally across the full retail spectrum. As a result, it is a fully end-to-end solution that enables brands to launch completely localised and best-in-class customer propositions anywhere in the world, in a manner that is rapid, cost-effective and compelling to the end-consumer. Both our THG Ingenuity customers and own brand beauty acquisitions showcase these efficiencies across the board.

Significant cost efficiencies and streamlining of D2C business demonstrated by THG Brand acquisition

Indicative total annual D2C running costs for a user of a core commerce platform



Ingenuity – The External Solutions provider

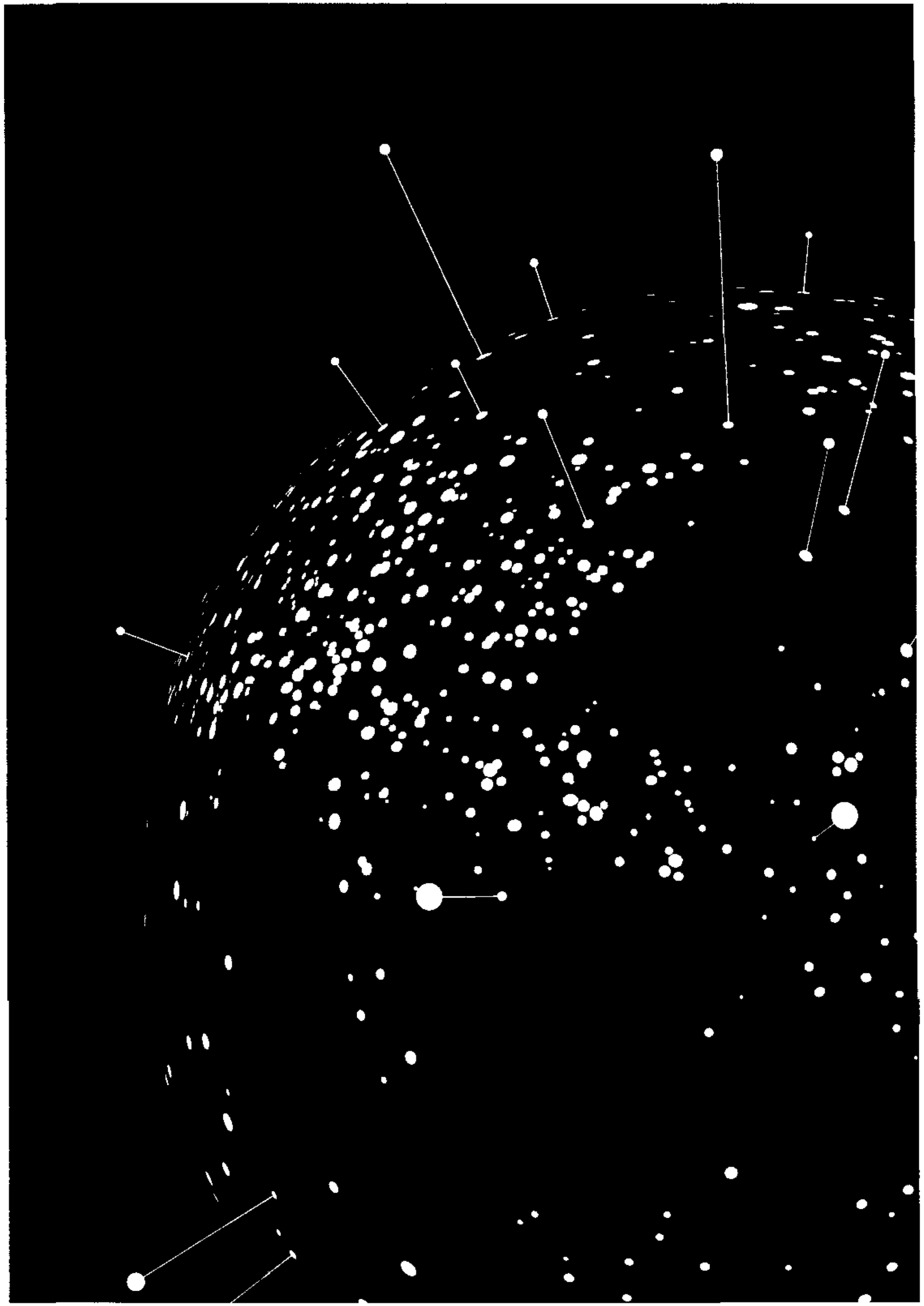
Since 2018, the platform has been commercialised externally to an enterprise customer base globally as an end to end SaaS offering. THG has the ambition of growing Ingenuity into the undisputed platform of choice in the enterprise e commerce market. Management believe no other proprietary D2C technology solution has built its own brands to leadership positions globally, nor offers the same end to end breadth of service offering, both of which truly distinguish THG Ingenuity from its nearest competitors.

Breadth and flexibility of offering

THG Ingenuity incorporates all of the components required to execute online D2C retailing as part of its single ecosystem. In addition to providing this end-to-end D2C e-commerce solution for consumer brand owners under SaaS licences, THG Ingenuity's technology stack enables it to also offer digital services on a standalone basis in individual markets. These include managed hosting, digital content production, WMS and courier services, digital payments and translation. THG is in the process of opening up its technology stack to offer more of these modular e-commerce services, including anti-fraud and marketing technology.

Global reach at a local level

THG Ingenuity currently operates over 300 localised websites, supporting over 40 currencies and over 60 languages. These websites have over 11 million daily visitors during peak trade periods and are delivered to consumers through THG's 31 global data centres, ensuring optimised website performance in all territories. The platform also supports over 50 payment options, ensuring local consumers can purchase products with the local payment method of their choice. THG Ingenuity's operating assets include 18 warehouses and fulfilment sites across four continents, supported by THG's proprietary warehouse management system ("Voyager"), with over 195 integrated local courier services, ensuring express delivery services in all key territories globally. Ingenuity is developed wholly in-house, with over 1.3m developer hours and over 15,000 code releases in 2020



Digital brand services

[illegible]

Underpinned by data

[illegible]

Competitive differentiation

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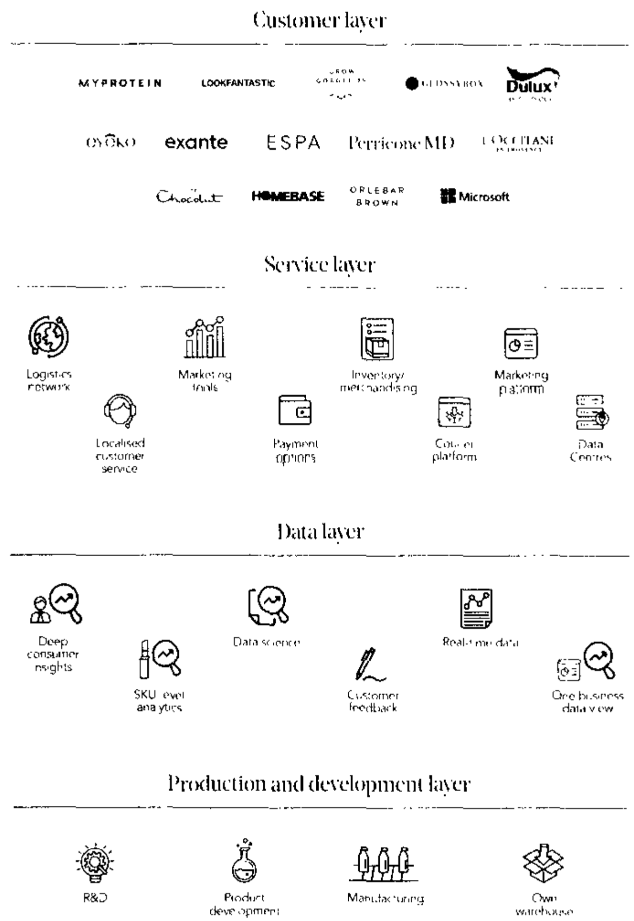
THG's growth is powered by Ingenuity, our proprietary D2C platform



Elemis: a category-leading beauty brand partnering with Ingenuity to deliver its global digitalisation strategy

Elemis, a category-leading skincare brand acquired by L'Occitane in 2019, partnered with THG Ingenuity in 2020 to rollout their D2C operations across Europe and Asia. This partnership positions Elemis for long-term international and digital growth, complementing its existing strength in channels such as speciality retail, spa and travel.

THG's global consumer data insights identified the most relevant territories for Elemis to expand its D2C presence and produced a detailed D2C growth plan for the brand. THG then performed a rapid rollout of 14 localised international D2C websites in the selected territories for Elemis during 2020, fulfilling the brand's five-year digital expansion plan in the space of just 8 months. Whereas other technology partners would have required significant time and investment to build out this network of international websites, THG's fully integrated technology offering and operating infrastructure has enabled Elemis to rapidly expand its global reach.

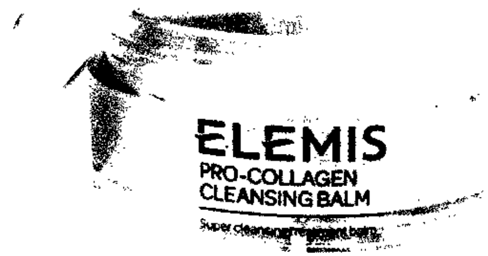
This has enabled the brand to reach new international customers that previously only had limited access to the brand through domestic sales channels. The expanded D2C offering through THG Ingenuity Commerce provides for significantly enhanced customer engagement opportunities, helping drive increased customer loyalty and improved customer retention.

THG Ingenuity is a game changer in speed and cost efficiency to market; service to end customers, and delivering the dream of Elemis.com in a box globally, profitably and successfully. For once, a technology business partner who delivers what they promise.

CEO & Co-founder, Elemis

Elemis has originally budgeted for Ingenuity to set up sites in six countries in 2020. Currently we have 12 and we have four more still to do this year – so we'll do 16. It's been an incredible learning curve, and fascinating to be involved in the process.

Global President & Co-founder, Elemis



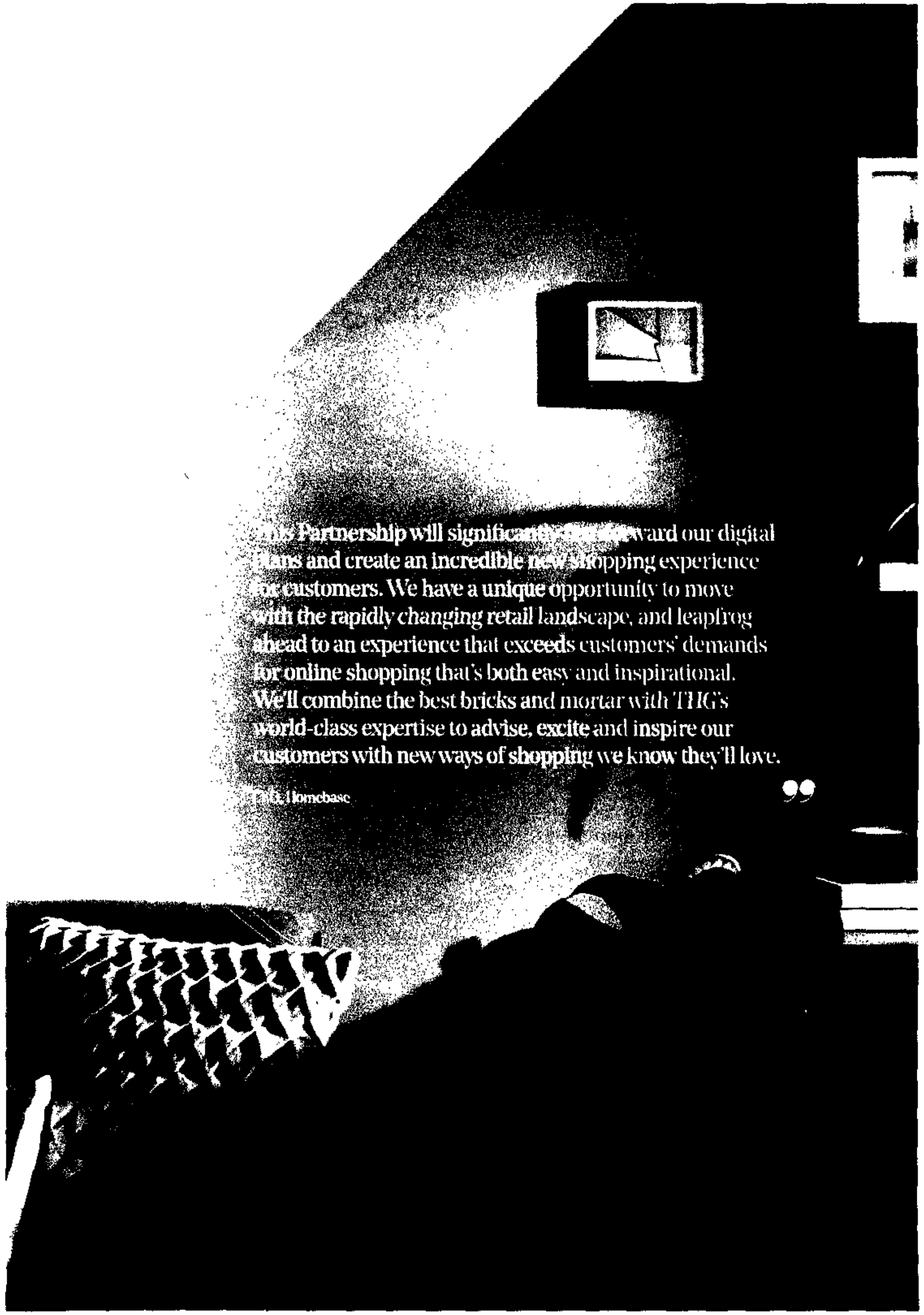
Homebase: A long-term digital transformation partnership

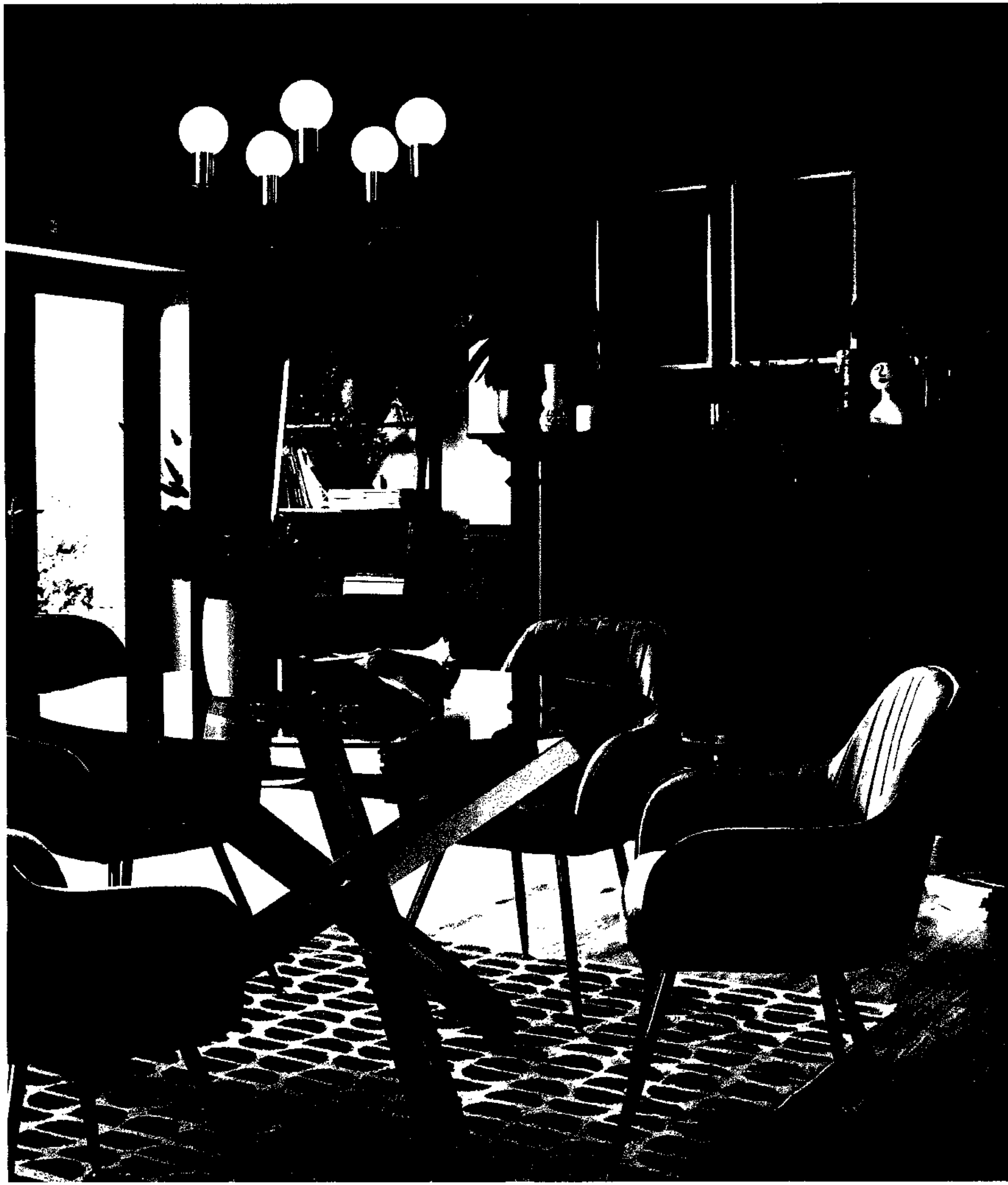
In September 2020, THG announced a 10 year digital transformation partnership with *Homebase. Through this* agreement, Homebase will utilise THG Ingenuity Commerce's proprietary end to end e commerce solution to replace its current digital e commerce *solution.*

This includes web development and hosting, a global fulfilment and payment infrastructure, digital channel and proposition management, brand building and strategy, and production of digital-first content from THG's content studios.

This major long-term partnership with Homebase is part of THG Ingenuity Commerce's strategy to expand in the home retail sector, a predominantly offline industry that presents huge potential for digital growth, and the development of an immersive, frictionless omni channel customer experience connecting instore and online.

The Homebase proposition will be launched in early 2021 and deliver a frictionless consumer journey through features including reserve in store, endless aisle, loyalty, digital kiosk and personalisation, all powered by the THG Ingenuity platform





Driving significant results within launch week:

26%
vs pre-migration

90%
YoY

140%
vs 2019

50%
YoY

200%
vs 2019

100%
vs targets

150%
sessions YoY

across a greatly enriched blog platform

11.2%
CVR

from the Shop the Look feature to PDPs

Looking ahead:

THG Ingenuity & Hotel Chocolat

In September 2020, THG announced a five year partnership with Hotel Chocolat, the UK based luxury chocolatier.

This digital partnership aligns Hotel Chocolat's expansion strategy into the US market with THG Ingenuity's cross-border expertise.

THG Ingenuity will provide its enablement platform to the retailer, along with digital brand services and a complete fulfilment solution through THG's network of US fulfilment centres, including chilled storage distribution

With the US Cocoa and Chocolate Market set to reach US$67.22bn by 2025, this new partnership will ensure Hotel Chocolat is positioned to meet increased demand.

Ingenuity technology platform development

THG continues to invest in the Ingenuity platform, with over 700 technologists releasing 15,000 code releases in 2020. This continued development is critical to maintaining Ingenuity's position as a leader in the e-commerce technology platform market and supports the long-term international growth of THG's brands. This innovation also benefits our THG Ingenuity customers, with the same technological advancements that benefit our brands being deployed to the websites of all THG Ingenuity Commerce customers.

Key technological advances in 2020 included the launch of THG Detect, our in-house fraud detection and prevention platform. THG Detect uses real-time technology and behavioural analytics covering over 100 data references to intelligently screen all orders placed on THG Ingenuity to prevent fraudulent transactions. The system is continually enhanced through a combination of machine learning and technological developments, including device fingerprinting and extensive API capabilities, to improve screening, bringing increased security and reduced costs to THG and Ingenuity clients.

The technology has been developed over two years and has replaced the previously out-sourced technology, via a phased roll-out. The previous technology was a globally recognised, best-in-class fraud detection platform. By dual running, we were able to validate that THG Detect outperformed the previous software across a range of metrics from acceptance rates to chargebacks, while offering an enhanced user interface. Per THG data, THG Detect has a chargeback rate of just 0.04% (vs. an industry average of 0.7%) and an acceptance rate of 99.59% (vs. an industry average of 90%).

We are continually innovating and expanding the channels through which consumers can experience and purchase our brands. For instance, we have launched 56 mobile apps since Q4 2019, which reached over 2.6m customers by the period end, compared to less than 0.1m at the end of 2019. These apps have provided a powerful new channel in which we are able to engage with consumers, offering new ways to experience THG's brands and a more personalised customer experience, which over time we expect to drive higher customer lifetime value.

In 2020, we have also significantly increased product personalisation options within Ingenuity. Clients can create personalised product opportunities that are unique to their D2C website, providing differentiation from other retail channels and enhanced customer satisfaction. THG is uniquely placed to lead in this area of e-commerce due to its fully end-to-end model that includes in-house product manufacturing, enabling personalised products to be produced on demand in THG's manufacturing facilities. Personalisation is complemented by THG's fast-growing OnDemand division, where THG holds licences with major entertainment brand owners that are complemented with an in-house product design team to produce bespoke collections exclusive to THG.

Types of fraud prevented

THG Detect targets multiple fraud vectors, not limited to the below

Fraud rings and networks

Online payment fraud

Marketplace fraud

Voucher and policy abuse

Account takeover

144%

More peak orders processed per minute

37%

Reduction in manual review rate

68%

Reduction in fraud order held times

Looking forward – Ingenuity and the global digital transformation agenda

THG Ingenuity Commerce is uniquely positioned to deliver an end to end solution for international commerce, supported by the broad range of new client sectors served during 2020. The ability to address a wide number of retail categories across all international markets demonstrates the vast addressable market, which THG is only starting to penetrate.

The increased importance of the digital transformation agenda has seen brand owners increasingly choosing to partner with THG Ingenuity, delivering a cost effective, unique end-to-end solution with minimal execution risk. Clients are locking in services under long-term contracts that span many brands and territories, which are regularly expanded after first launch, supporting THG Ingenuity's 'land and expand' growth strategy

THG Beauty

THG Beauty is a global leader in digital beauty, with a unique digital ecosystem, including prestige brand ownership (8 brands), retail of third-party brands (1,000+ brands) and a leading beauty subscription box offering (500k+ subscribers per month).

THG Beauty spans brand ownership, third party brand retailing, subscription boxes and in house product innovation and compliance, whilst also powering the D2C websites of an increasing number of beauty brands through the THG Ingenuity division. With its unique digital ecosystem and market leading beauty retail platform, THG is the pre eminent digital beauty business globally and therefore a critical partner for brands as they navigate the transition from offline to online.

About THG Beauty

THG is the leading online pure play premium beauty retailer globally, retailing over 1,000 prestige, luxury and professional brands across the skincare, haircare, cosmetics and fragrance categories

Given the selective *online distribution* of prestige beauty brands, THG has *cultivated a highly loyal customer base* complemented by continued strong new customer acquisition, with new customers growing +84% year on year

THG's *portfolio* of eight prestige own brands addresses consumer needs *across* skincare, haircare and cosmetics Since 2015, THG has built a disruptive portfolio of brands that have been scaled both online and internationally through the THG Ingenuity platform. THG has a proven track record of digitalising and internationalising brands, with D2C sales *being accelerated* for all brands with significantly enhanced margins

THG Beauty also includes Glossybox, Europe's leading monthly beauty *subscription box business Together,* Glossybox and THG's Lookfantastic Beauty Box business have 500,000+ monthly subscribers, providing THG with authority as a source of digital beauty education and discovery, while also acting as a highly effective customer acquisition channel for *THG Beauty's* retail sites, converting high spending sampling customers *to full size sales* on Lookfantastic.

Leveraging its end-to-end technology platform, data insights, digital content, performance marketing and influencer networks and events, THG Beauty's fully integrated digital model has enabled *THG to create international* demand for partner brands that had been previously predominantly sold in their country of origin Consequently, THG Beauty now represents a critical route to market for some of the world's leading and emerging beauty brands THG *expects these relationships to develop* further, as the shift to online channels *continues and Lookfantastic* continues to expand internationally.

Review of 2020

In 2020, THG Beauty generated £751m *in revenue, representing* growth of 57% year on year, which was broadly delivered across each component of THG Beauty's model and similarly across all territories

Lookfantastic

As the largest digital only speciality retailer globally, Lookfantastic is the critical enabler of online and international growth of over 1,000 prestige beauty brands.

Acquired in 2010, THG has transformed Lookfantastic from a small UK retailer of salon brands into the largest pure-play, global beauty retail platform, with over 1,000 brands and reach into over 6.9 million active customers across 195 territories. For a decade since acquisition, Lookfantastic has consistently outperformed the global beauty market, delivering 45%+ CAGR over the last nine years and with over half of sales now being international.

Due to THG's unique combination of proprietary technology, global infrastructure and digital brand building expertise, Lookfantastic represents a critical route to market for beauty brands seeking to grow, innovate and connect with global audiences. THG continually augments its brand portfolio to deliver unparalleled choice for its global customer base, with 2020 additions including Tom Ford, Becca, La Mer, Liz Earle and Zoeva. Lookfantastic's revenue is diversified across a wide number of brands, with no single brand accounting for more than 10 per cent. of revenue in any year between 2016 and 2020.

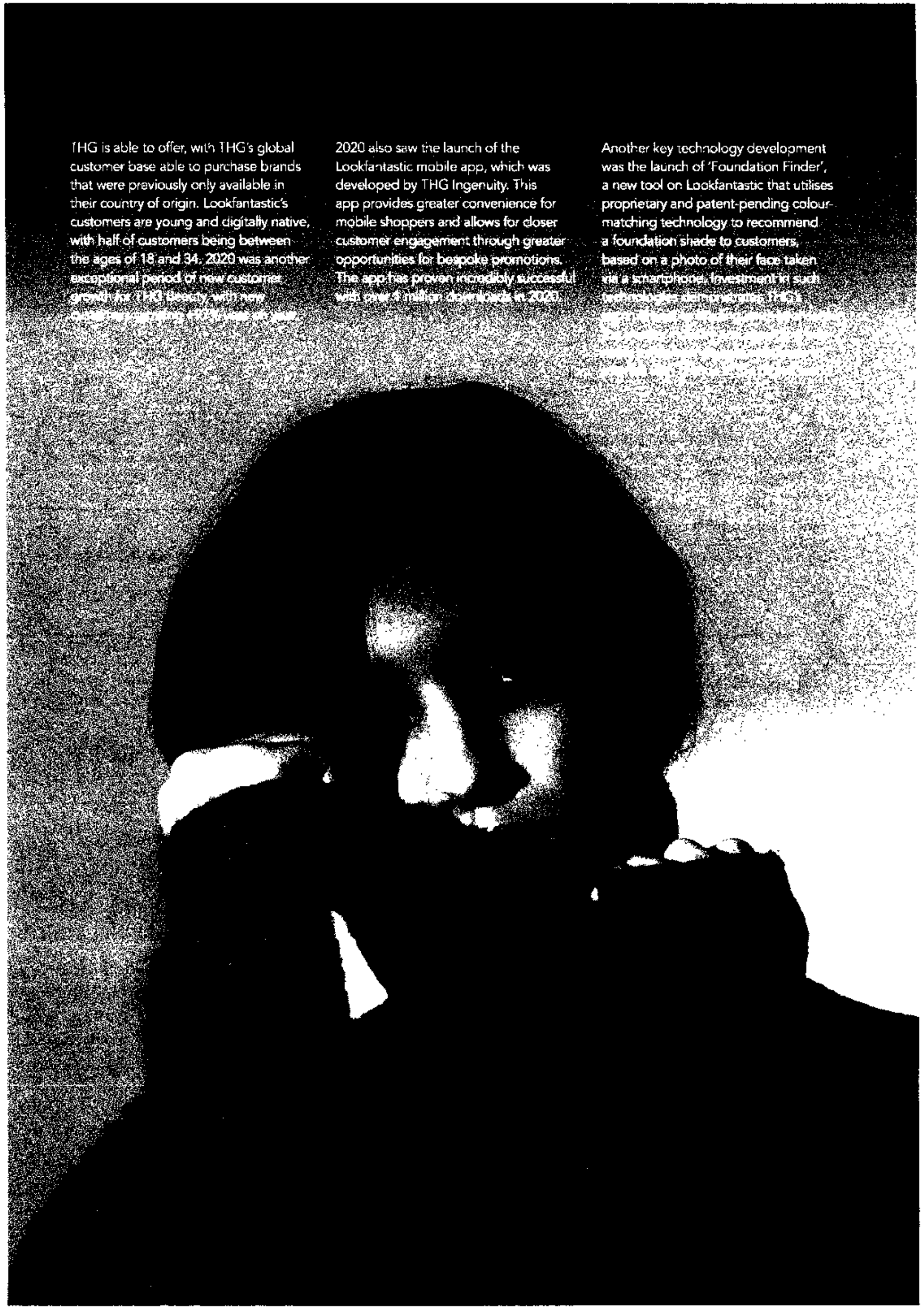
2020 saw a period of sustained accelerated growth in the UK, where Lookfantastic was able to rapidly increase its market share. This followed many years of increasing sales and market share gains in the UK, as the high street continues to decline and Lookfantastic continues to strengthen its position as the online retailer of choice for prestige beauty.

This long-term trend was accelerated in 2020 by the Covid-19 lockdowns, with Lookfantastic able to accelerate its new customer acquisition during periods of high street closures.

International sales growth has been key to the development of the Lookfantastic brand, with this growth powered by the unique internationalisation capabilities of the THG Ingenuity platform. THG Ingenuity helps beauty brands reach a global customer base through localised Lookfantastic websites, supported by fully localised content, product catalogues, trading, marketing, influencers, payment options, hosting, fulfilment and customer service. This combined technology and operating ecosystem, powered by the THG Ingenuity platform, has facilitated rapid international sales growth of brands that were previously largely retailed in their country of origin.

The acquisition of Dermstore offers the opportunity for THG to expand the US distribution of its existing brands through access to Dermstore's US customer base. The THG Ingenuity platform will also enable Dermstore's brands to expand internationally, in the same way that Lookfantastic has unlocked the international sales potential of its brand partners.

Given the selective online distribution of premium beauty brands, Lookfantastic has cultivated a highly loyal customer base. Customer lifetime value is maximised due to the wide assortment of brands that

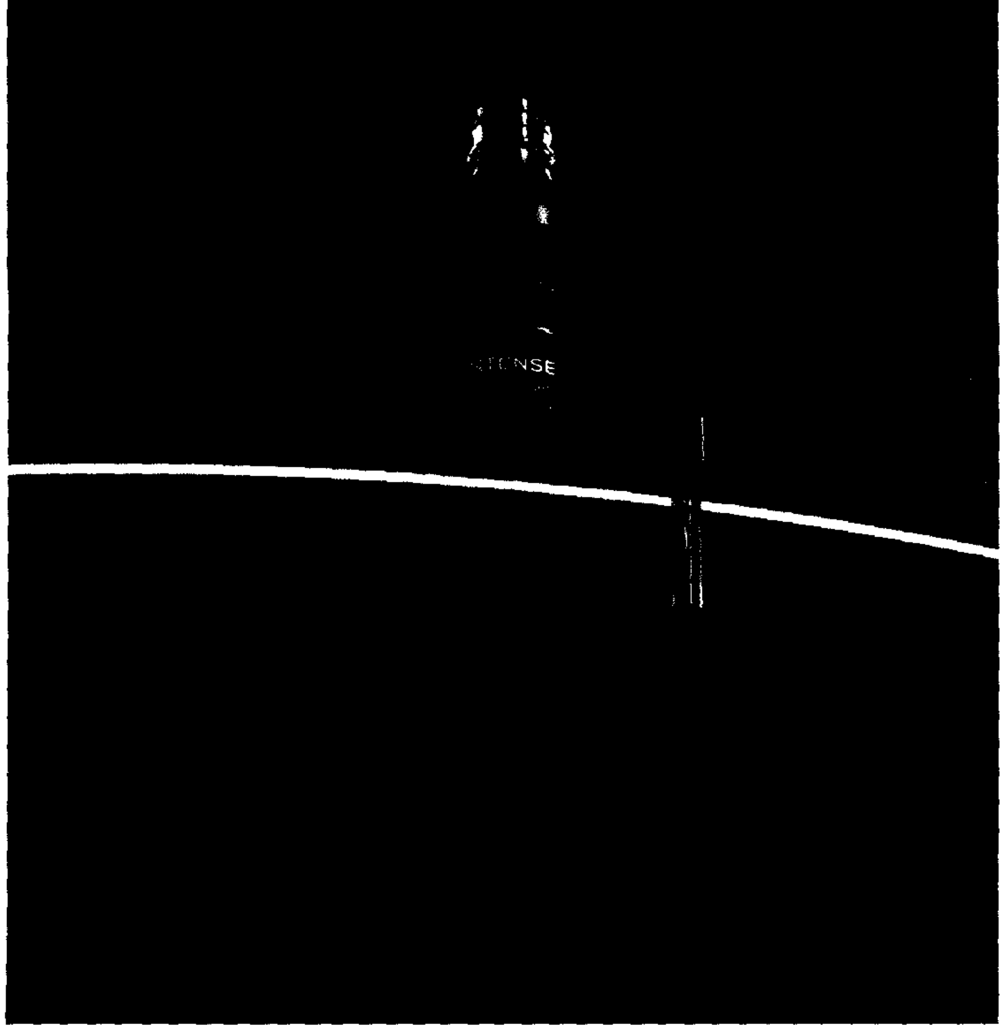


THG is able to offer, with THG's global customer base able to purchase brands that were previously only available in their country of origin. Lookfantastic's customers are young and digitally native, with half of customers being between the ages of 18 and 34. 2020 was another exceptional period of new customer growth for THG Beauty, with new [illegible]

2020 also saw the launch of the Lookfantastic mobile app, which was developed by THG Ingenuity. This app provides greater convenience for mobile shoppers and allows for closer customer engagement through greater opportunities for bespoke promotions. The app has proven incredibly successful with over [illegible] million downloads in 2020.

Another key technology development was the launch of 'Foundation Finder', a new tool on Lookfantastic that utilises proprietary and patent-pending colour-matching technology to recommend a foundation shade to customers, based on a photo of their face taken via a smartphone. Investment in such [illegible]

THG Beauty Retail Lookfantastic



THG Beauty Retail	LOOKFANTASTIC, BEAUTY EXPERT, HQhair, SkinCareRx, MANKIND, SkinStore, DERMSTORE	o Retailer of branded beauty through its wholly owned global online retail banner channels o A critical route to market for >1,000 brands o Supported by a global network of beauty influencers o 30+ localised websites powered by the Ingenuity platform, with localised pricing, promotions, content, marketing, influencers, customer service, couriers and *payment options*
THG Beauty Brands	ILLAMASQUA, mio, AMELIORATE, Perricone MD, ESPA, CYGKO, Christophe Robin, GROW GORGEOUS	o Portfolio of 8 prestige beauty brands, *seeking* to exploit the trend of *digital channel shift across skincare*, haircare and cosmetics o Acquired brands have scaled *rapidly and enjoyed* enhanced margins once introduced to the Ingenuity platform o Vertically integrated, with full control over new product development
Subscription Boxes	GLOSSYBOX, LOOKFANTASTIC	o *Acting as a gateway* into THG Beauty for consumers o Subscription based beauty boxes *represent a global sampling* opportunity for brands o Monthly surveys *generate thousands* of behavioural consumer data points, providing valuable insights to THG and its brand partners
Production Capabilities		o Manufactures *for a number* of category-leading third party brands o *In house manufacturing* of c. 50% of THG's Beauty Brands o BRC Grade A *and FDA-approved manufacturing, complemented* by an R&D team of 50+ employees

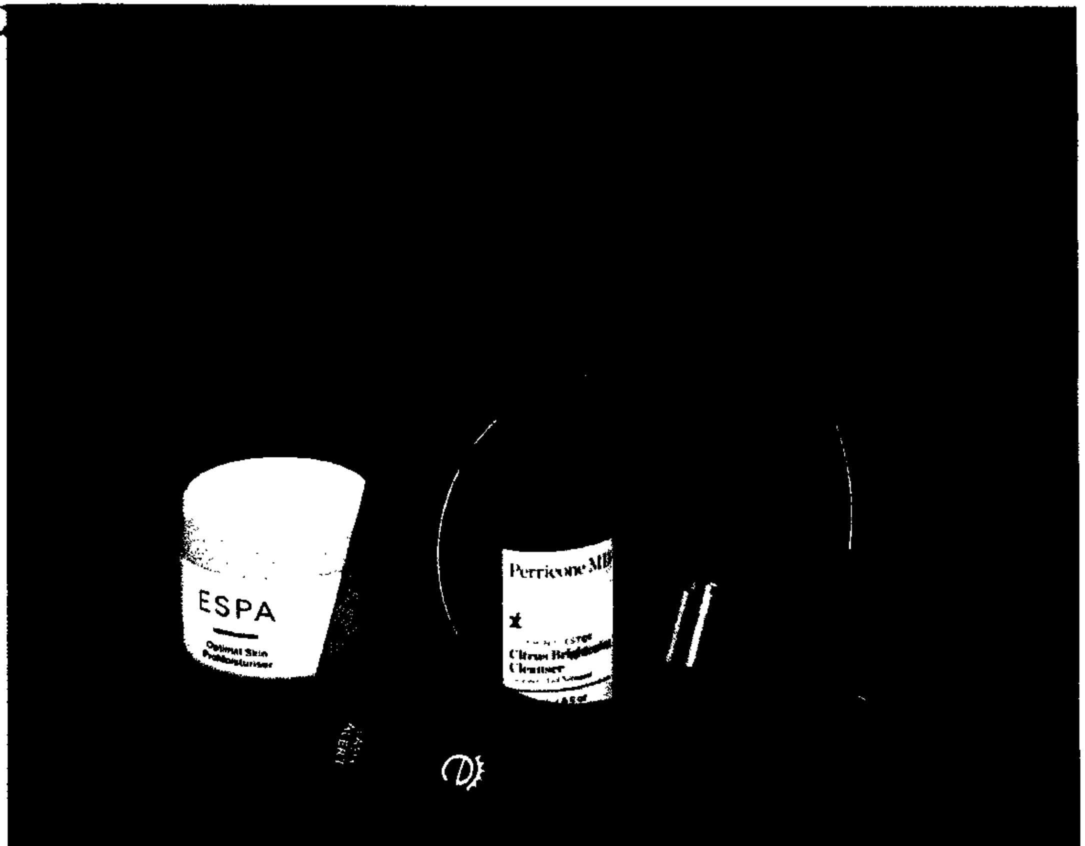
Strategic investment: Dermstore

In December 2020, THG agreed to acquire Dermstore, the leading US pure play online prestige and professional skincare business, a transaction that completed in February 2021. The Dermstore acquisition provides THG with a much strengthened position in the US online beauty market, with over 20% of the Group's sales in the US following the acquisition. THG's stated ambition is to be the global digital partner of choice across the beauty industry, powering channel shift from offline to online. The Dermstore acquisition accelerates the implementation of this strategy by substantially enhancing THG's relationships with its key global beauty brand partners.

Founded in 1999, Dermstore.com was established to provide online access to professional grade skincare in the US. Through curated, expert-driven content and a focused product assortment, Dermstore.com has established itself as the US authority for professional skincare brands online. Dermstore has longstanding retail relationships with a wide range of prestige and professional beauty brands, being the authorised online retailer of c.300 brands.

Dermstore has a particularly strong heritage in professional skincare and offers the opportunity for THG to expand the US distribution of its existing brands through access to Dermstore's US customer base. The THG Ingenuity platform will also enable Dermstore's brands to expand internationally, in the same way that Lookfantastic has unlocked the international sales potential of its brand partners in international markets.

The Dermstore acquisition will also provide THG with a platform to drive further digital sales growth of THG's portfolio of eight owned beauty brands through access to Dermstore's US loyal and rapidly growing customer base. THG will also be able to increase the scale of its beauty box business through bringing new beauty box initiatives to the Dermstore.com customer base, as has proven to be highly successful for Lookfantastic, which will in turn unlock incremental marketing revenue.



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THG Brands

THG is an expert in digitalising brands in Beauty and Nutrition. Through acquisition, THG is building a disruptive portfolio of prestige beauty brands, manufactured in THG owned facilities, and retailed online D2C through the THG Ingenuity platform.

THG has a compelling track record of profitably scaling brands direct to consumers. This has been demonstrated over the last decade through the continued success of Lookfantastic and the Myprotein brand family (acquired in 2010 and 2011 respectively), which are both category leading brands. This evolution continues across the rest of the brand portfolio, with significant increases in online D2C channel sales and EBITDA margins achieved across all own brands.

THG began building a portfolio of own brand beauty brands in 2015, with the vision of building a disruptive portfolio of digital first beauty brands, retailed through online D2C websites powered by THG Ingenuity. Our beauty brands are being scaled internationally through the launch of localised D2C websites and through leveraging the international reach of THG's Lookfantastic beauty retail platform, both of which are powered by the unique localisation capabilities of the Ingenuity platform. THG Ingenuity allows brands that were previously mainly sold in their country of origin to expand internationally at a rapid pace. By contrast, traditional beauty brands are typically constrained by store-based retail channels and limited geographical reach, providing more limited opportunities and less profitable routes to growth. THG has been executing this own brand beauty acquisition strategy for the last five years, with over 50% of revenues across its existing portfolio of beauty brands now generated from direct-to-consumer sales and with over 74% of revenues being international. THG Brands continued their online expansion in 2020, with like-for-like growth of +60% in this channel in 2020.

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

We expanded our brand portfolio through the addition of Perricone MD in September 2020, bringing the total number of own brands to eight. Perricone MD is a US prestige skincare brand, with skincare formulations and supplements that address a broad range of dermatological needs, supported by extensive clinical and consumer studies.

The majority of THG's own beauty brands are developed and manufactured in-house, retailed on THG's websites and delivered directly to consumers globally by the THG Ingenuity platform. THG Brands are supported by its in-house FDA and BRC A accredited state-of-the-art product innovation and manufacturing facilities. THG's fully vertically integrated business model, with full control over new product development ("NPD"), branding and design capabilities, has significantly reduced development timelines, with innovation informed by demand insights from THG's global beauty retail customer base. Our development plans across our own brands continued at pace in 2020, with over 140 new SKUs launched for our own brands, and with c.30% of our 2020 sales coming from new products. Notable innovative launches included the new Illamasqua "Beyond" range, which is a foundation range infused with Hyaluronic Acid and Vitamin E, and Mama Mio's new Tummy Rub Butter, which is a specialist pregnancy product that is clinically proven to increase skin elasticity and moisture, helping to protect against stretch marks. For ESPA, a skincare brand, we released over 40 new products, demonstrating the rapid delivery of new products that is possible through our in house Acheson & Acheson team. These included a number of products, including a new signature range of body oils, that helped lessen the impact of lost sales from the Spa channel, which was impacted by the closure of spas during Covid-19 lockdown periods.

THG Beauty Brands continue to be sold in brand enhancing physical retail channels, including Sephora, Ulta, Harrods, Selfridges, Harvey Nichols, Space NK and leading hotels/spas including Corinthia Group, Gleneagles, Ritz-Carlton, and The One and Only Group. In 2020, our own brands' offline retail sales were impacted by the Covid-19 lockdowns, with retailers and spas being closed for sustained periods in a number of key territories. The impact by brand varied depending on the extent of their digital evolution, but all brands within the portfolio suffered impacted retail sales.

However, this decline in offline sales was more than offset by accelerated growth in the online direct to consumer channel, as the channel shift from offline to online accelerated during the Covid-19 lockdown periods. As a consequence, our own brands were still able to deliver like-for-like double digit revenue growth in 2020, despite the impact of Covid-19. This was possible due to the pivot towards online sales that has been made across own brands, since the acquisition of each brand. Conversely, competitors with sales concentrated in physical retail channels suffered steep declines in sales. 2020 also marked a year of expansion of our own brands sales through the Lookfantastic beauty retail platform. It is a THG ambition that Lookfantastic becomes the number 1 customer for the Group's own brands and 2020 marked another year of significant progress towards this goal.

Strategic Brand Investment: Perricone MD

In September 2020, THG acquired Perricone MD, a US prestige skincare brand. THG has a longstanding and highly successful retail relationship with Perricone MD through Lookfantastic, which is to be expanded further now the brand is under THG's ownership.

In the two decades since its founding, Perricone MD has established itself as a leader in scientific skincare innovation. Its skincare formulations and supplements address a broad range of dermatological needs, supported by extensive clinical and consumer studies. The brand has approximately 100 product patents and is committed to continuing to lead in the development of cutting-edge skincare innovation and no-animal testing, clean ingredients and gluten free formulations.

Perricone MD has a range of products that address a wide range of skincare needs. Its products, which includes the best selling cult Cold Plasma franchise, are advanced topical skincare solutions that contain antioxidant rich formulations to promote healthy skin. Perricone MD's products are developed based on years of cutting-edge research and clinical studies into understanding the underlying scientific building blocks of healthy skin, which ensures highly efficacious ingredients and uncompromising product quality.

The brand is distributed through premium retail channels, including Ulta, Sephora, Nordstrom and Macy's as well as through THG's retail websites, including Lookfantastic, Skinstore and Dermstore. Lookfantastic has been an important long term partner for Perricone MD, enabling THG to build a significant understanding of the brand over many years. In the last 12 months, Perricone MD has seen significant sales growth on Lookfantastic and Dermstore, which further supported the acquisition rationale.

The online direct to consumer channel is a significant sales opportunity for the brand. THG has begun accelerating the growth of this channel through the THG Ingenuity platform since acquisition, with the international roll out of fully localised country specific websites including, fully locally translated content, localised marketing, hosting, payment options, couriers and customer service. THG Ingenuity is taking Perricone MD products to a global audience for the first time. This accelerated D2C growth will provide enhanced margins over the medium term.

THG Beauty subscription boxes

THG also operates Europe's leading monthly beauty subscription business Glossybox. Together, Glossybox and THG's Lookfantastic Beauty Box businesses have over 500,000 monthly subscribers, positioning THG as a leading authority in digital beauty education and discovery. THG continues to broaden the Glossybox offering through incremental product launches, such as advent calendars and one-off partnership boxes with brands such as Elemis, NARS and La Mer, which complement the subscription business and leverage THG's longstanding relationships with beauty brands. Glossybox also acts as a highly effective customer acquisition channel for Lookfantastic, converting high-spending sampling customers into Lookfantastic customers. For brand owners, Glossybox represents an increasingly important engagement channel, enabling their products to reach beauty consumers who are switching away from traditional forms of retail and media. Beauty subscription therefore represents a strategically important channel to THG, with THG acting as a key partner to beauty brands in the movement of marketing spend away from offline channels, such as magazines and TV, to online channels, such as subscription boxes, digital media and influencers.

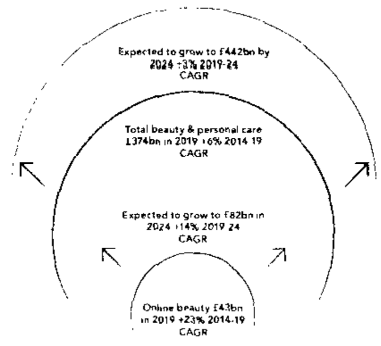
Looking forward

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

THG is also increasingly powering the online direct to consumer websites of beauty brands through its THG Ingenuity division, providing brands with a route to rapidly scale both online and internationally through THG's industry-leading technology. New 2020 THG Ingenuity clients in the Beauty sector included Elemis, Antipodes, PZ Cussons, Note Cosmetique and Revolution Beauty.

Finally, THG's innovation and manufacturing facilities produce c.57% of its own brand beauty products in-house, providing THG Beauty with a fully vertically integrated model. These in-house facilities ensure THG has full control over new product development and significantly reduced product development timelines, with innovation informed by demand insights from THG's global beauty retail customer base. THG also manufactures for a number of third party beauty brands, further deepening its relationships with the brands that it retails.

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



TOTAL ADDRESSABLE MARKET OPPORTUNITY FOR GLOBAL BEAUTY

THG Nutrition

Under THG's ownership, Myprotein has evolved from a small UK sports nutrition brand to a global aspirational wellness brand. Based on revenue, Myprotein and its sub-brands is the largest online D2C sports nutrition brand globally, with internationalisation powered by THG Ingenuity and THG's digital brand building capabilities.

THG Nutrition comprises the Myprotein brand family and Exante Diet. Specifically, Myprotein addresses the core sports nutrition customer, while Myvitamins, Myvegan and MP Clothing target the adjacent markets of vitamins, vegan sports nutrition and healthy snacks, sports apparel and performance clothing respectively.

The Myprotein brand family is a combination of holistic wellbeing brands with product lines spanning performance supplements, vitamins, minerals, high-protein foods, high-protein snacks, energy drinks and leisure apparel. Since Myprotein was acquired in 2011, sales have increased at a +43% sales CAGR, as we used the Ingenuity technology ecosystem to drive rapid growth in direct to consumer sales through range expansion and international expansion.

Myprotein continues to evolve from a sports nutrition focused brand, into a holistic wellbeing brand with dedicated family brands addressing a wide range of wellbeing needs. Myvitamins, Myvegan, Myprotein Pro and MP Clothing. Each family brand is supported by individual brand building, product development, digital content, influencers, trading and marketing strategies, enabling broad-based growth across all categories of the global nutrition market. 2020 was another year of exceptional growth for our family brands, with Myvitamins growing +67% year on year and Myvegan +86% year on year in 2020. In 2021, Myprotein launched Command, a new family brand, targeted at the fast-growing nootropics market. As with other family brand launches, Command leverages Myprotein's brand equity and unrivalled consumer trust, while being supported by an individual brand, promotion and product innovation strategy.

Myprotein operates a vertically integrated model with c.80% of products manufactured in-house through a network of five nutrition product manufacturing facilities in UK, USA and Europe. In 2020, Myprotein delivered over 200 innovative new products across its brands, tailored to local preferences by data-driven demand insights from Myprotein's global customer base. Myprotein products are manufactured to the highest production standards, with its lead facility being a £140m state-of-the-art BRC Grade AA production facility in Warrington, England. THG Nutrition further enhanced its vertically integrated model with the acquisition of two longstanding suppliers, Claremont Ingredients Limited and David Berryman Limited in December 2020. Following these acquisitions, THG now has in-house proprietary flavour development, fruit blending and ready-to-drink formulation innovation and canning, which will facilitate faster new product development across all THG Nutrition brands, enhancing speed to market.

Myprotein takes a fully localised approach to brand development, operating over 60 localised websites supported by fully localised content, product catalogues, trading, marketing, influencers, payment options, fulfilment and customer service. This combined technology and operating ecosystem, powered by the THG Ingenuity platform, has proven to be highly effective and has facilitated rapid international growth, with Myprotein holding leading market shares in the UK and Western Europe, while rapidly scaling its presence in Asia and North America.

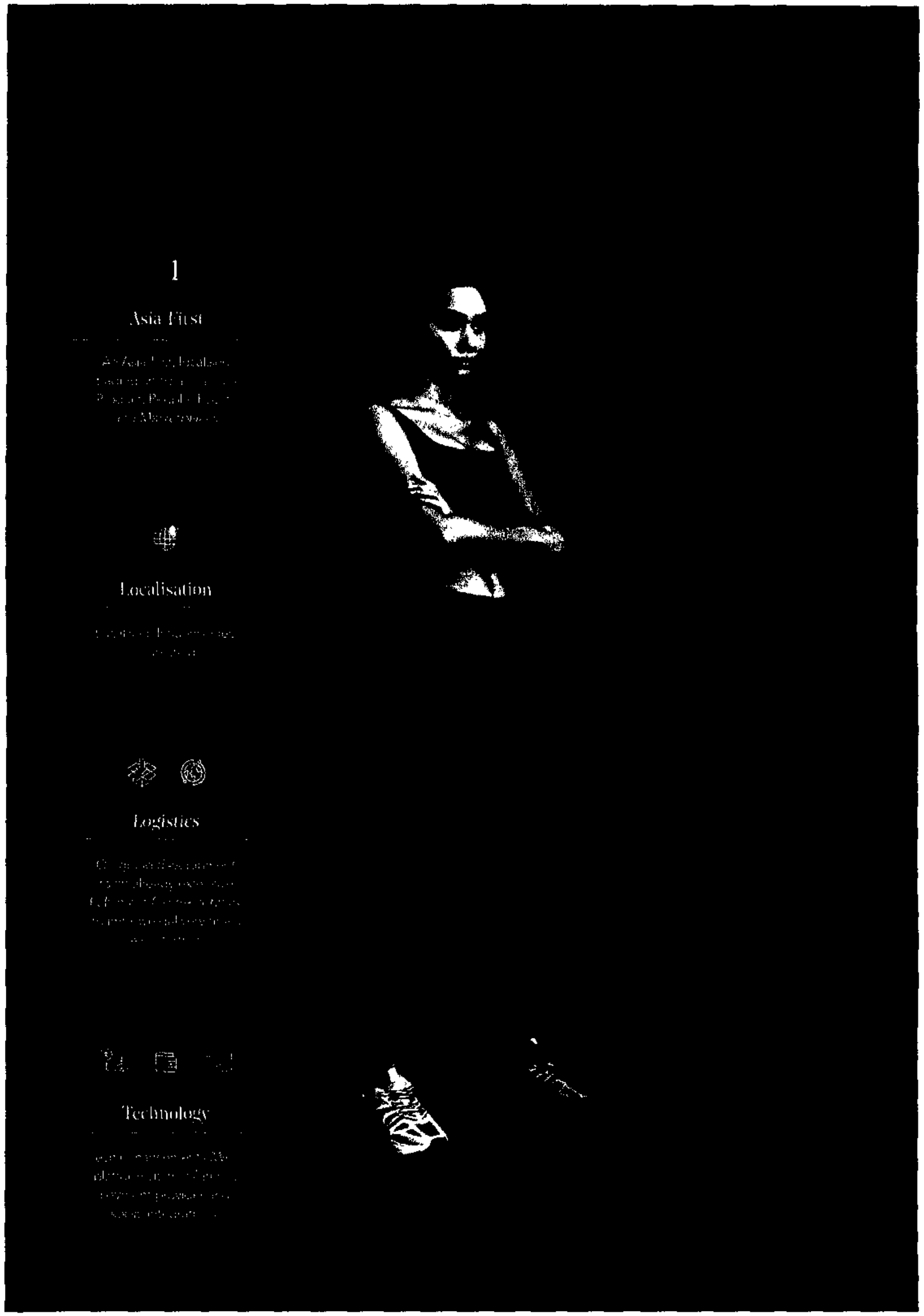
Myprotein in Asia: A fully localised approach

Myprotein in Asia delivered another year of exceptional growth in 2020, with sales growing at an annual growth rate of over 60% over the last three years, and the region now accounts for over 20% of Myprotein's online sales. *This included incredible sales momentum during* key trading periods, driven by THG's localised approach to marketing and promotion in the region, resulting in revenue exceeding more than £1m in a single hour on the Tanabata holiday day (7th July) in Japan.

In Asia, Myprotein operates *local* language websites, accompanied by local *fulfilment solutions, couriers, payment* options and local currency payments, supported by local hosting, influencers and marketing plus local language customer service. This is *further supported* by native trading and marketing teams that tailor their approach based on their knowledge of the local market, with campaigns and content creation *aligned* with local customer preferences. Pricing is also localised to the market, *with trading* strategies and campaigns aligned with key trading periods, such as Singles' Day.

Myprotein *operates a vertically integrated* model, with around 80% of Myprotein's *products currently manufactured in-*house in BRC Grade AA manufacturing facilities. In addition to providing enhanced margins, THG's in-house new product development *capabilities* enables Myprotein to launch products with shortened *product development* timelines. Critically, THG's new product development is informed by millions of data insights from THG's global retail customer base. This combination of data insights and in-house new product *development* enables THG to launch highly targeted new products at frequent intervals, ensuring high levels of relevancy and engagement with our customers. *In Asia, this approach* has facilitated the launch of local flavour variants such as *Milk Tea* and Matcha Latte. In 2020, THG acquired Claremont Ingredients Limited, *one of its long standing flavour* partners, which will further accelerate *the development of new and innovative* flavours matched to the local taste palates *of each country.*

Myprotein has partnered with thousands of local influencers in Asia, who support localised marketing campaigns and new product development. These influencers operate across a diverse network of social platforms in the Asia region, helping *deliver enhanced brand awareness* and customer engagement through delivering *engaging and relevant content* through the consumers' local social platform of choice. This is complemented by the local trading strategies implemented by the *Myprotein team with promotions,* marketing campaigns and new product *launches closely synchronised* with key-opinion-leader ("KOL") activity.



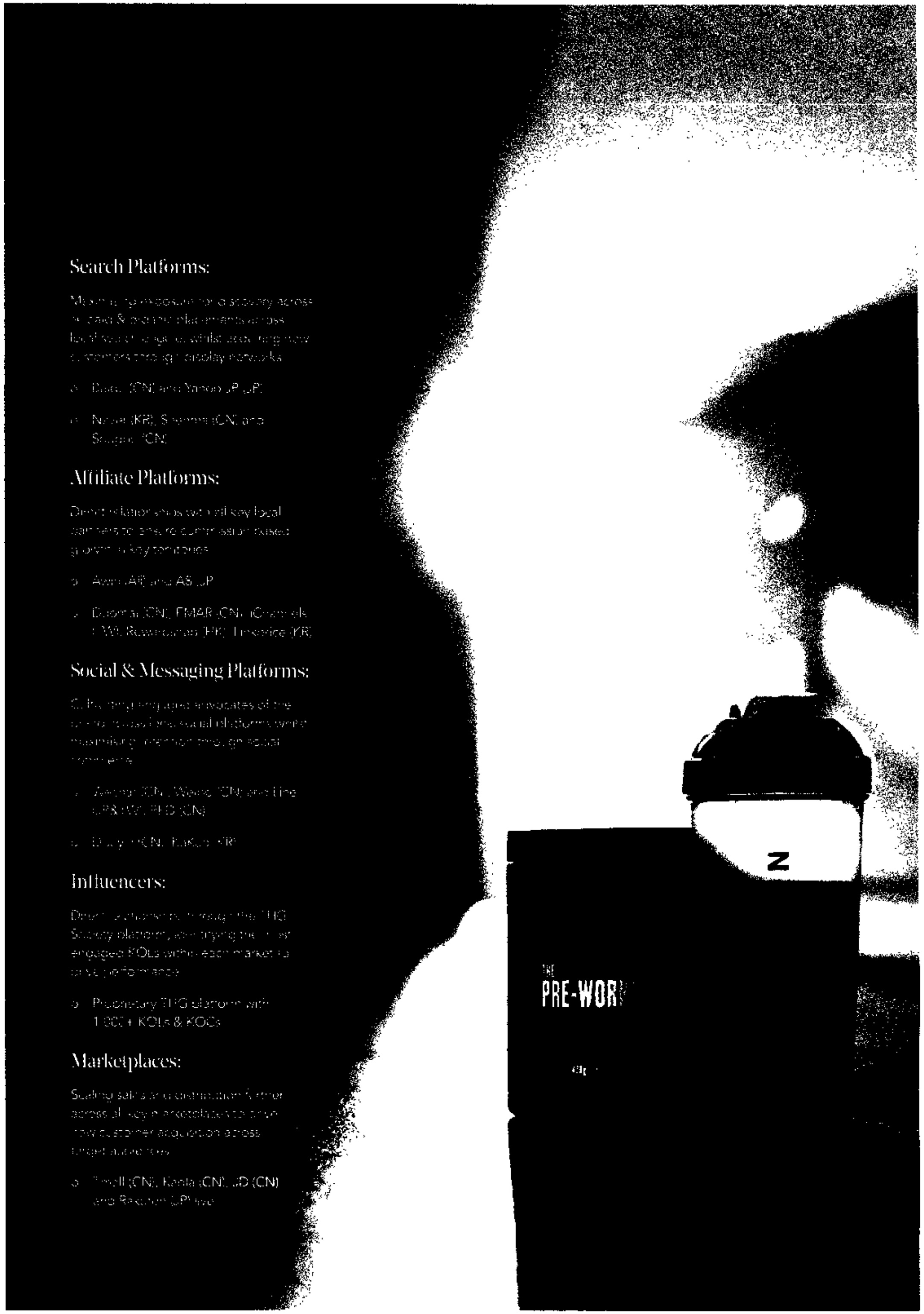
Developments in our infrastructure in Asia have greatly accelerated our operational capabilities in the region in 2020, positioning Myprotein for the next stage of growth in one of its key markets. In June 2019 we launched our Singapore bonded warehouse, advancing cross border routes. This was followed by the addition of a China warehouse in 2020. As a result of these initiatives, over 95% of Myprotein Asia orders are now fulfilled locally.

THG's Asian fulfilment network includes direct relationships with airlines in the region, supported by THG chartered cargo planes in partnership with Singapore Airlines. This enhanced route to market enables THG's brand and those of its Ingenuity partners to access the Asia customer base with the same speed and quality of service as is experienced by our Western customers.

In addition, the Ingenuity platform provides a number of Asia territory-specific payment integrations, including KCP, AliPay and WePay. We continue to add new local payment methods to our payment platform as our international business expands, enabling our customers to pay for products in the local payment method of their choice.

Through THG Fluently, THG's in-house translation agency, Myprotein is able to offer fully localised websites, product catalogues and marketing campaigns for its brands in the Asia region. THG Fluently offers professional-grade translation into over 60 supported languages, ensuring that customers can engage and experience the Myprotein brand in their local language, enabling Myprotein to compete with and beat local market incumbents.

Through this holistic approach to Asia, THG is able to offer a fully localised experience for its Asia customer base, which has contributed to rapid growth of the Myprotein brand. This approach to localisation is being replicated across other territories by THG, allowing us to bring our brands to a global digital audience. THG's deep and unique localisation capabilities are also being offered to a rapidly growing THG Ingenuity customer base, as THG helps brands address digitalisation at a global level.



Search Platforms:

[illegible]

Affiliate Platforms:

[illegible]

Social & Messaging Platforms:

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Influencers:

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Marketplaces:

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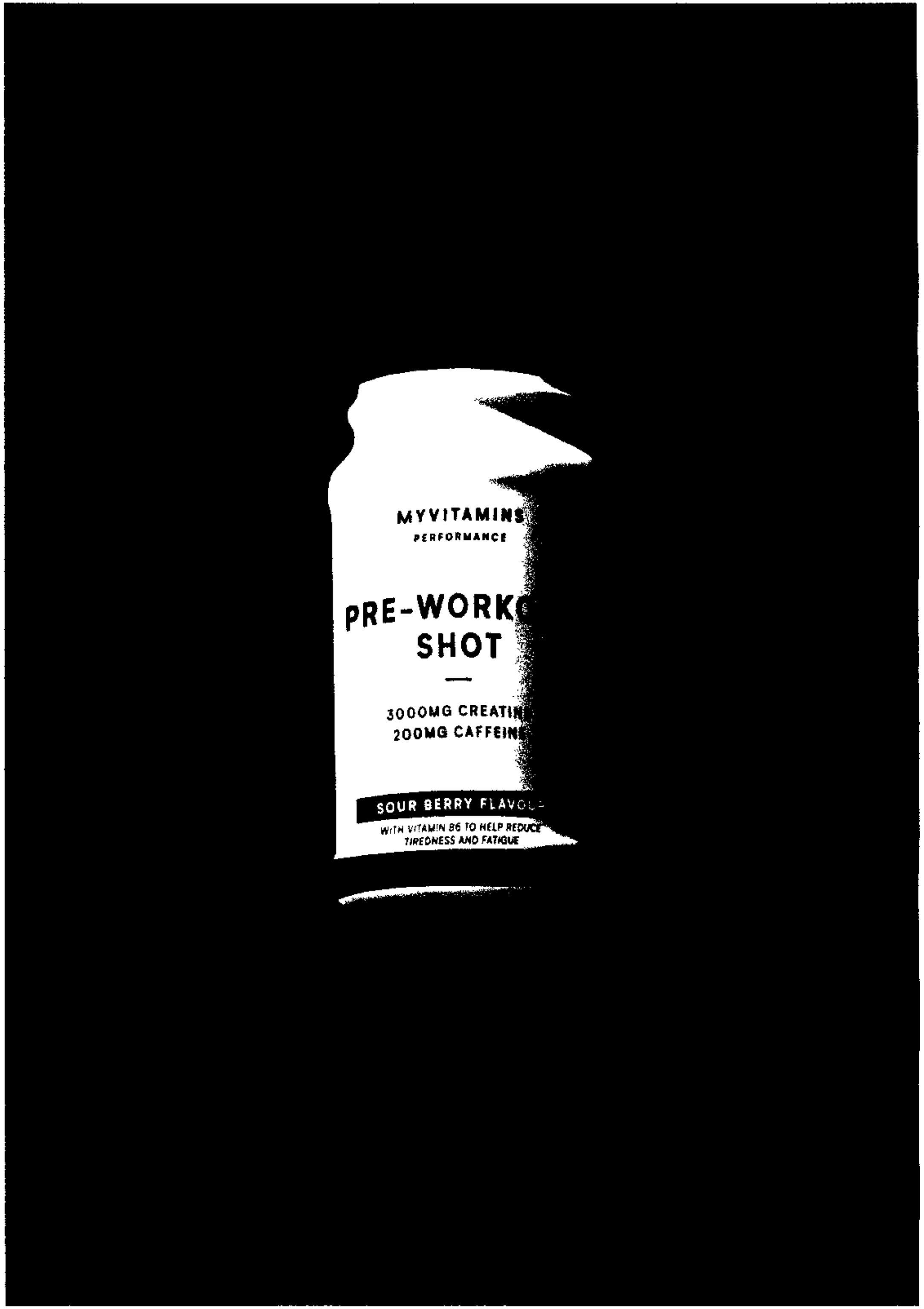
	Launched a fully localised tech infrastructure	Generated traffic through localised content & influencer network	Employed a local trading strategy and calendar
ACTIVITIES	Designed website in local language, with the entire fulfilment solutions, payment processors, courier integrations and local currency, which ensured no disadvantage compared to local players	Campaigns & content aligned with local customer preferences Supported by local influencer marketing through platforms and key influencer relationships Leveraged reseller sites such as Rakuten to establish brand and generate demand	Localised RRPs to reflect local pricing landscape, with trading strategies to align with key trading periods, such as Singles' Day Launched 'Singles' Day' flash sale promotions, driving 62k new customer acquisition in Nov 19 (vs c.40k in previous months)
SUCCESS FACTORS	THG's trading teams with local language skills and knowledge of local sports nutrition market trends / competitor landscape This knowledge fed directly into NPD and manufacturing teams, thereby generating products consumers want ahead of demand	THG's offline infrastructure, including prestige hotel and spa assets, to host brand launches / influencer marketing events for the relevant local markets	Local knowledge of country specific market landscape enabled the brand to capitalise on opportunities, such as Singles' Day, thereby generating products consumers want ahead of demand
EXAMPLES	SKUs tailored to local taste palates e.g. Hokkaido Milk Impact Whey Protein	Local influencer marketing	Singles' Day promotions

Strategic investment: Claremont Ingredients Limited and David Berryman Limited

In December 2020, THG announced the acquisition of two of its long standing UK based nutrition product suppliers, Claremont Ingredients Limited ("Claremont") and David Berryman Limited ("Berryman's").

THG is committed to investing in and building best-in-class product innovation and manufacturing facilities in support of its THG Nutrition portfolio of global, digital-first brands including Myprotein, Myvegan, Myvitamins, Exante and Command. These acquisitions reflect a continuation of this vertical integration strategy of THG and will transform the speed to market and level of product innovation across all THG Nutrition brands. Both Claremont and Berryman's will continue to generate revenue from third-party customers, who will benefit from THG's investment commitment and scale sourcing benefits. The additional facilities will broaden the range of products that the Group can manufacture for its THG Ingenuity clients, providing an opportunity for brands to add THG developed and manufactured nutrition products to their online D2C websites



Claremont Ingredients

Founded in 1993, Claremont is a BRC AA Grade UK flavour specialist. It creates and manufactures a complete range of liquid and powder flavourings and colour solutions for the sports nutrition, beverages, bakery, ice cream and dairy products, sugar and confectionery industries.

David Berryman

Founded in 1987, David Berryman is a leading, BRC AA Grade fruit based ingredients supplier and canned ready-to-drink ("RTD") product innovation and manufacturing specialist.

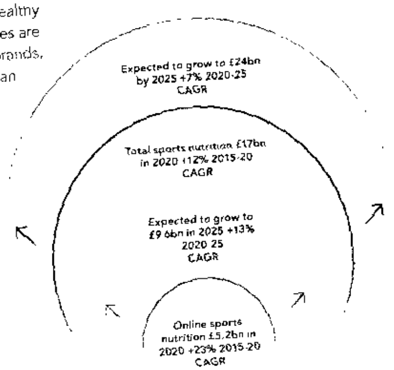
Looking Forward

The online market for nutrition continues to evolve at a rapid rate, accounting for c.30% of the global sports nutrition market in 2020.

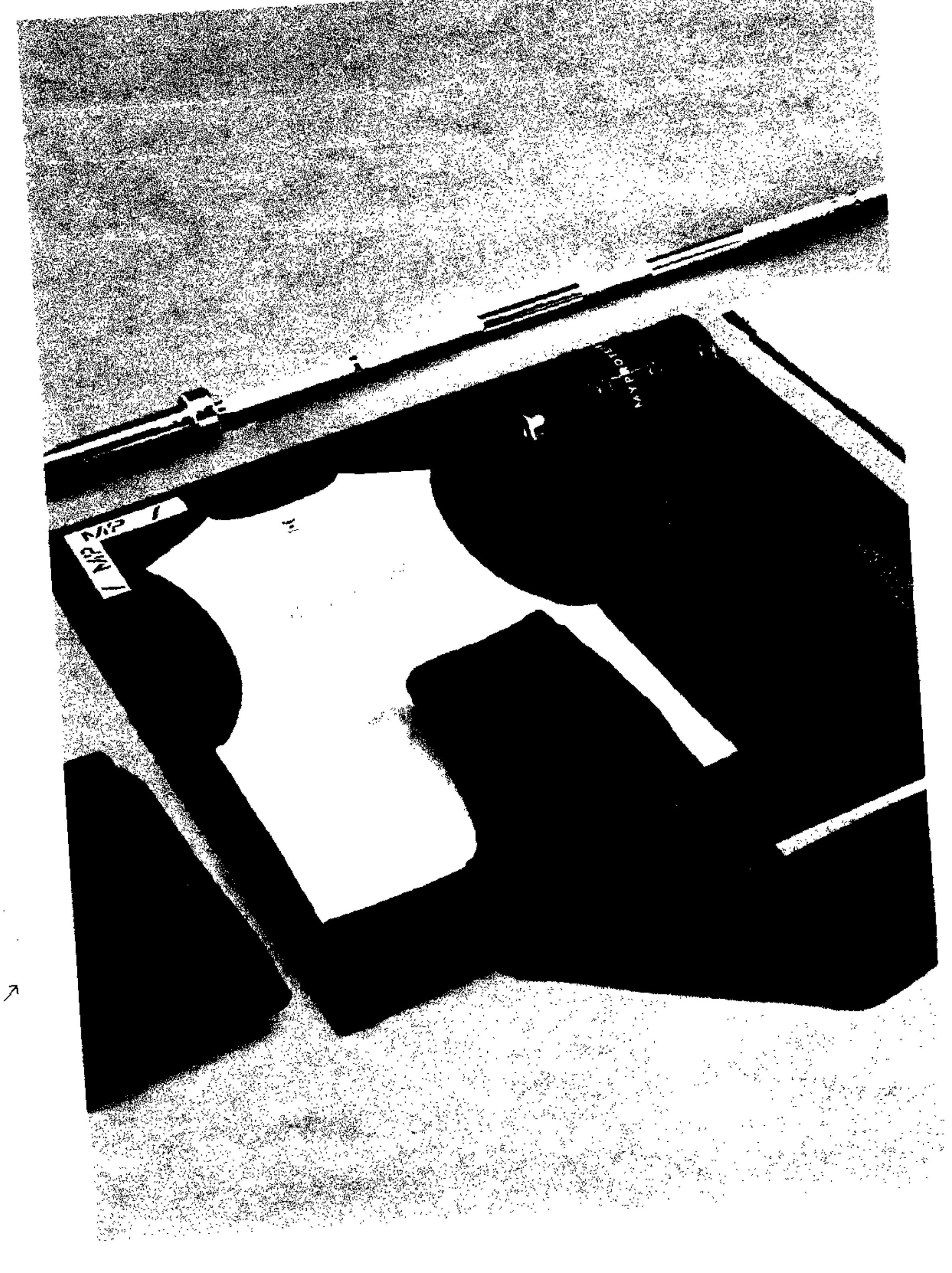
The global sports nutrition market is set to grow to become a £24 billion market in 2025, with an online market estimated to amount to £9.6 billion. THG expects to continue to invest in the development of its brands to enable it to continue to meet this additional demand, in both current and new markets.

THG Nutrition's future growth is underpinned by total market growth and online market share expansion, geographic expansion, innovation in sports nutrition and category extension. Our vertically integrated model informs innovation, enabling us to evolve the portfolio to capture high growth pockets and fulfil unmet needs within sports nutrition and broader health and wellness categories, such as vegan, ready to drink, vitamins and convenience healthy snacking. These adjacent categories are addressed through our family of brands, which include Myvitamins, Myvegan and MP Clothing, enabling us to address a total global market opportunity valued at c.£350bn in 2020. We continue to develop our family of brands to increase household penetration and capture a greater share of health and wellness spend.

Positioned as a digitally disruptive brand portfolio and supported by a loyal customer base, strong social following and the localisation capabilities of the Ingenuity platform, THG Nutrition is ideally positioned to continue to grow both digitally and internationally in the next phase of market growth. This will be supported by further category expansion into the c.£350bn total global market opportunity that our current portfolio of nutrition brands addresses.



THE TOTAL ADDRESSABLE MARKET OPPORTUNITY FOR SPORTS NUTRITION



THG OnDemand

The THG OnDemand division (included within the 'Other' category in note 2 to the financial statements) consists of the Zavvi, IWOOT, My Geekbox, and Pop In A Box D2C e-commerce sites, which offer a selection of entertainment products and subscription services of clothing, gadgets and vinyl, with a particular focus on licensing arrangements with global publishing houses and personalisation.

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

In recent years, THG OnDemand has pivoted away from a focus on lower margin entertainment products (such as video games) and towards higher margin licensed collectibles, granted by major entertainment publishers. THG holds licences with a wide numbers of brand owners including Warner Brothers (including Harry Potter, DC Comics and Friends), Nintendo, Universal, Sony Pictures, BBC and Paramount. These licences are complemented with an in-house product design team that produce bespoke collections, which are exclusive to THG. This model has been augmented further to incorporate individual personalisation of products ("Print on Demand"), further enhancing the range of exclusive products that THG can offer and acting as a compelling differentiator.

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

THG Experience

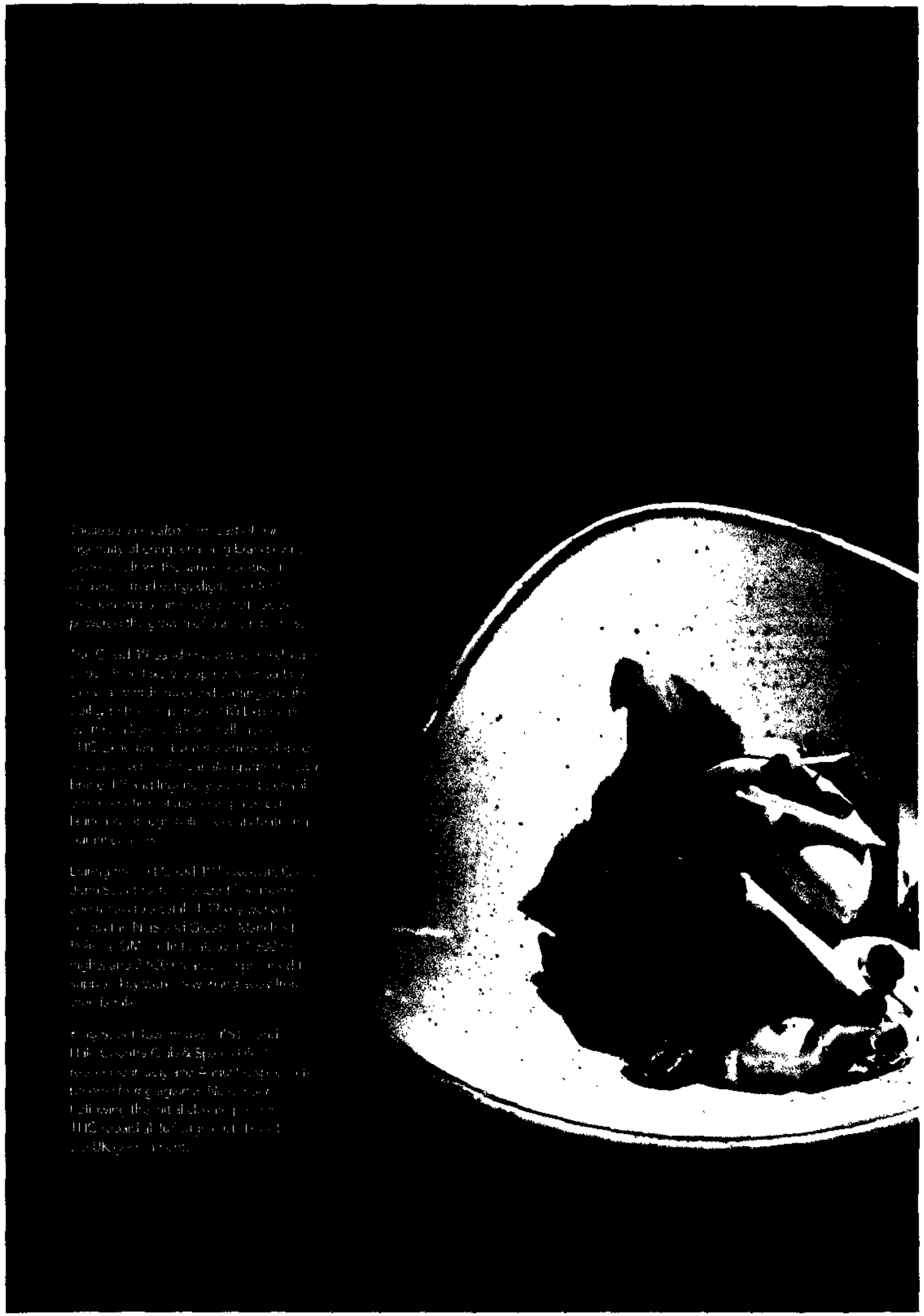
With the ever-growing impact of social content creators and influencers on consumer product choices, THG is focused on becoming a global leader in connecting creators with brands. As a result, we have invested heavily in our Experience division (included within the 'Other' category in note 2 to the financial statements) and developing our in-house capabilities in influencer marketing.

THG operates three luxury event spaces (King Street Townhouse, Great John Street Hotel and Hale Country Club & Spa), which are used to host immersive influencer and brand partnership events. These will be complemented in 2021 by the addition of 100 King Street, an iconic Grade II Edwin Lutyens building located in the heart of Manchester city centre that is currently being transformed into a unique creative space to showcase brands, create experiences and inspire.

THG's event spaces are unique in the market, providing fully customisable environments within which to showcase THG's brands and to engage with influencers in the production of highly engaging THG Studios content, with up to five brand and influencer events daily at each location (prior to the pandemic).

In parallel to the development of THG Experience, THG has developed a highly successful influencer marketing strategy, with influencers accounting for a rapidly increasing share of THG's sales. THG's proprietary influencer platform uses data driven methodologies and predictive modelling to deliver highly impactful and cost-effective campaigns. As of 2020, THG has relationships with over 19,000 influencers globally, who have helped drive the rapid international growth of THG's brands. As of 2020, this solution has been offered to THG Ingenuity clients as an additional service offering as part of THG Society, enabling them to benefit from access to THG's market-leading influencer marketing solution. Through THG Experience, THG is able to partner with influencers on a deeper level, complementing conventional influencer campaigns with immersive brand events at its Experience properties.

THG Experience is also complemented by THG Studios, THG's end-to-end digital brand building and content creation agency, operating across a network of 6 studios that powers content for THG's brands and those of its Ingenuity clients. THG will open a new studio named ICON in 2021, which will be a new landmark 272,000 square feet state-of-the-art facility in Manchester, United Kingdom. ICON will house 2,000 people and will focus on video production and photography to be used across THG's and its clients' digital offerings. It represents the UK's largest specialist digital studio, demonstrating THG's commitment to leading in the development of industry-leading digital content. ICON will facilitate a step change in content creation opportunities for THG's influencers, supporting THG's ambition to become a global leader in the influencer marketing space. Through this suite of services, THG offers a unique combination of best-in-class influencer marketing, digital content creation and real-world experiences. THG continues to invest in developing these businesses due to the critical role they play in driving the growth of our own category-leading brands.



Great John Street Hotel

A luxury townhouse hotel with unique, individually designed rooms and suites alongside stylish event spaces. Discover our iconic rooftop overlooking the city centre, the perfect setting for weddings, events or cocktails.

King Street Townhouse Hotel

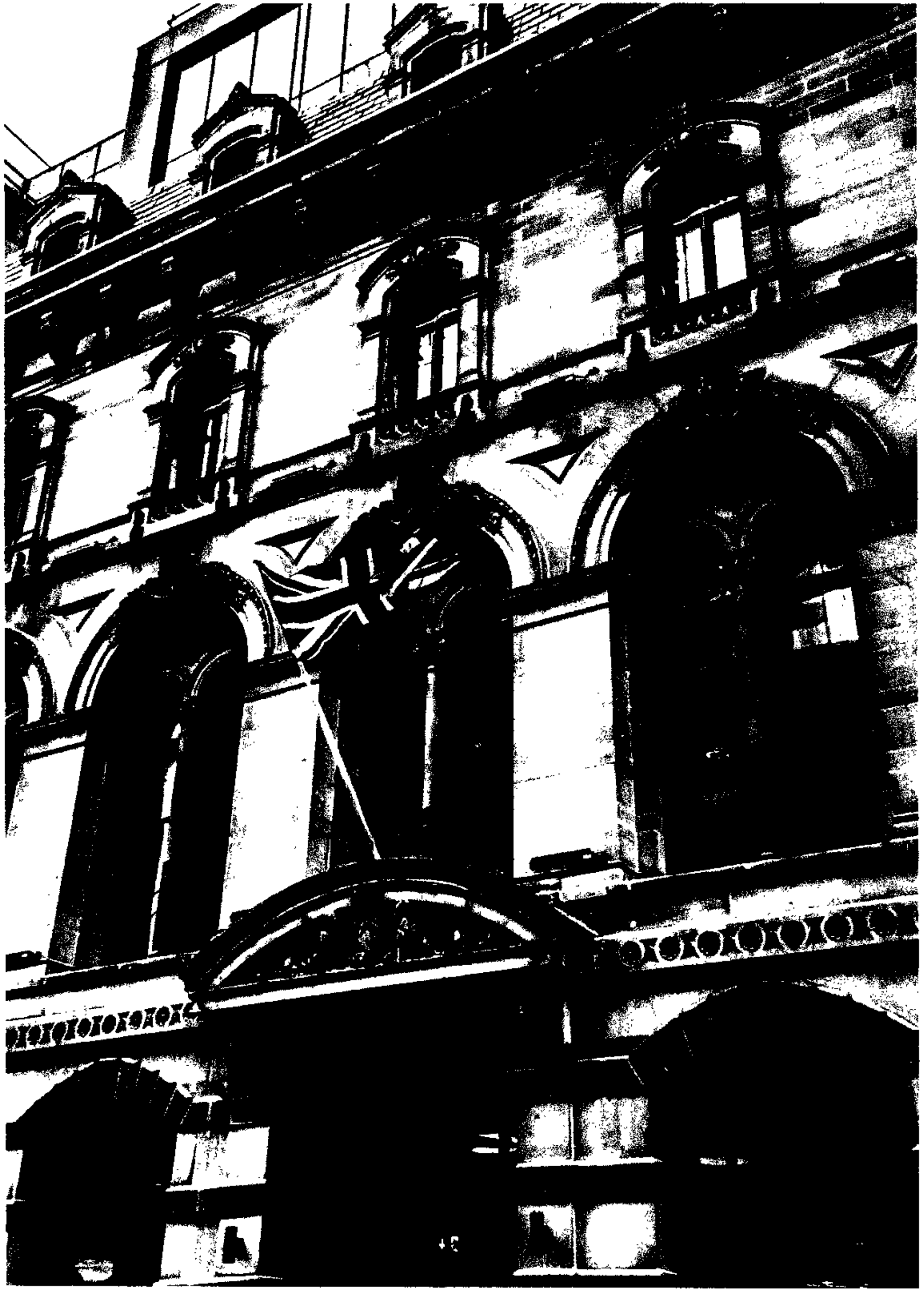
A luxury destination in the heart of Manchester city centre. Dine with us, relax in the rooftop spa overlooking the city, immerse yourself in our private cinema and unwind in our bespoke suites.

100 King Street

The iconic building located in the heart of Manchester city centre is currently being transformed into a unique creative space to showcase brands, create experiences and inspire.

Hale Country Club & Spa

Cheshires premier health club and spa destination. A go-to luxury for fitness, relaxation, dining and unwinding from the stresses of daily life.



Marketing services

- PPC optimisation
- Paid social media
- Programmatic display optimisation
- Technical SEO
- Influencer marketing
- Email and SMS marketing
- Display media
- Affiliate marketing management
- Referral programmes

Marketing technology

- eCRM
- Marketing automation
- Feed management
- Influencer platform

Risk Management

THG's risk management process is designed to protect the interests of key stakeholders and enhance the quality of decision making.

The Board takes responsibility for the management of risk throughout the Group. Risk is regularly reviewed at Board level to ensure that risk management is being implemented and monitored effectively. In support of this THG operates clear and transparent processes and controls to continuously identify, assess and mitigate risk. These processes and controls are further enhanced by the role that our Group internal audit function plays in assisting the Board in fulfilling its oversight responsibilities. The Board has also established an Audit and Risk Committee to support it in its responsibilities for ensuring the adequacy of risk management. Further explanation on the role and responsibilities of the Committee are set out on pages 184 to 189.

Key features of THG's internal controls and risk management include:

- A clear organisational and governance framework with defined duties, control and authority, supported by Group policies covering all key areas;
- A framework of policies covering key areas to ensure that across THG our management teams are empowered to operate effectively and appropriately, bearing in mind the requirements for timely decision making and commercial reality;
- Management and local teams are also made aware of their responsibility for managing risks within their business divisions and through management reports, risks are highlighted and monitored further to identify potential business risk areas and to quantify and address the risk wherever possible;
- A system of financial reporting, business planning and forecasting processes;
- A Group internal audit function that provides independent assurance on key risks, controls and programmes; and
- Other control measures including legal and regulatory compliance, and business continuity planning.

Risk Management Process

THG's risk management framework and processes are designed to identify key risks and to provide assurance that these risks are understood and managed in line with the agreed risk appetite and strategy. As part of the Board's annual strategy, it reviews risk appetite along with the risk management process. The Committee plays a key role in the evaluation and ongoing assessment of risks in particular each principal risk and uncertainty and how each of these relates to THG's strategic objectives and purpose.

THG's drive and ambition is to be a global digital innovator, revolutionising how brands connect to consumers creates a real opportunity for growth for every aspect of the business, its brands and partnerships. The need to invest in technology infrastructure, to position THG Ingenuity as a leading sustainable e commerce platform, and our people, creating an innovative and inventive talent pool fit for the future is critical to achieving success and long-term value creation for shareholders and wider stakeholders. Equally the significant shift in environmental and social considerations is important for our consumers and must not go unnoticed. THG's purpose shapes the strategy and approaches to each of the issues outlined above; it equally defines approaches to risk identification and mitigation.

Risk Item	Risk Description	New or Existing Risk	How we manage or mitigate the risk
Cyber Threats	Malicious, criminal or other threats which compromise the integrity, operations and security of THG's networks, systems and core Ingenuity platform resulting in interruption to operations and D2C delivery along with data loss and reputational and financial damage to THG and its brands and partnerships. Cyber threats continue to evolve in terms of frequency and complexity, a trend expected to continue given hacker sophistication and THG becoming an increased target as a result of its growth ambitions. Furthermore, extended home working as a result of Covid-19 has exposed our workforce to their local IT environment (e.g. home Wi-Fi) which could compromise the integrity of THG's IT infrastructure and safeguards. Malicious or negligent employee activity is an equally high risk to the business. The impacts to THG from operational and front-end service disruption, and ransomware attacks remain equally significant, with potential data loss leading to regulatory censure and/or financial loss through fines and litigation and reputational exposure.	**Existing risk**	THG has grouped its mitigation into several key areas: o People: mandatory annual security training, phishing testing, enhanced employment checks and enhanced physical access control o End user system: implementation of software designed to provide THG with protection against the cyber threats faced by end users (Next Gen Antivirus, email protection, 2FA) o Production system: vulnerability scanning, static analysis, offline backups and penetration testing o Compliance: ISO27001 certification, PCI service provider, supplier review, GDPR, dedicated DPA and cyber insurance o Appointment of a Special Advisor working with the Committee in the continued assessment and development of THG's approach and response to Cyber risk
Key Service Disruption	THG's global operational reach and continued international expansion means it counts on multiple third-party suppliers and service providers to deploy a successful operation. Its own operational hubs are concentrated in particular regions and sites, another key point of service dependency. A failure of, or sustained disruption at, any of these sites or service providers has the power to cause serious detriment to product offering, sales, delivery and overall business and consumer engagement. A dependency on third-party services or key proprietary services without sufficient contingency plans may lead to failure to fulfil customer demand and compromise THG's brands and those of and its partnerships.	**Existing risk**	Significant effort is placed on working with suppliers to identify and manage any planned or unplanned disruptions in supply or distribution that may adversely impact on trade. Business continuity plans are in place and there is a review being undertaken to ensure they remain relevant for both current and future operations and risks. THG has multiple delivery routes and options, and uses over 30 delivery service providers, to reduce the level of dependency on any single provider. There is continuous monitoring of service levels and warehouse handling to ensure goods are delivered in a timely manner. All products are on relatively short lead times, with a steady flow of products into the warehouse, enabling the supply chain to be diverted to alternative locations if necessary within a manageable time frame. THG's technology platform provides a real time, single data view of the business and assessment of KPIs enabling trading and operational decisions to be based on high quality management information. On-going investment is made in the IT systems to ensure that they are able to continue to respond to the needs of the business and do not become obsolete. Inventory availability and allocation capability for customer orders is distributed across multiple locations supporting any given region. The priority can be adjusted dynamically to support short notice spikes in demand or loss of capacity. The allocation matrix is managed centrally to optimise service. THG operations are managed through weekly KPI review meetings covering people, safety, quality and performance metrics. Resolution of major incidents ("MI") with potential to impact service is supported by an external 24/7 incident process, managed centrally. The selection of third party suppliers for fulfilment services is by tender to deliver against agreed service levels. The performance to service levels is measured and reviewed with suppliers quarterly. There is an annual contract review cycle. Third-party fulfilment providers will be externally audited annually for compliance to ISO and THG standards. All third-party providers are subjected to a remote risk assessment. THG partnered with Singapore Airlines, launching THG Air to charter over 100 flights to meet customer demand across Asia minimising disruption (present and future) arising from Covid-19.

Risk Item	Risk Description	New or Existing Risk	How we manage or mitigate the risk
Covid-19	Covid-19 has introduced uncertainty in to the global market and trading environment in which THG operates. With the rapid increase of sales globally and expansion into new markets the Directors are cognisant of the potential future challenges Covid-19 may present including local integration of product ranges and operations, the ability to quickly and safely onboard new suppliers and the adverse impacts Covid-19 may have on THG's supply chain. Insufficient controls and safeguards to minimise the spread of Covid-19 can lead to loss in personnel, key person dependency, resource restraints, impacts on key markets and negative reduced operational capacity. Increased or sustained rates of transmission globally may continue to cause further disruption across all THG operations including production and fulfilment sites. The fluctuation in both localised and nationwide restrictions across all territories in which THG operates could impact the delivery of our products in all markets.	**New Risk**	To date there have been 94 positive Covid-19 cases at operational sites. We have not had cluster cases and continue to educate our people, manage and enforce controls and reassess our practices in line with government guidance. The first wave of Covid-19 called for robust precautions that were implemented at the time. These precautions go above and beyond PHE/EHO standards and include thermal sensors, work from home measures and an on site doctor. Continued risk assessments and in-depth remodelling of mitigants were in place for the post-Christmas national lockdown. The situation is monitored closely and discussed at bi-weekly meetings by the Executive Leadership Team. On 22 February 2021, the UK government announced its roadmap to cautiously ease lockdown restrictions in England following the success of the UK's vaccination programme which commenced in December, which together with the lockdown restrictions, has helped to cut infection rates and reduce the spread of the virus. We will continue the guidelines of both local and national governments in all markets and locations where THG operates. Our response to Covid-19 is covered in more detail on pages 130 to 131 in our Coronavirus Pandemic Response and measures put in place to safeguard our employees are outlined in our Employee Engagement Statement on page 35.
Operational Resilience	As a result of its listing on the London Stock Exchange, THG is subject to stricter corporate governance standards, reputational scrutiny and increased disclosure burdens. It is imperative that clear risk management structures are in place and embedded, so that risks and issues are well managed, appropriately mitigated with root cause analysis and trends reviewed with any underlying areas for concern appropriately addressed. Gaps and weaknesses in governance frameworks could lead to poor risk management and control, gaps in accountability, oversight and appropriate risk and issue escalations and unsustainable operational	**Existing risk**	THG has an established enterprise risk management ("ERM") which facilitates risk management discussion and resolution alongside structured processes. However, as THG operates in a highly regulated environment, to avoid oversight of material risks, it is appropriate to have periodic ERM framework and process reviews (at a minimum annually), continuous risk based reviews, as well as relevant staff training on risk identification, escalation, mitigation and controls.
Brexit	Inadequate awareness of, and readiness for, the legislative changes resulting from Brexit, together with the implementation of an action plan may result in fines and restrictions in trade, including sales, service offering transportation and order fulfilment. THG planned for a variety of outcome scenarios against which the following key risks have been identified: Increase of duty levels exposure with our own manufactured products and product delivered by third-party brands, citizenship implications on workforce, particularly within our UK fulfilment and third party carrier network, and potential congestion disruptions at UK and European ports.	**Existing risk**	The Board and Brexit Steering Committee (chaired by Deputy Chief Financial Officer) undertook a continuous review of Brexit risks, monitoring and assessing the outcome of the ongoing negotiations, whilst simultaneously preparing for a Hard Brexit and other outcomes. Mitigation and contingency plans were put in place to address the key risks in preparation for the end of the transition period on 31 December 2020. Following the end of the transition period, a number of trade relationships have been agreed between the UK and the rest of the world, however we recognise a substantial amount of our key markets still remain to be determined. There remains a level of uncertainty in relation to the full impact of Brexit on the trading relationship between the UK and the EU, following major disruptions to trade and action by the EU Commission to trigger an emergency override provision of the Northern Ireland protocol as part of its efforts to control Coronavirus vaccine exports. As negotiations progress, the Brexit Steering Committee will continue to assess and plan for THG's ability to meet continuing consumer demand given the uncertainty and inherent risks.

Risk Item	Risk Description	New or Existing Risk	How we manage or mitigate the risk
Related Parties	Prior to THG's IPO the Propco Group was divested from the Group in a Related Party transaction	**New risk**	Following the sale of the Propco Group a Related Parties Committee has been established to review and approve all related party risks arising in connection with the divestment and in particular, independently oversee all transactions and arrangements between THG and the Propco Group
Liquidity Risk	Insufficient cash visibility and cash reserves to meet financial liabilities, including an inability to meet debt obligations, financial commitments and to execute investments, without THG encountering substantial financial loss Sources of debt funding to THG become unavailable through either short-term liquidity or longer-term funding issues, such as a financial institution collapse or change in our risk profile, removing our ability to obtain external borrowing. In addition, non compliance with covenants could lead to the withdrawal, at short notice, of funding already made available to THG	**Existing risk**	THG uses a diverse range of banking partners to reduce the reliance on a particular bank or geographical banking location governed by limits based on the credit rating of those banking partners THG has access to the London Stock Exchange and bond markets to provide further funding, albeit Group Treasury are responsible for ensuring there are no forced or unplanned requirements to access either of these sources Access to liquidity is maintained through longer-term RCF commitments currently expiring in 2024 THG has committed to a Financial Policy to retain a minimum cash balance of £300m over the medium term to ensure sufficient liquidity Treasury actively manages THG's cash balances between instant access money market funds, enhancing liquidity by avoiding tying funds up for extensive periods of time
Currency Risk	Continued regional and global growth in terms of operations, logistics, sales and supply channels, increases the foreign exchange exposure from foreign markets, which if inadequately managed e.g. through hedging, can cause volatility in the Group when accounting for its revenue Poor foreign currency risk management i.e. not identifying foreign currency exposures and implementing mitigation strategies to manage volatility in transactional value given relative values of the currencies involved in transactions, leads to sudden reduced financial performance	**Existing risk**	THG prioritises natural hedging in the first instance by looking at foreign currency cash flows across the Group and netting receipts and payments where possible Material FX exposures that exist after natural hedging are managed through a layered hedging programme covering a proportion of foreign currency cash flow sales up to 12 months in the future. Currently this applies to EUR and JPY exposures Currencies are reviewed regularly by Group Treasury and governed by the monthly Treasury Review Committee ("TRC"). Additional currency exposures as a result of debt issuance or M&A is managed on a case by case basis through the TRC Hedging does not guarantee a "better" financial performance but instead provides certainty and removes volatility in the short term. The 12 month rolling hedge programme provides time for the business to adapt to significant step changes in foreign currency exchange rates

Risk Item	Risk Description	New or Existing Risk	How we manage or mitigate the risk
Regulatory Compliance	Failure to meet the numerous regulatory requirements that THG is subject to, or insufficient awareness and embedding of, the Disclosure and Transparency Rules, as a result of its listing, can result in fines, public censure, restrictions in trade, reputational damage, serious data leakages, criminal liability and an adverse impact on financial performance, all of which can have a negative impact on THG's share price and revenue generation The vast array of regulatory requirements, not only as a listed entity, but across the THG territories includes financial and tax reporting, accounting standards, product safety rules and statistical reporting, amongst others, and can result in fines, revocation of trade licences or imposition of trade restrictions, personal criminal liability of directors, public censure, reputational damage to the business, a fall in share price and a decline in investor and stakeholder confidence. As THG continues to grow, regulatory burdens increase and therefore the risk of non compliance also continues to grow	**Existing risk**	Financial Reporting Compliance: external advice is obtained for matters affecting THG as a public listed company, as well as local and international financial and statutory reporting and tax filing requirements. The Committee has designed a matrix, mapping all key financial reporting requirements. With the assistance of the Risk function, the gaps identified in the Committee matrix have been highlighted and actions agreed to close these gaps Product Safety Compliance: ongoing product compliance monitoring Sustainability, Packaging & Environmental Compliance: adherence to UK packaging reporting requirements and increased people resources to meet the ongoing monitoring and ensuring compliance with other environmental reporting requirements GDPR: Various key processes are being rolled out, including process mapping, a data protection analyst has been hired to oversee and data deletion automation We have appointed Special Advisors to support the Board and Committee in recognition that there are gaps of expertise within the Group with respect to the regulatory environment and the risks to which THG operates within. These Special Advisors will work with the Board to identify and develop respective strategies in the areas of sustainability, tax governance and cyber security. Examples of steps undertaken to date to enhance regulatory compliance include: o THG have obtained external advice on its external reporting obligations; o as part of the Finance Transformation project and Financial Position and Prospects Procedures Memorandum ("FPPP") implementation plan, divisions and functions are reviewing their procedures, systems and controls to improve efficiency and oversight and ultimately the THG governance structure within Finance; o an information classification policy and associated controls have been implemented and are under continuous review and improvement; o ERM/Risk Management workshops are to be delivered across key teams; and o THG engaged a third party to provide benchmarking of THG's governance arrangements and identify areas for enhancements

Risk Item	Risk Description	New or Existing Risk	How we manage or mitigate the risk
Sustainability & Ethics	Rapid expansion of THG's business into new markets and insufficient understanding and awareness of (a) the socio economic environment and key risks in which the business will operate, and (b) heightened sustainability and environmental obligations can result in anti-trust or competition law suits, regulatory censure, revocation of carbon neutral certification, reputational damage and a fall in share price. Without clear Group protocols the speed and scale of THG's growth, including M&A activity, could generate additional risk opportunities for non-compliance with THG's own and its affiliated brands' ethical e-commerce and sustainability objectives. These could disrupt critical business operations, from the way products are offered to consumers, to power outages at key sites, to ethical labour issues at supplier sites, through to scarcity of raw materials in our products. There is a risk of non-conformance with increasing industry regulations as well as impacting the speed and scale at which THG's, and its affiliated brands', ethical e-commerce and sustainability objectives are met.	**New Risk**	THG mitigates these risks through: o Maintaining the Carbon Neutral Certification; o The objective of THG's Sustainability Committee is to monitor key focus areas and upcoming regulations including climate change and broader ESG developments and reporting requirements; o THG manages the supply chain risk through the effective monitoring and mapping of risk and performance and increased transparency and improving resilience of raw materials by identifying more sustainable alternatives such as certified sources. Sustainability and environmental considerations are being increasingly embedded into business decisions; o THG supports the need to achieve 'net zero' by 2050; o Longer-term sustainability and environmental risk mitigation will be managed through the 2030 Sustainability Strategy, a forward looking approach to issues enabling better readiness for changes to stakeholder expectations; o THG (eco) was communicated to the market, with execution and implementation strategy to follow; o Marketing strategies reviewed by GRC/Information Security for DPA compliance and approval; and o Appointment of a Special Advisor to support the ARC in managing sustainability risk.

MYVEGAN

Emerging risks

People

Tax

Covid-19
Pandemic Response

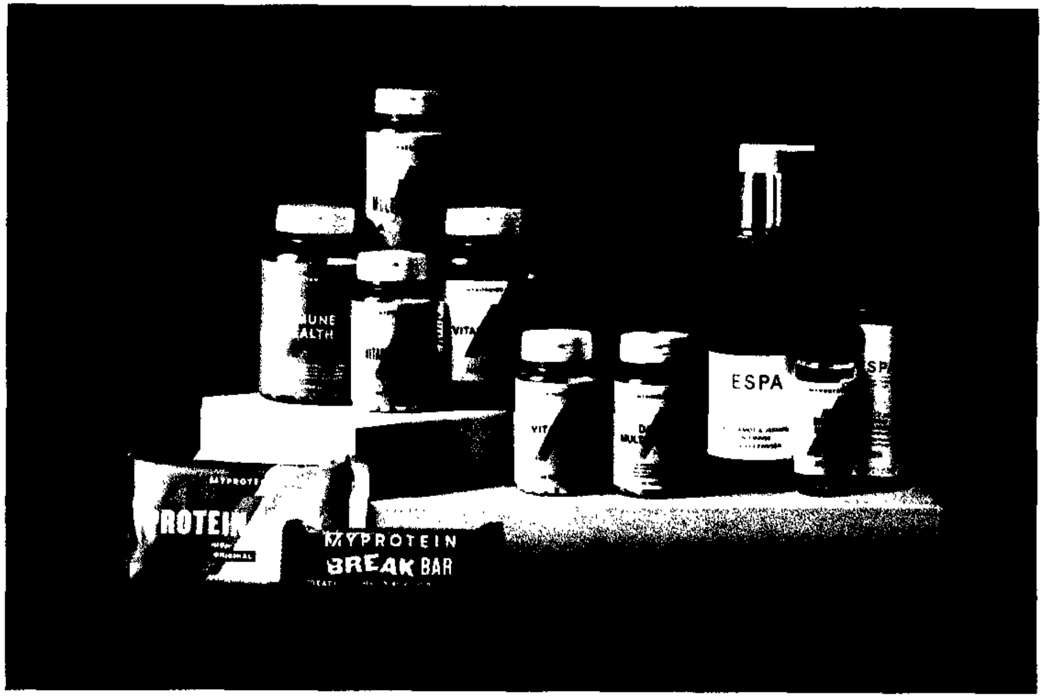
The 2020 global pandemic produced highly challenging conditions across all sectors of the global economy. Throughout the pandemic, THG's priority has been, and remains, to protect the health, safety and wellbeing of our employees.

Ahead of the first UK lockdowns being implemented the Board took a proactive response in anticipation of the severity of the situation and swiftly moved all our staff to working from home wherever possible We redesigned processes and procedures in our fulfilment centres to make them Covid-19 secure and compliant with social distancing guidelines, including providing free meals for warehouse staff to take home to prevent the need for them to risk travelling to the shops after work

The Covid-19 pandemic continues to impact both the online retail marketplace and the wider global economy, with a significant acceleration recorded in the consumer shift onto digital platforms. Whilst the pandemic has brought an accelerated digital shift which has driven a proportion of the 2020 revenue growth, it has also increased the challenge of delivering products to customers and protecting our staff, with this leading to one-off cost increases These primarily related to higher transportation costs, as global freight routes were disrupted during the pandemic, leading to a temporary incremental increase in these costs of £39m in 2020 Further one-off costs include THG temporarily furloughed some of its front line workers, and subsequently repaid the furlough *support back to the UK government plus* THG incurred significant additional costs to make workplaces Covid-19-secure, including the purchase of PPE and the implementation of new safety procedures. The cost of these additional workforce measures amounted to £11m in 2020 For further details see note 4 to the financial statements.

THG has responded decisively to the pandemic's challenges and continues to provide a world leading proposition as a digital first consumer brands group. THG has a proven business model centred around non-discretionary and recession proof products and services across beauty, nutrition and technology. As such, THG was able to respond adeptly to the challenges faced by the pandemic and deliver record-breaking sales across all divisions While temporarily higher transportation costs were borne during the Covid-19 lockdown period, THG continued to deliver goods worldwide to the customer

THG continues to carefully monitor customer acquisition costs and lifetime value of customer cohorts and is confident that the additional customers acquired during 2020 will continue to return to THG's websites in future years, as historical cohorts have done Our views are informed by the global mix 61% of THG's revenues, as throughout 2020 our teams have been collecting consumer behaviour data globally, reflecting a broad mix of countries and regions variously moving in and out of (and back in to) lockdowns Whilst the pandemic is a one-off crisis, the reasons consumers



remain online have not changed for the past 15 years, namely, superior product ranging and availability given online has no shelf-space limitations, superior product education with thousands of user-generated and professional posts accessible immediately online, and superior convenience and payment options

As sales moved online during the global Covid-19 lockdowns, THG experienced significantly increased demand for its products across all categories and regions globally. THG's Ingenuity platform is built to withstand enormous increases in demand in order to accommodate trading volume spikes such as Black Friday Accordingly, when the pandemic demand occurred the platform remained comfortably within its peak operation parameters Sales across the Group grew at record levels, with THG Nutrition growing +36% and THG Beauty growing +57% in 2020 Furthermore, over 10 7m new customers purchased from THG's sites in 2020, providing a valuable *platform for future growth given the high* levels of repeat purchase rates across the Company's retail sites and brands

Areas of the Group with sales in non-online sectors also delivered robust performance, despite the challenges faced by Covid 19. For instance, our own beauty brand division was able to deliver robust double-digit growth despite a significant decline in sales in physical retail channels as fast-growing online sales were able to more than *offset Covid-19's impact on physical* retail channels In THG Experience, whilst social distancing restrictions have reduced our ability to host in-person events in 2020, the THG Experience Events team instead developed a virtual event calendar in collaboration with our Brand, PR and Ingenuity teams, to enable the promotion of upcoming product *launches through online events,* which drove high levels of engagement with influencers and customers

Due to its financial strength, THG was *able to announce a comprehensive* £10 million aid package (in cash, goods and services), of which £6 6m has been recognised in the accounts in *2020 (including £1m cash donation to* Manchester charities), with a further £3 4m to be delivered in 2021, which included millions of units of personal protective equipment (20+ tonnes) to support vulnerable communities, key workers and emergency services in Manchester, the UK and our international markets during the Covid 19 crisis The donation included personal care and nutrition products, including hand sanitisers manufactured in THG's production facilities, to NHS *workers, care homes* and other vulnerable members of the community In addition, THG's Great John Street Hotel provided free rooms and meals to key workers across the NHS and Greater Manchester Police In total, over 1,300 room nights and over 2,500 meals were provided to support key workers working away from their families

Sustainability

Sustainability at a glance

In 2020, THG further accelerated our focus on positive action across environmental, social and governance areas, supported by the formation of a Sustainability Committee. The Committee has appointed an independent Special Advisor with considerable experience in leading sustainability planning. In November, the Group publicly announced THG (eco), the driving force behind our sustainability action plan. THG (eco) exists to accelerate our activities even further and reflects our strong commitments in this area.

As we set out in our articulation of THG's purpose, our vertically integrated business model means that we are uniquely placed to embed sustainability and best practice at the heart of product design, manufacture, delivery and the customer journey. THG is committed to the ongoing development and expansion of sustainability into our end-to-end model to create enduring positive change for our customers and for our Ingenuity partners. Our own brands continue to focus on sustainability as a priority and have launched several initiatives during the year, such as Myvegan's Sustainable September campaign. THG's recycling scheme for hard-to-recycle beauty packaging, recycle:me by THG (eco), was launched for ESPA to help ensure that end-of-life plastic is processed in an environmentally friendly way. In January 2021 the Group confirmed that all of our beauty brands will be joining the scheme this year including our leading beauty retail website, Lookfantastic.

Our Greenhouse Gas ("GHG") emissions

A significant area of focus for the Group continues to be reduction of our energy use and related carbon footprint. This year, THG and our Ingenuity platform achieved CarbonNeutral® Company and Service certifications respectively. The certification was issued in accordance with The CarbonNeutral protocol, the leading global framework for carbon neutrality. By achieving CarbonNeutral company certification, we have calculated and offset our operational emissions. This has enabled us to take immediate climate action while we continue to reduce our internal emissions.

The Group GHG emissions reporting calculation is undertaken in line with our obligations under The Companies Act 2006 (Strategic Report and the Directors' Report) Regulations 2013, and the Streamlined Energy & Carbon Reporting regulations, March 2019. GHG emissions are reported in accordance with the GHG Protocol. The reporting year for GHG emissions in the Group ran from 1 January 2020 to 31 December 2020.

Tonnes of CO_2 emissions	2020	2019
Scope 1 emissions [illegible]	1,945	[illegible]
Scope 2 emissions [illegible]	9,583	[illegible]
Total	11,528	[illegible]

[illegible]	[illegible]	[illegible]
[illegible]	1.90	[illegible]

[illegible]

[illegible]

Our energy use and energy efficiency action

[illegible]

Energy use (kWh)	2020	2019
[illegible]	9,943,330	[illegible]
[illegible]	19,649,394	[illegible]
[illegible]	486,648	[illegible]
Total	30,079,372	[illegible]

Energy use (kWh)	2020	2019
[illegible]	16,833,917	[illegible]
[illegible]	13,245,455	[illegible]
Total	30,079,372	[illegible]

Chief Financial Officer Review

It has been a momentous year for THG, with a major transaction in the form of the IPO, alongside dealing with the challenges presented by the Covid-19 pandemic and completing three strategic acquisitions.

	2020			2019
	Before Adjusted Items	Adjusted Items (note 4)	Total	Before Adjusted Items
	£'000	£'000	£'000	£'000
Revenue	1,613,625		**1,613,625**	1,140,260
Cost of sales	(884,035)	-	**(884,035)**	(629,397)
Gross profit	**729,590**	-	**729,590**	**510,863**
Distribution costs	(284,741)	(55,240)	**(339,981)**	(195,047)
Administrative costs	(294,049)	(472,098)	**(766,147)**	(204,358)
EBITDA	**150,800**	**(527,338)**	**(376,538)**	**111,458**
Depreciation	(48,055)	-	**(48,055)**	(39,624)
Amortisation	(57,239)	-	**(57,239)**	(38,320)
Operating profit / (loss)	**45,506**	**(527,338)**	**(481,832)**	**33,514**

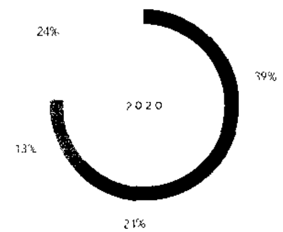
Note: the table above shows financial results before the impact of depreciation and amortisation, which are shown as separate lines below EBITDA. For statutory presentation, cost of sales includes charges of £16.4m (2019 £14.1m), whilst distribution and administrative costs include £10.3m (2019 £6.6m) and £78.6m (2019 £57.3m) of depreciation charges respectively.

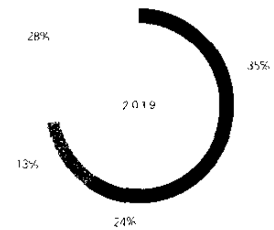
The Financial Year in Review

Revenue

Group revenues increased 42% from £1,140m to £1,614m, as the wider consumer shift to digital channels continued apace. International sales accounted for 61% of total Group revenue.

The Group has continued to deliver organic growth, complemented by strategic acquisitions in the second half of the year, along with the IPO readying the business for continued future success.





- UK
- Europe
- USA
- RoW

Gross profit

The Group achieved gross profit of £730m at a gross profit margin of 45%, consistent with the previous year. Stock provisions increased over the course of 2020 from less than £7m to over £24m by the end of the financial year, reflecting the need to protect against stock risk given Brexit, Covid-19 and the impact of acquisitions. The Group continues to vertically integrate, manage its global supply chain and promote its THG Ingenuity product offering.

Operating expenses

Distribution costs, excluding adjusted items (see note 4), remain well controlled at 18% (2019: 17%) of sales. THG's strong international mix, illustrates the benefit of having an end-to-end fulfilment model utilising an extensive local courier network spanning over 195 services, all of which are fully integrated into our proprietary technology platform. The Group has built significant surplus capacity in its global network to fuel future growth with our courier integrations providing optionality for the end customer and enhancing the customer experience through customised communications.

Administrative expenses excluding adjusted items (see note 4) are maintained at 18% of sales at £294m, arising from strong operational efficiency balanced with a continued investment in people and additional regulatory and compliance costs, resulting from being a publicly listed company.

Within the underlying result are costs incurred from repaying furlough costs to the UK Government (c. £2.6m in 2020, 2019: nil).

Adjusted EBITDA

Adjusted EBITDA rose to £151m from £111m, representing an increase of 35% on 2019 and maintaining a c.9% EBITDA margin. Adjusted EBITDA is an alternative performance measure, the below table reconciles back to the nearest appropriate GAAP measure, operating loss

£'m	Notes	2020	2019
Operating profit		**(481,832)**	**(11,790)**
Adjustments for			
Adjusted item – share based payments	4	**331,624**	27,251
Adjusted item – impairment of assets held for sale and sale and leaseback costs	4	**105,138**	-
Adjusted items – other	4	**90,576**	18,053
Depreciation	12 / 22	**48,055**	39,624
Amortisation	11	**57,239**	38,320
Adjusted EBITDA		**150,800**	**111,458**

Depreciation and amortisation

Total depreciation and amortisation costs were £48m and £57m respectively (2019: £39m and £38m)

The Group continued to invest in its market leading end-to-end proprietary technology platform during the year to scale up globally and to address the ever-changing social trends of our customers across the world. £40m was invested in the Ingenuity platform, with the development of THG Detect further adding capability and features to our platform

The Group has continued to acquire brands and intellectual property to expand its international offering as part of the Group's long-term strategy. Further information on the Group's acquisitions during the year can be found in note 10

Adjusted items

In order to understand the underlying performance of the Group, certain costs included within distribution, administrative and finance costs have been classified as adjusting items. These items are explained in detail in note 4, and principally relate to share-based payment charges, restructuring costs, dual running costs, and acquisition related costs

In 2020, further costs were incurred due to the ongoing Covid-19 pandemic, which are set out below

	2020 £'000	2019 £'000
Within Distribution costs		
Transportation, delivery and fulfilment costs in relation to Covid-19	**39,175**	-
Commissioning - new facilities	**15,907**	7,495
Decommissioning - legacy facilities	**158**	2,061
	55,240	9,556
Within Administrative costs		
Share-based payments	**331,624**	27,251
Restructuring and IPO fees	**14,308**	863
Impairment on assets held for sale, and sale and leaseback charges	**105,138**	-
Donations and other Covid 19 costs	**11,108**	-
Acquisitions - restructuring and integration	**5,736**	5,511
Acquisitions - legal and professional costs	**2,529**	1,075
Other legal and professional costs	**1,655**	1,048
	472,098	35,748
Within Finance costs		
Refinancing		7,951
Total adjusted items before tax	**527,338**	53,255
Tax impact	**3,784**	(5,172)
Total adjusted items	**531,122**	48,083

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

Operating loss

The Group has incurred an operating loss in the year of £482m (2019: £12m), driven by significant events that have resulted in cash outflows and non-cash charges, the largest of which related to the vesting of share option schemes subsequent to the strong share price growth experienced post Admission

Finance costs

Finance costs rose to £53m (2019: £26m), as the Group incurred a full year of interest on the Group's debt facilities, which were put in place in December 2019

Loss before tax and tax rate

Reported loss before tax was £535m (2019: £45m). The tax charge on adjusted profit before tax was £2.0m (2019: credit £0.9m)

Earnings per share

Earnings per share was £(0.66) per share (2019: £(0.06) per share).

Cash flow

The Group continued to generate strong operating cash flows of £75m (2019: £54m), closing the year with cash generated from operations excluding adjusted items of £177m (2019: £71m). Working capital movements generated a £26m of cash, as increasing inventory levels were offset by increasing trade and other payables.

The Group further invested c.£102m (2019: £84m) of cash in acquisitions to further its strategic objectives through key vertical integration and expansionary acquisitions, as well as repaying £168m (2019: £1,245m) of outstanding debt. The IPO bolstered the available cash pool of the Group, leaving the Group with a net increase in cash of £461m (2019: £77m), closing the year with £774m (2019: £312m) of cash on balance sheet, positioning the Group well to deliver long term value

Net Cash / (Debt)

The Group's balance sheet continued to strengthen through the year, bolstered by the primary funds raised from the IPO along with positive cash generation from strong top line trading results, offset by an increase in lease liabilities recognised under IFRS 16. The Group closed 2020 with positive net cash levels of £47m (net cash before leases of £283m).

	2020 £'000	2019 (restated) £'000
Loans and other borrowings	**(526,159)**	(750,099)
Lease liabilities	**(236,185)**	(38,465)
Cash and cash equivalents	**773,581**	312,233
Sub-total	**11,237**	(476,331)
Adjustments:		
Retranslate debt balance at swap rate where hedged by foreign exchange derivatives	**35,403**	6,738
Net cash / (debt)	**46,640**	(469,593)
Net cash / (debt) before leases liabilities	**282,825**	(431,128)

Post balance sheet events

Post balance sheet events are disclosed in note 28 to financial statements.

Restatement of prior year comparatives

As part of the IPO process, previous errors were identified and corrected. We have therefore restated certain comparative balances to reflect this within the current financial statements.

Full details have been provided in note 1 to the accounts.

Divestment of freehold property assets prior to IPO

Historically, THG has invested in purchasing freeholds given owning those assets allowed THG to pivot quickly and invest in areas of opportunity without the time and expense of dealing with multiple landlords. In December 2019, THG restructured its freehold property into a specific property sub group within the organisation (the "Propco Group"). The Propco Group had its own pool of securitised assets which enabled THG to leverage those assets and raise incremental capital to fund the next phase of property rollout capital investment for THG. This debt funding was institutionally backed and as part of the transaction, arm's length leases were put in place with THG's Operating Group, reflecting the market value of the properties included at the time.

Prior to THG's Admission to the London Stock Exchange, it was recognised that the capital requirements of the Propco Group would provide a drag on the IPO. As such, the Board considered options to either divest the Propco Group to an investor who would fund capex, or raise more equity as part of the IPO.

After detailed consideration, the sale of the Propco Group to FIC Holdings Ltd (an entity wholly owned by the Group's CEO and Chair) was approved by the Board and shareholders at the time.

The disposal of the Propco Group removed the requirement for THG to continue to fund material capital spend and considerably reduced the debt within the remaining Group (the "Operating Group"), improving the capital structure of THG ahead of the subsequent Admission.

Following the disposal, the Group then recognised these lease agreements in accordance with IFRS 16, and applied sale and leaseback accounting to recognise the fact that these leases that were previously eliminated at Group are now external.

A further breakdown can be found in note 27 to the financial statements.

Going concern

The financial statements have been prepared on a going concern basis. In adopting this basis, the Directors have considered the business activities as set out on page 21, and principal risks and uncertainties including Covid 19 disclosed within this report on pages 122 to 129.

As at the balance sheet date, the Group had a total of £170m in undrawn facilities, along with £774m readily available cash held on the balance sheet. Net cash at this date was £47m, and £283m before the inclusion of IFRS 16 lease liabilities that mature over a period of up to 25 years.

In December 2019, the Group entered into a €600m seven year loan facility agreement due to mature in December 2026, along with an undrawn £170m Revolving Credit Facility ("RCF") which was entered into in December 2019, due to mature in December 2024. There are no financial covenants attached to the €600m loan facility, but the covenants attached to the RCF are linked to gross debt leverage and become effective when the facility is drawn upon. This covenant requires the Group to maintain its gross debt over the adjusted EBITDA ratio below a level of 7.60 which is reviewed regularly, although as noted the facility is not drawn down.

The Group's strategic planning cycle includes an annual Budget process, which is reviewed by the Board over a three-year period. This planning process involves modelling under a series of assumptions and plausible scenarios factoring in Group direct to consumer growth, new contract wins within THG Ingenuity Commerce, an increased fulfilment infrastructure globally and the cost base of the business (including supply chain, technology and centralised corporate functions) as well as the effect of the Group's capital expenditure plans. This process is led by the Group CFO, Commercial Director and Deputy Group CFO along with the Board and Executive CEO providing further direction to align strategic initiatives. As a result of the impact of Covid-19, the Budget and three-year plan has been updated for the Directors' best estimate.

Having experienced twelve months of Covid-19, the Board considered the impact of the pandemic on THG at the time of preparing its strategic plan. Overall, THG considered the financial impact of Covid 19 as having a positive impact on the Group as the digital shift was accelerated, along with investments made in supporting the Group supply chain and in ensuring the safe operation of the Group worldwide.

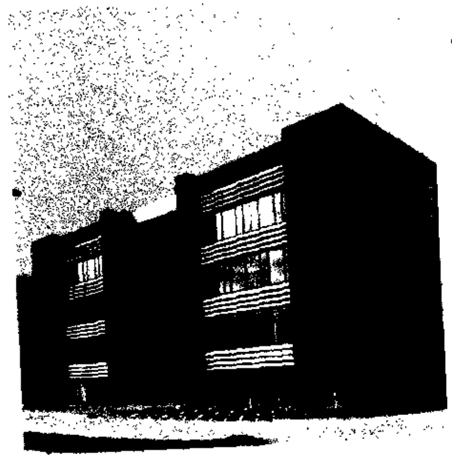
Assessment of the going concern assumption

The going concern assessment period is the twelve months from the date of this report to April 2022.

In order to satisfy the going concern assumption, the Directors of the Group review its Budget periodically, which is revisited and revised as appropriate in response to evolving market conditions.

The Directors have considered the Budget and forecast prepared through to April 2022, the going concern period, in light of Covid 19, including but not limited to:

- Consideration around the Group's estimates of the potential upside in sales resulting from increased shift of consumers to digital platforms, along with increased costs to ship and other one-off Covid-19 related costs such as PPE spend.
- Several stress test scenarios have been applied to the Group's forecast, including but not limited to:
  - Declining revenue growth in key markets, including Nutrition, Beauty and OnDemand businesses, along with assuming no further contract wins in THG Ingenuity for 2021.



  - Extending the impact of closure of physical sites through the review period, and
  - Increasing the Group's cost base, modelling significant one-off costs due to Covid 19 and Brexit.
- Any mitigating actions available to protect working capital and strengthen the Group balance sheet, including deferring non-essential capital expenditure and increased cost control, such as reducing stock levels, new customer marketing investment and investment in the platform.

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

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

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

As a result of the above analysis, 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 complied with Provision 31 of the 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 after April 2022, taking into account its current position and principal risks. The Directors assessed the prospects of the Group by reference to its current financial position, its recent and historical financial performance, its forecasts for future performance, its business model (page 21), strategy (pages 51 to 121) and its principal risks and mitigating factors (pages 184 to 189). In addition, the Board regularly reviews the financial position of the Group, its liquidity and financial forecasts.

Assessment period

In considering the viability of the Group, the Directors felt that an appropriate period of time was the 3 year period between 31 December 2020 to December 2024 in which to assess the Group's prospects. This is consistent with Group's business model and strategic planning period, while taking into account the changing strategic opportunities and developing e-commerce landscape over the prior three years.

Assessment of Viability

In making the Viability Statement, the Board, supported by the Audit and Risk Committee, *carried out a robust* assessment of the Group's viability, principal risks and uncertainties facing THG for the next three years, as described on pages 122 to 129, which could impact the business model taking into account:

- Covid-19 pandemic and the uncertainty of the consequences including customer demand, impact and *duration of the pandemic*, as well as any mitigation strategies, and any financial impact. As a result, the *Group's* cash flow forecasts and trading Budgets, as well as multiple models were reviewed;
- Consideration around THG's estimates of the potential upside in sales resulting from the increased shift of *consumers to digital* platforms, along with increased costs to ship products as well as other one-off *Covid-19* related costs;
- Stress test scenarios involving a dramatic sales decline including an assessment of the Group's longer-term prospects, including any further uncertainties that may come from the UK leaving the EU. The impact of Brexit is not expected to be material to the Group given extensive preparations made by THG and this is discussed further on page 125, *however, the scenario* modelling and sensitivity analysis was applied to forecasted cash flows. These scenarios included warehouse *closures involving* an increase in fulfilment costs and a change in consumer behaviours for an *extended period with* revenues not returning to pre-Covid-19 levels until 2023. This also includes an assumption of sales remaining static within THG Ingenuity Commerce and THG Experience *not reopening in* 2021 (resulting in no revenues as result of full year of lockdown of this industry);
- Fluctuations in other market factors *including an assumption* of an increase in exceptional and significant one off costs due to *Covid-19 and Brexit*, as well as an increase in corporation tax
- Any mitigating actions available to protect working capital and strengthen the balance sheet, including deferring non-essential capital expenditure and increased cost control; and
- Other ongoing matters - where the Group's current position and prospects, changes taking place in the industry, and the long-term impact of technological disruption were considered further

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

The Audit and Risk Committee reviewed the process undertaken and challenged whether management's assessment of *the principal and emerging* risks facing THG and their potential impact were appropriate. This involved reviewing THG's financial performance, Budgets for 2021 and cash flow projections. The *committee also considered* whether there were any additional risks which could impair solvency or which, whilst not *necessarily* principal risks in themselves, could become severe if they occur in conjunction *with other risks*

The refinancing that occurred in December 2019 and Admission to the London Stock Exchange in September 2020 have given THG substantial cash reserves available to draw down upon and management consider THG is in a strong position to weather any further uncertainty. The majority of the workforce moved to a remote working model, supported by THG's investment in technology and development. THG's *strong cash* flow model and continued working capital improvements will provide further liquidity to continue to re-invest in the business's infrastructure, most notably the proprietary platform. Trading to date *in 2021 has* been in line with or in excess of management's forecasts

John Gallemore
Chief Finance Officer

21 April 2021

Non-financial Information

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

Reporting requirements	Some of the relevant policies	Where to read more in this report about our impact, including the principal risks relating to these matters	Page
Environmental matters	Environmental policy	o THG (eco) o Sustainability Committee Statement o Risk - Sustainability and Ethics o Risk - Regulatory and Compliance	11 194 128 127
Employees	HR Handbook including all people related policies	o Section 172 Statement o Employee Engagement Statement o Diversity in the Corporate Governance Statement o Risk - Covid 19	38 35 175 125
Human rights	Anti-Slavery Policy Health and Safety Policy Whistle blowing Policy HR Handbook	o Culture in Corporate Governance Statement	183
Social matters	HR Handbook	o Section 172 o Employee Engagement o Diversity o Covid-19 Response Statement o Risk - Sustainability and Ethics	38 35 175 130 128
Anti-Bribery and Corruption	Anti-Corruption policy Gifts and Hospitality	o Risk - governance	127
Business model		o Our business model	21
Non financial KPIs		o Key Performance Indicators o Sustainability CO2 equivalent emissions	19 132
Principal Risks and Uncertainties		o Risk Management	122

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 (eco) strategy to become the leading sustainable e-commerce platform known for responsible products in beauty and nutrition.
Health and Safety policy	THG takes a proactive approach to managing Health and Safety and our policy outlines the commitment of THG and the expectations of managers, the leadership team and all colleagues. Our approach is for "Zero Harm, Zero Compromise"
Anti-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 Anti-Slavery Policy reflects its commitment to acting ethically and with integrity in all its business relationships and to implementing and enforcing effective systems and controls to ensure slavery and human trafficking is not taking place anywhere in its supply chains
Anti-Bribery policy	THG is committed to conducting its business with complete integrity and in a manner which ensures compliance with all applicable laws and with the highest ethical standards. As a company, we use our best endeavours to ensure that all those acting on our behalf, whether they are employees, contractors, third-party intermediaries or agents, are aware of and share our commitment to conducting business ethically. Our Anti-Bribery policy summarises the Company's position in relation to ethical standards, including bribery.
Gifts and Hospitality policy	THG considers the offering and receipt of corporate hospitality to be a part of establishing and enhancing good relations with our business partners, including suppliers, customers and other business partners. However, giving or receiving hospitality or gifts which are excessive or inappropriate does not help to build good relations and may create the impression of undue pressure or improper influence. This could damage our reputation. In some cases, gifts or hospitality may be considered to be bribes under applicable Anti-Bribery law, with consequent criminal penalties. It is therefore essential that our employees and Directors comply with this policy whenever giving or receiving gifts or hospitality to or from the Company's business partners, or otherwise in the context of the Company's business
Whistleblowing policy	Our aim is to operate properly, responsibly and ethically whilst encouraging a free and open culture in dealings between employees and all people with whom we engage. In order to protect our people, assets and information, we recognise that effective and honest communication is essential if concerns regarding breaches or failures are to be effectively dealt with and the company's success ensured. THG whistleblowing service is a free and professional service that enables all employees to raise their concerns confidentially. The service is available to all THG staff, agency workers and contractors

Directors' Report

Directors' Report disclosures

The Directors present their report, together with the audited consolidated financial statements of the Company, for the year ended 31 December 2020. In accordance with s414C (11) of the Companies Act, the Company has chosen to provide disclosures and information in relation to a number of matters which are covered elsewhere in this Annual Report. These matters, together with those required under The Large and Medium-sized Companies and Groups (Accounts and Reports) (Amendment) Regulations 2013, are cross referenced in the table below and together form part of this Directors' Report.

The Corporate Governance report on pages 159 to 183 is incorporated into this report by reference.

Information	Section in the Annual Report	Page
Risk management (including principal and emerging risks)	Strategic Report	122
Going concern statement	Strategic Report	139
Post balance sheet events	Strategic Report	139
Transactions with Related Parties	Strategic Report	126
Future developments of the Company	Strategic Report	Throughout the strategic report (page 6 - 145)
Greenhouse gas emissions	Strategic Report	132
Directors' biographies	Governance	169
Corporate governance arrangements	Governance	159
Directors' conflicts of interest	Governance	181
Statement of engagement with employees	Strategic Report	35
Statement of engagement with suppliers, customers and others in a business relationship with the Company	Strategic Report	32

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/leadership-and corporate-governance/

Annual general meeting

The AGM will be held on the Company's premises at Icon Plot 1 Main Office, No 9 Sunbank Lane, Altrincham, Cheshire, WA15 0AF on Thursday 24 June 2021 at 12.30pm. The Notice of AGM, together with explanatory notes, will be sent to Shareholders on or around the time of this Annual Report.

Directors

The Directors who were in office as at the date of this Directors' Report are set out in the Governance Section of this Annual Report on pages 159 to 183. All Directors will offer themselves for election by Shareholders at the AGM.

The following Directors were appointed as at 1 January 2020 (with the exception of Oliver Nobahar-Cookson who was appointed on 30 April 2020) and resigned during the reporting period

- Joanna Bodell
- Hugh Campbell
- Oliver Nobahar-Cookson
- William Mark Evans
- Timothy Robert Franks
- Rachel Horsefield
- Bernard Liautaud
- Angus Monro
- James Pochin
- Viki Tahmasebi
- Steven Whitehead

Directors' interests

Details of Directors' beneficial and non-beneficial interests in the Shares are detailed on page 203. Details of share awards granted to Executive Directors under the Company's share schemes during the reporting period can be found in the Directors' Remuneration Report on pages 202 to 229.

Directors' qualifying third party and pension indemnity provisions

The Directors benefit from qualifying third party indemnity provisions for the purposes of section 236 of the Companies Act pursuant to the Articles of Association and up to the date of this Directors' Report. The Company also maintained Directors' and Officers' liability insurance throughout the reporting period

Appointment and replacement of a Director

The rules 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.

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

Purchase of own ordinary shares

At the Company's general meeting held on 9 September 2020, the Company was granted authority by its Shareholders to purchase up to 10% of the Company's ordinary issued share capital, in accordance with the Articles of Association. No Ordinary Shares were bought back under this authority during the year ended 31 December 2020 or to the date of this Annual Report. This buyback authority will expire at the conclusion of the AGM, when the Directors intend to propose that the authority be renewed

Allotment of shares

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

The Directors were granted authority by Shareholders to allot securities in the Company up to an aggregate nominal amount of £2,233,258 and to allot securities, without the application of pre-emption rights, up to a nominal amount of £334,989 and a further £334,989 in connection with an acquisition or other capital investment of a kind contemplated by the Statement of Principles on Disapplying Pre-Emption Rights

These authorities apply until the conclusion of the AGM. The Company will seek Shareholder approval to renew these authorities at the forthcoming AGM, with detailed explanatory notes included within the Notice of AGM

Share capital and Shareholder voting rights

The Company has a Standard Listing on the London Stock Exchange and is the holding company of the Group. The Company has 10 share classes as set out in the table below

Share Class	Number of Shares	Percentage of the Company's fully diluted issued share capital
Allotted, called up and fully paid Ordinary Shares	970,646,554	76.556%
Allotted, issued and partly paid D1 Shares	59,415,474	4.686%
Allotted, called up and fully paid D2 Shares	20,302	0.002%
Allotted, issued and partly paid E Shares	50,172,433	3.957%
Allotted, issued and partly paid F Shares	30,478,008	2.404%
Allotted, issued and partly paid G Shares	45,703,943	3.605%
Allotted, issued and partly paid H Shares	89,612,682	7.068%
Allotted, called up and fully paid Special Share	1	n/a
Allotted, issued and partly paid Deferred 1 Shares	276,062	0.022%
Allotted, issued and partly paid Deferred 2 Shares	21,563,860	1.700%
Total	**1,267,889,319**	**100%**

Immediately prior to Admission, certain reorganisation steps took place in respect of the share capital of the Company. These are described in paragraph 5.2 of Part XI (Additional Information) of the prospectus which was issued by the Company on 10 September 2020 and which is available on the Company's website at https://www.tbg.com/ipo-information/

Rights and obligations attaching to Shares

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

(a) Ordinary Shares

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

Subject to the rights of the Special Share and subject to disenfranchisement in the event of non-payment of any call or other amount due and payable in respect of any Share or non-compliance with any statutory notice requiring disclosure of the beneficial ownership of any Shares, 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 before a general meeting.

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

(b) Special Share

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

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

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

Pursuant to article 69 7 of the Articles of Association, the Special Share will retain its rights on a transfer by transmission upon the death of its holder to a Permitted Transferee, being any *person that is not*: (i) an employee of the Company or Director or any subsidiary undertaking of the Company; or (ii) a person acting in concert with any person listed in (i) at the time of transfer of the Special Share. Similarly, in the event that the transmittee is not the holder's intended beneficiary, a transmittee who produces to the Board evidence of entitlement to the Special Share may choose to have the Special Share transferred to another person who is the intended beneficiary *of the holder's* estate, so long as that person is also a *Permitted Transferee*

The holder of the Special Share is Matthew Moulding, the Executive Chair and CEO.

Matthew Moulding is also interested in 84,920,111 Ordinary Shares, representing 8 75% of the total issued Ordinary Shares, 50,550,450 D1 Shares, representing *85 08% of the total issued D1 Shares;* 360 D2 Shares, representing 1.77% of the total issued D2 shares, 43,641,266 E Shares, representing 86 98% of the total issued E Shares; 20,197,808 F Shares, representing 66 27% of the total issued F Shares, 30,296,620 G Shares, *representing 66 29% of the total* issued G Shares; 89,612,680 H Shares, representing *100% of the total* issued H Shares, and 18,346,774 Deferred 2 Shares, representing 85 08% of the total issued Deferred 2 Shares

(c) D1 Shares, D2 Shares and E Shares

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

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

(d) F Shares, G Shares and H Shares

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

Subject to the satisfaction of the relevant *performance conditions* and 2020 Hurdle (as defined in the Articles of Association), the holders of F Shares, G Shares and H Shares may exercise put options to convert their F Shares, G Shares and H Shares into Ordinary Shares (on the basis of one Ordinary Share per F Share, G Share or H Share as applicable) The put options may be exercised for a period of 10 years from the end of the performance period (which ends on 31 December 2022)

Some of the F Shares and G Shares are subject to leaver provisions If a holder of F Shares or G Shares to which leaver provisions apply ceases to be employed or otherwise engaged within the Company at any time during the performance period, then, at the discretion of the Board, the consideration payable for their F Shares and G Shares will be

- the market value of the Shares at the time of leaving, if the holder is a Good Leaver (as defined in their subscription agreement), or
- an amount determined by the Board, if the holder is a Bad Leaver (as defined in their subscription agreement)

(e) Deferred 1 Shares and Deferred 2 Shares

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

The Deferred 1 Shares and Deferred 2 Shares may be *purchased by the* Company, provided it is lawful for the Company to purchase them, for an aggregate sum of £1 00

Restrictions on transfer or holdings of securities in the Company

There are no restrictions on the transfer of, or limitations on holding, securities in the Company, except that:

- The Company may, under 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, and the extent of their interest, in a particular holding of Shares. When a person receives a statutory notice and fails to provide any information required by the notice within the time specified in 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 United Kingdom and for Irish stocks, and the operator of the relevant system or the Directors can refuse to register a transfer of an uncertificated Ordinary Share, in accordance with the regulations governing the operation of CREST.
- The Special Share is subject to transfer restrictions as set out at paragraph (b) above
- Some of the F Shares and G Shares are subject to leaver provisions as set out at paragraph (d) above

Dividends

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

No dividends will be distributed for the year ended 31 December 2020 (2019: £nil)

Return of capital

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

Shares held on trust

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

Substantial shareholdings

The Company had received notice of the following interests of 3% or more in its Ordinary Shares as at 31 December 2020 and at 31 March 2021

Shareholder	Percentage of ordinary issued share capital as at 31 December 2020	Percentage of ordinary issued share capital as at 31 March 2021
BlackRock-affiliated funds*	14 11	13 98**
Baillie Gifford Capital (UK) LLP	12 81	9 99
Sofina S A	9 04	9 04
Matthew Moulding	8 75	8 75
Jupiter Asset Management Ltd	8 11	7 97
Capital Research & Management Co	4 44	4 46
TIAA CREF Investment Management LLC	3 04	3 34

*This includes funds affiliated with BlackRock, Inc i.e. BlackRock Investment Management (UK) Ltd, BlackRock Advisors LLC, BlackRock Asset Management Deutschland AG and BlackRock Investment Management (Australia) Ltd

**Please note that since this date the Company has received three TR-1 forms from this shareholder, further details of which can be found at https://www.thg.com/regulatory-news

All notifications made to the Company under the DTRs are published to the market via a Regulatory Information Service and made available on the Investors section of the Company's website at: https://www.thg.com/investor relations/

Change of Control

Other than the terms of the agreement between Matthew Moulding and the Company, as set out under the Significant Contractual Arrangements disclosure below, 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 Directors' Remuneration Policy. Generally, annual bonus would be prorated for time and performance in the event of a change of control, whereas any deferred elements of bonus would not. Whilst the Remuneration Committee does have the discretion not to pro rate for time, its normal policy is to pro rate. The Remuneration Committee's discretion not to pro rate would only be used if there was a business case which would be fully explained to Shareholders.

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

Shareholders' Agreement

The Company, Matthew Moulding and certain of the Company's direct and indirect Shareholders entered into a Shareholders' Agreement dated 14 April 2010 (as amended and/or restated from time to time). This Shareholders' Agreement terminated on 16 September 2020 (being the date of Admission), save for certain restrictive covenants on the part of certain Shareholders.

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 an arm's length basis and 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 (A) Matthew Moulding beneficially owns, together with any of his associates, at least 5% of the fully diluted share capital of the Company; or (B) Matthew Moulding beneficially owns, together with any of his associates, at least 10% of the Ordinary Shares.

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

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

The Company does not have agreements with any Director or employees that would provide compensation for loss of office or employment resulting from a change of control on a takeover, except that provisions in the Company's share schemes and plans may cause options and awards granted to employees to vest on a takeover under such schemes and plans.

Donations

During the reporting period, THG publicly committed to several charitable donations totalling £10.0m (2019: £0.2m), with £6.6m recognised in 2021. THG has not made any political donations during 2020 (2019: £nil).

Overseas Branches

The Group operates branches in the following countries: Australia, China, Finland, France, Germany, Guernsey, Japan, Jersey, Poland, Portugal, Singapore, Spain, Sweden, the United Arab Emirates, Ukraine and the USA.

Research and Development

THG Commerce and THG Technology are powered by THG Ingenuity, the Company's proprietary technology platform. In addition to providing end-to-end e-commerce functionality, THG Ingenuity provides the Group with several important competitive advantages. Specifically, the commercial teams review real time transactional and customer insight data which informs trading decisions that are then executed within short time frames. In order to remain competitive and to promote innovation, investment into THG Ingenuity from a people and capital expenditure perspective is a key Group priority. THG has over 400 full-time staff dedicated to the continual enhancement of THG Ingenuity.

Directors' Statement of Responsibility in respect of the Annual Report

The Directors are responsible for preparing the Strategic Report, the Directors' Report and the consolidated and Company financial statements in accordance with applicable law and regulations.

The Companies Act requires the Directors to prepare financial statements for each financial year. Under that law the Directors have prepared THG's financial statements in accordance with IFRS as adopted by the EU, and the parent company financial statements in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework (FRS 101). Under the Companies Act, the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of THG and the Company and of the profit or loss of THG for that period.

Under the Disclosure Guidance and Transparency Rules, group financial statements are required to be prepared in accordance with IFRS adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union.

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

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable;
- for the consolidated accounts, state whether IFRS as adopted by the EU have been followed;
- for the parent company accounts, state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the parent company accounts; and
- prepare the financial statements on the going concern basis, unless it is inappropriate to presume that THG and the Company will continue in business.

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

They are also responsible for safeguarding the assets of THG and, accordingly, for taking reasonable steps in respect of 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 169 to 171 of the Corporate Governance Statement confirms that, to the best of their knowledge:

- the financial statements, which have been prepared in accordance with IFRS as adopted by the European Union, give a true and fair view of the assets, liabilities, financial position and profit of the Group and the Company;
- the Management Report, which includes the Strategic Report and this Directors' Report, includes a fair view of the development and performance of the business and the position of the Group, together with a description of the principal risks and uncertainties that it faces; and
- the financial reporting framework that has been applied in the preparation of the Group financial statements is in conformity with applicable law and IAS including, inter alia, the requirements of the Companies Act and IFRS adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union.

2021 Outlook and Post Balance Sheet Events

The key trading trends in evidence throughout 2020 were expected to continue in 2021, re-affirming the Board's confidence for the 2021 outlook. The Board remains confident in being able to deliver a strong level of revenue growth in 2021, driven by continued growth in the UK and overseas, as consumers continue the move towards e-commerce offerings, complimented by further strategic acquisitions. The refinancing that occurred during the reporting period has given THG substantial cash reserves available to draw down upon, and the Board considers THG to be in a strong position to weather any further uncertainty. The vast majority of the workforce have moved to a remote working model, supported by THG's investment in technology and development. THG's strong cash flow model and continued working capital improvements will provide further liquidity to continue to re-invest in the business's infrastructure, most notably THG Ingenuity.

Q1 2021 has commenced very positively and we were pleased to announce the closing of the Dermstore acquisition. The integration strategy is progressing in line with plans, providing further scale to our US operations and which, as a market, represent over 20% of Group revenues.

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

Audit and Auditor

Each of the Directors at the date of approval of this Directors' Report 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 auditor and, on the recommendation of the Audit and Risk Committee, a resolution to reappoint EY as the Company's auditor will be proposed at the AGM. Any remuneration received by EY for: (i) auditing the Annual Report, and (ii) any other (non-audit) services has been disclosed in note 5 to the Group's financial statements.

Approval of Annual Report

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

James Pochin
General Counsel and Company Secretary

21 April 2021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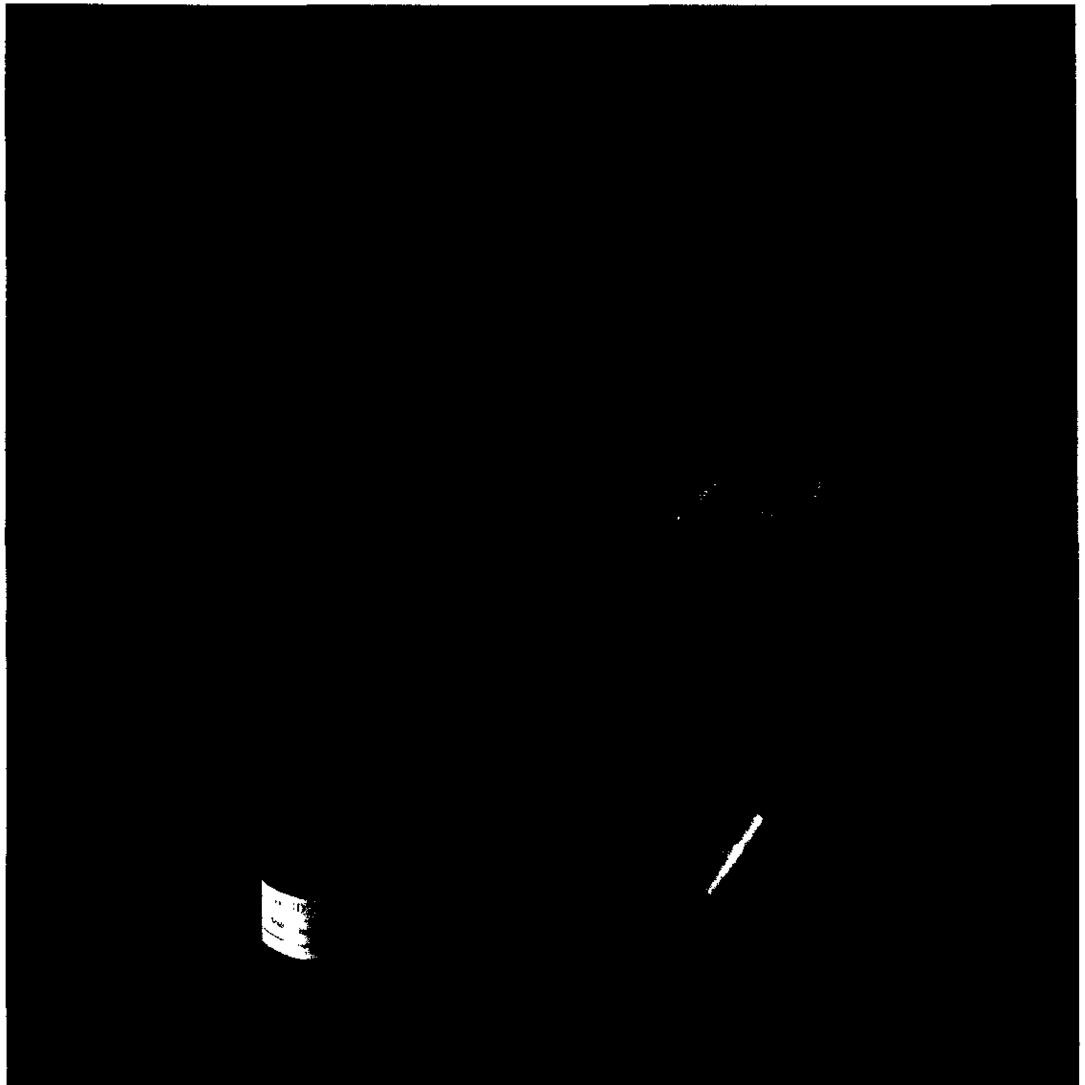
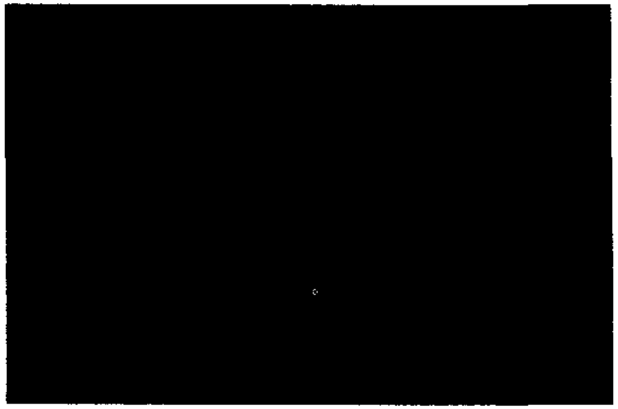


The Board recognises the importance of maintaining high standards of corporate governance which, it considers, are essential to long-term sustainable success and good management of the business.

Matthew Moulding, Chair and CEO

Matthew Moulding, Chair and CEO



Welcome to THG's first Corporate Governance Statement since Admission.

The Board has always recognised the importance of, and is committed to, high standards of corporate governance and, prior to Admission, applied the Wates Principles in seeking to ensure the long-term success of the Company and demonstrate good governance practices. Whilst, as a standard listed company, the Company is not required to comply with the provisions of the UK Corporate Governance Code, following Admission it was considered that the Code was the most appropriate framework for the Company to adopt, serving to inform its governance arrangements, encourage stakeholder confidence and further support its long-term success. A number of corporate governance enhancements have already taken place in the short period since Admission including the appointment of Zillah Byng-Thorne as SID and the establishment of five Board Committees, the responsibilities and activities of which are outlined on pages 184 to 229

The following Corporate Governance Statement details how the Company applied the Wates Principles and the Code during 2020, any areas of, and reasons for, departure from the Code and the Company's plans for further enhancing its governance infrastructure

As part of our preparation of our Corporate Governance Statement and associated reports, as set out on pages 159 to 183, we engaged an external third party to benchmark our governance arrangements and to assist in identifying potential enhancements for implementation at the appropriate time. The Board recognises that THG's governance journey is evolving, a journey that will be a priority for the Board and the Board Committees throughout 2021 and beyond

Our 2021 governance plans

[illegible]

Board independence

[illegible]

Succession planning

[illegible]

Board evaluation

[illegible]

Board development

[illegible]

Annual general meeting

[illegible]

Governance Report
Corporate Governance Statement

The Board believes that the Company has a proven track record of good corporate governance. As noted above, THG applied the Wates Principles prior to Admission in accordance with the requirements imposed upon large private companies under the Regulations. Following Admission, the Company chose to adopt the Code (with limited exceptions as set out below) and, whilst this is not mandatory for a company with a Standard Listing, it clearly evidences the Board's commitment to setting and achieving its strategic aims and objectives within a robust corporate governance framework.

Whilst the application of the Wates Principles has supported the transition to the Code, the Company has sought to enhance certain aspects of its corporate governance since Admission and is committed to the evolution of its corporate governance framework and strategy in adherence to the Code. This Corporate Governance Statement details THG's governance journey throughout the reporting period and beyond.

For the period from Admission and up to 31 December 2020, the Company applied the Code in full with the following exceptions:

- Provision 9 and Provision 19. Matthew Moulding, the co-founder of THG, has been CEO since the Company was incorporated in 2008 and has held the office of Chair since 2019. To date Matthew Moulding has been instrumental in the Company's growth and development and continuing in this dual role ensures that his entrepreneurial and dynamic leadership is retained, and he continues to support the Group in the achievement of its strategic aims and objectives following Admission. As a major shareholder in the Company, Matthew Moulding's interests are aligned with that of its wider shareholder base and ensuring its long-term success. THG's major shareholders, both existing and new, were consulted prior to Admission and were, and continue to be, supportive of Matthew Moulding holding this dual role, acknowledging the significant benefits which attach to it. Further, a number of shareholders have increased their shareholdings since Admission. The Board has considered the risks associated with this departure from the Code, namely the ability to demonstrate appropriate levels of challenge, independence and oversight of the Executive Directors and Executive Leadership team. It is recognised that whilst a combined Chair role can be highly additive to organisations, the wrong appointment can also be materially destructive. The appointment of Zillah Byng-Thorne as the SID is viewed as providing a trusted intermediary for the other Board members and the Company's shareholders. Zillah Byng-Thorne will continue to meet with the other NEDs on a one-to-one basis over the coming year in order to appraise the performance of the Chair and CEO. Furthermore, the diversity and composition of the Board, with specific reference to its collective experience, knowledge and skillset, will be key focus areas of THG's succession planning agenda in future years.
- Provision 11. When the Chair is included in the independence calculation three of the seven Directors were deemed to be independent at the end of the reporting period. Whilst the Code states that the Chair should be excluded from the calculation, the Board recognises that, in the context of THG and taking into account the non-independence of the Chair and CEO, it would be best practice to include the Chair in the independence calculation. Following the appointment of Tiffany Hall, a new independent NED in January 2021, a majority of the Board is now deemed to be independent, thus ensuring compliance with this Provision.

- *Provision 14*: Whilst THG applied the majority of this Provision's requirements during the reporting period, the role profile of the Chair and CFO, detailing Matthew Moulding's responsibilities, has not yet been made publicly available. It is recognised that having such a publicly available profile will aid the Board, Shareholders and other stakeholders in holding the Chair and CEO to account and in facilitating their performance evaluation and, further, that the risk of not documenting such a bespoke position could result in ambiguity and a lack of clarity from an accountability perspective. Accordingly, the role profile is currently in the process of being formally documented and reviewed, following which it will be published during the course of the current reporting period.

- Principal L: Given the short period of time which has elapsed since Admission, the Board and its Board Committees have not been constituted long enough for an annual evaluation to have taken place. The Board and its Board Committees propose to comply with this requirement of the Code by undertaking an annual evaluation during 2021 and, whilst only a requirement for FTSE 350 companies under the Code, an external evaluation will also take place within three years of the Admission date.

- Provision 24 and Provision 32: Iain McDonald, who, due to his time in office, is not deemed to be independent by reference to the Code, is a member of both the Audit and *Risk Committee and Remuneration* Committee. THG recognises the need for independent membership of these Board Committees to demonstrate: (i) oversight and independent challenge with respect to the organisation's risk management framework, internal controls and financial statements in seeking to mitigate loss of shareholder value and protect the integrity of the information being provided to the market, investors and stakeholders, and (ii) oversight of the remuneration of Executive Directors and the Executive Leadership Team in seeking to mitigate perceived conflicts of interest and ensure reward is proportional to the performance of the business with a view to long-term value creation.

  Following Admission, the Board reviewed and consequently bolstered membership of both the Audit and Risk Committee and the Remuneration Committee. Damian Sanders, an independent NED, was appointed to the Board on 17 November 2020 and assumed membership of both the Audit and Risk Committee and the Remuneration Committee, whilst Tiffany Hall, another independent NED, was appointed to the Board and the Remuneration Committee on 12 January 2021, thereby increasing the level of independence across both of these Board Committees in order to mitigate any potential risks arising from Iain McDonald's membership. Membership of these *Board Committees* has been carefully considered and in the short-term THG will continue to depart from the relevant Code Provision in relation to the Audit and Risk Committee, with Iain McDonald stepping down from the Audit and Risk Committee *following the close of the 2021 AGM*. The Board does not consider it to be in the best interests of the Company and its stakeholders for Iain McDonald to step down from the Remuneration *Committee and anticipates departure* from the relevant Code Provision in the long term. It is considered that Iain McDonald's skills and experience of audit and risk and remuneration matters add significant value to the Audit and Risk Committee and Remuneration Committee respectively and his background and expertise serve to further enhance the overall skill set and knowledge of these Board Committees whilst he remains a member.

- Provision 32: Damian Sanders, the *Chair of the Remuneration Committee*, has not previously served on a remuneration committee for at least 12 months. As previously noted, a review of the membership of the *Board Committees, including the Chair* of the Remuneration Committee, is currently underway, and it is proposed that Tiffany Hall be appointed as Chair of the Remuneration Committee following the AGM. Tiffany Hall has extensive remuneration experience and has served as Chair of the remuneration committee at B&M European Value Retail S.A. for more than 12 months.

In summary

It is therefore expected that THG will continue to depart from the Code in the current reporting period in respect of Provisions 9 and 19 vis à vis Matthew Moulding holding the dual office of Chair and CEO and with his Board tenure exceeding nine years; and in respect of Provision 32, whereby the membership of the Remuneration Committee is not wholly comprised of independent NEDs due to the continued membership of Iain McDonald.

Purpose

The purpose of THG is to reinvent how brands connect to consumers and it is considered that the Company is uniquely placed to achieve this through its brand, its relationships and its proprietary platform. This purpose drives a positive impact on society by 'reinventing online retail for the better' for a range of stakeholders through global digital innovation; by enabling a fitter, happier population, empowered to make healthier lifestyle choices through its health and wellness brands; by empowering brands to be more environmentally and socially responsible through its leading sustainable e-commerce platform, using its own operations as an example, and by developing skills and talent in its communities in the North West of England and around the world. The Board will use this purpose to determine the long-term strategy and direction of THG, as the organisation seeks to be best-in-class at building, growing and accelerating brands in order to deliver long-term sustainable growth whilst using its unparalleled position to promote responsible and sustainable retailing. Purpose helps guide strategic decisions and will be factored into all applicable Group policies.

Such an approach will also be underpinned by the Company's values of leadership, innovation, decisiveness and ambition. These values are core THG beliefs and provide a framework within which to position good behaviours for its people, thereby driving and enhancing the Company's culture.

THG's purpose is considered with reference to the diversity of its stakeholder groups, in relation to which please see page 32 for further information. For its customers, the Company strives to create accessible, fast, education-rich, highly engaging experiences. For its brands, the Company provides a best-in-class, unique end to-end route to market. For its employees, the Company is committed to equipping them with invaluable skills for the future, with a focus on digital and technological capabilities. For its shareholders, the Company seeks to provide sustainable, profitable growth over the long-term. Wider society and the environment are also regarded as important stakeholders and the Company is committed to a responsible business agenda, working with partners and suppliers with a shared vision to leave the world in a better state and an ambition to become a leading sustainable e-commerce platform.

The board and its leadership

The Board provides leadership to the Group and is collectively committed to ensuring that a robust governance framework is in place within which the business of the Group can be conducted. It monitors the Group's policies to ensure they are appropriate for the nature, status (including the Company's Standard Listing), size and circumstances of the Group, whilst recognising the importance of working effectively together to promote its long-term sustainable success and generating value for all stakeholders.

Matthew Moulding

Executive Chairman and Chief Executive Officer

Date of appointment
24 June 2008

Background and career

Matthew has been instrumental in THG's growth, having evolved it from an entertainment reseller to a global e-commerce technology group. Prior to founding THG, he was Chief Financial Officer of 20:20 Mobile (the distribution division of the Caudwell Group) where he served for eight years before leading its sale to private equity for £365 million.

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

Current and external roles

None

John Gallemore

Chief Financial Officer and Executive Director

Date of appointment
24 June 2008

Background and career

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

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

Current and external roles

None

Zillah Byng-Thorne

Non-Executive Director & Senior Independent Director (SID)
Board Committee Membership: A, R, N, RP

Date of appointment
22 November 2018

Background and career

Zillah has broad financial experience having served as Chief Financial Officer of Thresher Group Limited, Fitness First Limited and Auto Trader Group PLC. She is currently the Chief Executive Officer of Future PLC. Zillah has served on numerous boards as a Non Executive Director including Pizza Express Limited, Mecom Group PLC, GoCo Group PLC and Verastar Ltd. Professionally Zillah has qualifications with both the Chartered Institute of Management Accountants and the Association of Corporate Treasurers. She holds a graduate degree from Henley Business School and a degree from the University of Glasgow.

Zillah's considerable business, PLC and accounting experience and tenures served as Chief Financial Officer and Chief Executive Officer ensure she is well-equipped to act as THG's Senior Independent Director and Chair of the Audit and Risk Committee.

Current external roles

Chief Executive Officer and Executive Director of Future PLC

Non-Executive Director of GoCo Group PLC

Non-Executive Director of Flutter Entertainment PLC

Dominic Murphy

Independent Non-Executive Director
Board Committee Membership A, R, N, RP

Date of appointment

7 August 2014

Background and career

Dominic Murphy is a Managing Partner and Co-Head of UK Investments at CVC Capital Partners. Prior to his position at CVC, Dominic was the Founding Partner and Chief Executive Officer of 8C Capital LLP, investing in Healthcare, tech-enabled consumer and tech-enabled business services.

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

Dominic's financial and investment background make him an invaluable asset to the Board and an integral member of the Audit and Risk Committee. His extensive experience allows him to contribute effectively as chair of the Nomination Committee.

Current and external roles

Managing Partner and Co-head of UK Investments at CVC Capital Partners

Director of Walgreens Boots Alliance, Inc

Edward Koopman

Non-Executive Director

Date of appointment

3 May 2016

Background and career

Edward is a member of the Executive Committee and Head of Europe at Sofina S.A., where he has been an executive director since 2015. He also sits on the Board of Nuxe Group, a French-based international skincare brand, and GL Events S.A., a listed global player in event management. Edward was a Founding Partner at Electra Partners/Cognetas Private Equity (now known as Motion Equity Partners LLP), and was also previously a Manager at Bain & Company, having worked in investment banking at both Baring Brothers and BNP Paribas.

Edward holds a degree from Ecole de Management de Lyon (EM Lyon) Business School. His international business experience and well honed management skills mean that Edward brings a wealth of knowledge to THG's Board.

Current and external roles

Member of the Executive Committee at Sofina S.A

Director of Nuxe Group

Director of GL Events S.A.

Iain McDonald

Non-Executive Director
Board Committee Membership.
A, R, N, S

Date of appointment

27 March 2010

Background and career

Iain is the Founder and Chief Investment Officer of Belerion Capital Limited, established in 2018, prior to which he was Chief Investment Officer of the William Currie Group Limited. Notable investments include ASOS PLC, Boohoo PLC, Metapack Limited, Eagle Eye Solutions Group PLC, Anatwine Limited and Lifeworks Corporation Ltd. He is also Chairman of the UK Digital Business Association and a Non-Executive Director of Boohoo PLC where he chairs the Remuneration Committee and is a member of both the Audit Committee and Nomination Committee.

Iain holds a degree in Economics and Economic History from the London School of Economics and Political Science. His deep financial expertise, coupled with the experience gained in his CIO roles, allow Iain to contribute a unique and robust skillset to the Board.

Current and external roles

Chief Investment Officer of Belerion Capital Limited

Non-Executive Director of CentralNic Group PLC

Non-Executive Director of Boohoo PLC

Chairman of the UK Digital Business Association

Damian Sanders

Independent Non-Executive Director
Board Committee Membership A, R, RP

Date of appointment

17 November 2020.

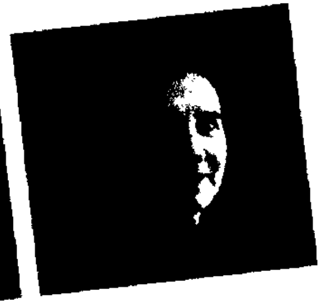
Background and career

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

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

Current and external roles

Non-Executive Director at Cineworld Group PLC



Tiffany Hall

Independent Non-Executive Director
Board Committee Membership R, S

Date of appointment

12 January 2021.

Background and career

Tiffany brings significant plc experience to the Board from both her previous roles as Senior Independent Director and Chair of the Remuneration Committee at Howden Joinery Group PLC and in her current roles as Non Executive Director and Chair of the Remuneration Committee at B&M European Value Retail S.A. She is also a Non-Executive Director of Symington Family Estates and the British Standards Institution.

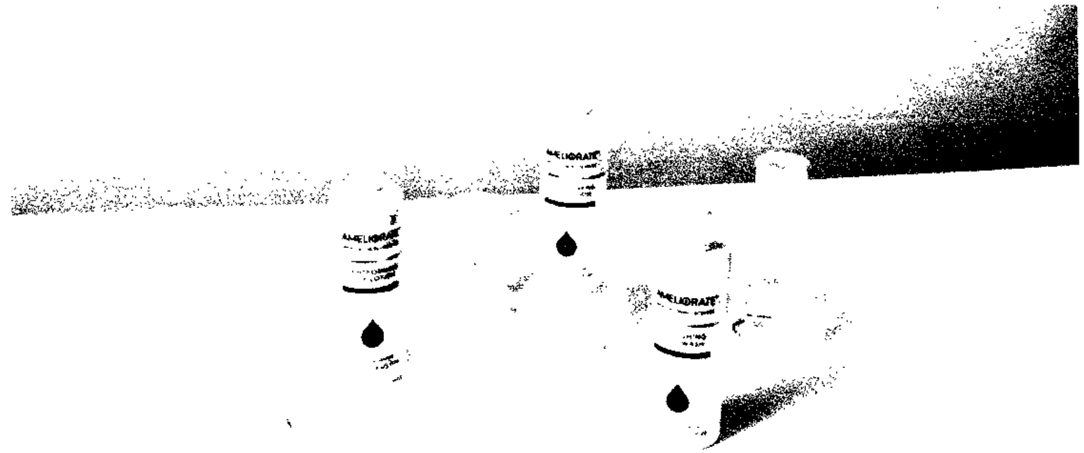
Having previously served as Chief Executive Officer of BUPA Home Healthcare Limited, Marketing Director at BUPA Limited, Head of Marketing and Global Sales at British Airways PLC and Chair of Air Miles Travel Company (also known as Avios Group Limited) and British Airways Holidays Limited, the executive insight in marketing, sales and customer services which Tiffany provides is an invaluable resource to the Board and her honed skillset is critical to the achievement of THG's strategic aims.

Current and external roles

Non-Executive Director at B&M European Value Retail S.A

Non-Executive Director of Symington Family Estates

Non Executive Director of the British Standards Institution



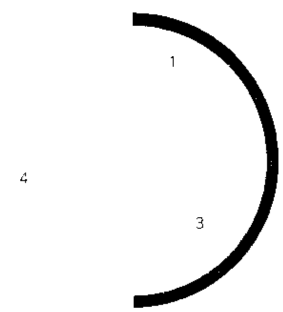
Prior to Admission, the Board consisted of six Executive Directors and nine NEDs. In preparation for Admission and in conjunction with various external advisors, the Board undertook a review of its existing governance framework to identify any measures which would require implementation prior to Admission. As a result of this review, it was decided that the composition of the Board should change to appropriately support Admission.

A matter which has been subject to detailed consideration is the direct ownership of Shares by NEDs and it has been concluded that such ownership does not of itself impair the independence of a NED. NEDs are permitted to purchase Ordinary Shares in the Company at market value and via a broker which, if required, can be facilitated by THG. This ultimately aligns the interests of an individual NED to the wider Shareholder group and, in turn, to the long-term success of the Company, a position currently endorsed by a number of institutional investors. Dominic Murphy's shareholding in part comprises Shares which vested in 2019 under Company-operated share schemes. In consideration of such share scheme-acquired Shares, his personal shareholding 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 shareholder notification regime, the Board acknowledges that the shareholding of Dominic Murphy (as set out in Note 27 and on page 228 of the Remuneration Committee Report) is significantly below the notification threshold and therefore does not impair his independence.

The Board has given due consideration to the independence of its NEDs, including specific reference to criteria set out in Provision 10 of the Code and with regard to external legal guidance. The Board is satisfied that all independent NEDs are both of independent character and judgement and should be regarded as independent.

Edward Koopman and Iain McDonald are not considered to be independent. Prior to Admission Edward Koopman, who is an employee of Sofina Capital S.A. ("Sofina") and a member of its Executive Committee was appointed to the Board to represent Sofina. Whilst Sofina continued to hold Ordinary Shares following Admission and Edward Koopman remained in office, his continued Directorship was not in a shareholder representative capacity. Iain McDonald has served on the Board for over nine years thus impairing his independence in accordance with the tenure provisions of the Code.

Following Admission, the Board appointed Damian Sanders as an independent NED such that, at the end of the reporting period, the Board comprised two Executive Directors (i.e. the Chair and CEO and the CFO) and five NEDs. Whilst it is acknowledged that circumstances may exist which impair, or could appear to impair, a NED's independence as set out in the Code, the Board, having considered all relevant facts and circumstances, has satisfied itself and determined that each of Zillah Byng-Thorne, Dominic Murphy, Damian Sanders and Tiffany Hall (appointed in January 2021) are independent. Accordingly, more than half of the Board, calculated with reference to the Chair and CEO, is now deemed to be independent, in line with the spirit of the Code.



- Executive Chairman & Chief Executive Office
- Non-Independent
- Independent

The Board is led by Matthew Moulding who has served as Chair since 2019 and CEO since 2008. The Board has appointed Zillah Byng-Thorne as the SID. As previously noted, Zillah Byng-Thorne acts as a trusted intermediary for both the other Board members and the Company's shareholders and is available to shareholders and other stakeholders should any concerns arise and where the normal channels of the Executive Directors are not considered appropriate and/or have been unable to provide resolution. As noted on page 164, Zillah Byng-Thorne's role is particularly important as the Board believes it mitigates any perceived risks associated with the joint role of the Chair and CEO and, in this regard, it is anticipated that Zillah Byng-Thorne will continue to meet with the other NEDs on a one-to-one basis over the coming year in order to appraise the performance of the Chair and CEO.

The background and skillset of the Board are, collectively, regarded as well-balanced, ensuring effective contributions, decision-making and accountability. It is considered that the NEDs bring the requisite experience to the Board, being senior advisors to and/or holding senior positions at notable businesses of varying sizes and stages of growth and operating in various sectors, including media, technology and retail.

Below is a skills matrix which details the balance of skills and experience on the Board:

Key Competencies/ Experience	Matthew Moulding	John Gallemore	Zillah Byng-Thorne	Dominic Murphy	Edward Koopman	Iain McDonald	Damian Sanders	Tiffany Hall
UK Listed Plc			x	x*		x	x	x
Corporate Governance				x		x	x	
Finance and Accounting	x	x	x	x	x	x	x	
Risk Management	x	x	x	x			x	
Technology or E-Commerce	x	x	x	x		x	x	x
Marketing and Branding	x			x	x			x
Retail Industries	x	x	x	x	x	x	x	x
Global Operations	x	x	x	x	x			
Strategy & development	x	x	x	x	x	x		x
M&A	x	x	x	x	x	x	x	
Audit Committee			x	x*		x	x	
Remuneration Committee			x	x*		x	x	x
Nomination Committee			x	x*		x		

*Dominic Murphy is on the board of directors of Walgreens Boots Alliance, Inc. and currently serves on its Finance Committee and Nomination and Governance Committee. Whilst Walgreens Boots Alliance, Inc. is not a UK listed company, it is nonetheless a Fortune 20 international business and, accordingly, Dominic Murphy's experience on its board is of comparable standing. Dominic Murphy has substantial board experience across a portfolio of businesses bringing a wealth of experience and skillsets to the Board and the Board Committees.

As required by the Code, the Board takes into account other demands on Directors' time prior to appointment. Details of significant external commitments must be disclosed by potential appointees and, in signing their appointment letter, a NED undertakes that they will have sufficient time to effectively discharge their responsibilities.

All Directors are expected to attend all Board meetings, relevant Board Committee meetings and general meetings of the Company. The prior approval of the Nomination Committee must be sought before a Director accepts any new external appointments or other significant commitments. Based on their effectiveness in their roles to date, the Board is comfortable that the current external appointments of the NEDs do not impact upon the time commitment expected of them.

Notably, the Board has considered Zillah Byng-Thorne's external appointments at length and in line with external guidance on the time commitment expected of NEDs. The Board is satisfied that, despite Zillah Byng-Thorne's current external appointments, she has sufficient time to devote to her role as SID and believes this to be evidenced from her performance to date. That said, the intention is to separate the Audit and Risk Committee into two Board Committees, appointing Damian Sanders as Audit Committee Chair immediately after the AGM and thus reducing Zillah Byng-Thorne's time commitment and scope of responsibilities. The Board, in conjunction with the Nomination Committee, will continue to review the time commitment expected of its NEDs to ensure every Director, including Zillah Byng-Thorne as SID, has sufficient time to fully and effectively discharge their duties.

The Board is supported by an Executive Leadership Team which comprises talent that has been developed by and risen through THG, ensuring that a deep understanding of THG's evolution and operations is inherent within the support provided. Additionally, the Board has identified areas where specialist expertise may be required to assist it in navigating items of particular importance and, in this regard, has appointed four Special Advisors with specialist skill sets and expertise in areas such as sustainability, tax, corporate governance, regulatory compliance and cyber risk. These Special Advisors serve as an additional resource to the Board and demonstrate THG's continued commitment to good governance.

Evaluation

Whilst a formal Board and Board Committee evaluation process was not undertaken during 2020, a review of the governance structure was, as previously detailed, undertaken prior to Admission and thereafter the necessary changes were made to the Board. As the current Board has, collectively, been in post for only a short period of time it is considered that a formal evaluation of its effectiveness, and the effectiveness of its Board Committees and individual Directors, would be of limited value at the present time. The Board is satisfied that each Director remains competent to fully and effectively discharge their responsibilities as a member of the Board and the Board Committees to which they are appointed and therefore recommends each Director for re-appointment at the forthcoming AGM.

The Board does, however, recognise that an evaluation process is essential to good governance. Going forward and in accordance with the Principles and Provisions of the Code, it therefore intends to conduct Board, Board Committee and individual Director evaluations on an annual basis, commencing in 2021, to ensure that each Director continues to contribute effectively and the composition of the Board is such that its members continue to effectively work together for the benefit of the Company and its stakeholders as a whole. Although the relevant requirement for FTSE 350 companies under the Code does not apply to the Company, an externally facilitated review of the Board's performance will be undertaken within three years of Admission, further evidencing THG's commitment to, and recognition of the importance of, strong corporate governance.

Board appointments and succession

The Company is committed to a Board comprising directors from different backgrounds and sectors and with diverse and relevant experience, skills and knowledge, all of which are key considerations in the appointment of its NEDs. Damian Sanders was appointed to the Board in November 2020 due to the wealth of experience it was considered he would bring to the Board across audit, accounting, corporate governance and other regulatory and compliance matters. Thereafter, Tiffany Hall was appointed to the Board in January 2021, bringing with her specific expertise in retail and significant experience of having served as both a director of a listed company and chair of a remuneration committee for over 12 months. The Company will continue to make appointments based on merit and against objective criteria to ensure the best individual is appointed to the role in question, but, as required by the Code, always with cognisance of the need to promote, amongst other things, diversity of gender, social and ethnic backgrounds and thought.

In addition, the tenure of all Directors will be considered as part of the Company's continuous focus on succession planning. The Nomination Committee Report, contained on pages 190 and 191, contains further details on both succession planning and the annual evaluation process, the results of which will be subject to ongoing consideration by the Nomination Committee to ensure the composition of the Board and its Board Committees remains appropriate.

Diversity and inclusion

Diversity and inclusion ("D&I") is a key focus area for the Board and has a critical role to play in the delivery of the Group's strategy. The Company is a people led business and, recognising and embracing the positive value of diversity and acknowledging that a diverse and inclusive environment fosters positive challenge, innovation and perspectives, is committed to building a strong and diverse international pipeline of talent throughout the Group. This commitment is evidenced in the establishment of a D&I Committee, formed of nominated employee representatives, during 2020. The D&I Committee collaborates with and reports into the Executive Leadership Team to drive positive change across the business globally. It is responsible for identifying key areas for improvement and working with the Executive Leadership Team to implement Group wide D&I initiatives targeted at addressing such areas. An example of such collaboration in action is the Company's revised and improved approach from a policy perspective with respect to the support provided to employees on maternity, paternity and adoption leave.

Ensuring the diversity of THG applicants and its workforce is a key focus of the D&I Committee in 2021. Meritocracy is a core value in the Company's people DNA and it seeks to recruit and promote the best talent, irrespective of, for example, gender, race, disability, ethnicity, sexual orientation or background.

In accordance with section 414C of the Companies Act, key D&I data is contained in the following table.

Level	Gender			Nationality			Ethnicity		
	Male	Female	Not Disclosed*	British	Non-British	Not Disclosed*	BAME	Non-BAME	Not Disclosed*
Plc Board	6	2	0	7	1	0	0	8	0
Senior Management	22	5	0	27	0	0	2	25	0
Workforce (Total)	3,389	3,284	0	3,196	2,986	493	600	3,285	2,791

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

To further demonstrate the Board's commitment to the promotion of D&I at all levels of the business, investment has been approved for the development of an in-house D&I team during 2021.

It is anticipated that the D&I team will work with autonomy to hold the business to account on D&I targets and commitments and assume ownership of the Group's proactive D&i agenda. The team will be responsible for working with the Board to further develop the Group's existing D&I policy and proactively extend the implementation of policies and initiatives beyond the more traditional focus of gender and race to diversity of social background, thinking and experience.

Workforce and employee engagement mechanisms

To ensure the Board understands its key stakeholders and can demonstrate how their interests have been adequately considered in Board discussions and decision-making, effective engagement mechanisms throughout the Group are kept under regular review. This is particularly evident from divisional representatives regularly attending Board meetings, including the non-statutory Group People Director, and the Board receiving regular updates from such representatives on a broad range of topics such as people-related matters. As stated above, the Board has established the D&I Committee to facilitate wider employee engagement across THG's global workforce. It is considered that these actions reinforce the transparent and reciprocal relationship between the Board and the Group's workforce and ensure transparent lines of communication are maintained amongst the workforce, the Executive Leadership Team and the Board. The Employee Engagement Statement on page 35 contains examples of how engagement strategies positively influence decision-making across THG and at Board level for the benefit of the employee stakeholder group as a whole.

Board activity

In accordance with its Terms of Reference the Board must meet a minimum of eight times per year and during 2020 convened on eleven occasions. The attendance at these meetings is outlined in the tables below, one of which details the attendance of those Board members in office as at 31 December 2020 and one which details the attendance of former Directors who resigned during the reporting period.

Board members as at 31 Dec 2020*

Director	Attended
Matthew Moulding	11/11
John Gallemore	11/11
Zillah Byng-Thorne	11/11
Dominic Murphy	11/11
Iain McDonald	11/11
Edward Koopman**	9/11
Damian Sanders***	3/3

*Tiffany Hall did not serve during the reporting period, having been appointed on 12 January 2021
**Edward Koopman was unable to attend two Board meetings and notified the Board in advance
***Damian Sanders attended all three of the Board meetings which took place following his appointment on 17 November 2020

As previously detailed, the Board was restructured in preparation for the IPO and, as a result, the following Directors resigned during the reporting period:

Board members that resigned during 2020

Director	Attended
James Pochin	6/6
Steven Whitehead	6/6
Viki Tahmasebi	6/6
Timothy Robert Franks	6/6
Rachel Horsefield	6/6
William Mark Evans	6/6
Angus Monro	5/6
Joanna Bodell	4/6
Bernard Liautaud	4/6
Oliver Nobahar-Cookson	3/3
Hugh Campbell	1/3

The Audit and Risk Committee met during the reporting period and the attendance for these meetings is set out on page 184 of the Audit and Risk Committee Report. The other Board Committees did not meet during the reporting period due to the short period of time between their establishment and 31 December year end.

The following three key topics were considered by the Board during the reporting period:

Covid-19 - including discussions on four key areas, namely people/talent, supply chains, sales and profitability and shareholder value. Decisions relating to employee safeguarding and welfare were delegated to the Executive Leadership Team (which met on a bi-weekly basis) and in relation to which the Board received a monthly update, thus ensuring the Group was suitably positioned to react quickly to the needs of its employees. Further details on this can be found in the Employee Engagement Statement on page 35. The Board also discussed the ways in which local communities could be supported during the pandemic, further details of which are contained in the Covid-19 Pandemic Response Statement on pages 130 to 131.

Financial performance and investments - including setting financial plans and Budgets, closely monitoring the performance of each division (particularly in light of uncertainties arising due to Covid-19); reviewing financing arrangements, and identifying potential investment and M&A opportunities including investment in THG's ICON facility and the acquisition of the luxury skincare brand Perricone.

Admission readiness - including the enhancement of the Group's governance framework, policies and procedures, Board training in respect of the duties and responsibilities of a director of a listed company, and legal workstreams, financial preparations and reviewing and approving the Admission documents.

Further information about principal decisions made during the reporting period can be found in the Section 172 Statement on page 38.

Information

Board packs typically include financial information, comprising both financial sales analysis and key performance indicators, and non-financial data and, as referenced above, Covid-19 featured prominently as a key agenda item throughout the reporting period, with detailed information included on the impact of the pandemic on the Company's employees and customers. Board and Board Committee agendas are agreed by the respective Chairs in advance of all meetings and Board and Board Committee papers are typically circulated approximately five working days before a meeting is due to take place. At each Board and Board Committee meeting the minutes of the previous meeting are reviewed and approved (subject to any required amendments) and the appropriate updates and/or briefings provided on any matters arising or outstanding action points.

Regular ongoing dialogue also takes place between the Chair and CEO and the NEDs, with constructive debate and discussion encouraged between Board members. Whilst Directors communicate formally through Board meetings, ensuring a focus on key strategic agenda items, informal communication, considered to be an effective tool in fostering a more dynamic Board, is ongoing through regular interaction prior to and between Board and Board Committee meetings.

Board committee and governance structure

...o provide effective oversight and leadership, the Board ...fic responsibilities to its five Board Committees, ...which can be found on page 180 of the ... Stat...

The Company's governance structure, reflecting the position as at the end of the reporting period and at the date of this document, is detailed below.

Board leadership

The biographies of each of the Board members are included on *pages 169-171*. A summary of responsibilities is set out below

Chair and Chief Executive Officer

- Provides leadership to the Board
- Sets the agenda for meetings in conjunction with the Company Secretary
- Ensures healthy debate during Board meetings
- Responsible for the date to date operations in leading the Executive Leadership Team
- Implements the strategy of the business with the support of the Executive Leadership Team
- *Ensures effective and ongoing communications* with shareholders

Chief Financial Officer

- Responsible for the Group's financial matters
- Works with the CEO to develop strategic objectives
- Monitors the Group's financial performance
- Ensures the Group remains appropriately funded

Company Secretary

- Acts as Secretary to the Board and Committees
- *Through the Chairman, is responsible for advising the Board* on all regulatory and governance matters
- Ensures the Board has the right policies, procedures and resources in place to function effectively
- Assists with communication between the Board and shareholders and organises the AGM

Senior Independent Director

- Provides a sounding Board for the Chairman and CEO and supports them in the delivery of objectives
- Acts as an intermediary between all Directors where necessary
- Available to shareholders where normal communication channels have failed
- At least annually, leads meetings with the NEDs without the Chair and CEO

Non executive Directors

- Provide constructive contribution and challenge to the development of strategy
- Monitor the performance of the Chair and CEO and CFO and ensure robust risk management
- Ensure that the Board and Committees fulfil *their responsibilities*
- Ensure the Board is balanced which enables the Board to provide clear and effective leadership across the business

Governance framework

- The Board has collective responsibility for setting the Group's strategic goals and providing leadership whilst also overseeing the delivery of its business objectives within the parameters of its corporate governance framework.
- Although a formal schedule of matters is reserved for the Board's approval, the Board Committees have delegated responsibility for certain items

Audit and Risk Committee

- Monitors and reviews the adequacy of risk management, internal control and governance of arrangements
- Ensures that funds are used effectively
- Reviews and reports to the Board on THG's financial reporting and the independence and effectiveness of the External Auditor

Nomination Committee

- Undertakes succession planning
- Ensures that the membership and composition of the Board, including its balance of skills, size and composition remains appropriate taking a number of factors into consideration including experience and diversity

Remuneration Committee

- Sets the Remuneration Policy for each Executive Director
- Ensures that policies support the long-term success of THG
- Reviews the targets for performance-related pay schemes
- Sets pension arrangements, and generally reviews and has regard to payment practices and conditions across the organisation

Sustainability Committee

- Ensures that the relevant key environmental, social and human rights strategies, policies and operational controls are effective
- Aims to increase accountability in relation to performance against the Group's sustainability and ESG targets
- Supports the Board in delivering strong sustainable growth both across its businesses and supply chain in all markets globally, covering all aspects of the customer ecosystem

Related Party Committee

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

Executive Leadership Team

- Day to day management of the THG's operations
- Executes the Group's strategy once agreed by the Board
- Monitors Group performance and regularly reporting to the Board

Special Advisors

- Act as an additional resource to the Board and its Committees on key topics
- Provide deeper insight into the following specialist topics
  - Cyber risk
  - Sustainability
  - Regulatory compliance
  - Tax governance

Each of the Board Committees has access to the General Counsel and Company Secretary, who also acts as Secretary to the Board Committees. The Chair of each Board Committee reports to subsequent meetings of the Board and the Board receives a copy of the minutes of all Board Committee meetings once approved (to the extent no conflict of interest exists).

Please refer to page 164 for an explanation of the departures from the Code in respect of the membership of the Board's Committees.

As highlighted above, the Company is currently undertaking a review of Board Committee membership, including the Chair positions, to ensure composition is in alignment, to the extent considered appropriate, with the provisions of the Code. As explained on page 164, Tiffany Hall will be appointed as the Chair of the Remuneration Committee to address the current departure from the Code and further enhance the effectiveness of the Remuneration Committee given Tiffany Hall's extensive remuneration experience.

The Directors' Remuneration Policy, which is outlined in detail in the Remuneration Report contained on pages 202 to 229, does not, as it applies to NEDs, include share options and there is no aspect of any NED's remuneration which is linked to performance. Pursuant to the terms of their letters of appointment, all NEDs do, however, have the option to receive 50% of their fee as Ordinary Shares, purchased via a broker at market price (and facilitated by the Company if requested). This ensures that the interests of the NEDs are aligned to the interests of the Company's wider shareholder base.

Conflicts

The Directors are aware of their statutory duty to avoid conflicts of interest with the Company and to disclose the nature and extent of any such interest to the Board. The Articles of Association provide that the Board may authorise any matter, upon such terms and conditions as it thinks fit, which would otherwise involve a Director breaching their duty to avoid a conflict of interest. In accordance with the Articles of Association, Directors declare actual or potential conflicts of interest during Board meetings as and when necessary.

As detailed above, the Board has established a Related Party Committee to oversee arrangements between the Company, its subsidiaries and the Propco Group which is owned by the Chair and CEO. Further details of this arrangement can be found in the CFO's Review on page 139 whilst the purpose and responsibilities of the Related Party Committee are discussed on pages 192 and 193.

Risk management & internal controls

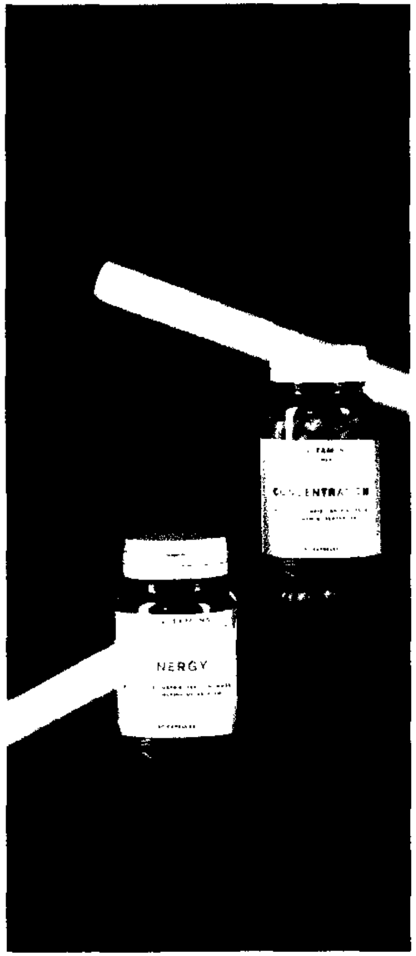
The Board is collectively responsible for determining the Group's risk appetite, monitoring the effectiveness of its risk management framework and giving ongoing consideration to principal and emerging risks throughout each reporting year. A risk matrix, ERM framework and a BCMS are key components of THG's risk management infrastructure and allow the Audit and Risk Committee to monitor, track and assess the Group's top 10 risks which are subsequently benchmarked against peers, allowing THG to assess the effectiveness of its risk management framework. The Company's internal audit team considers all areas of potential risk across all of the organisation's systems, functions and key business processes and quarterly assessments are undertaken by the Audit and Risk Committee in respect of risk management processes, the Group's risk register, the BCMS and risk movements, actions and treatment plans. Such risk assessments, in conjunction with the business risk assessments, form the basis for determining the Company's internal audit plan.

Assisted by the Audit and Risk Committee, the Board also reviewed the effectiveness of the system of internal controls during the reporting period and for the period up to the date of this document. No significant weaknesses or failings in relation to the Group's risk management framework or internal controls were identified as a result of this effectiveness review.

Further details on the Group's risk management framework, procedures and internal controls, with specific reference to the preparation of the financial statements, including the work of the Audit and Risk Committee there on, can be found on pages 182 to 189.

Assisted by the Audit and Risk Committee, the Board has undertaken a review of the Company's Annual Report 2020 and considers that, in its opinion, the document is fair, balanced and understandable and provides the information necessary for Shareholders to assess the Group's position and performance, business model and strategy. Please refer to page 21 of the Strategic Report for a description of the Group's business model and strategy and page 139 for the Going Concern and Viability Statements.

Against a background of compliance with all applicable legislation and regulation, the Company seeks to promote, and place value upon, a culture of honesty, integrity, transparency, loyalty and respecting others. This is overseen by the Board in conjunction with the People Director (a non-statutory director) who provides regular reports to the Board on people-related matters. The Group's policies underpin its culture and risk management framework with, for example, the Whistleblowing Policy encouraging the confidential reporting of possible improprieties, whether financial or otherwise, and providing the means by which individuals can anonymously report concerns on matters affecting their employment without fear of recrimination. The Board has overall responsibility for the Whistleblowing Policy whilst the CFO has day-to-day operational responsibility. Similarly, the Board has ultimate responsibility for the Group's Anti Bribery and Corruption Policy which reinforces the commitment of the Board to conduct its affairs in a manner which ensures that it



does not engage in or facilitate any form of corruption.

Additionally, the Board annually reviews and approves the Group's Modern Slavery Statement which details the steps taken by THG to assess and prevent, to the extent possible, slavery and human trafficking occurring in any part of its business or supply chains. The Group's commitment in this area is demonstrated not only through its Anti Slavery Policy but also by its recent membership of Sedex which is an organisation that provides one of the world's leading online platforms for companies to manage and improve working conditions in global supply chains. Access to this platform has better enabled the Company to both map supplier risk and allow enhanced mitigation of such risk.

Further details of those policies, which form part of the Group's risk management framework, can be found in the Non Financial Information Statement on pages 144 and 145.

Training

In preparation for Admission all Board members received a tailored briefing from the Group's external legal advisors focused on the duties and responsibilities imposed upon directors of a listed company. Further details regarding Directors' training and development can be found on pages 169 to 171.

Environmental, social and corporate governance

ESG initiatives represent a key Group priority for 2021 and a particular area of focus for the Board is to seek to embed the various aspects of ESG into the DNA of the Group, as set out in its purpose. *The Group will shortly be announcing its updated sustainability strategy, namely the 2030 Sustainability Strategy, which outlines its "Route to 2030", further details of which can be found on page 194.*

During the reporting period the Group created over 3,000 jobs, largely within the United Kingdom but also across its international operations. It continues to take a bold approach to building an incredibly diverse pool of talent which, at the date of this document:

- includes 121 nationalities,
- is 51% male to 49% female, and
- has an average age of 30.

A more detailed diversity breakdown is included on page 175 to 176 of this Corporate Governance Statement, whilst further information on how the Group supports the wellbeing and professional development of its employees can be found in the Employee Engagement Statement on page 35.

Looking ahead

It is anticipated that 2021 will see further changes in the governance landscape and as the Group continues along its journey, it will seek to enhance and mature its corporate governance framework, processes and procedures as and when considered necessary. Acknowledging the importance of good and strong corporate governance, the Group will remain alert to any proposed legislative changes and/or governance reforms, considering *the potential impact to THG and its* subsidiaries and implementing best practice where appropriate.

Audit and Risk Committee Report

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

Zillah Byng Thorne, Chair of the Audit and Risk Committee

Members and Attendance

Pre Admission	Meetings attended/total meetings held
Zillah Byng-Thorne (Chair)	1/1
John Gallemore	1/1
Dominic Murphy	1/1
Matthew Rothwell	1/1

Post Admission	Meetings attended/total meetings held[1]
Zillah Byng-Thorne (Chair)	2/2
Iain McDonald	2/2
Dominic Murphy	2/2
Damian Sanders	1/2

[1] The number of meetings attended by Damian Sanders is calculated from the date of his appointment

An Audit and Risk Committee had been established by the Company prior to Admission, initially constituted in accordance with the Wates Principles. Following Admission, the Board reviewed and consequently bolstered the Audit and Risk Committee's membership with the appointment of Damian Sanders, an independent NED, thus increasing the number of independent members.

Terms of Reference

The Terms of Reference of the Audit and Risk Committee reflect the current statutory requirements and best practice appropriate to a company of THG's size, nature and stage of development. The Audit and Risk Committee intends to meet at least four times a year and its effectiveness will be reviewed annually as part of the evaluation process.

Role and Responsibilities

- monitoring the integrity of THG's financial statements;
- reviewing the appropriateness and consistency of THG's risk management and internal control systems,
- ensuring THG's compliance with reporting requirements and any legal obligations,
- monitoring the effectiveness of THG's internal audit function,
- ensuring appropriate whistleblowing mechanisms are in place through which employees and other stakeholders may raise any concerns, and
- reviewing the effectiveness of the external auditor's independence and objectivity, including the provision of non-audit services.

Key Activities and Achievements

Focus for 2021

External Auditor

Auditor Independence and Performance

Interactions

Fees Payable to the External Auditor

Significant Financial Reporting Areas

Any significant issues throughout the year were dealt with as follows.

Area of focus	Consideration and actions taken by the Audit and Risk Committee
Share-based payments	Challenged and reviewed management's reports on the fair value and volatility assumptions applied to existing share schemes. Reviewed management report on the market capitalisation post IPO and the implications of the increase in share price that triggered the share option plans to crystallise.
Related Party Transactions and property divestment	Reviewed management's reports covering the disposal of the Propco Group, and the proposed disclosure. Reviewed management's accounting papers covering the details of the carve out, including a step plan paper and an external valuation report produced by external advisors. Reflected on the legal form and economic substance of the disposal and challenged whether management's accounting paper and associated disclosures were fair, balanced and understandable. Finally, the Committee reviewed and accepted papers shared with the Related Party Committee concerning the governance over the divestment and the ongoing lease agreements.
Presentation and disclosure of adjusted items	The Committee challenged management on the presentation and disclosure of adjusted items and noted the quantum of adjusting items in the current year. In response to this challenge a detailed category by category analysis was presented to the Committee, to allow the Committee to judge the appropriateness of the presentation and disclosure applied. The Committee consider that the presentation of adjusted EBITDA throughout this report enables a clear and fair understanding of performance.
Accounting for platform development costs	Reviewed and assessed the ongoing accounting treatment adopted by management and the application of SIC 32/IAS 38. Considered the effectiveness of controls around the maintenance and tracking of platform development projects.

Risk management and internal controls

The Board has ultimate responsibility for the effective management of risk including determining the Group's risk appetite, identifying key strategic and emerging risks, and reviewing THG's risk management and internal control framework. For information on the Group's principal risks and uncertainties please refer to pages 122 to 129 of the Strategic Report. The Audit and Risk Committee assists the Board in its assessment of the effectiveness of the Group's risk management and internal control processes and in determining their adequacy (or otherwise), and in doing so relies on a number of different sources including internal audit assurance reports, the assurance provided by the External Auditor and other third parties in specific risk areas.

The Audit and Risk Committee monitors and reviews the effectiveness of THG's risk management processes and internal financial and non financial controls with Special Advisors providing additional support in specialist areas such as tax, risk and governance. Each business function conducts risk assessments based on identified business objectives, and risks are considered across the areas of finance, people and regulatory, and evaluated in respect of their potential impact and likelihood. Such risk assessments are updated, reviewed and reported to the Audit and Risk Committee.

In order to identify its principal and emerging risks, the Audit and Risk Committee considers THG's risk matrix and ERM framework, identifying its top 10 risks which are then benchmarked against peers in assessing the effectiveness of its controls. Quarterly assessments are undertaken by the Audit and Risk Committee on risk management processes, the Group's risk register and BCMS, risk movements, actions and treatment plans. The internal audit team considers all areas of potential risk across all systems, functions and key business processes. This risk assessment, together with the business risk assessments, form the basis for determining the internal audit plan. THG's internal audit team then provides updates to the Audit and Risk Committee, such updates including assessments regarding the effectiveness of controls. The Audit and Risk Committee provides its confirmation to the Board that it has reviewed the effectiveness of the systems of internal control, including financial, operational and compliance controls, and risk management for the reporting period, as required under the provisions of the Code.

Internal Audit

THG has appointed a Head of Internal Audit who now reports directly into the Chair of the Audit and Risk Committee to provide assurance through independent reviews of agreed risk areas. The Audit and Risk Committee is responsible for overseeing the work of the internal audit function and it reviews and approves the scope of the annual internal audit plan on a quarterly basis. The Audit and Risk Committee assesses the quality of internal audit reports, together with senior management's actions relating to findings and the closure of recommended actions. A carefully targeted internal audit plan was agreed to provide appropriate assurance to the Audit and Risk Committee over the effectiveness of risk management and internal control processes across the Group. The Audit and Risk Committee is satisfied that the internal audit plan provides appropriate assurance on the controls in place to manage the principal risks facing THG.

Fair, Balanced and Understandable Assessment

At the request of the Board, the Audit and Risk Committee has considered whether, in its opinion, the 2020 Annual Report is, when taken as a whole, 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 advisors to ensure consistency across the relevant sections;
- comprehensive reviews of drafts of the document are undertaken by Executive Directors, Senior Management and external advisors as part of an internal verification process which is undertaken to ensure accuracy and to assess whether the document is fair, balanced and understandable; and
- the final draft of the document is reviewed by the Audit and Risk Committee prior to consideration by the Board.

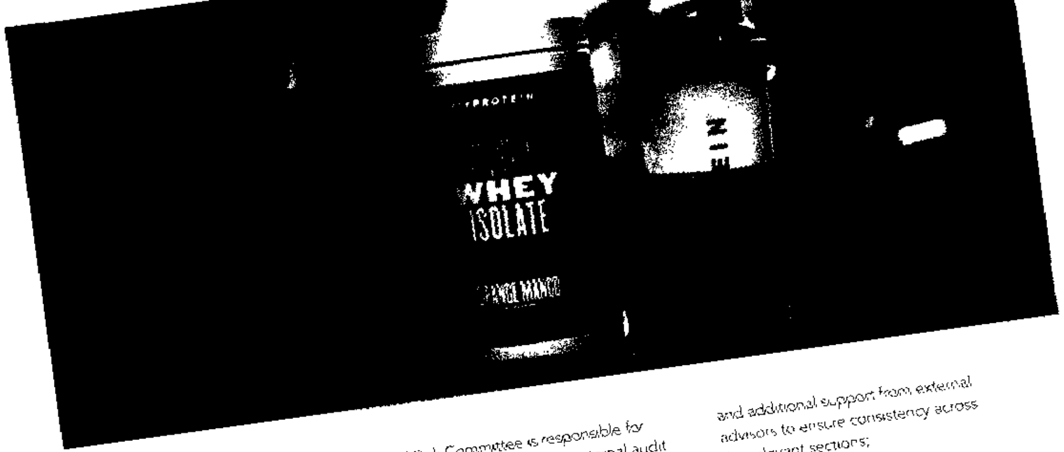
Following its review, the Audit and Risk Committee advised the Board that the 2020 Annual Report was, when taken as a whole, considered to be fair, balanced and understandable and provided the information necessary for shareholders to assess THG's position and performance, business model and strategy. The Audit and Risk 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 139 to 141 of the Strategic Report.

On behalf of the Audit and Risk Committee

Zillah Byng Thorne, Chair of the Audit and Risk Committee

21 April 2021



Nomination Committee Report

"The Nomination Committee believes that our Board has the right balance of skills, experience and knowledge to enable THG to deliver its ambitious growth plans, generate value for all our stakeholders and is committed to initiatives to develop a strong and diverse pipeline of talent."

Dominic Murphy, Chair of the Nomination Committee

The Nomination Committee was formed as part of the preparations for Admission and is compliant with the Code recommendation that it be composed of a majority of independent NEDs noting that, as explained on page 172, the Board deems Dominic Murphy and Zillah Byng-Thorne to be independent. The biographies of each of the Nomination Committee members can be found on pages 169 and 170.

No Nomination Committee meetings took place during the reporting period due to the short period of time between establishment and year end. It is anticipated that the Nomination Committee will meet in April 2021 with a mandate to review the composition of the Board and the performance of individual Directors, making the appropriate recommendations to the Board regarding the election of Directors prior to the AGM.

Terms of Reference

The Terms of Reference of the Nomination Committee reflect the current statutory requirements and best practice applicable to a company of THG's size, nature and stage of development. Under its Terms of Reference, the Nomination Committee is required to meet at least twice a year. The effectiveness of the Nomination Committee will be reviewed annually through Board discussions and at meetings of the Nomination Committee itself.

Role and Responsibilities

As detailed within its Terms of Reference, the Nomination Committee has Board delegated oversight and authority to regularly review the structure, size and composition of the Board and to put in place plans for the orderly succession of appointments to the Board and Senior Management. The Nomination Committee will also evaluate the balance of skills, knowledge, experience and diversity on the Board and ensure that, prior to any appointment to the Board, the significant external commitment of NEDs is disclosed to the Board with an indication of the time involved.

Board Appointments

During the reporting period, the Board reviewed its overall independence and balance of skills, knowledge and experience and identified that additional independent NEDs, with prior listed company experience and expertise in audit, governance and remuneration matters, would significantly enhance its composition. The Board and Senior Management received a number of recommendations in respect of potential appointees from their professional networks and a shortlist of candidates was agreed upon. Extensive interview processes were undertaken, involving all Board members, as it was recognised that ensuring the 'right THG fit' was critical.

Two independent NEDs were thereafter appointed on the basis of merit and as assessed against objective criteria, including with regard to gender diversity. Damian Sanders was appointed to the Board on 17 November 2020 whilst Tiffany Hall was appointed on 12 January 2021. Both appointments were managed by the Board, in consultation with the Chair, as the process behind both appointments was substantially complete prior to the establishment of the Nomination Committee.

Focus for 2021

Board Evaluation

The Board intends to undertake a formal and rigorous evaluation of both itself and each of its Board Committees at the end of 2021. The Nomination Committee will then convene to carefully consider the results of the evaluation and to assess whether the Board comprises the necessary balance of skills, knowledge and experience to ensure delivery of the Group's strategic goals. As part of its deliberations, the Nomination Committee will consider whether individual Directors have sufficient time to discharge their duties and responsibilities effectively, taking into account other external commitments, following which the Nomination Committee will make the appropriate recommendation to the Board.

Diversity

THG recognises and embraces the positive value of diversity and, as evidenced by the recent establishment of its D&I Committee, is committed to developing a strong and diverse pipeline of talent across a spectrum of, amongst other things, gender, ethnicities and backgrounds. This commitment represents a key focus of the Nomination Committee during 2021 and beyond and will be taken into account in the consideration of future Board appointments, the current Board comprising 25% female representation.

Please refer to pages 175 to 176 for more information regarding THG's approach to diversity.

On behalf of the Nomination Committee

Dominic Murphy, Chair of the Nomination Committee

21 April 2021

Related Party Committee Report

"The establishment of the Related Party Committee is testament to the Board's commitment to uphold and maintain strong corporate governance and independence across the Group."

Zillah Byng-Thorne, Chair of the Related Party Committee

In line with the principles of good corporate governance, the Board has established a Related Party Committee to review and approve on its behalf certain transactions that THG and its subsidiary undertakings may be a party to, as set out in this overview of the Related Party Committee's function within THG's corporate governance framework.

Prior to Admission, THG divested the Propco Group which owns property assets occupied and utilised by the Company and its operating businesses. In noting that the Propco Group would be wholly owned by Matthew Moulding, Chair and CEO and a shareholder of THG post-completion of the Propco Transaction, and to manage and address the actual and potential conflicts of interest arising from the sale, the Propco Transaction was overseen and approved by THG's independent NEDs. The lease arrangements which operated between the Propco Group and THG and its operating businesses before the Propco Transaction have remained in place following completion and no substantial changes are anticipated.

Whilst the Related Party Committee was not operating at the time of the Propco Transaction, it has subsequently reviewed the specifics of the Propco Transaction and had visibility of key sources of data and an independent red book valuation, all of which confirmed the valuation fully reflected the market value at the time of the disposal and underpinned the Board's decision to sell the Propco Group and the associated terms of sale. No significant matters were noted by the Related Party Committee as part of this subsequent review. To ensure strong governance and transparency, the Related Party Committee has summarised the key aspects of the Propco Transaction as follows.

- All of the relevant properties were moved into a segregated 'property group' as part of a restructuring project in December 2019 and through 2020 prior to the sale. This group of properties became the Propco Group and the Board concluded that disposal of the Propco Group and its associated debt parcel was optimal for the Group to achieve its longer-term strategic objectives and provide a suitable capital structure ahead of the IPO.
- The Board assessed the fair value of the Propco Group using various external data points from the market, property experts and feedback obtained from Shareholders and external advisors. This was particularly important due to the impact of Covid-19 on property valuations across 2020. The conclusion reached by the Board ascertained a Propco Group valuation of £76m (net of £139m of financial debt against the properties in question).
- The Propco Transaction consideration was cashless and settled via equity instruments with a fair value of £76m based on a price of £5 per Ordinary Share in accordance with the IPO.
- To protect Shareholders, the Executive Chair and Board ensured the terms of the Propco Transaction included conditionality that the profit on any subsequent sale of the Propco Group within two years would be returned to the Group.
- The Related Party Committee also noted that any future profits from the Propco Group have been pledged to charitable causes.

In demonstration of its commitment to strong levels of governance and in recognising the continued conflicts of interest that exist and/or may arise, the Board established the Related Party Committee to oversee and approve all Related Party Transactions, ensuring that all arrangements continue to be in the best interests of THG and its operating businesses. The Board views the Related Party Committee's role as an integral part of THG's corporate governance infrastructure and aligned with the spirit of the Code.

A key principle underpinning the establishment of the Related Party Committee is independence, membership is therefore restricted to the Company's independent NEDs, as detailed within its Terms of Reference. The Related Party Committee currently comprises Zillah Byng-Thorne (the SID and Chair of the Related Party Committee), Dominic Murphy and Damian Sanders. Members of the Related Party Committee are appointed by the Board upon the recommendation of the Nomination Committee and in consultation with the Chair of the Related Party Committee. The Related Party Committee is authorised to seek independent professional and legal advice as it deems fit in order to properly and effectively carry out its function and discharge its responsibilities.

As part of the ongoing oversight of the Propco Transaction arrangements, the Chair of the Related Party Committee has regular interactions with Senior Management and it is envisaged that meetings will take place as and when required throughout the year. The expectation is that the Related Party Committee will convene annually on at least one occasion to fully review and consider the arrangements that exist between the Company and the Propco Group.

The Related Party Committee did not convene during the reporting period on the basis that no new Related Party Transactions have been agreed between THG and the Propco Group since establishment of the Related Party Committee.

Terms of Reference

The Related Party Committee's Terms of Reference reflect its purpose and aims, and it is intended that its effectiveness will be reviewed annually through discussions at the Board and at meetings of the Related Party Committee itself. The Related Party Committee will meet at such times as required by the Chair or as requested by any of its members should they consider it necessary. The Board may from time to time, and if deemed in the best interests of the Company, resolve that in respect of certain categories of Related Party Transactions the Related Party Committee's views are not binding and are of a recommendary nature.

Role and Responsibilities

As detailed within its Terms of Reference, the Related Party Committee has Board delegated oversight and authority over the terms of any Related Party Transaction. It must ensure that such terms are fair and reasonable and, from the perspective of the Company and those shareholders who are not deemed to be related parties (including minority shareholders), in the best interests of THG. The Related Party Committee has a responsibility to ensure that any Related Party Transaction is conducted at arm's length and on standard commercial terms.

On behalf of the Related Party Committee

Zillah Byng-Thorne, Chair of the Related Party Committee

21 April 2021

Sustainability Committee Report

"Through our 2030 Sustainability Strategy, THG has put sustainability at the heart of its business and is committed to being a leader on the issue; an issue which has profound societal implications. We have formed THG (eco) as part of our THG Ingenuity platform to deliver innovative sustainability solutions to our own brands and our customers."

Iain McDonald, Chair of the Sustainability Committee

The focus on corporate social and environmental responsibility has increased exponentially in recent years with ESG often now a key priority in investment and purchasing decisions. Accordingly, the creation of a sustainable and enduring brand impact represents an important strategic focus for THG and the Board is committed to supporting strong sustainable growth across every aspect of THG's 'customer ecosystem', including the development and manufacturing of products, and its global businesses and supply chains. THG (eco) provides the foundations for the Company's long term commitment to sustainable growth as it seeks to create positive change for its customers, employees, partners and wider stakeholders. Further information relating to THG (eco) can be found in the Executive Chair and Chief Executive Officer's Statement on page 11 and on the Company's website.

THG's purpose clearly articulates the role and initiatives of ESG across the organisation, THG is dedicated to driving forward positive change and innovation across all parts of the Group to ensure sustainability is at the heart of its strategic objectives and business development. This commitment is evidenced by the establishment of the Sustainability Committee, the primary focus of which is to both ensure the relevant environmental, social and human rights strategies, policies and operational controls are appropriate and effective and to increase Group accountability with regard to performance against THG's sustainability and ESG targets.

Membership of the Sustainability Committee is such that it comprises the appropriate levels of experience and skills which will allow it to properly discharge its role and responsibilities, as set out within its Terms of Reference, and to effectively oversee and drive the Group's 2030 Sustainability Strategy. The Sustainability Committee currently comprises Iain McDonald (a NED and the Chair), Tiffany Hall (an independent NED), Steven Whitehead (Group Commercial Director), and the soon-to-be appointed Head of Environment & Sustainability.

Terms of Reference

The Terms of Reference of the Sustainability Committee seek to reflect its purpose and aims. Whilst no meetings of the Sustainability Committee took place during the reporting period, going forward it will meet on at least three occasions per year with its effectiveness reviewed annually through discussions at both Board and at meetings of the Sustainability Committee itself. The Sustainability Committee has met twice in 2021, and it is anticipated that it will meet in excess of the stated meeting requirements.

Role and Responsibilities

As detailed within its Terms of Reference, the Sustainability Committee has Board delegated oversight in relation to a number of key areas of responsibility including:

- **2030 Sustainability Strategy and policy:** assessing the Group's performance against the 2030 Sustainability Strategy and policy and recommending changes, as and when necessary, to reflect evolving best practice and global developments in sustainability;
- **ongoing monitoring and reporting:** monitoring Senior Management's assessments against targets and reviewing any statements and reporting on sustainability and ESG; and
- **regulatory compliance:** confirming compliance with the relevant health, safety and environmental legislation and standards, responsibilities and commitments and reviewing and monitoring the systems for compliance with applicable sustainability related legal and regulatory requirements.

Focus for 2021

2030 Sustainability Strategy

As previously detailed, THG is currently undertaking a review of its sustainability strategy to both ensure that its goals and targets adequately address the material risks, impacts and opportunities faced by the Group and to determine that it is well positioned to embed best practice within its operations. It is expected that a key focus for the Sustainability Committee in 2021 will be to review and approve the changes to this strategy, with the Sustainability Committee overseeing its implementation across the Group and ensuring that the correct levels of governance and communications are in place. In particular, the Sustainability Committee will work with the Board to engage with investors, partners and wider stakeholders to ensure the 2030 Sustainability Strategy addresses key concerns and, in particular, those arising from climate related risks across the organisation and its supply chains.

Reducing Carbon and Energy

In alignment with the United Kingdom government's target to reduce all GHG emissions for the United Kingdom to net zero in the next 30 years, THG is also committed to further reducing its carbon emissions. As reflected in its 2030 Sustainability Strategy, a key priority for the Sustainability Committee will be to define and monitor carbon emission targets, with the ambition to achieve net zero by an agreed target date.

Eliminating Waste

As part of a wider agenda to eliminate waste, a further priority of the Sustainability Committee in 2021 is for the Group to expand its closed loop recycling solution and reduce plastic waste by allowing customers to return their plastic beauty packaging for recycling on a no cost basis. The Group's recycle me initiative by THG (eco) was launched in 2020 and consideration is currently being given to the proposed roll-out of this initiative for all THG brands. The ongoing performance and evolution of this scheme will be overseen by the Sustainability Committee.

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Iain McDonald, Chair of the Sustainability Committee

21 April 2021

Remuneration Committee Report

"As Chair of the Remuneration Committee, I am pleased to present our first Directors' Remuneration Report since our Admission to the London Stock Exchange on 16 September 2020.

As highlighted in the Executive Chair and Chief Executive Officer's Statement on page 6, THG continues to perform strongly despite the impact of Covid-19 during the year [illegible] ended 31 December 2020 include:

- [illegible] 42% in the period year
- Adjusted EBITDA [illegible]
- Share price [illegible] since Admission [illegible]

The Remuneration Committee [illegible] Shareholders [illegible] Admission."

Damian Sanders, Chair of the Remuneration Committee

Members and Attendance

Members	Meetings attended/ total meetings held
Damian Sanders (Chair) (appointed 17 November 2020)	0/0
Dominic Murphy (Chair from Admission until 17 November 2020)	2/2
Tiffany Hall (appointed 12 January 2021)	0/0
Zillah Byng-Thorne	2/2
Iain McDonald (Chair until date of Admission)	2/2

All members of the Remuneration Committee are independent, except for Iain McDonald. As part of an effectiveness review of the entire Board, an evaluation of the Remuneration Committee has been undertaken to consider how best to operate effectively as a listed business. As a result of this review:

- Dominic Murphy was appointed on Admission given Iain McDonald was no longer independent albeit recognising that given his extensive remuneration committee experience it would be valuable for him to remain as a member of the Remuneration Committee;
- subsequently and following Damian Sanders' appointment on 17 November 2020, it was agreed that he should take on the role of Chair as part of a continued governance review, and
- following Tiffany Hall's appointment on 12 January 2021 and subsequent induction, it was agreed she would be appointed as Chair of the Remuneration Committee following the AGM, to allow Damian Sanders to focus solely on his duties as Chair of the Audit Committee whilst recognising Tiffany's extensive remuneration committee experience.

In addition, the Executive Chair and Chief Executive Officer is invited to attend Remuneration Committee meetings as appropriate to advise on specific questions raised by the Remuneration Committee, other than in relation to his own remuneration. The General Counsel and Company Secretary acts as secretary to the Remuneration Committee. No individual is present while decisions are made regarding their own remuneration.

Terms of Reference

The Terms of Reference of the Remuneration Committee reflect the current statutory requirements and best practice applicable to a company of THG's size, nature and stage of development. Under its Terms of Reference, the Remuneration Committee is required to meet at least twice a year. The effectiveness of the Remuneration Committee will be reviewed annually through Board discussions and at meetings of the Remuneration Committee itself.

Role and Responsibilities

The roles and responsibilities of the Remuneration Committee are to

- determine the remuneration policy and keep it under review, including consulting with, and obtaining approval from, Shareholders as appropriate;
- implement the approved remuneration policy as regards Executive Director remuneration, benefits and incentives, including the design of targets and payout of all incentive arrangements;
- have oversight of wider workforce pay and practices including those of the Executive Leadership Team;
- keep under review the Executive Director remuneration policy (and the approach to implementation) in the context of pay policies and practices across the wider workforce, and the Group's culture; and
- prepare the Annual Remuneration Report, to be approved by Shareholders at the AGM.

Main activities of the Remuneration Committee during the year ended 31 December 2020

The main activities carried out by the Remuneration Committee during the year under review were:

- design of a new LTIP arrangement in the early part of 2020 and undertaking Shareholder engagement;
- reviewing and setting salary levels for Executive Directors on Admission;
- setting targets for the annual bonus for the year ended 31 December 2020,
- reviewing developments in remuneration governance;
- oversight of the pay policies and practices for the wider workforce, and
- oversight of the compensation and benefits provided to the Executive Leadership Team.

Advisers

The Group uses PricewaterhouseCoopers ("PwC") as the independent remuneration adviser to the Remuneration Committee. 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 was satisfied that the advice provided by PwC was objective and independent.

In the year to 31 December 2020, PwC provided guidance on developments in remuneration governance and implications for THG, support on setting incentive targets, reviewing the Directors' Remuneration Policy, Remuneration Report drafting support and general support to the Remuneration Committee

PwC were appointed prior to Admission by the Remuneration Committee Chair at the time and have been retained by the Remuneration Committee following Admission

Separate teams within PwC also advise the Company on matters of tax, corporate governance and operations The Remuneration Committee is satisfied that these activities did not compromise the independence or objectivity of the advice it receives from PwC as Remuneration Committee advisors.

PwC's fees for work relating to the Remuneration Committee since Admission were £21,850 These were charged on the basis of the firm's standard terms of business for advice provided

Remuneration Policy

The Remuneration Committee places the interests of Shareholders at the forefront of its decision making when designing and implementing the Directors' Remuneration Policy

Following Admission, the Remuneration Committee considered the Directors' Remuneration Policy in detail and sought to design a policy which reflects the needs of the Group as a newly listed business, whilst appropriately reflecting market practice and remuneration governance best practice

It is proposed that the key elements of the Directors' Remuneration Policy and its implementation will be as follows

- Salaries will be frozen for 2021 at the rate set at Admission, which was determined based on market benchmarking.
- Under the Directors' Remuneration Policy, salaries for new appointees will continue to be based on a number of internal and external factors, including market benchmarking, and increases will be limited to the rate of increase in the average pay of the wider workforce, except in exceptional circumstances (for example, to reflect additional responsibilities of the post holder)
- A maximum bonus level will be introduced into the Directors' Remuneration Policy at 200% of salary, with 50% of the total bonus payable deferred in Ordinary Shares for three years. Incumbent Directors will remain on the current bonus arrangements with a maximum of 100% of salary and no deferral
- Current Executive Directors will continue to waive their salary (subject to minimum statutory limits without breaching the relevant legislation) in exchange for the Group making a charitable donation of similar value
- The intention is that the Executive Chair and Chief Executive Officer will not participate in any future long-term incentives given his material shareholding in the business
- The Remuneration Committee will review the appropriateness and suitability of any new long term incentive for the Chief Financial Officer for 2022 onwards and will consult with major Shareholders on any proposal before making an award (if any)
- Shareholding requirement introduced at 350% of salary, with a post cessation shareholding requirement of 350% of salary for two years after an Executive Director has departed

Remuneration strategy

We are focused on ensuring the Group's remuneration policy is closely aligned with stakeholders' interests and our culture, whilst enabling us to attract, retain and motivate quality executive leadership. We do this with a simple and market aligned remuneration structure. Targets for the annual bonus and long term incentives (where applicable) will be set at levels that are stretching and provide a clear link between pay and the achievement of our strategic objectives

Our Directors' Remuneration Policy delivers an on target reward mix for the Executive Chair and Chief Executive Officer comprising 67% fixed pay (67% base salary and minimal pension and benefits) and 33% annual bonus. Under a scenario where all performance conditions are met in full, the Executive Chair and Chief Executive Officer's package consists of 51% fixed pay and 49% annual bonus. However, as noted above, current Executive Directors will continue to waive as much as legally allowable of their salary, and all future bonuses, in exchange for the Group making a charitable donation of similar value. As noted above, consideration is being given to the introduction of a long term incentive for the Executive Leadership Team and the Chief Financial Officer in due course which will clearly align to the Company's core principles. Prior to the introduction of any new long-term incentive plan the Remuneration Committee will consult with major Shareholders as it has done previously in relation to historic awards. The Executive Chair and Chief Executive Officer will not participate in this plan given his material shareholding

Alignment with strategic objectives

In 2020, prior to Admission, the Group defined its new strategic vision and objectives. These are set out more fully on page 16. Alongside this process, the Remuneration Committee designed the Directors' Remuneration Policy to ensure that it would effectively incentivise the delivery of the Group's strategic goals and the creation of Shareholder value over the long term. The Remuneration Committee also took into account the wider market context and developments in best practice remuneration governance. The Remuneration Committee concluded then, and it remains its view now, that the Directors' Remuneration Policy is appropriate in this context. It is simple, clear and sufficiently flexible to enable the Remuneration Committee to revise its approach to implementation in future years if the need arises

Year in review

The Remuneration Committee believes that engagement with the Group's workforce on remuneration and other matters is important and this is currently being done by both direct engagement with the Executive Leadership Team and receipt of reports from them on HR matters. Employee engagement will continue to be an area of focus for the Remuneration Committee in the coming year. There are more details on this topic on page 35. In early 2020, prior to the Admission process being initiated by the Board, the Remuneration Committee reviewed the equity arrangements for Executive Directors and key employees.

As a consequence of the review, a one-off equity arrangement was introduced, facilitated by the issuance of three new share classes in The Hut Group Limited (now THG PLC). F and G Share classes were introduced to act as an incentive for participants to maximise the value of the business, while the H Share class was introduced for the Executive Chair and Chief Executive Officer to offset historic dilution he suffered as the founder of THG. It should be noted that following extensive Shareholder consultation, with unanimous support, the '2020 LTIP' was implemented. As summarised in the Prospectus, the targets attaching to the LTIP were as follows.

Scheme	Vesting Conditions	Hurdle
F Shares	Stretching EBITDA thresholds over 3 years or a valuation on Admission greater than £5.25bn	F, G and H Shares are each subject to a performance hurdle whereby the market capitalisation must exceed £6.5bn in order for the rights to be exercised.
G Shares	Market capitalisation greater than £4.5bn to achieve 8.333% vesting, with a further 8.333% vesting incrementally for each £0.25bn increase in market capitalisation until 100% vested at £7.25bn	
H Shares	Market capitalisation exceeding £6.5bn following Admission.	

The Remuneration Committee notes that:

1. The technicalities of the Regulations require the H Share vesting of the Executive Chair and Chief Executive Officer to be included within his remuneration for the financial year 2020. As noted above, the H Share element of the LTIP 2020 was a mechanism to offset historic dilution he suffered as the founder of THG and should not be regarded as part of the "business as usual" remuneration package of an Executive Chair and Chief Executive Officer of a listed business.

2. In addition, due to the strong market performance of THG over the financial year including the successful flotation and subsequent trading performance in excess of market expectations, the vesting conditions and the Hurdle of all three elements were met in the financial year under review, earlier than had been expected.

3. The Remuneration Committee assessed the performance of the Executive Directors against the agreed objectives and determined that a bonus of 100% of salary would be payable to the Executive Chair and Chief Executive Officer and the Chief Financial Officer respectively. The Executive Directors waived their bonus for the period as a listed business because they consider it the appropriate thing to do given the value received under their LTIP vesting. No discretion was exercised by the Remuneration Committee over any element of remuneration in the year under review.

The Remuneration Committee considers that these outcomes reflect the Group's exceptionally strong performance and progress against strategic objectives over the period.

2021 remuneration

Covid-19 has brought the majority of the UK economy to a temporary standstill but has offered a strong opportunity for the business to secure new customers and as a result the Board has agreed to the following measures in connection with their remuneration:

- no increases will be applied to Executive Director base salaries,
- Executive Director bonus levels will remain unchanged, and
- Executive Director base salaries (subject to minimum statutory limits without breaching the relevant legislation) and bonuses will be waived in return for the Group making a charitable donation of similar value

Directors' Remuneration at a Glance

Earnings for the financial year

Total remuneration for Executive Directors (£'000)	Salary	Benefits	Pension	Annual incentives	LTIP	Other	Total 2020[1]	Total 2019
Matthew Moulding	463	4	1	500	0	**869,171**	**870,139**	4,581
John Gallemore	234	3	1	172	0	**40,814**	**41,224**	497

[1] Full details of Directors' remuneration for the year including NEDs can be found in the table on page 217

From Admission, the Executive Directors chose to waive their salary (subject to minimum statutory limits without breaching the relevant legislation) but in return for the Group making a charitable donation of similar value. The salaries illustrated in the table are net of charitable donations of £183,682 and £107,686 for Matthew Moulding and John Gallemore respectively

Annual bonus

The Remuneration Committee assessed the performance of the Executive Directors against the agreed objectives and determined that a bonus of 100% of salary would be payable to each of the Executive Chair and Chief Executive Officer and Chief Financial Officer. At the request of the Executive Directors, bonuses in respect of the period following Admission were waived in view of the other remuneration that was received in the financial year as a consequence of the successful floatation

Other remuneration

Other remuneration shown in the table above includes the value accrued to individuals based on vesting of the F, G and H Shares which were awarded to Senior Management and certain key employees prior to Admission. The table below illustrates the breakdown of the value of awards vesting. The Remuneration Committee notes that due to the strong market performance of THG, the vesting conditions of all three elements were met in the financial year under review, earlier than expected

Executive Director	Item	F Shares	G Shares	H Shares
Matthew Moulding	Number of shares	20,197,808	30,296,620	89,612,682
	Value on vesting	£126,236,300	£182,855,311	£560,079,263
John Gallemore	Number of shares	2,666,963	4,000,537	0
	Value on vesting	£16,668,519	£24,145,749	£0

Executive shareholdings

The table below illustrates the current shareholdings of each Executive Director, relative to the shareholding requirement. This is based on the closing Ordinary Share price on 31 December 2020 (£7.80)

Executive Director	Shareholding requirement (%age of salary)	Value of beneficially owned shares (%age of salary)	Ordinary Shares held	D1 Shares held	D2 Shares held	E Shares held	F Shares held	G Shares held	H Shares held
Matthew Moulding	350%	276,289%	84,920,111	50,550,450	360 (equivalent to 66,772 Ordinary Shares)	43,641,266	20,197,808	30,296,620	89,612,682
John Gallemore	350%	15,980%	104,237	3,533,879	3,174 (equivalent to 588,702 Ordinary Shares)	185,476	2,666,963	4,000,537	0

Directors' Remuneration Policy

This section of the Remuneration Committee Report sets out the remuneration policy for Executive Directors and NEDs, which will be put to a binding shareholder vote at the AGM. If this vote is passed, the Directors' Remuneration Policy will come into effect on that date and will remain effective for up to a three-year period ending on the date of the 2024 annual general meeting.

Following Admission, membership and operation of the Remuneration Committee was reviewed to ensure its independence and, as a result of this review, a number of changes were made to the composition of the Remuneration Committee. The Company is now satisfied that the Remuneration Committee can operate effectively and independently.

Assessment of Policy

The Remuneration Committee has designed the Directors' Remuneration Policy to follow the six pillars set out below:

Clarity: The Remuneration Committee believes that the disclosure of the remuneration arrangements is transparent with clear rationale provided on its maintenance and any changes to the Directors' Remuneration Policy. The Remuneration Committee remains committed to consulting with Shareholders on the Directors' Remuneration Policy and its implementation.

Simplicity: The Directors' 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 bonus.

Predictability and proportionality: The link 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 Directors' 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.

Directors' Remuneration Policy Table

The Directors' Remuneration Policy has been designed to support the principal objective of enabling the Group to attract, motivate and retain the people it needs to maximise the value of the business.

Component and objective	Operation	Opportunity	Performance measures
Base salary To enable the Group to attract, motivate and retain the people it needs to maximise the value of the business	Generally reviewed each year, with increases effective 1 January Salary levels take account of: – Salaries at FTSE companies of broadly similar size or sector to THG – Salary increases across the rest of the UK business – Role, personal performance and experience – Business performance and the external environment There is no fixed maximum	Salaries in respect of the year under review (and for the following year) are disclosed in the Annual Report on Remuneration Salary increases for Executive Directors will normally not exceed those of the wider workforce over the period this policy will apply. Where increases are awarded in excess of the wider employee population, for example if there is a material change in the responsibility, size or complexity of the role, the Remuneration Committee will provide the rationale in the relevant year's Annual Report on Remuneration	n/a
Pension To provide a level of retirement benefit that is competitive in the relevant market	Executive Directors receive pension contributions (either as a direct payment or a cash allowance) Base salary is the only element of remuneration that is pensionable	Executive Directors receive a company contribution of a maximum in line with the wider workforce. This is currently set at 3% of pensionable salary. Pensionable salary is determined in line with the approach taken for the wider workforce, currently this is in line with auto enrolment levels	n/a
Benefits Provision of benefits in line with the market	Executive Directors may be provided with medical insurance benefits, permanent health insurance, life assurance and private security cover Other benefits (including all employee share schemes) may be introduced from time to time to ensure the benefits package is appropriately competitive and reflects the needs and circumstances of the Group and each individual Executive Director	Benefits may vary by role, and the level is determined each year to be appropriate for the role and circumstances of each individual Executive Director It is not anticipated that the cost of benefits (as set out in the Annual Report on Remuneration) would increase materially over the period for which this Directors' Remuneration Policy will apply The Remuneration Committee retains the discretion to approve a higher cost in exceptional circumstances (e.g. relocation expenses or an expatriation allowance on recruitment, or in circumstances where factors outside the Group's control have changed materially (e.g. market increases in insurance costs)	n/a

Component and objective	Operation	Opportunity	Performance measures
Annual bonus To focus Executive Directors on achieving demanding annual targets relating to Group performance	Performance targets are set at the start of the year and aligned with the annual budget agreed by the Board. At the end of the year, the Remuneration Committee determines the extent to which these targets have been achieved 50% of the total bonus payment is normally paid in cash with 50% deferred in nil-cost options over Ordinary Shares. These options are exercisable after 3 years, subject to continued employment and malus (in whole or in part) during the deferral period in the event of a material misstatement in accounting records, gross misconduct, calculation error or corporate failure Cash bonuses may be subject to clawback over the deferral period in similar circumstances as identified above A payment equivalent to the dividends that would have accrued on deferred bonus awards that vest may be made to participants on vesting	Maximum opportunity: 200% of base salary (with 50% deferred into Ordinary Shares vesting after 3 years) Target opportunity: 50% of maximum opportunity Threshold opportunity: At most 25% of maximum opportunity The current Executive Directors will have a reduced opportunity of 100% of salary which will be payable fully in cash. The current Executive Directors intend to waive any future amounts paid under the annual bonus in future years in lieu of a donation to charity of a similar amount	The bonus will be based on the achievement of financial and non-financial performance targets which may vary year-to-year but at least 50% of the total opportunity will be based on financial performance Details of the measures and weighting on which the bonus will be based shall be disclosed in the relevant Annual Report on Remuneration. If the Remuneration Committee determines certain targets to be deemed commercially sensitive, the targets will be disclosed retrospectively The Remuneration Committee has discretion to adjust the formulaic bonus outcomes (including down to zero) within the limits of the scheme if the formulaic outcome is not reflective of underlying business performance
Shareholding requirements To align Executive Director and Shareholder interests and reinforce long-term decision making, including for a period following cessation of employment	Executive Directors are required to retain at least 50% of any incentive awards that vest (net of tax) until they have built up a personal holding of Ordinary Shares worth at least 350% of salary A post cessation shareholding requirement of 350% of salary to be held for two years after an Executive Director's employment is terminated	n/a	n/a

Notes to the Policy table

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 this Directors' Remuneration Policy 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 will be selected by the Remuneration Committee to directly reinforce our medium to long-term growth-orientated strategy (details of the measures selected for use in the bonus for the year in review and for the coming year are 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. It is the intention to disclose targets for long term awards (where possible) at the time awards are made in the relevant year's Annual Report on Remuneration.

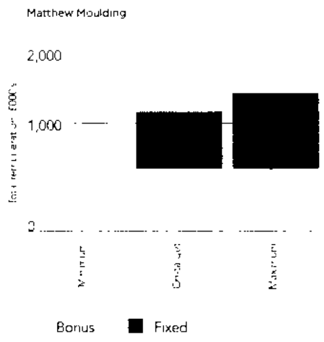
Differences from remuneration policy for other employees

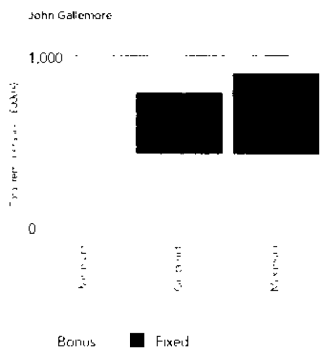
The remuneration policy for other employees is based on broadly consistent principles as described above. Annual salary reviews across the Group take into account Group performance, local pay and market conditions, and salary levels for similar roles in comparable companies.

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.

Performance scenario charts

The graphs below provide estimates of the potential future reward opportunity for Executive Directors, and the potential mix between the different elements of remuneration under three different performance scenarios: "Minimum", "On-target" and "Maximum". This information is for the current financial year, as explained below.





The potential opportunities illustrated are based on the Directors' Remuneration Policy applied to the base salary for FY2021. For the annual bonus, the amounts illustrated are those potentially receivable in respect of performance for the year to 31 December 2021 and we note that the current Executive Directors intend to waive any bonus payments with THG instead making a donation to charity of similar value.

The Executive Chair and Chief Executive Officer will not participate in any future long term incentive arrangements under the Directors' Remuneration Policy. The Remuneration Committee will review the appropriateness and suitability of any new long-term incentive for the Chief Financial Officer for 2022 onwards and will consult with major Shareholders on any proposal before making an award (if any).

Valuation assumptions

The "Minimum" scenario reflects base salary, pension and benefits (i.e. fixed remuneration), being the only elements of the Executive Directors' remuneration package not linked to performance. This is based on the 2021 salary and pension contribution, alongside the benefits received in 2020 (as per the single figure remuneration table).

The "On target" scenario reflects fixed remuneration as above, plus target bonus payout (50% of salary).

The "Maximum" scenario reflects fixed remuneration, plus maximum bonus payout (100% of salary).

Approach to Executive Director recruitment and remuneration

External appointment

In cases of hiring or appointing a new Executive Director from outside the Group, the Remuneration Committee may make use of all existing components of remuneration, as follows

Component	Policy
Base salary	The base salaries of new appointees will be determined by reference to relevant market data, experience and skills of the individual, internal relativities and the current salary of the incumbent in the role Where a new appointee has an initial base salary set below market, the Remuneration Committee may make phased increases which are above the average employee rate, subject to the individual's development and performance in the role
Benefits	As set out in the Directors' Remuneration Policy table, benefits may include (but are not limited to) the provision medical insurance benefits, permanent health insurance, life assurance, private security cover, and any necessary expatriation allowances or expenses relating to an Executive Director's relocation
Pension	New appointees will receive pension contributions in line with the wider workforce at the time
Annual bonus	The bonus structure described in the Directors' Remuneration Policy table will apply to new appointees The maximum opportunity will be 200% of salary, pro-rated in the year of joining to reflect the proportion of that year employed Performance measures may include strategic and operational objectives tailored to the individual in the financial year of joining At least 50% of any bonus earned will be subject to 3 year deferral
Maximum variable remuneration	The maximum variable remuneration which may be granted will be in line with the Directors' Remuneration Policy which allows for variable remuneration up to 200% of salary - (i.e. the maximum annual bonus)
"Buy Out" of incentives forfeited on cessation of employment	Where the Remuneration Committee determines that the individual circumstances of recruitment justifies the provision of a buyout, the equivalent value of any incentives that will be forfeited on cessation of an Executive Director's previous employment will be calculated considering the following – the proportion of incentive awards forfeited upon the Executive Director's cessation of employment; – the performance conditions attached to the vesting of these incentives and the likelihood of them being satisfied; and - any other terms and conditions having a material effect on their value ("lapsed value") The Remuneration Committee may then grant up to the same value as the lapsed value, where possible, under the Group's incentive plans To the extent that it was not possible or practical to provide the buyout within the terms of the Group's existing incentive plans, a bespoke arrangement would be used

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 our Shareholders. The Remuneration Committee will not make any "golden hello" payments.

Internal promotion to the Board

In cases of appointing a new Executive Director by way of internal promotion, the Directors' Remuneration Policy will be consistent with that for external appointees detailed in the table above (excluding the flexibility to make "buy out" 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 Group will continue to honour these arrangements even if there are instances where they would not otherwise be consistent with the prevailing Executive Director remuneration policy at the time of promotion

Service contracts and policy for payment for loss of office

Executive Directors have signed rolling contracts, terminable on 12 months' written notice by either the Group or the Director

The Remuneration Committee's policy for Directors' termination payments is to provide only what would normally be due to Directors had they remained in employment in respect of the relevant notice period, and not to go beyond their normal contractual entitlements. Any incentive arrangements will be dealt with subject to the relevant rules, with any discretion exercised by the Remuneration Committee on a case by case basis considering the circumstances of the termination Termination payments will also take into account any statutory entitlement at the appropriate level, to be considered by the Remuneration Committee on the same basis The Remuneration Committee will monitor and where appropriate enforce the Director's duty to mitigate loss When the Remuneration Committee believes that it is essential to protect the Group's interests, additional arrangements may be entered into (e g post termination protections above and beyond those in the contract of employment) on appropriate terms

Under the service contracts for 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 is 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, under their service contracts, if the Director's employment is terminated for whatever reason, they agree 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

[redacted]

When considering compensation for loss of office, the Remuneration Committee will always seek to minimise the cost to the Group whilst applying the following philosophy.

Remuneration Element	Treatment on Cessation of employment
General	The Remuneration Committee will honour Executive Directors contractual entitlements. Service contracts do not contain liquidated damages clauses. If a contract is to be terminated, the Remuneration Committee will determine such mitigation as it considers fair and reasonable in each case. There are no contractual arrangements that would guarantee a pension with limited or no abatement on severance or early retirement. There is no agreement between the Group 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 **Other reason** No bonus payable for year of cessation The Remuneration Committee has the following elements of discretion o 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 o 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 o To determine that an Executive Director is a good leaver. It is the 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 o 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 o To determine whether to pro-rate the maximum number of shares to the time 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 Directors' departure

External Appointments

Executive Directors are permitted to take up non executive positions on the boards of other companies, subject to the prior approval of the Board.

NED Remuneration Policy

NEDs have been appointed for a fixed term ending on the Group's third annual general meeting following Admission, but each NED may be invited by the Company to serve for a further period or periods. In any event, each NED appointment is subject to annual re-election by shareholders at each annual general meeting of the Company and 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 terms and notice periods for NEDs are summarised below.

NED	Original[1] date of appointment	Notice period
Zillah Byng-Thorne	22 November 2018	1 month
Damian Sanders	17 November 2020	1 month
Dominic Murphy	7 August 2014	1 month
Edward Koopman	3 May 2016	1 month
Iain McDonald	27 March 2010	1 month

[1] With the exception of Damian Sanders, who joined THG after Admission, all NEDs were re-appointed under the terms of a new appointment letter commencing on Admission

NEDs are not eligible to participate in any of the Group's bonus or pension schemes. Details of the policy on fees paid to our NEDs is set out in the table below.

Component and objective	Operation	Opportunity	Performance measures
Fees To attract and retain NEDs of the highest calibre with broad commercial experience relevant to the Group	The fees paid to the NEDs are determined by the Board and may be paid in a mix of cash and Ordinary Shares Fee levels are reviewed periodically, with any adjustments effective 1 January. Fees are reviewed by considering external advice on best practice and fee levels at other FTSE companies of broadly similar size and sector to THG. Time commitment and responsibility are also considered when reviewing fees.	Fee increases will be applied considering the outcome of the review. The fees paid to NEDs in respect of the year under review (and for the following year) are disclosed in the Annual Report on Remuneration	n/a

Approach to NED recruitment remuneration

In recruiting a new NED, the Remuneration Committee will use the policy as set out in the table above. A base fee in line with the prevailing fee schedule would be payable for serving as a Director of the Board, with additional fees payable for chairing Board Committees.

Consideration of employment conditions elsewhere in the Group

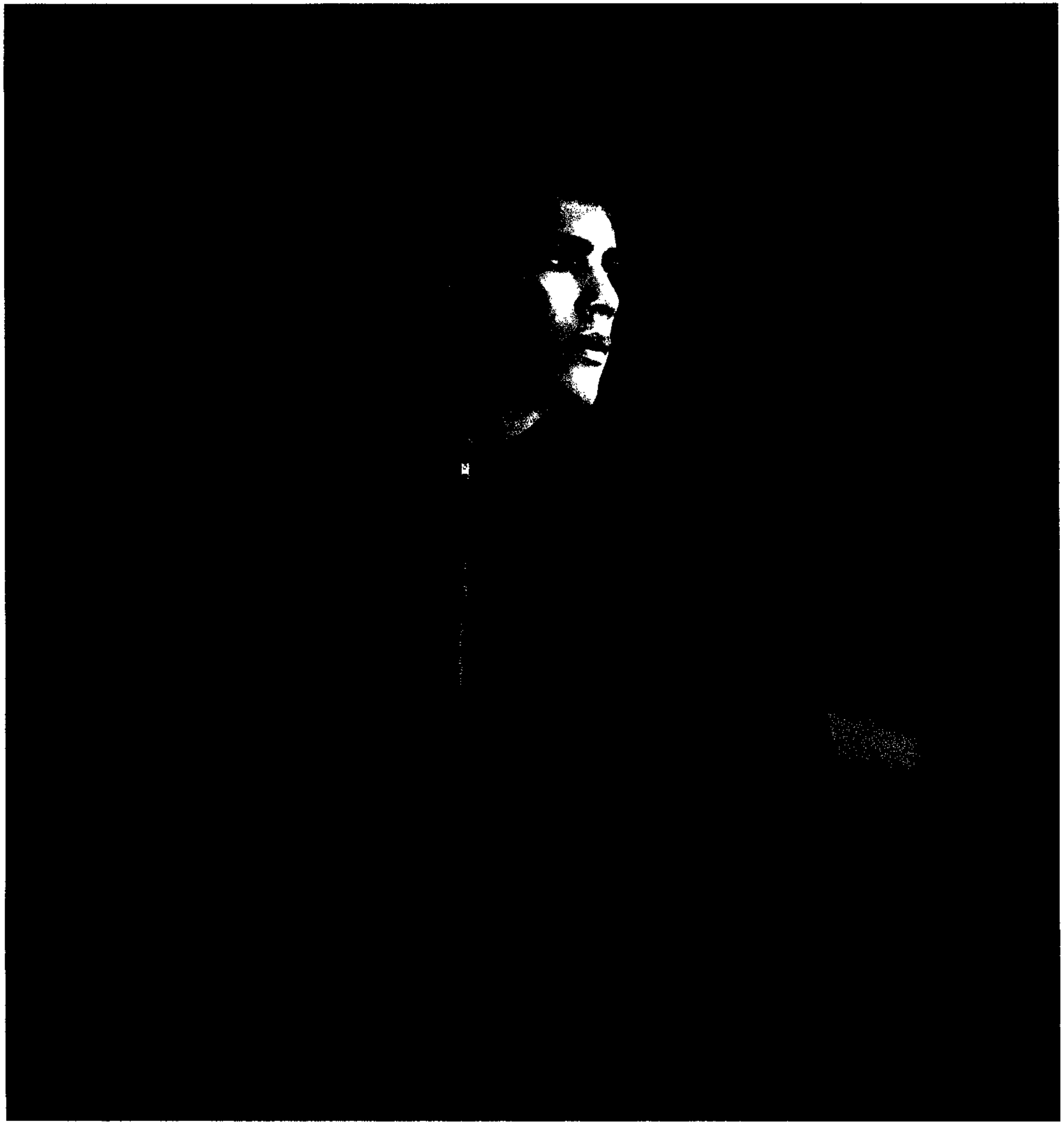
Each year, prior to reviewing the remuneration of the Executive Directors, the Remuneration Committee considers base pay and share schemes practices across the Group.

The Group aims to provide a remuneration package for all employees that is market competitive. The Group operates pension provisions provided on the same basis for all Executive Directors and employees. 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. The Group intends to continue to improve engagement with employees on remuneration specifically over 2021.

Consideration of shareholder views

The Remuneration Committee will consider any Shareholder views received as part of a formal consultation, at the annual general meeting each year, as well as guidance from shareholder representative bodies more broadly. In shaping this Directors' Remuneration Policy, the Remuneration Committee took on board views from Shareholders pre and post Admission. The Remuneration Committee will keep the Directors' Remuneration Policy under regular review, to ensure it continues to reinforce the Group's long term strategy and aligns the interests of Executive Directors with those of Shareholders. We will consult with Shareholders before making any significant changes to our Directors' Remuneration Policy



Annual report on remuneration

The following section provides details of how our Directors' Remuneration Policy was implemented during the year ended 31 December 2020 and how it will be implemented in the year ending 31 December 2021.

Single figure for total remuneration for Executive Directors (audited information)

The following table provides a single figure for total remuneration of the Executive Directors for the year to 31 December 2020, together with comparative figures for the year to 31 December 2019. The values of each element of remuneration are based on the actual value delivered, where known. The value of the annual bonus includes the element of bonus deferred under the deferred bonus

£'000	Year	Salary and fees	Benefits	Pension	Total Fixed	Annual bonus	LTIP	Other	Total Variable	Total
Executive Directors										
Matthew Moulding	**2020**	**463**	**4**	**1**	**468**	**500**	**0**	**869,171**	**869,671**	**870,139**
	2019	269	[illegible]	1	272	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
John Gallemore	**2020**	**234**	**3**	**1**	**238**	**172**	**0**	**40,814**	**40,986**	**41,224**
	2019	273	2	1	276	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
NEDs										
Zillah Byng-Thorne	**2020**	**50**	**0**	**0**	**50**	**0**	**0**	**0**	**0**	**50**
	2019	30	0	0	30	0	[illegible]	[illegible]	0	[illegible]
Damian Sanders	**2020**	**15**	**0**	**0**	**15**	**0**	**0**	**0**	**0**	**15**
	2019	0	0	0	0	0	[illegible]	[illegible]	[illegible]	[illegible]
Dominic Murphy	**2020**	**27**	**0**	**0**	**27**	**0**	**0**	**0**	**0**	**27**
	2019	0	0	0	0	0	[illegible]	[illegible]	[illegible]	[illegible]
Edward Koopman	**2020**	**10**	**0**	**0**	**10**	**0**	**0**	**0**	**0**	**10**
	2019	0	0	0	0	0	[illegible]	0	[illegible]	[illegible]
Iain McDonald	**2020**	**14**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**14**
	2019	0	0	0	0	0	[illegible]	0	[illegible]	[illegible]
Former Executive Directors (The date the Director stepped down from the Board is provided in brackets)										
Rachel Horsefield (26 August 2020)	**2020**	**168**	**1**	**1**	**170**	**72**	**0**	**5,558**	**5,630**	**5,800**
	2019	[illegible]	0	1	227	49	[illegible]	[illegible]	[illegible]	[illegible]
James Pochin (26 August 2020)	**2020**	**148**	**3**	**1**	**152**	**73**	**0**	**12,547**	**12,620**	**12,773**
	2019	203	2	1	206	33	[illegible]	0	[illegible]	[illegible]
Vik [illegible] (26 August 2020)	**2020**	**114**	**1**	**1**	**115**	**55**	**0**	**3,017**	**3,072**	**3,187**
	2019	127	0	1	128	30	[illegible]	0	0	[illegible]
Steven Whitehead (26 August 2020)	**2020**	**148**	**3**	**1**	**152**	**76**	**0**	**19,631**	**19,707**	**19,859**
	2019	203	2	1	206	33	[illegible]	0	[illegible]	[illegible]
Former NEDs (The date the Director stepped down from the Board is provided in brackets)										
Joanna Bode (24 August 2020)	**2020**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
	2019	-		-	-	-				
Hugh Campbell (27 March 2020)	**2020**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
	2019	0	0	0	0	0	0	0	0	0
William Evans (26 August 2020)	**2020**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
	2019	0	0	0	0	0	0	0	0	0
Bernard [illegible] (26 August 2020)	**2020**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
	2019	0	0	0	0	0	0	0	0	0
Angus Monro (26 August 2020)	**2020**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
	2019	0	0	0	0	0	0	0	0	0
Oliver Nobahar-Cookson (21 August 2020)	**2020**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
	2019	0	0	0	0	0	0	0	0	0
Timothy Prine-Franks (26 August 2020)	**2020**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
	2019	0	0	0	0	0	0	0	0	0

From Admission the Executive Directors chose to waive their salary (subject to minimum statutory limits without breaching the relevant legislation) and any bonus that became due. The salaries and annual bonuses in the table are the amounts received in the period. The salaries waived are £182,682 and £107,682 for Matthew Moulding and John Gallemore respectively. The group made charitable donations for these amounts which are in addition to the donations included in the Adjusted items set out in Note 4. Matthew Moulding and John Gallemore also waived their entitlement to annual bonuses for the period following Admission of £750,000 and £450,000 respectively (pro-rated for the relevant period).

The 2020 LTIP is shown within the "Other" column of the table above as the award was a long-term plan but performance criteria were met in the same year as the award was made (2020). Due to the nature of the award, there was no value prior to vesting and therefore the figure shown is fully attributable to appreciation in the Ordinary Share price.

Throughout the year THG provided private security for Matthew Moulding and his family in order for him to carry out his duties as Executive Chair and Chief Executive Officer. No amounts are included in remuneration for this cover.

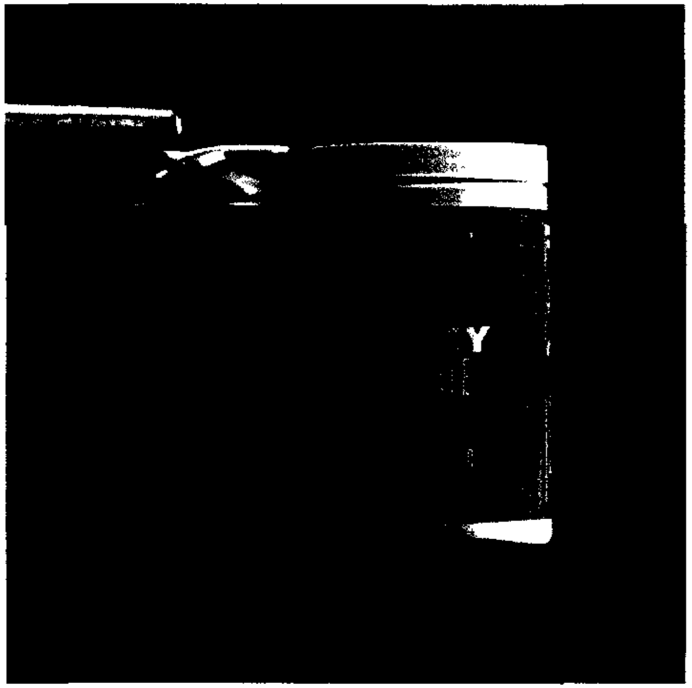
Incentive outcomes for the year ended 31 December 2020 (audited information)

Annual bonus in respect of performance in the year ended 31 December 2020

The 2020 annual bonus was based 50% on total sales and 50% on adjusted EBITDA for the year to 31 December 2020. The maximum annual bonus opportunity for the year was 100% of base salary (prorated for the period between Admission and the financial year end) for both the Executive Chair and Chief Executive Officer and the Chief Finance Officer. Based on the Group's performance for this period, the Remuneration Committee decided bonuses worth 100% of salary (prorated for the period as a listed business) would be payable to the Executive Directors. Further details, including the profit targets set and actual performance, are provided below.

Metric	Threshold £m	Target £m	Maximum £m	Outcome £m	Payout (% of max)
Total sales	£1,359	£1,430	£1,502	£1,614	100%
Adjusted EBITDA	£133	£140	£147	£151	100%

The Executive Directors declined to accept any bonuses for the period as a listed business in light of the LTIP vesting. Prorated bonuses for the period prior to Admission were paid at the time and are shown in the single-figure table above.



Scheme interests awarded in 2020 (audited information)

In early 2020, the Remuneration Committee reviewed the equity arrangements for Executive Directors and the Executive Leadership Team. As a consequence of the review, three new share classes were proposed to be awarded to the Executive Leadership Team and other key employees. F and G Share classes were introduced to act as an incentive to maximise the value of the business, while the H Share class was introduced for the Executive Chair and Chief Executive Officer to offset historic dilution he suffered as the founder of THG. Following extensive Shareholder consultation, with unanimous support, the 2020 LTIP was implemented.

The following table sets out the share awards made (split between various classes) in 2020. Given all awards vested in 2020, we have also illustrated the value on vesting (as shown under "Other" in the single figure table).

Executive Director	Item	F Shares	G Shares	H Shares
Matthew Moulding	Number of shares	20,197,808	30,296,620	89,612,682
	Face value on grant[1]	£100,989,040	£151,483,100	£448,063,410
	Value on vesting	£126,236,300	£182,855,311	£560,079,263
John Gallemore	Number of shares	2,666,963	4,000,537	0
	Face value on grant	£13,334,815	£20,002,685	£0
	Value on vesting	£16,668,519	£24,145,249	£0

[1] As the awards were granted prior to Admission, the face value of the award in the above table is calculated as the maximum number of Shares multiplied by the Ordinary Share price on Admission of £5.00

Scheme	Vesting Conditions	Hurdle
F Shares	Stretching EBITDA thresholds over 3 years or a valuation on Admission greater than £5.25bn	F, G and H Shares are each subject to a performance hurdle whereby the market capitalisation must exceed £6.5bn in order for the rights to be exercised
G Shares	Market capitalisation greater than £4.5bn to achieve 8.333% vesting, with a further 8.333% vesting incrementally for each £0.25bn increase in market capitalisation until 100% vested at £7.25bn	
H Shares	Market capitalisation exceeding £6.5bn following Admission	

The Remuneration Committee notes that due to the strong market performance of THG over the financial year including the successful IPO and subsequent trading performance well in excess of market expectations, the vesting conditions and the Hurdle of all three elements were met in the Financial Year.

Total pension entitlements (audited information)

As part of their remuneration arrangements, both the Executive Chair and Chief Executive Officer and the Chief Finance Officer are entitled to receive pension contributions from the Group. 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 year £1,083 was paid into the personal pension plans of each Executive Director. This represented 3% of pensionable salary (for the 2020/21 tax year this was annual earnings between £6,240 and £50,000) prior to the waiving of salaries.

Payments to past Directors (audited information)

During the year under review, no payments were made to past Directors.

Exit payments made in the year (audited information)

No exit payments to Directors were made during the year under review.

External appointments in the year

No Executive Director held external appointments in the year ending 31 December 2020.

Percentage change in Directors' remuneration

The table below shows the percentage change in the Directors' salary, benefits (excluding pension) and annual bonus between the 2019 and 2020 financial years compared with the percentage change in the average of each of those components of pay for all staff employed in continuing operations. The comparison uses a per capita figure and accordingly this reflects an average across the Group's businesses. No account is therefore taken of the impact of operational factors such as new joiners and leavers and the mix of employees.

	Salary / Fees	Benefits	Bonus
Executive Directors			
Matthew Moulding	72.3	138.0%	120.2%
John Gallemore	14.1%	30.7%	14.9%
NEDs			
Zillah Byng-Thorne	65.6%	0%	N/A
Damian Sanders	N/A	0%	N/A[1]
Dominic Murphy	N/A	0%	N/A
Edward Koopman	N/A	0%	N/A
Iain McDonald	N/A[1]	0%	N/A
Wider Workforce			
Average employee	2.4%	0%	0.3%
Former Executive Directors			
Rachel Horsfield	25.5%	47.8%	46.9%
James Pochin	27.0%	36.3%	171.2%
Viki Tahmasebi	10.2%	50.9%	83.5%
Steven Whitehead	-27.1%[3]	34.3%	130.3%
Former NEDs			
Joanna Bodell	N/A	0%	N/A
Hugh Campbell	N/A	0%	N/A
William Evans	N/A[1]	0%	N/A
Bernard Doutaud	N/A	0%	N/A
Angus Monro	N/A	0%	N/A
Oliver Nobahar-Cookson	N/A	0%	N/A
Timothy Pierre-Franks	N/A	0%	N/A

[1] Did not receive a fee for Directorship pre-Admission.
NEDs are not entitled to an annual Bonus.
The reductions illustrated for former Executive Directors are primarily due to the fact that these individuals were Executive Directors for a proportion of 2020 and their pay in respect of this was less than their 2019 salary.

Relative importance of spend on pay

The table below shows Shareholder distributions and THG expenditure on total employee pay for the year under review and the prior year, and the percentage change year on year

	2020 £m	2019 £m	% change
Profit distributed by way of dividend	£0	£0	N/A
Overall spend on employee remuneration	£204 9m	£160 5m	27 7%

CEO pay ratio

The Regulations require certain companies to disclose the ratio of the Executive Chair and Chief Executive Officer's pay, using the amount set out in the single total figure table (shown in this report on page 217), to that of the total remuneration of full-time equivalent UK employees at the 25th, median and 75th percentile.

The year in review is the first year to which these disclosure provisions apply to the Group, and the required information is set out below

			UK employees (full time equivalents)		
Methodology	CEO remuneration (£000's)	Calculation approach	25th percentile pay ratio	Median pay ratio	75th percentile pay ratio
2020 - Reported figures	870,139	Option A	42,665 1	35,200 1	24 641 1
2020 - Without 2020 LTIP	968	Option A	47 1	39 1	27 1

The Remuneration Committee notes the magnitude of the reported pay figure for 2020 which resulted from the vesting of the LTIP 2020 due to

1 The technicalities of the Regulations require the H Share vesting of the Executive Chair and Chief Executive Officer to be included within this number As noted above, the H Share element of the LTIP 2020 was a one-off mechanism to offset historic dilution he suffered as the founder of THG and should not be regarded as part of the "business as usual" remuneration package of an executive chairman and chief executive officer of a listed business Under the Directors' Remuneration Policy, the Executive Chair and Chief Executive Officer will not participate in any LTIP

2 In addition, the strong market performance of THG over the financial year including the successful IPO and subsequent trading performance well in excess of market expectations meant that the vesting conditions and the Hurdle of all three elements of the 2020 LTIP were met in the Financial Year, earlier than had been expected

As a consequence of the above, a more typical ratio has been included which does not include the LTIP award.

		UK employees (full time equivalents)		
		25th percentile (£)	Median pay (£)	75th percentile pay (£)
2020	Salary	£20 395	£21,997	£33,000
2020	Total pay and benefits	£20,395	£24 746	£35 325

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 reporting Regulations, was used to calculate remuneration for 2020, as we believe that that is the most robust methodology for calculating these figures We then calculated the full-time equivalent annualised remuneration (comprising salary, benefits, pension, annual bonus and long term incentives) for those employees for the year ended 31 December 2020.

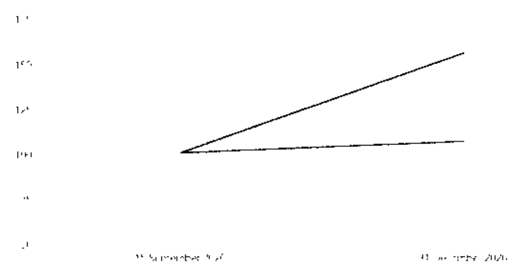
The Remuneration Committee has reviewed the pay ratios and pay data for the individuals identified at each of the relevant quartiles and believes they are a fair reflection of the Company's wider pay, reward and progression policies of the workforce The pay ratio result mainly reflects the impact of the one-off long-term incentive that Executive Directors received as an incentive to maximise the value of the business, which makes up the majority of the Executive Chair and Chief Executive Officer's total remuneration for this year Due to the one-off nature of the equity award, the ratio without this payment has been shown alongside this to provide a more meaningful pay ratio in a typical performance year for THG

THG has a range of policies and practices to ensure that employees are fairly rewarded. These include offering a valued total reward package that includes an all employee bonus and share plan that allows employees to share in the success of the Group

Performance graph and table

The following graph shows the TSR performance since the listing of the Group, up to the year end of 31 December 2020 relative to the FTSE 100. The graph shows an investment of £100 in the Group since its listing compared with the value of £100 invested in the FTSE 100 over the same time period

The FTSE 100 Index is considered to be an appropriate comparator for this purpose as it is a broad equity index into which the Group's market cap falls



— THG

— FTSE 100

The table below details the Executive Chair and Chief Executive Officer's single figure of remuneration:

	2019	2020
Single figure (£000s)	4,581	870,139
Bonus outcome as a percentage of maximum	n/a[1]	100%
Long-term incentive outcome as a percentage of maximum	n/a	100%

[1] The 2019 bonus did not have a defined maximum and no LTIP was eligible to vest in respect of 2019

Implementation of Directors' Remuneration Policy for the year to 31 December 2021

The Remuneration Committee conducted a thorough review of Executive Directors' remuneration over 2020. The results of this review are as follows.

Base salary

Base salaries were reviewed considering individual performance and competitive practice for similar roles in the Group's remuneration peer group, and remuneration awards within the Group. As explained in the Annual Statement on Remuneration, the Remuneration Committee decided that in the exceptional circumstances of the Covid 19 crisis there would be no increase in Executive Director salaries. Therefore, for the year ending 31 December 2021, base salaries will be £750,000 for the Executive Chair and Chief Executive Officer and £450,000 for the Chief Financial Officer

The Executive Directors agreed for the time being to waive as much as is legally allowable of their base salary in return for the Group making a charitable donation of similar value. Further details will be reported in next year's Annual Report on Remuneration

Pension

There is no change in the contribution percentage for Executive Directors for the year ending 31 December 2021, which remains at 3% of pensionable salary. Pensionable salary is determined in line with the approach taken for the wider workforce, currently this is in line with auto enrolment levels.

Benefits

There is no change in benefit provisions for Executive Directors for the year ending 31 December 2021.

Annual bonus

In line with the Directors' Remuneration Policy, the maximum opportunity will be 100% of salary for each of the current Executive Directors. The measures and weightings for 2021 will be Sales (37.5%), adjusted EBITDA (37.5%) and strategic objectives including ESG metrics (25%). The specific targets are considered commercially sensitive and will be disclosed in next year's Annual Report on Remuneration, subject to these no longer being considered by the Board to be commercially sensitive

Implementation of NED Remuneration Policy for the year to 31 December 2021

The Executive Directors reviewed the NED fee following Admission, and as such no increase in fees is proposed in 2021. Accordingly, for the 2021 financial year, annual NED fees will be as follows.

NED fee type	Fee at 1 January 2021
Base fees for independent NEDs	£70,000
Base fees (excluding independent NEDs)	£35,000
Additional fee for chairing Audit & Risk[1] Committee or Remuneration Committee	£12,000
Additional fee for chairing the Related Party Committee or Nomination Committee	£8,000
Additional fee for membership of the Audit & Risk, Related Party, Nomination, Remuneration and Sustainability Committees	£5,000

[1] Note that the Audit & Risk Committee is expected to be separated into two committees in 2021. If so, the fees shown here would apply to each independent committee.

Director shareholdings (audited information)

The table below shows the shareholding of each Director and their respective shareholding requirement as at 31 December 2020, or their last date on the Board (if earlier)

Director	Shareholding requirement (%age of salary)	Value of beneficially owned shares (% age of salary)	Ordinary Shares held	D1 Shares held	D2 Shares held	Deferred Shares held	E Shares held	F Shares held	G Shares held	H Shares held
Executive Director										
Matthew Moulding	350%	276,289%	84,920,111	50,550,450	360 (equivalent to 66,772 Ordinary Shares)	18,346,774	43,641,266	20,197,808	30,296,620	89,612,682
John Gallemore		15,980%	104,237	3,533,879	3,174 (equivalent to 588,702 Ordinary Shares)	813,345	185,476	2,666,963	4,000,537	0
NEDs										
Zillah Byng-Thorne	n/a		0	0	750 (equivalent to 139,107 Ordinary Shares)	14,524	98,673	0	0	0
Damian Sanders			0	0	0	0	0	0	0	0
Dominic Murphy			14,566,016	0	0	29,047	370,953	0	0	0
Edward Koopman			0	0	0	0	0	0	0	0
Iain McDonald			2,189,039	0	0	14,524	185,476	0	0	0
Former Executive Directors										
Rachel Horsefield	n/a		114,855	0	975 (equivalent to 180,839 Ordinary Shares)	166,921	1,020,119	444,587	666,973	0
James Pochin			3,214,869	959,283	1,707 (equivalent to 316,608 Ordinary Shares)	286,147	185,476	1,003,798	1,505,696	0
Vaa Tahmasebi			0	0	0	73,881	255,030	241,305	362,050	0
Steve Whitehead			5,472,955	2,373,540	1,707 (equivalent to 316,608 Ordinary Shares)	507,823	185,476	1,570,427	2,355,734	0
Former NEDs										
Joanna Bodell	n/a		0	0	0	0	0	0	0	0
Hugh Campbell			0	0	0	0	0	0	0	0
William Evans			47,293,344	0	0	0	0	0	0	0
Bernard Liautaud			0	0	0	0	0	0	0	0
Angus Monro			7,743,088	0	0	0	0	0	0	0
Oliver Nobahar-Cookson			10,035,522	0	0	0	0	0	0	0
Timothy Pierre-Franks			0	0	0	0	0	0	0	0

In addition to those Shares shown, Matthew Moulding holds 1 Special Share. Further details were disclosed in THG's listing prospectus.

32,458,346 of the Ordinary Shares, along with all F, G and H Shares, owned by Matthew Moulding are held by FIC ShareCo, which is a corporate entity wholly owned by Matthew Moulding. Additionally, 9,834,879 of the Ordinary Shares shown in the table are held by Jodie Moulding, Matthew Moulding's wife.

Both Zillah Byng-Thorne and Dominic Murphy hold Shares and, in consideration of these individual shareholdings and NED independence, the Board has applied its assessment criteria including, but not limited to, whether a NED has held a material business relationship with the Company in the last three years. Taking into account assessments of materiality and the 3% notification threshold under the DTRs' major shareholder notification regime the Board acknowledges that the shareholdings of both Zillah Byng-Thorne and Dominic Murphy are significantly below the notification threshold and therefore do not impair their independence.

3,000,000 Ordinary Shares, 307,439 Deferred Shares, 1,570,427 F shares and 2,355,734 G shares owned by Steven Whitehead are held by Hamemore Limited, which is a corporate entity wholly owned by Steven Whitehead.

25,570,685 Ordinary Shares owned by William Evans are held by Harbrook Limited, which is a corporate entity wholly owned by William Evans.

The shareholding shown in respect of Oliver Nobahar-Cookson is held by Zedra Trust Company (Jersey) Limited, of which the Remuneration Committee understands Oliver Nobahar-Cookson to be a beneficiary.

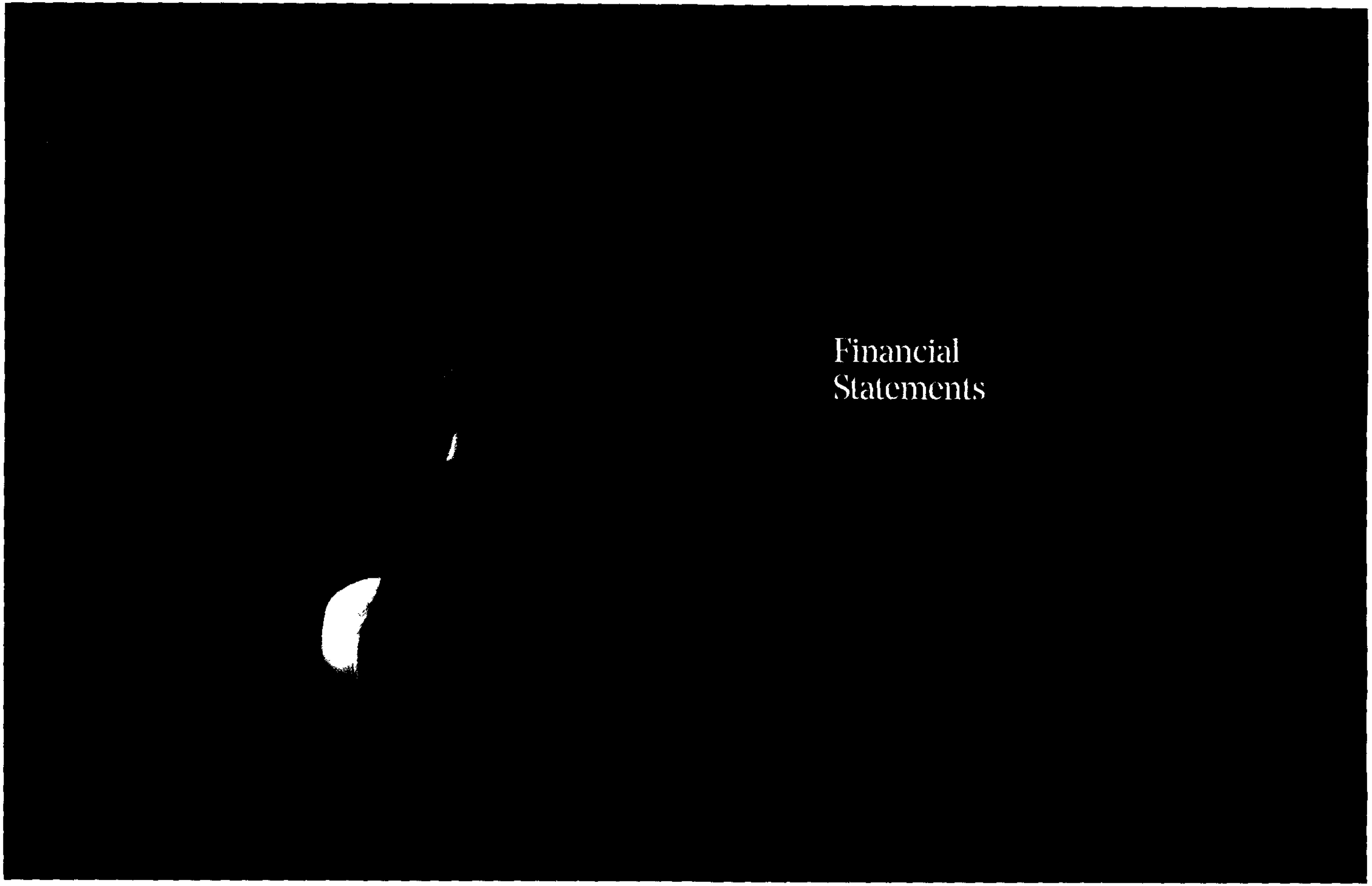
[illegible]

Shareholder dilution

[illegible]

Voting at AGM

[illegible]



Financial Statements

Independent auditor's report to the members of THG PLC

Opinion

In our opinion:

- THG PLC's group financial statements and parent company financial statements (the "financial statements") give a true and fair view of the state of the group's and of the parent company's affairs as at 31 December 2020 and of the group's loss for the year then ended;
- the group financial statements have been properly prepared in accordance with International Accounting Standards in conformity with the requirements of the Companies Act 2006 and International Financial Reporting Standards adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union;
- 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 2020 which comprise:

Group	Parent company
Consolidated statement of comprehensive income for the year then ended	Balance sheet as at 31 December 2020
Consolidated statement of financial position as at 31 December 2020	Statement of changes in equity for the year then ended
Consolidated statement of changes in equity for the year then ended	Related notes 1 to 9 to the financial statements including a summary of significant accounting policies
Consolidated statement of cash flows for the year then ended	
Related notes 1 to 29 to the financial statements, including a summary of significant accounting policies	

The financial reporting framework that has been applied in the preparation of the group financial statements is applicable law and International Accounting Standards in conformity with the requirements of the Companies Act 2006 and International Financial Reporting Standards adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union. 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).

1. 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 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.

2. Overview of our audit approach

Updating our understanding of THG PLC's business and its environment	o Our audit planning starts with updating our view on external market factors, for example Covid 19, Brexit and major trends in the industry. Building on this knowledge, we updated our understanding of THG PLC's strategy and business model. This was achieved through the review of external data, analyst presentations, enquiry, analytical procedures and observation. Our updated understanding of THG PLC's business and the environment in which it operates informed our risk assessment procedures
Identifying and assessing the risks of material misstatement	o We identify risks of material misstatements through understanding the business, business model and the environment in which THG PLC operates and consideration of qualitatively and quantitatively significant amounts and judgements as part of our planning We have identified key audit matters that, in our professional judgement, had the greatest effect on our overall audit strategy, the allocation of resources in the audit and in directing the group audit efforts. These are set out in Section 4
Assessing materiality (Section 5)	o Overall group materiality of £4.8m which represents 0.3% of Group revenue
Determining the scope of the audit (Section 3)	o We performed an audit of the complete financial information of two components and audit procedures on specific balances for a further thirty four components o The components where we performed full scope procedures accounted for 81% of Profit before tax, 67% of Revenue and 52% of Total assets. The components where we performed specific scope audit procedures accounted for 7% of Profit before tax, 30% of Revenue and 27% of Total assets
Identifying the key audit matters (Section 4)	o Adjusted items o Related party transactions and property divestments o Share based payments o Platform development costs o Revenue recognition o Strategic and governance reporting

3. 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, 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.

The scope of the group audit includes all significant trading components in the United Kingdom. Full scope components account for 67% of the group's revenue 81% of the group's profit before tax and 52% of the group's total assets. Specific scope components account for 30% of the group's revenue, 7% of the group's profit before tax and 27% of the total assets. We performed specified or analytical audit procedures on the other components. All audit work (except for overseas inventory counts that were performed under instruction by the primary team) performed for the purposes of the group audit was undertaken by the group audit team.

Impact of Covid 19

As a result of the Covid-19 outbreak and resulting lockdown restrictions we have modified our audit strategy to allow for the year end audit to be performed remotely. This approach was supported through the use of EY software collaboration platforms for the secure delivery of requested audit evidence. We were still able to attend and observe inventory counts performed by the entity.

Changes from the prior year

There are no significant changes to our scoping from the 2019 group audit except to incorporate into our scope an appropriate level of work on the acquisitions that have been made during the 2020 financial year.

1. Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified. These matters included those which had the greatest effect on the overall audit strategy, the allocation of resources in the audit, and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in our opinion thereon, and we do not provide a separate opinion on these matters. We were not required to identify key audit matters in the prior year when the group was not listed.

Risk	Our response to the risk
Adjusted items (£531 million, 2019: £48 million) Refer to the Audit and Risk Committee Report (page 184), Accounting policies (page 249), and Note 4 of the Consolidated Financial Statements (page 266) Adjusted items are used as part of a non-GAAP performance measure in the Annual Report and Accounts. It is therefore important that such costs are identified consistently over time and in line with the disclosed accounting policy. There is a risk that these items do not warrant separate presentation as adjusted items and could be considered to be part of normal operations, or are inadequately defined, disclosed or inadequately reconciled to GAAP measures within the financial statements and the other information presented in the Annual Report and Accounts. There is a risk that management apply bias when determining the adjusted items, specifically the risk that they are not consistent or not in line with policy with a corresponding impact on the amount reported before adjusted items. International Financial Reporting Standards do not define what can be included in adjusted items and therefore the inclusion of different categories of cost or income is a matter of judgement and policy decision for each company, taking into consideration relevant guidance issued by regulators on the determination and presentation of alternative performance measures ("APMs").	We understood the accounting policy that management has established for the identification and presentation of adjusted items and ensured it was described appropriately and in sufficient detail in the financial statements. We obtained an understanding of the key controls relating to the identification and presentation of adjusted items and assessed the design effectiveness of these controls. We understood the costs that were proposed by management for separate disclosure as adjusted items in the financial statements and challenged whether these costs were in accordance with the accounting policy. We involved specialists in our work on the charge for share-based payments which we cover in a separate key audit matter. For each significant category presented in the financial statements we agreed a sample of costs incurred to underlying documentation. We incorporated an element of unpredictability into our work, through testing certain items below our quantitative testing thresholds. In areas of judgement we challenged management on the judgements taken, the consistency with the policy and with prior years and the transparency of those judgements in the disclosures made. We challenged management's assessment of adjusted items taking account of the FRC's Covid-19 Thematic Review which contains guidance on the presentation of Covid 19 related costs. Our challenge also noted the ESMA and FRC guidance on consistency with the defined accounting policy, equal prominence of APMs with GAAP measures and the reconciliation of APMs with GAAP measures. We reviewed the presentation of the adjusted items within the financial statements and considered whether appropriate disclosure had been made. We considered the overall presentation of the income statement as part our assessment of whether the Annual Report and Accounts are fair, balanced and understandable.

Key observations communicated to the Audit and Risk Committee

We discussed with the Audit and Risk Committee that there is significant judgement in determining what THG PLC disclose as adjusted items and the importance of comprehensive and transparent disclosure of the policy and judgement applied.

We have concluded that the adjusted items are appropriately disclosed and explained, and are in line with the disclosed policy.

Risk	Our response to the risk
Related party transactions and property divestment (impairment of assets held for sale £65m, 2019 £nil; divestment of net assets with a carrying value of £76m and a £76m charge to reserves (2019: £nil). Refer to the Chief Financial Officer Review (page 134), Audit and Risk Committee Report (page 184), Consolidated statement of changes in equity (page 247) and Notes 4 and 27 of the Consolidated Financial Statements (pages 266 and 290) In September 2020 THG PLC disposed of the property company subgroup ('Propco') to a company ultimately owned by Matthew Moulding, the Executive Chairman and CEO of THG PLC. In consideration for the Propco, THG PLC cancelled existing share options with Matthew Moulding with a fair value that was calculated to be equal to the value of the assets being transferred. In a material related party transaction we are alert to the risk that there may be management override of controls with the potential for bias in the accounting or disclosure. There is a risk that the Propco transaction, the accounting implications and the considerations of management and the board surrounding it is not adequately explained in the disclosures in the Annual Report and Accounts. This includes the completed transaction and the ongoing lease agreements.	We reviewed the papers prepared by management and approved by the Board outlining the transactions entered into. We identified and assessed the design effectiveness of the controls and governance processes management and those charged with governance put in place in relation to this transaction and the ongoing related party transactions. We understood the accounting for the transaction including determining the disposal group, the associated £65m impairment of assets held for sale and the related divestment of net assets with a carrying value of £76m. We understood the process management went through to determine the disposal group and impairment of that Group recognised in order to identify the fair value of the assets being divested, which management determined to be £76m. We assessed the competence and objectivity of specialists used by management. We evaluated the outputs and assumptions adopted by management's specialists relating to the property values which included using our own specialists. We reviewed the lease and property management agreements which have been put in place to check these are consistent with the disclosures within the Annual Report and Accounts. We reviewed disclosures in the financial statements to ensure they adequately disclose the completed disposal transaction, the ongoing lease and other agreements and reflect accurately the governance arrangements that were and are in place.

Key observations communicated to the Audit and Risk Committee

We concluded that the accounting for the divestment is appropriate.

Given the ongoing related party transactions we have emphasised the importance of the governance arrangements that THG plc have put in place.

After enhancements, we concluded that the disclosure of the divestment and the ongoing commitments have been made in accordance with IAS 24, the relevant accounting standard covering related party transactions.

Risk	Our response to the risk
Share based payments (Adjusted item charge of £332 million, 2019: £27 million) Refer to the Audit and Risk Committee Report (page 184), Accounting policies (page 250), and Notes 4 and 7 of the Consolidated Financial Statements (pages 266 and 271). The group uses share options to incentivise and reward staff and key management, including the Executive Directors. Estimates and assumptions are applied in the measurement of the fair value of awards and in determining the vesting period. Following the IPO the increase in share price has triggered a large number of share options to crystallise and there is judgement in valuing the significant charge made to the income statement which could be subject to management bias.	We have identified the controls implemented to determine the charge for share based payments is captured and recorded appropriately and we have assessed the design of these controls. We obtained an understanding of the terms of awards and options that had vested during the period by inspecting relevant agreements. We assessed the competence and objectivity of the independent specialists used by management. We understood the calculations required to arrive at the charge in the accounts and reviewed papers prepared by management. This included understanding the scope and results of the work prepared by the independent specialist used by management. We tested and challenged the valuation methods and assumptions used to measure the fair value of the awards by comparing those assumptions to our own determined ranges and obtaining evidence supporting the inputs into the valuation models. We involved our own EY specialists in our assessment of the key assumptions. We reviewed the financial statements for accuracy and transparency in the disclosure of share based payments, the assumptions and sensitivities outlined and the charge made.

Key observations communicated to the Audit and Risk Committee

We are satisfied that the share based payments charge is free from material misstatement, appropriately disclosed and that the key assumptions used in its determination are within the ranges that we would expect.

Risk	Our response to the risk
Platform development costs (£40 million 2019: £33 million) Refer to the Audit and Risk Committee Report (page 184), Accounting policies (page 249), and Note 11 of the Consolidated Financial Statements (page 275). The group capitalised £40m (2019 £33m) of development costs which will be amortised over periods of up to 5 years. The risk is that management bias could be applied and costs do not meet the definitions of SIC32 and IAS 38 under which development costs can be capitalised. It is also important that the useful economic life is appropriate and that projects are impaired if required.	We understood the accounting policy applied in this area. We walked through the significant classes of transactions associated with platform development costs and assessed the design effectiveness of key controls. We tested reconciliations around the spreadsheet models used to record capitalised expenditure and populated timesheets. We sample tested employees whose time is recorded on timesheets, and made inquiries to understand the nature of their activities and of the projects to which their time had been recorded, to determine if these costs had been recognised in line with IAS 38. We interviewed members of the finance team, project managers and employees, and the chief technology officer as part of our procedures. We sample tested projects, and made inquiries of the project managers to understand the nature, timing and purpose of the project including introducing an element of unpredictability into the items selected for testing and the people selected for interview. We considered whether any bias was evident, particularly in respect of employees who do not use timesheets. We considered the economic lives of the projects and assessed whether management have appropriate procedures to identify and write off any impaired assets. We reviewed the disclosures made in the financial statements.

Key observations communicated to the Audit and Risk Committee

Based on the procedures we have performed we did not identify evidence of material misstatements in the platform development costs carried in the statement of financial position.

Risk	Our response to the risk
Revenue recognition (£1,614 million 2019: £1,140 million) Refer to the Accounting policies (page 250), and Note 2 of the Consolidated Financial Statements (page 264) THG has reported revenue of £1,614 million for the year ended 31 December 2020 (2019 £1,140 million) Revenue is a key metric when evaluating the performance of the business and receives significant scrutiny externally and internally We have identified a potential risk of bias in the reported revenue Given the high volume of low value transactions in product sales we believe the risk of overstating revenue would be through the posting of fictitious journals to increase revenue In addition, we have seen the differential in the way analysts value the share price with a far greater value on revenue within the Ingenuity division and we have therefore considered the risk of inappropriate classification to overstate Ingenuity revenue	We understood the accounting policy for each category of revenue We performed a walkthrough of each significant class of revenue transactions and assessed the design effectiveness of key controls As a significant proportion of the group's revenues are high volume and relatively low value we have used a data driven approach in order to test revenue in the year This included the use of analytical tools in our audit of revenue and the identification of revenue journals of audit interest and correlation analysis between the revenue streams, receivables and cash to identify any anomalies requiring further investigation To further respond to the risk of inappropriate revenue recognition, in relation to our work over manual journal adjustments, we focussed on testing those manual journal adjustments that impact revenue through understanding the reasons for the adjustments and corroborating to appropriate audit evidence including checking the classification of revenue This included procedures to check the classification of Ingenuity revenues were appropriate We reviewed the description of the divisions in the financial statements and ensured that these were appropriately described We reviewed the disclosures to ensure these were compliant with IFRS 15

Key observations communicated to the Audit and Risk Committee

Based on the audit procedures performed we did not identify evidence of material misstatements in the revenue recognised in the current year We have also concluded that the disclosures are consistent with IFRS 15 and appropriately describe the classification of revenues

Risk	Our response to the risk
Strategic and Governance Reporting Refer to the Audit and Risk Committee Report (page 184) In describing THG PLC's business, its performance and governance processes and its business model there is a risk that this may be presented in a way that does not give a fair reflection of the business and/or is not understandable to the external users of the financial statements. The risk is heightened due to the complexities of the business model and significant use of alternative performance measures, the significant restructuring transactions entered into in preparation for the IPO and that this is the first time THG PLC are preparing an Annual Report and Accounts as a listed company and applying the UK Corporate Governance Code	We have understood the controls the Board and those charged with governance have implemented to ensure the Annual Report and Accounts are Fair Balanced and Understandable ("FBU"), and we have assessed the design of these controls We involved our corporate governance team to assist in our assessment of the compliance with the UK Corporate Governance Code and our audit challenge on the Annual Report and Accounts ('ARA') and the adequacy of the disclosures made We reviewed Board and Committee minutes for other matters that required consideration in the ARA In line with the UK Corporate Governance Code (Provision 25, Principle N and Provision 27) we reviewed the Board's statement of responsibility for ensuring the ARA is fair balanced and understandable in relation to the company's position and prospects and the supporting papers and considered whether the information therein was consistent with the information obtained during our audit We reviewed the ARA and assessed whether it explains any complexities in a way that is understandable by users We raised challenges and suggested amendments which resulted in management amending and improving the ARA We did this by comparing the results against peer businesses and by considering alternative presentations and the impact this would have on the THG PLC's ARA

Key observations communicated to the Audit and Risk Committee

Nothing has come to our attention that would indicate that the Annual Report and Accounts is not Fair Balanced and Understandable

5. 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 £4 8 million (2019 £3 6 million), which is 0 3% of group revenue (2019 3% of adjusted EBITDA) Based on our review of analysts' commentary, we believe that revenue is the most important benchmark for users of the financial statements now the group is listed, whereas adjusted EBITDA was the most important in a private environment (when the shareholder base was primarily management and private equity businesses)

We determined materiality for the parent company to be £14 2 million (2019 £19 9 million), which is 1% (2019 5%) of equity The parent company materiality is greater than the group as it is based on equity rather than revenue To the extent the significant accounts within the parent company impacted our group audit, we assigned a lower performance materiality to perform our work over these areas (£1 2 million, 2019 £1 1 million)

Performance materiality

The application of materiality at the individual account or balance level It is set at an amount to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds materiality.

On the basis of our risk assessments, together with our assessment of the group's overall control environment, our judgement was that performance materiality was 50% (2019. 75%) of our planning materiality, namely £2 4m (2019 £2 7m) We have set performance materiality at this percentage due to the level of errors identified through the course of the 2019 audit and the newly listed status of the group

Audit work of components for the purpose of obtaining audit coverage over significant financial statement accounts is undertaken based on a percentage of total performance materiality The performance materiality set for each component is based on the relative scale and risk of the component to the group as a whole and our assessment of the risk of misstatement at that component In the current year, the range of performance materiality allocated to components was £0 4m to £2.2m (2019 £0 3m to £2 3m)

Reporting threshold

An amount below which identified misstatements are considered as being clearly trivial

We agreed with the Audit and Risk Committee that we would report to them all uncorrected audit differences in excess of £0 15m (2019. £0.17m), which is set at 3% (2019. 5%) of planning materiality, as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds We have reduced the reporting threshold percentage to reflect the lower tolerance for errors of those charged with governance

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

6. 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:

- Understanding management's process for and controls related to assessing going concern.
- Obtaining management's going concern model, which is for a period of twelve months to the end of April 2022, and testing its efficacy including clerical accuracy
- Obtaining management's schedule of loan facilities and covenants thereon for the going concern period. We then assessed the forecasts underpinning the going concern model which are based on the Board approved budget for 2021 and the Board-approved strategic plan thereafter
- Understanding how the impact of Covid-19 and Brexit have been reflected in the forecasts
- Analysing the historical accuracy of budgets to actual results to determine whether forecast cash flows are reliable based on past experience
- Comparing management's forecasts to actual results through the subsequent events period and performing inquiries to the date of this report.
- Considering the downside scenarios identified by management, independently assessing whether there are any other scenarios which should be considered, and assessing the quantum of the impact of the downside scenario in the going concern period
- Performing reverse stress testing on the going concern model by understanding what reduction in trading and EBITDA would be required before additional facilities are required and the business runs out of liquidity.
- Evaluating THG's ability to undertake mitigating actions should it experience a severe downside scenario, considering likely achievability of both timing and quantum
- Assessing the going concern disclosures in the financial statements to ensure they are in accordance with the revised ISA UK 570 going concern standard.

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 a period of 12 months from when the financial statements are authorised for issue

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report. However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the group's ability to continue as a going concern

7. 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 there is a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact

We have nothing to report in this regard. We refer to Section 4 concerning our identified key audit matter on Strategic Reporting

8. Corporate governance statement

As you 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 139;
- 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 140;
- Directors' statement on fair, balanced and understandable set out on page 182;
- Board's confirmation that it has carried out a robust assessment of the emerging and principal risks set out on page 182;
- The section of the Annual Report that describes the review of effectiveness of risk management and internal control systems set out on page 182; and,
- The section describing the work of the Audit and Risk Committee set out on page 185

9. 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
- the strategic report and directors' report have been prepared in accordance with applicable legal requirements

10. 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

11. Responsibilities of directors

As explained more fully in the directors' responsibilities statement set out on page 156, 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 out to do so.

12. 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

13. 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 THG PLC and determined that the most significant are those that relate to the reporting framework (IFRS, Companies Act 2006, the UK Corporate Governance Code, and the Listing Rules of the UK Listing Authority) and the relevant tax compliance regulations in the jurisdictions in which THG operates In addition, we concluded that there are certain significant laws and regulations that may have an effect on the determination of the amounts and disclosures in the financial statements and those laws and regulations relating to health and safety, employee matters, environmental, and bribery and corruption practices
- We understood how THG PLC is complying with those frameworks by making enquiries of management, internal audit, those responsible for legal and compliance procedures and the Company Secretary We corroborated our enquiries through our review of Board minutes, internal audit reports and papers provided to the Audit and Risk Committee and noted that there was no contradictory evidence
- We considered performance targets and the market capitalisation of THG PLC and their influence on fraud risks We informed our fraud risk assessment by involving forensic specialists in our group engagement team We assessed the susceptibility of THG PLC's Consolidated Financial Statements to material misstatement, including how fraud might occur, and we identified fraud risks in our work on strategic reporting, revenue recognition, platform development costs, adjusted items, related party transactions and property divestments, and share based payments We performed specific procedures to address those identified risks as set out in our key audit matters
- We considered the risk of fraud through management override of controls and, in response, we incorporated data analytics across manual journal entries into our audit approach

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at https //www frc.org uk/auditorsresponsibilities This description forms part of our auditor's report

14. Other matters we are required to address

- Following the recommendation by the board 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 9 years, covering the years ending 31 December 2011 to 31 December 2020
- 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 and Risk Committee

15. 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.

Ernst & Young LLP

Jamie Dixon (Senior statutory auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor
Manchester

21 April 2021

Consolidated statement of comprehensive income for year ended 31 December 2020

		2020			2019 (restated)		
		Before Adjusted Items	Adjusted Items (note 4)	**Total**	Before Adjusted Items	Adjusted Items (note 4)	Total
	Notes	£'000	£'000	**£'000**	£'000	£'000	£'000
Revenue	2, 4	1,613,625	-	**1,613,625**	1,140,260	-	1,140,260
Cost of sales		**(900,472)**	-	**(900,472)**	(643,450)	-	(643,450)
Gross profit		**713,153**	-	**713,153**	496,810		496,810
Distribution costs		(295,020)	(55,240)	**(350,260)**	(201,621)	(9,556)	(211,177)
Administrative costs		(372,627)	(472,098)	**(844,725)**	(261,675)	(35,748)	(297,423)
Operating profit / (loss)	3	**45,506**	**(527,338)**	**(481,832)**	33,514	(45,304)	(11,790)
Finance income		205	-	**205**	133	-	133
Finance costs		(53,012)	-	**(53,012)**	(25,550)	(7,951)	(33,501)
(Loss) / profit before taxation		**(7,301)**	**(527,338)**	**(534,639)**	8,097	(53,255)	(45,158)
Income tax credit / (charge)	9	5,794	(3,784)	**2,010**	(4,200)	5,172	972
(Loss) / profit for the financial year		**(1,507)**	**(531,122)**	**(532,629)**	3,897	(48,083)	(44,186)
Other comprehensive (expense) / income							
Items that may be subsequently reclassified to profit or loss							
Exchange differences on translating foreign operations, net of tax		(582)	-	**(582)**	(2,393)	-	(2,393)
Net (loss) on cash flow hedges		(4,991)	-	**(4,991)**	(5,670)		(5,670)
Total comprehensive (expense)/income for the financial year		**(7,080)**	**(531,122)**	**(538,202)**	(4,166)	(48,083)	(52,249)
Basic and diluted loss per share (£)				**(0.66)**			(0.06)

Earnings before interest, taxation, depreciation, amortisation, impairment and adjusted items (Adjusted EBITDA)

	Notes	2020	2019 (restated)
		£'000	£'000
Operating loss		**(481,832)**	(11,790)
Adjustments for			
Adjusted items - share-based payments	4	**331,624**	27,251
Adjusted items - other	4	**195,714**	18,053
Depreciation	12, 22	**48,055**	39,624
Amortisation	11	**57,239**	38,320
Adjusted EBITDA*		**150,800**	111,458

Consolidated statement of financial position as at 31 December 2020

	Note	31 December 2020 £'000	31 December 2019 (restated) £'000	1 January 2019 (restated) £'000
Non-current assets				
Intangible assets	11	**674,293**	576,800	514,652
Property, plant and equipment	12	**240,221**	355,699	220,076
Right-of-use assets	22	**193,887**	37,973	22,812
		1,108,401	970,472	757,540
Current assets				
Inventories	13	**302,678**	204,073	157,258
Trade and other receivables	15	**246,546**	131,184	89,155
Current tax asset		**1,797**	4,251	4,495
Other financial assets	14	**15,849**	2,214	-
Cash and cash equivalents	16	**773,581**	312,233	234,819
		1,340,451	653,955	485,727
Total assets		**2,448,852**	1,624,427	1,243,267
Equity				
Ordinary shares	23	**6,061**	4,381	4,020
Share premium		**1,287,171**	230,718	110,446
Employee benefit scheme reserve		-	175	175
Merger reserve		**615**	615	615
Capital redemption reserve		**523**	523	523
Hedging reserve		**(18,003)**	(6,134)	-
Cost of hedging reserve		**7,342**	464	-
FX reserve		**(822)**	(240)	2,153
Retained earnings		**(138,361)**	237,183	261,586
		1,144,526	467,685	379,518
Non-current liabilities				
Borrowings	18	**524,288**	602,567	519,763
Derivative financial liabilities	14	**2,563**	2,940	
Lease liabilities	22	**207,274**	28,678	723
Deferred tax	21	**5,944**	8,039	10,470
		740,069	642,224	530,956
Current liabilities				
Contract liability	20	**32,912**	23,739	25,889
Trade and other payables	17	**499,698**	331,599	272,910
Borrowings	18	**1,871**	147,532	7,194
Lease liabilities	22	**28,911**	9,787	24,528
Provisions	19	**865**	1,861	2,272
		564,257	514,518	332,793
Total liabilities		**1,304,326**	1,156,742	863,749
Total equity and liabilities		**2,448,852**	1,624,427	1,243,267

The financial statements on pages 231 to 296 were approved by the Board of Directors on 21 April 2021 and were signed on its behalf by

J A Gallemore
Director
Registered number. 06539496

Consolidated statement of changes in equity for the year ended 31 December 2020

	Note	Ordinary shares £'000	Share premium £'000	Employee Benefit Scheme reserve £'000	Merger reserve £'000	Capital redemption reserve £'000	FX reserve £'000	Hedging reserve £'000	Cost of hedging reserve £'000	Retained earnings £'000	Total equity £'000
Balance at 1 January 2019		**4,020**	**110,446**	**175**	**615**	**523**	**2,153**	-	-	**266,418**	**384,350**
Adjustment on correction of error net of tax	1	-			-			-		(4,832)	**(4,832)**
Balance at 1 January 2019 (restated)		4,020	110,446	175	615	523	2,153			261,586	**379,518**
Loss for the year (restated)		-			-			-		(44,186)	**(44,186)**
Other comprehensive expense											
Impact of foreign exchange		-		-	-		(2,393)				**(2,393)**
Movement on hedging instruments (restated)		-	-		-		-	(6,134)	464	-	**(5,670)**
Total comprehensive expense for the period (restated)		-	-				(2,393)	(6,134)	464	(44,186)	**(52,249)**
Issue of ordinary share capital		361	120,272			-		-			**120,633**
Share buy backs		-		-			-	-		(8,200)	**(8,200)**
Share based payments (restated)	7	-		-	-					27,251	**27,251**
Deferred tax effect of share based payments	21	-	-			-			-	732	**732**
Balance at 31 December 2019 (restated)		**4,381**	**230,718**	**175**	**615**	**523**	**(240)**	**(6,134)**	**464**	**237,183**	**467,685**
Balance at 1 January 2020		**4,381**	**230,718**	**175**	**615**	**523**	**(240)**	**(6,134)**	**464**	**237,183**	**467,685**
Loss for the year			-	-						(532,629)	**(532,629)**
Other comprehensive expense											
Impact of foreign exchange		-		-	-		(582)	-			**(582)**
Movement on hedging instruments			-			-		(11,869)	6,878		**(4,991)**
Total comprehensive (expense)/income for the period		-	-	-	-		**(582)**	**(11,869)**	**6,878**	**(532,629)**	**(538,202)**
Issue of ordinary share capital		2,079	1,356,453	-					-	(100,087)	**958,445**
Share buy backs		(399)	-		-	-				(1,506)	**(1,905)**
Share based payments	7	-	-	-						331,624	**331,624**
Deferred tax effect of share based payments	21	-	-					-		2,966	**2,966**
Impact of non equity settlement of previous share based incentive schemes	27	-	-	(175)		-				(75,912)	**(76,087)**
Balance at 31 December 2020		**6,061**	**1,287,171**	-	**615**	**523**	**(822)**	**(18,003)**	**7,342**	**(138,361)**	**1,144,526**

Consolidated statement of cash flows for the year ended 31 December 2020

	Note	2020 £'000	2019 (restated) £'000
Cash flows from operating activities before adjusted cash flows			
Cash generated from operations	25	**176,949**	71,034
Income tax (paid) / received		**(3,104)**	105
Net cash generated from operating activities before adjusted cash flows		**173,845**	71,139
Cash flows relating to adjusted items		**(98,277)**	(16,992)
Net cash generated from operating activities		**75,568**	54,147
Cash flows from investing activities			
Acquisition of subsidiaries net of cash acquired	10	**(101,949)**	(83,738)
Divestment of subsidiaries	27	**(10,003)**	-
Purchase of property, plant and equipment		**(174,886)**	(124,280)
Purchase of intangible assets		**(64,486)**	(55,995)
Interest received	8	**205**	133
Net cash used in investing activities		**(351,119)**	(263,880)
Cash flows from financing activities			
Proceeds from issuance of ordinary shares net of fees		**905,823**	115,755
Share buy-backs		**(1,905)**	(8,700)
Interest paid		**(35,383)**	(47,109)
Repayment of bank borrowings		**(168,221)**	(1,245,187)
Proceeds from bank borrowings		**53,791**	1,481,390
Repayment of lease liabilities	22	**(17,206)**	(9,502)
Net cash flow from financing activities		**736,899**	287,147
Net increase in cash and cash equivalents		**461,348**	77,414
Cash and cash equivalents at the beginning of the year		**312,233**	234,819
Cash and cash equivalents at the end of the year	16	**773,581**	312,233

Notes to the consolidated financial statements

BASIS OF PREPARATION

The consolidated financial statements of THG PLC ("the Company") and its subsidiaries (together "the Group" or "THG") have been prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006 and International Financial Reporting Standards ("IFRS") adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union (EU). 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 2019, except for the adoption of new accounting standards and amendments to existing standards in 2020 as set out below:

- o Amendments to IFRS 3: Definition of a Business
- o Amendments to IFRS 7, IFRS 9 and IAS 39 Interest Rate Benchmark Reform
- o Amendments to IAS 1 and IAS 8 Definition of Material
- o Amendments to IFRS 16 Covid 19 Related Rent Concessions
- o Conceptual Framework for Financial Reporting issued on 29 March 2018

The amendments noted above do not have a significant impact on the Group's financial statements.

The Group has not early adopted any other standard, interpretation or amendment that has been issued but not yet effective as they are not considered to have a material impact on the Group's financial statements.

GOING CONCERN

As at the balance sheet date, the Group had a total of £170m in undrawn facilities, along with £774m readily available cash held on the balance sheet. Net cash at this date was £47m and £283m 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, along with an undrawn £170m Revolving Credit Facility ("RCF") which was entered into in December 2019, due to mature in December 2024. There are no key covenants attached to the €600m loan facility, but the covenants attached to the RCF are linked to gross debt leverage and become effective when the facility is drawn upon. This facility is not currently drawn down. This covenant requires the Group to maintain its gross debt over the adjusted EBITDA ratio below a level of 7.60 which is reviewed regularly.

The Group's strategic planning cycle includes an annual Budget process, which is reviewed by the Board over a three-year period. This planning process involves modelling under a series of assumptions and plausible scenarios factoring in Group D2C growth, new contract wins within THG Ingenuity Commerce, an increased fulfilment infrastructure globally and the cost base of the business (including supply chain, technology and centralised corporate functions) as well as the effect of the Group's capital expenditure plans. This process is led by the Group CFO, Commercial Director and Deputy Group CFO along with the Board and Executive CEO providing further direction to align strategic initiatives. As a result of the impact of Covid 19, the Budget and three year plan has been updated for the Director's best estimate. Having experienced twelve months of Covid 19, the Board considered the impact of the pandemic on THG at the time of preparing its strategic plan. Overall, THG considered the financial impact of Covid-19 as having a positive impact on the Group, as the digital shift was accelerated, along with investments made in supporting the Group supply chain and in ensuring the safe operation of the Group worldwide.

ASSESSMENT OF THE GOING CONCERN ASSUMPTION

The going concern assessment period is the twelve months to April 2022.

In order to satisfy the going concern assumption, the Directors of the Group review its Budget periodically, which is revisited and revised as appropriate in response to evolving market conditions.

The Directors have considered the Budget and forecast prepared through to April 2022, the going concern assessment period, in light of Covid-19, including but not limited to:

- o Consideration around the Group's estimates of the potential upside in sales resulting from increased shift of consumers to digital platforms, along with increased costs to ship and other one-off Covid-19 related costs such as PPE spend.
- o Several stress test scenarios have been applied to the Group's forecast, including but not limited to:
  - Declining revenue growth in key markets, including Nutrition, Beauty and OnDemand businesses, along with assuming no further contract wins in THG Ingenuity for 2021

GOING CONCERN (CONTINUED)

- Extending the impact of closure of physical sites through the review period, and
- Increasing the Group's cost base, modelling significant one-off costs due to Covid 19 and Brexit

o Any mitigating actions available to protect working capital and strengthen the Group balance sheet, including deferring non-essential capital expenditure and increased cost control, such as reducing stock levels, reduce new customer marketing investment and decrease investment in platform

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

o Cash headroom The Group's forecast shows material cash headroom, that management are confident gives the Group the ability to continue to trade and capitalise on market opportunities as they develop, and

o Leverage (defined as gross debt / adjusted EBITDA). If the Group was to draw upon its currently undrawn RCF, it would be required to maintain a leverage ratio of less than 7.60 times The forecasts reviewed suggest that while the facility is not required, if it were there would be enough headroom to satisfy this covenant

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

As a result of the above analysis, 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 2020 and have been applied to 2019 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 2020 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 SALES

Identifying performance obligations for D2C sales the performance obligation is the delivery of the goods purchased by the customer The risks and rewards of ownership of the goods are transferred upon delivery of the product to the customer

Identifying the transaction price: the customer pays in full at the point of sale, with the transaction price allocated to individual goods purchased Revenue from D2C sales are 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. for D2C sales the whole transaction price is allocated to the performance obligation

Revenue recognition: revenue is recognised at the point of time when the customer receives the goods, shown net of returns.

REVENUE FROM CONTRACTS

Internet hosting contracts and domain renewal services contain a performance obligation that is settled over the life of the contract, as the service is delivered and the customer receives the benefit of that service THG Ingenuity Commerce contracts can have multiple performance obligations that are reviewed by management and include but are not limited to creation of digital assets, marketing services, stock management, customer support services and access to THG's Ingenuity platform

When 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.

Costs associated with the fulfilment of a contract are capitalised and released over the remaining life of the contract

Within certain Ingenuity contracts are performance obligations that relate to the Group acting as an agent in the sale of goods and services, predominantly relating to marketing and customer support services. Where the Group is an agent, 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

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

REVENUE FROM MEMBERSHIPS

Fees recognised in respect of memberships are recorded on a straight line basis over the membership period

BARTER INCOME

For some of its monthly subscription offerings, THG receives goods for inclusion in its subscription boxes from business partners in return for the marketing exposure received by those products being included in our subscription box The goods are recognised as stock when received and held at their fair value When the box is sold, the revenue for providing those marketing services is recognised with an equal and offsetting entry recorded in cost of goods sold

D ADJUSTING 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:

o Nature of the item

o Significance of the item on the financial results

o 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

ADJUSTED ITEMS (CONTINUED)

the way that financial performance is measured by management and reported to the Board. For further details, refer to note 4

SHARE-BASED PAYMENTS

The Group operates share-based compensation plans, under which the Group receives services from employees as consideration for equity instruments (options or growth shares) of the Company. The fair value of the employee services received in exchange for the grant of the equity instruments is recognised as an expense in the statement of comprehensive income and disclosed as an adjusted item. Non-market vesting conditions are included in assumptions about the number of equity instruments that are expected to vest. The total expense is recognised over the vesting period, which is the period over which all the specified vesting conditions are to be satisfied. At the end of each reporting period, the Group revises its estimates of the number of equity instruments that are expected to vest based on the non market vesting conditions along with taking account of any equity instruments that may have been cancelled or modified in the period. It recognises the impact of the revision to original estimates, if any, in the statement of comprehensive income with a corresponding adjustment to equity. Share subscriptions by employees in the Company that holds the growth shares are included within the employee benefit scheme reserve. When the equity instruments are exercised or growth shares in the Group are issued to employees, the Company issues new shares. *Of the proceeds received on exercise or issue of growth shares, an amount equal to the nominal value of the shares issued is credited to* the share capital account and an amount equal to the share premium, net of directly attributable transaction costs, is credited to the share premium account. Where an equity-settled award is cancelled (including when a non-vesting condition within the control of the entity or employee is not met), it is treated as if it had vested on the date of cancellation and any cost not yet recognised in the statement of comprehensive income for the award is expensed immediately. Any compensation paid up to the fair value of the award at the cancellation or settlement date is deducted from equity, with any excess over fair value being treated as an expense in the statement of comprehensive income. Prior to IPO, the Group had an employee benefit trust ("EBT") which facilitated an internal market for participants in employee share schemes to sell their shares in the Company. Shares held were recognised at cost as a deduction from shareholding equity. Subsequent consideration received for the sale of such shares was also recognised in equity. Immediately prior to the IPO, the EBT was terminated.

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.*

Where there are no intangible assets associated in a cash generating unit, the impairment loss is recognised accordingly in relevant assets.

On disposal of a subsidiary, the attributable amount of goodwill is included in the determination of the profit and loss on disposal.

PLATFORM DEVELOPMENT COSTS

The costs of acquiring and developing the platform and websites is capitalised separately as an intangible asset. Capitalised website costs include direct costs of materials, services, directly attributable overheads, payroll and payroll-related costs for employees who are directly associated with website development projects.

INTELLECTUAL PROPERTY

This includes separately acquired customer lists, domain and trade names, and other intellectual property, including customer lists acquired as part of business combinations.

Separately acquired intangible assets are measured at cost on initial recognition. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and impairment losses.

BRANDS

Brands arising from business combinations are recognised at fair value on acquisition date. An assessment is made on the useful economic life, and the intangible asset is subsequently amortised over that life. Where Brands have indefinite lives, they are reviewed for impairment on an annual basis as part of the assessment at a CGU level. *The useful economic life is reviewed on an annual basis to confirm that the indefinite 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 (CONTINUED)

Intangible assets are amortised on a straight-line basis over their estimated useful economic life. Amortisation is included within administrative expenses in the statement of comprehensive income in the period to which it relates. The estimates of useful economic lives are reviewed on an annual basis and any changes are treated as changes in accounting estimates.

Where computer software is not an integral part of a related item of computer hardware, the software is treated as an intangible asset. Computer software is capitalised on the basis of the costs incurred to acquire and bring to use the specific software. Amortisation is provided on the cost of software and is calculated on a straight-line basis over the useful life of the software.

The following useful economic lives are applied:

Platform development costs	1-5 years
New product development	1-5 years
Brands	5 years-indefinite
Intellectual property (including customer lists, domain and trade names)	2-10 years
Computer software	1-10 years

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

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.

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.

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 re-measurement 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

FINANCIAL INSTRUMENTS (CONTINUED)

and are initially recognised at fair value. Subsequently they are measured at amortised cost using the effective interest rate method less loss allowance. The Group measures the loss allowance at an amount equal to lifetime expected credit losses

CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise cash at bank and in hand and short-term deposits with an original maturity of three months or less. Cash and cash equivalents include amounts receivable from banks for credit and debit card transactions which clear the bank shortly after the transaction takes place

FINANCIAL LIABILITIES

Financial liabilities within the scope of IFRS 9 are classified as financial liabilities at amortised cost. The Group has no financial liabilities at fair value through profit and loss

TRADE AND OTHER PAYABLES

Trade and other payables are non-interest bearing and are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method

Within trade and other payables, returns recognised under IFRS15 (representing the liability for potential returns from customers) are captured within accruals

BANK BORROWINGS

Interest-bearing bank loans and overdrafts are initially recorded at fair value, which equals the proceeds received, net of direct issue costs. Finance charges, including premiums payable on settlement or redemption and direct issue costs, are accounted for using an effective interest rate method and are added to the carrying amount of the instrument to the extent that they are not settled in the period in which they arise

K) SUPPLIER INCOME

Supplier income comprises retrospective rebates and discounts. They are receivable in respect of goods which have been sold and are initially recognised as accrued income. The retrospective rebates are analysed per supplier basis and accrued income is adjusted accordingly based on quarterly assessment of variables impacting expected rebates. All retrospective rebates and discounts received and receivable are deducted from cost of sales when the sale to the third party has been completed

L) CONTRACT LIABILITIES

A contract liability is the obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer. If a customer pays consideration before the Group transfers goods or services to the customer, a contract liability is recognised when the payment is made or the payment is due (whichever is earlier). Contract liabilities are recognised as revenue when the Group performs under the contract

M) LEASES

The Group assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration

GROUP AS A LESSEE

The Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low value assets. The Group recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets

RIGHT-OF-USE ASSETS

The Group recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets, as follows:

Plant and machinery	1-6 years
Motor vehicles	3-6 years
Buildings	1-28 years

LEASE LIABILITIES

At the commencement date of the lease, the Group recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating the lease, if the lease term reflects the Group exercising the option to terminate

M) LEASES (CONTINUED)

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 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

N) ONEROUS CONTRACTS

A provision is made for onerous contracts, discounted at a risk free rate. This is based on management's best estimate of future cash flows, taking into account mitigating actions available

TAXATION

The tax expense included in the statement of comprehensive income and statement of changes in equity comprises current and deferred tax

Current tax is the expected tax payable based on the taxable profit for the period, and the tax laws that have been enacted or substantively enacted by the reporting date. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate, based on amounts expected to be paid to the tax authorities. Current and deferred tax is charged or credited in the statement of comprehensive income, except when it relates to items charged or credited directly to equity, in which case the current or deferred tax is also recognised directly in equity

Deferred tax is recognised on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the tax profit nor the accounting profit. The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered. Deferred tax is calculated at the tax rates (and laws) that are expected to apply in the period when the liability is settled, or the asset is realised

Tax assets and liabilities are offset where there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred tax assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities and where there is an intention to settle the balances on a net basis

P) 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

P) FOREIGN CURRENCY TRANSLATION (CONTINUED)

TRANSACTIONS AND BALANCES

Transactions denominated in foreign currencies are translated into the functional currency at the exchange rates prevailing on the date of the transaction.

Monetary assets and liabilities denominated in foreign currencies are translated into Sterling at the rates of exchange at the reporting date. Exchange differences on monetary items are taken to the statement of comprehensive income.

GROUP COMPANIES

On consolidation, the assets and liabilities of foreign operations are translated into the presentational currency of the Group at the rate of exchange prevailing at the reporting date and their statements of comprehensive income are translated at exchange rates prevailing at the dates of the transactions. The exchange differences arising on translation for consolidation are recognised in other comprehensive income.

On disposal of a foreign operation, the component of OCI relating to that foreign operation is recognised in the statement of comprehensive income.

Q) 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.

R) 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.

3. 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, along with the appropriate element of employee time capitalised. Refer to note 11 for details of capitalised platform development costs. The useful economic life of the platform is between one and five years, dependent on the type of development work capitalised. The estimate of useful economic life is reviewed on a regular basis to ensure that this continues to be appropriate.

ADJUSTED ITEMS

The identification of adjusted items depends on management judgement in identifying and quantifying amounts deemed to be adjusting or not reflective of the underlying performance of the Group. The key elements management take into consideration include, but are not limited to:

- The underlying nature of the item.
- Whether management believe the item is recurring in nature, or if it represents a one off distortion of the underlying results of the business, and
- Size of the impact of the item.

Refer the note 4 for details of each class of adjusted items.

3. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (CONTINUED)

ACCOUNTING FOR THE PROPCO GROUP DIVESTMENT

In the year, the Propco Group was divested from the Group. The transaction was complex and certain aspects required management to use their judgement to ensure the most appropriate accounting treatment was applied. Key areas of judgement applied included, but were not limited to, the following:

- Determining at what point the Propco Group was deemed to fall under IFRS 5 "Assets held for sale". There is judgement involved in determining when the decision to sell the Propco Group was sufficiently advanced to meet the requirements of the accounting standard. The Group has reflected on the events through 2020 in this respect and concluded the decision to sell the Propco Group was sufficiently advanced to meet the requirements of the accounting standards during the year for the annual financial statements. This decision was reached after assessing the progress of certain key considerations as part of this process, including, but not limited to:

  i) Discussions with the Board and key shareholders

  ii) Completeness of the Propco Group perimeter (scope of properties and entities to be included)

  iii) Progress made on valuation of the Propco Group and identification of suitable buyers

- Determining the fair value at the date the assets were held for sale. The Group assessed the fair value of the Propco Group using, multiple independent, public and specialist external data points from across the external property market, independent, external property expert valuations, our in-house certified property expert, and feedback obtained from our shareholders and external advisors. This was particularly important due to the impact of Covid-19 on property valuations across 2020. Accordingly, the market value of the assets disposed was £75.9m and the consideration received was the cancellation of vested share options, also valued at £75.9m based upon the value of the Group's shares on Admission (£5 per share)

- Determining the accounting for the sale and leaseback of the properties within the Propco Group. The Group had to determine the accounting treatment for the transaction (sale of the Propco Group). The Group considered the options available under IFRS 10 and IFRS 16 and assessed these against the underlying form of the transaction as well as the substance and economic reality. Management concluded the most appropriate accounting treatment was as follows:

  i) Sale of the Propco Group recognised first under IFRS 10. This involved de-recognition of the net assets from the consolidated results

  ii) Recognition of the property leases under IFRS 16. Albeit these leases existed prior to the sale at an individual entity level, they were consolidated out from a Group perspective. The sale triggered these leases now being external to the Group and as a result, a right-of-use asset and related financial liability was recognised from a Group perspective.

  iii) Accounting for the sale and leaseback of the properties as per IFRS 16 Leases

STOCK PROVISIONING

The Group holds levels of stock sufficient to meet the forecasted demand of its customers. As part of this, a provision is recognised to ensure that the balance sheet value of stock held is at the lower of cost and net realisable value in accordance with IAS 2. As part of the provisioning process, management's consideration includes, but is not limited to, age of stock, type of stock, and stock acquired as part of business combinations. The provision has increased in the year, primarily due to risk associated with stock from acquisitions and additional risk and uncertainty caused by Covid-19 and Brexit.

KEY SOURCES OF ESTIMATION UNCERTAINTY

GOODWILL AND INTANGIBLE ASSET VALUATION

The Group has made several acquisitions, and in doing so recognised a number of intangible assets on consolidation, including Brands, Customer Lists, and Goodwill (refer to note 11).

In valuing these intangibles assets, management are required to use judgement to estimate their fair value. These can include, but are not limited to, the cash flow forecasts of the entity, customer retention rates and the contributory asset charges.

SHARE-BASED PAYMENTS

The Group's share based compensation plans are measured at fair value at the grant date using a Monte Carlo simulation. The model requires managements judgement to determine the most appropriate inputs to the valuation model.

The Group also uses external third-party specialists to review the valuation model. A key area of estimation uncertainty is the volatility input to the Monte Carlo simulation on which management consult with external advisors to best establish the appropriate level at the date of grant of these awards. Management note the sensitivity of the volatility input for the IFRS 3 charge on the F, G and H shares issued in the year, with a 100bps move resulting in a £9.5m increase in the charge.

Refer to note 7 for further details.

CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (CONTINUED)

OTHER JUDGEMENTS AND OTHER SOURCES ESTIMATION UNCERTAINTY

IMPAIRMENT REVIEWS

The Group is required to review goodwill, brands and intellectual property with indefinite lives annually to determine if any impairment has occurred. Intangible assets with finite lives are reviewed for impairment if events or changes in circumstances indicate that the carrying amount may not be recoverable. The identification of CGU's is a judgement exercised by management, who consider the interoperability of the Groups asset base, along with the ability to identify separable series of cash flows attached to those assets.

When a review for impairment is conducted a cash-generating unit is determined based on value in-use calculations prepared based on management's assumptions and estimates. Management consider the estimation risk low in the current year. Refer to note 11 for further details of the value in-use calculations.

CHANGES IN ACCOUNTING POLICIES, ESTIMATES AND ERRORS

As part of the IPO process, previous errors were identified and corrected. We have therefore restated certain comparative balances to reflect this within the current financial statements.

1 HOSTING SERVICES INC TAX

Hosting Services Inc entered into a voluntary disclosure agreement (VDA) in order to pay US taxes. This prior period tax liability has therefore been reflected in the prior period as follows:

Impact on equity	31 December 2019	1 January 2019
	£'000	£'000
Increase in trade and other payables	2,432	1,363
Retained earnings	(1,363)	(514)
Loss for the year	(1,069)	(849)
Total equity and liabilities	-	

Impact on statement of comprehensive income	2019
	£'000
Increase in administrative costs	(1,069)
Net impact on result for the year	**(1,069)**
Impact on (loss) / earnings per share £s	
Basic	(0.00)
Diluted	(0.00)

2 CORRECTION TO INTANGIBLES ASSETS AND PROPERTY, PLANT AND EQUIPMENT

The Group's intangible assets include brands and customer relationships valued at acquisition over the years. Management noted that the model used in historic periods contained errors, the correction of which required changes in intangible measurement and a decrease in the value of intangibles of £2.0m. As a consequence of the change in measurement, the deferred tax and amortisation to date also required correction. A correction to the classification of capitalised costs of £3.3m was also made between intangible assets and property, plant and equipment.

Impact on equity	31 December 2019	1 January 2019
	£'000	£'000
Decrease in intangible assets due to assumptions review	(2,665)	(3,306)
Increase in intangible assets – IFRS 16	655	
Decrease in intangible assets due to reclassification	(3,306)	(1,966)
Increase in property, plant and equipment due to reclassification	3,306	1,966
Total assets	**(2,010)**	**(3,306)**
Deferred tax	(1,479)	164
Total liabilities	**(1,479)**	**164**
Retained earnings	(3,470)	(1,367)
Profit for the year	2,939	(2,103)
Total equity	**(531)**	**(3,470)**
Total equity and liabilities	**(2,010)**	**(3,306)**

Impact on statement of comprehensive income	2019
	£'000
Decrease in administrative costs	1,296
Decrease in tax charge	1,643
Net impact on result for the year	**2,939**
Impact on (loss) / earnings per share £s	
Basic	(0.00)
Diluted	(0.00)

3 HEDGE ACCOUNTING

In the 2019 statutory accounts, the hedging relationship between the €600m Term Loan B and the designated cash flow hedges was presented net on the balance sheet against borrowings. This has been corrected to be presented gross across equity and liabilities. There is no impact on the opening balance sheet as hedging was only adopted in 2019. Further, £0.4m of the cost of hedging was recognised in the statement of comprehensive income. The impact of this is as follows

Impact on equity	31 December 2019
	£'000
Cost of hedging reserve	464
Hedging reserve	(4,963)
Loss for the year	(464)
Total equity	**(4,963)**
Borrowings	6,738
Derivative financial liabilities	2,940
Deferred tax	(1,330)
Other financial liabilities	(3,385)
Total liabilities	**4,963**
Total equity and liabilities	-

Impact on statement of comprehensive income	2019
	£'000
Increase in finance costs	(464)
Net impact on result for the year	**(464)**
Net impact on other comprehensive income	**(4,963)**
Impact on (loss) / earnings per share £s	
Basic	(0.00)
Diluted	(0.00)

4 SHARE BASED PAYMENTS

An error was noted in the share-based payment assumptions used in 2019. An external third-party valuation was subsequently sought and the share-based payment charge has been corrected as follows.

Impact on equity	31 December 2019
	£'000
Retained earnings	2,564
Loss for the year	(2,564)
Total equity and liabilities	-

Impact on statement of comprehensive income	2019
	£'000
Increase in administrative costs	(2,564)
Net impact on result for the year	**(2,564)**
Impact on (loss) / earnings per share £s	
Basic	(0.00)
Diluted	(0.00)

5 BALANCE SHEET RECLASSIFICATION

RETURNS RECOGNISED UNDER IFRS 15

A returns provision of £2.0m that was previously disclosed as part of inventory this has been corrected by a reclassification to trade and other payables. This is a presentational adjustment only, there is no impact on the statement of comprehensive income, or basic and diluted EPS

Impact on equity	31 December 2019	1 January 2019
	£'000	£'000
Increase in inventories	1,981	2,017
Increase in trade and other payables	(1,981)	(2,017)
Total equity and liabilities	-	-

RDEC PRESENTATIONAL ADJUSTMENT

The Group benefits from RDEC (Research and Development Expenditure Credit), a UK government tax incentive designed to reward innovative companies for investing in research and development. The amount relating to 2019 of £2.9m was previously recognised as a contract liability but has been corrected by reclassifying the balance to other payables as 'Government grants'. This is a presentational adjustment only, there is no impact on the statement of comprehensive income, or basic and diluted EPS.

Impact on equity	31 December 2019	1 January 2019
	£'000	£'000
Decrease in contract liability	2,896	2,422
Increase in trade and other payables	(2,896)	(2,422)
Total equity and liabilities	-	-

TAX PRESENTATIONAL ADJUSTMENT

The Group has historically reported tax balances net by territory. This has been corrected to show tax balances gross where there is no legal right of offset. This is a presentational adjustment only, there is no impact on the statement of comprehensive income, or basic and diluted EPS.

Impact on equity	31 December 2019	1 January 2019
	£'000	£'000
Increase in current tax asset	1,539	476
Increase in trade and other payables	(1,539)	(478)
Total equity and liabilities	-	-

6 IFRS 16 DEPRECIATION RECLASS

In 2019 the depreciation impact from IFRS 16 was reflected solely in administrative expenses. In the current year the depreciation charge has been split between cost of sales and distribution costs in line with IFRS 16 and the comparative has been corrected accordingly. This is a presentational adjustment only, there is no impact on net profit, or basic and diluted EPS.

Impact on statement of comprehensive income	2019
	£'000
Increase in cost of sales	(2,050)
Increase in distribution costs	(6,093)
Decrease in administrative costs	8,143
Net impact on result for the year	-

CHANGES IN ACCOUNTING POLICIES, ESTIMATES AND ERRORS (CONTINUED)

To improve the readability of the prior year adjustments the net impact of the errors noted have been summarised below

Restatement of consolidated statement of comprehensive income for the year ended 31 December 2019

	2019 as reported	Total impact	2019 (restated)
	£'000	£'000	£'000
Revenue	1,140,260	-	1,140,260
Cost of sales	(629,397)	(14,053)	(643,450)
Gross profit	**510,863**	**(14,053)**	**496,810**
Distribution costs	(204,603)	(6,574)	(211,177)
Administrative costs	(315,712)	18,289	(297,423)
Operating loss	**(9,452)**	**(2,338)**	**(11,790)**
Finance income	133	-	133
Finance costs	(33,037)	(464)	(33,501)
Loss before taxation	**(42,356)**	**(2,802)**	**(45,158)**
Income tax credit / (charge)	(671)	1,643	972
Loss for the financial year	**(43,027)**	**(1,159)**	**(44,186)**
Other comprehensive (expense) / income			
Items that may be subsequently reclassified to profit or loss			
Exchange differences on translating foreign operations, net of tax	(2,393)	-	(2,393)
Net (loss) / gain on cash flow hedges	(1,171)	(4,499)	(5,670)
Total comprehensive expense for the financial year	**(46,591)**	**(5,658)**	**(52,249)**
Basic and diluted loss per share (£)	(0.06)	-	(0.06)

CHANGES IN ACCOUNTING POLICIES, ESTIMATES AND ERRORS (CONTINUED)

Restatement of Consolidated Statement of Financial position as at 31 December 2019

	31 December 2019 as reported	Total impact	31 December 2019 restated
	£'000	£'000	£'000
Non-current assets			
Intangible assets	582,116	(5,316)	576,800
Property, plant and equipment	352,393	3,306	355,699
Right-of-use assets	37,973		37,973
	972,482	(2,010)	970,472
Current assets			
Inventories	202,092	1,981	204,073
Trade and other receivables	131,184		131,184
Current tax asset	2,712	1,539	4,251
Other financial assets	2,214		2,214
Cash and cash equivalents	312,233	-	312,233
	650,435	3,520	653,955
Total assets	1,622,917	1,510	1,624,427
Equity			
Ordinary shares	4,381	-	4,381
Share premium	230,718		230,718
Employee benefit scheme reserve	175		175
Merger reserve	615		615
Capital redemption reserve	523		523
Hedging reserve	(1,171)	(4,963)	(6,134)
Cost of hedging reserve		464	464
FX reserve	(240)		(240)
Retained earnings	240,610	(3,427)	237,183
	475,611	(7,926)	467,685
Non-current liabilities			
Borrowings	595,829	6,738	602,567
Derivative financial liabilities	-	2,940	2,940
Lease liabilities	28,678		28,678
Deferred tax	10,848	(2,809)	8,039
	635,355	6,869	642,224
Current liabilities			
Contract liability	26,635	(2,896)	23,739
Trade and other payables	322,751	8,848	331,599
Borrowings	147,532		147,532
Lease liabilities	9,787		9,787
Provisions	1,861	-	1,861
Other financial liabilities	3,385	(3,385)	-
	511,951	2,567	514,518
Total liabilities	1,147,306	9,436	1,156,742
Total equity and liabilities	1,622,917	1,510	1,624,427

2 SEGMENTAL REPORTING AND REVENUE

The Directors have assessed the criteria and considerations under IFRS 8 'Operating Segments' in order to identify operating segments within the Group. The Directors concluded that the Group has one segment, as the Ingenuity platform underpins the Groups operations. The Chief Operating Decision Maker (CODM) is the Chief Executive, who makes the key operating decisions for the business. The CODM receives daily financial information at the combined Group level, and uses this information to allocate resources, make operating decisions and monitor the performance of the Group as a whole.

While the Group only has one operating segment, to increase transparency, the Group has included additional voluntary disclosure analysing revenue split by division.

	2020	2019
	£'000	£'000
Beauty	**751,621**	478,260
Nutrition	**562,327**	412,913
Ingenuity	**98,479**	81,532
Other	**162,402**	121,166
Total revenue recognised under IFRS 15	**1,574,829**	1,093,871
Ingenuity revenue recognised under IFRS 16	**38,796**	46,389
Total revenue	**1,613,625**	1,140,260

Beauty relates to website and business to business sales of owned and third-party Beauty brands, Nutrition relates to sales of products from wholly owned nutrition brands. Ingenuity revenue (2020: £137.3m, 2019: £127.9m) relates to the provision of services relating to web-platform, alongside revenue generated from product development, marketing and warehouse costs for third-party clients (revenue recognised under IFRS 15), and revenue from webhosting (revenue recognised under IFRS 16). Other relates to revenue generated from THG OnDemand, THG Experience and THG Luxury.

Below is an analysis of revenue by region (by destination)

	2020	2019
	£'000	£'000
UK	**622,663**	398,735
USA	**207,835**	146,111
Europe	**397,216**	277,687
Rest of the world	**385,911**	317,727
	1,613,625	1,140,260

2 SEGMENTAL REPORTING AND REVENUE (CONTINUED)

Rendering of services represents 6% of total revenue (2019: 9%). Revenue that is not within the scope of IFRS 15 'Revenue from Contracts with Customers' represents 2% of total revenue (2019: 4%) and represents revenue from leases under the scope of IFRS 16.

As the Group operates as one segment, no measure of segmental assets or liabilities is disclosed in this note.

The Group's non-current assets by geography are as follows

	2020	2019 (restated)
	£'000	£'000
UK	**1,041,405**	872,092
Europe	**48,894**	81,405
Rest of the world	**18,102**	16,975
	1,108,401	970,472

3 OPERATING LOSS

	Note	2020	2019 (restated)
		£'000	£'000
Operating loss has been arrived at after charging / (crediting):			
Employee costs	6	**171,368**	131,735
Share-based payments	7	**331,624**	27,251
Depreciation on fixed assets	12	**33,813**	30,852
Depreciation on right-of-use assets	22	**14,242**	8,772
Amortisation of intangibles	11	**57,239**	38,320
Government grants		**(1,065)**	(1,125)
Net foreign exchange gain		**(574)**	(269)

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

	2020 £'000	2019 £'000
Within Distribution costs		
Transportation, delivery and fulfilment costs in relation to Covid-19	39,175	
Commissioning - new facilities	15,907	7,495
Decommissioning - legacy facilities	158	2,061
	55,240	9,556
Within Administrative costs		
Share-based payments	331,624	27,251
Restructuring and IPO fees	14,308	863
Impairment on assets held for sale, and sale and leaseback charges	105,138	
Donations and other Covid 19 costs	11,108	
Acquisitions - restructuring and integration	5,736	5,511
Acquisitions - legal and professional costs	2,529	1,075
Other legal and professional costs	1,655	1,048
	472,098	35,748
Within Finance costs		
Refinancing	-	7,951
Total adjusted items before tax	527,338	53,255
Tax impact	3,784	(5,172)
Total adjusted items	531,122	48,083

Adjusted items are shown split out on the Consolidated Statement of Comprehensive Income, showing the share based payment charge of £332m, with the remaining adjusted items grouped into 'Adjusted items - other' balance of £196m.

REVENUE

The Covid 19 pandemic has accelerated the recent shift in consumer behaviour to digital channels. The Group has seen a benefit from this which is reflected in the strong revenue delivery of the Group in the year ended 31 December 2020. The Group is unable to distinguish the quantum impact of this benefit from that provided by organic growth and our investment in new customer acquisition.

TRANSPORTATION, DELIVERY AND FULFILMENT COSTS IN RELATION TO COVID 19

Covid-19 has had a direct and measurable impact on the Group's cost to fulfil delivery of goods to customers across its global network, through reduced commercial flights and closures of key shipping lanes. The additional cost to complete these deliveries has been recognised as an adjusted item, and while there is uncertainty around the length of disruption the pandemic will have on global supply chains, the Group doesn't consider this to be a recurring part of the Group's cost base. The costs incurred were as a result of the following:

- In order to maintain the Group's pre Covid-19 levels of customer experience, the Group had to address the challenges caused by commercial flights being reduced during the pandemic to minimal levels. The Group secured THG exclusive chartered flights in order to be able to uphold its service levels, generating an identifiable increase in costs versus non-exclusive passenger flights, which were used pre Covid-19
- Our delivery partners passed on to the Group additional surcharges specifically identified on invoices as a response to operating during the pandemic
- Due to the impact of Covid-19, a number of key supply routes were disrupted or closed. This necessitated identifying and sourcing alternative viable routes to fulfil the obligations on the Group to serve its customers, which

created identifiable external costs relating to alternative routes that had to be taken due to the impact of Covid 19 on the Group's courier and logistics providers ability to operate in the pandemic

COMMISSIONING NEW FACILITIES

The Group has embarked on a strategic project to transform the Group's global infrastructure footprint and capability, moving away from the smaller sized facilities which were fit for purpose in the past, into larger purpose built distribution facilities to support the strategic objectives of the Group

Under this project, the Group has commissioned a number of these purpose built facilities over the years, including sites in Warrington, UK ("Omega") and Kentucky, US, and sites in Singapore and Wroclaw, Poland

Due to the scale and complexity of these sites, commissioning of these facilities and integration into the Group's existing distribution network can span more than one accounting period, taking up to 18 months in total for a specific site, a relatively short period compared to the useful economic life of the asset. During the commissioning and integration period, costs relating to the set-up, integration and testing of the new facilities are included within adjusted items as these costs are not expected to be recurring for each specific site and do not reflect the underlying cost base of the Group. Such costs include

- Additional costs are incurred relating to the period of testing and commissioning that is required to ensure a facility is operating as expected. Such costs are non underlying and therefore included within adjusting items,
- Costs relating to the migration of production operations and processes to the new sites as part of this expansion of the fulfilment network include testing of new production processes and resolution of any commissioning protocols required before production is fully operational,
- Bulk internal warehouse transfers from existing THG facilities are often required during the set up/commissioning period for a new facility. These costs are non-underlying in nature, and
- Additional shipping costs are incurred when the products within a single customer order is fulfilled by shipping from two different warehouses, due to stock being split across two sites during the commissioning period for a new facility. This results in duplicated postage costs on a single order.

The costs above are identified through internal processes and controls which isolate the impact of commissioning new facilities. For some of these costs, the amounts included within adjusted items are calculated by taking the excess costs per unit versus the normalised rate, which is set based on historical information or third-party data

Further material charges are anticipated as the respective projects are completed, the quantum of which is subject to change throughout the project as unforeseen events arise through to completion

DECOMMISSIONING - LEGACY FACILITIES

As the Group's larger purpose-built facilities have become fully operational, the Group has exited its legacy warehouses swiftly to minimise excess capacity and cost. There is commonly a period of overlap of operations of both a legacy warehouse and the new facility designed to replace it, and duplicated costs are recorded as adjusted items as they do not reflect the underlying cost base of the Group

The costs associated with the decommissioning and closure of these facilities, from the period they are deemed to be surplus to the closure/exit date, are included within adjusted items. These costs are not expected to be recurring however they can span accounting periods. The costs include, but are not limited to, dilapidation costs, onerous contracts, rent and rates and other exit costs. The costs incurred in the current period relate to the decommissioning of Reno Logistics, USA, which has now been fully exited. As such, no further costs are expected in relation to this legacy facility

SHARE BASED PAYMENTS

The Group operates share-based compensation plans, under which the Group receives services from employees as consideration for equity instruments (options or growth shares) of the Company. The fair value of the employee services received in exchange for the grant of the equity instruments is recognised as an expense and included within adjusted items. Due to the nature of these schemes, they can run over multiple years and can be considered to be recurring. The charge relating to share based payments has been treated as an adjusting item as the underlying driver for the share awards (e.g. the IPO) is also an adjusting item. Any share-based payment charges relating to employee reward and retention remain as an underlying cost. This is a non-cash expense. Full details on the schemes in place can be found in note 7

4 ADJUSTED ITEMS (CONTINUED)

RESTRUCTURING AND IPO COSTS

The Group has undertaken significant restructuring activities during the years ended 31 December 2019 and 2020. In 2020 the Group undertook a number of restructuring actions in order to prepare the Group for Admission onto the London Stock Exchange. These actions were focused on simplification of the Group structure. The Group also incurred costs in relation to the IPO listing in September 2020 which include legal and professional fees and listing fees. The IPO related costs, amounting to £14m are material, non recurring expenditure, as a result of the Group's listing on the London Stock Exchange and have therefore been presented within adjusted items.

In 2019, these costs related to restructuring of departments, divisions and businesses within the Group and are included within adjusted items as these costs are not expected to be recurring as they relate to discrete restructuring events. Most restructuring projects are expected to be completed within 12 months, however due to the commencement date of the activities, they can span accounting periods.

IMPAIRMENT ON ASSETS HELD FOR SALE AND SALE AND LEASEBACK CHARGES

Impairments of £64.5m have been booked this year. As the Covid-19 lockdown in the UK significantly impacted the hospitality and leisure sector, management reviewed both the value in use and the market value of King Street Hotel and Great John Street Hotel. Within the year, a £29.4m impairment loss was recognised in respect of these hotels. This is a non cash charge that will not recur. Following this these hotels and a number of the Group's freehold properties were being marketed for sale. These properties were required to be treated as held for sale assets in line with IFRS 5 'Non-current assets held for sale and discontinued operations'. As a result of this, the Group recognised an impairment for the difference between the fair value of the assets held for sale and their historic carrying value. The need for the impairment was driven by construction obligations to complete the build of some properties to the required specification, resulting in a £35.1m impairment. Subsequently all these assets were disposed of on 11 September 2020 as part of the Propco divestment. The remainder of the charge relates to sale and leaseback transactions. This reflects a reduction in the right of use asset held in accordance with IFRS 16 and is driven by the derecognition of freehold assets, that have been replaced with leases which have a shorter useful economic life. This is a non-recurring, non-cash charge. See note 27 for further details.

DONATIONS AND OTHER COVID-19 RELATED COSTS

As part of its Covid 19 response, the Group made several charitable donations to the local region, totalling £6.6m including £1.0m in cash to Manchester charities, with the remainder relating to additional costs incurred as part of making the business Covid-19 secure (temperature sensors, PPE etc) for its people and customers. This is expected to be non-recurring.

ACQUISITIONS, RESTRUCTURING AND INTEGRATION

Where the Group completes acquisitions, it derives value by achieving synergies in the post acquisition period by restructuring the acquired businesses and integrating them into the Group. During this restructuring and integration phase there are a number of non-recurring costs incurred by the Group as the businesses which are classified as adjusted items. These costs include, but are not limited to:

- Duplicated costs whilst the integration plan is executed. These often relate to termination of pre acquisition agreements that were in place and exit costs associated (such as closure of old facilities or head offices),
- As part of the integration plan itself, additional non-recurring costs may be incurred which do not relate to the underlying trading operations of the Group, including, but are not limited to, system integration testing and validation, costs of moving equipment to new sites and department relocation or set up costs, and
- Costs of staff exiting the business, including redundancy costs, earnouts or bonus payments relating to the integration plan. Integration plans can often result in moving offices geographically, a change in management structure or redefining the roles and needs of departments or individuals. As a result, some employee redundancy costs are incurred. Payments are also made to employees for successful delivery of integration plans.

Depending on the size and nature of the acquisition and the complexity of the integration plan, acquisition restructuring and integration costs can be incurred for up to 12 months post acquisition.

4 ADJUSTED ITEMS (CONTINUED)

OTHER LEGAL AND PROFESSIONAL COSTS

The Group incurs legal and professional costs that are non-recurring, one off in nature and not related to trading activities. These costs are included as adjusted items and can include, but are not limited to, costs associated with equity raises that occurred before the IPO, and other fees associated with investor activities.

ACQUISITIONS LEGAL AND PROFESSIONAL COSTS

The Group periodically considers and analyses potential acquisition targets and recognises there is inherent complexity and risk associated with acquisitions. The Group manages this by employing external professional advisors to perform legal, financial, commercial and tax due diligence on targets. These costs relate to opportunities the Group identifies and pursues, of which a portion result in successful acquisitions by the Group. Such legal and professional costs are classified as adjusting items as they relate to significant strategic transactions and, except for the transactions in question, the business would not have incurred these costs and as a result these costs are deemed to be non-recurring costs that do not relate to the underlying trading operations of the business.

REFINANCING

The Group restructured its debt financing in 2019, obtaining a €600m institutional Term Loan B, £150m revolving credit facility and a £197m secured debt and development funding. As part of this process, initial arrangement fees from terminated facilities, have been included within adjusted items within 2019.

5 AUDITORS REMUNERATION

	2020	2019
	£ 000	£ 000
Fees in respect of the audit of the Consolidated and Parent Company Financial Statements	**656**	195
Other audit fees, principally in respect of audits of accounts of subsidiaries	**95**	336
Total audit fees	**751**	531
Other services		
- non-audit advisory services relating to Admission	**1,372**	-
- corporate finance services	-	146
- tax advisory services	-	97
other assurance services	**38**	35
Total non-audit services	**1,410**	278
Total fees	**2,161**	809

6 EMPLOYEE COSTS AND DIRECTORS REMUNERATION

		2020	2019 (restated)
	Note	£ 000	£ 000
Wages and salaries		**184,254**	145,604
Social security costs		**18,856**	14,865
Pension costs		**3,509**	2,266
Share based payments	7	**331,624**	27,251
		538,243	189,986

The aggregate amount of employee costs included above that have been capitalised within platform development costs was £35.3m (2019: £28.4m).

6 EMPLOYEE COSTS AND DIRECTORS' REMUNERATION (CONTINUED)

The costs incurred in respect of the Directors, who are regarded as the only key management personnel, were as follows

	Note	2020 £'000	2019 £'000
Short term employee benefits		**2,542**	2,094
Share based payments	7	**293,604**	22,422
		296,146	24,516

Details of the Directors' share-based payments are included in note 27.

No retirement benefits are accruing to any of the Directors at 31 December 2020 (2019: nil)

The average number of employees (including executive directors) during the year was

	2020 Number	2019 Number
Retail	**1,904**	1,501
Administration	**1,170**	864
Distribution	**2,386**	2,007
Information technology	**623**	554
	6,083	4,926

7. SHARE-BASED PAYMENTS

The Group operates share-based compensation plans over the years, under which the Group receives services from employees, including directors, as consideration for equity instruments (options or growth shares) of the Company At each balance sheet date, the Group revises its estimate of the number of options and shares expected to vest upon the satisfied completion of the specific vesting conditions and the vesting period.

The fair value of the employee services received in exchange for the grant of the equity instruments is recognised as an expense in adjusted items Due to the strong performance of the Group stock on the London Stock Exchange post IPO, all the share schemes detailed below have vested in full. There are no active schemes as at 31 December 2020

All the share-based compensation plans are equity settled and valued by a Monte Carlo simulation. The details of those plans are given below

2017 growth share scheme – E ordinary shares A Long-term Incentive Plan (LTIP) was introduced during 2018 Under this scheme, the Group issued equity settled management shares The scheme was only exercisable on an exit (non-market condition), had EPS targets based on adjusted EBITDA (non-market performance condition), had an exit hurdle price (market condition) The scheme has a service condition requiring employees to remain in employment for three years from grant until the date each of the EBITDA targets is met. In 2020, these shares vested fully, triggered by the IPO

2020 schemes: 3 new schemes were issued in 2020 prior to the IPO, with all being subject to a post IPO market capitalisation hurdle of £6 5bn In 2020, the shares under these schemes fully vested, triggered by share price increases achieved after the IPO

F ordinary shares. under this scheme, the Group issued equity settled management shares. The scheme runs over 3 years to 2022, vesting equally across those 3 years as EBITDA targets are met The scheme also contained a hurdle that vested all the shares in the event of an IPO that attained a market capitalisation of greater than £5 25bn.

G ordinary shares: this scheme represents equity settled management shares that vest over a 3 year period to 2022 based on market capitalisation targets, starting at 75% vested at a market capitalisation of £6 5bn, and further vesting in 8 3% increments each £0 25bn of further market capitalisation

H ordinary shares this scheme represents equity settled management shares, that vest based on the £6 5bn market capitalisation hurdle noted above.

7 SHARE-BASED PAYMENTS (CONTINUED)

The equity instruments granted in the period were valued based on the below inputs

	Issued in 2020
Exercise / subscription price £	**£49 - £61**
Expected volatility %	**35%**
Expected term	**1 3 years**
Risk-free interest rate %	**0.05%**
Fair value £	**£357 £372**

The fair value of equity instruments was calculated using a Monte Carlo simulation The implied volatility was estimated based on historical volatility based on observable equity raises, with reference to external market participants. Management note the sensitivity of the charge to the volatility input, with a 100bps movement creating an increase / decrease in the charge of £9 5m (see note 1)

A reconciliation of equity instrument movements, and weighted average exercise price ("WAEP") is shown below

	2020 Number	2020 WAEP	2019 Number	2019 WAEP
Outstanding at 1 January	**589,101**	**22.97**	477,124	18 14
Granted	**897,811**	**51.99**	112,824	43 25
Cancelled	**(5,259)**	**3.61**	(847)	3 75
Exercised options	**(318,341)**	**2.99**		
Split of shares	**214,803,742**	-	-	
Vested due to listing	**(215,967,054)**			-
Outstanding at 31 December	-		589,101	22 97

All the share options outstanding pre IPO have vested during the year at an equity valuation of £4 5bn which makes the weighted average share price at the date of exercise at £927

8 FINANCE INCOME AND COST

	2020 £'000	2019 (restated) £'000
Finance income		
Bank interest receivable	**205**	133
Finance costs		
Bank interest payable and charges	**48,491**	24,407
Interest on lease liabilities	**4,521**	1,143
	53,012	25,550

9. INCOME TAX

	Note	2020 £'000	2019 (restated) £'000
Current tax			
Tax charge for the year		**8,566**	2,355
Adjustments in respect of prior year		**390**	133
		8,956	2,488
Deferred tax			
Origination and reversal of temporary differences		**(14,590)**	(4,210)
Adjustments in respect of prior year		**(1,768)**	507
Change in tax rates		**5,392**	243
	21	**(10,966)**	(3,460)
Total income tax credit		**(2,010)**	(972)

The effective tax rate was (0.4%) (2019: 2.2%) and is explained below.

	2020 £'000	2019 (restated) £'000
Loss before tax	**(534,639)**	(45,158)
Tax at statutory rate of 19% (2019: 19%)	**(101,581)**	(8,580)
Tax effects of:		
Adjustments in respect of prior year	**(1,379)**	640
Non-qualifying depreciation	-	691
Expenses not deductible / non-taxable income	**28,715**	249
Share-based payment charge	**63,009**	5,178
Effect of higher tax rates in other jurisdictions	**474**	607
Recognition of previously unrecognised losses / unrecognised in year	**3,381**	-
Effect of change in tax rate	**5,371**	243
	(2,010)	(972)

Within the tax effect of non deductible expenses is included the effect of £13m assets impairment and £11m non-deductible IPO expenses.

The standard rate of corporation tax in the UK is 19%. The effective tax rate is negative as a result of a total tax charge in the period of £5.6m arising on a loss before tax. The effective tax rate deviates from this due to non-deductible exceptional costs, share-based payments (£63m), non-qualifying depreciation, other non-deductible items in the UK, prior year adjustments (mostly in the UK and US) and overseas tax rates.

Deferred tax balances relating to the UK have been calculated at 19% (2019: 17%), being the enacted rate applicable at this date. A change was announced after the prior year balance sheet date, whereby the cut in the tax rate to 17% would not occur and the UK Corporation Tax Rate would instead remain at 19%. Deferred tax balances relating to the US have been calculated at 21% based on the respective corporation tax rate.

10. BUSINESS COMBINATIONS

Details of the acquisitions are as follows:

Business	Country of incorporation	Nature of activity	Date of acquisition	Consideration (£'000)	Percentage ownership
Perricone MD	USA and England and Wales	Design and sale of science-led, luxury skincare products	29 September 2020	51,038	100%
David Berryman	England and Wales	Fruit ingredients product developer and manufacturer	8 December 2020	7,517	100%
Claremont	England and Wales	Flavouring solutions and products	10 December 2020	61,083	100%

The following intangible assets were recognised at acquisition.

	Perricone MD (£'000)	David Berryman (£'000)	Claremont (£'000)
Intangible assets - brands	5,479	587	478
Intangible assets - customer lists	10,814	814	13,516
Intangibles - other intellectual property	-	-	7,740
Deferred tax	(4,073)	(266)	(4,129)
Total fair value on acquisition	**12,220**	**1,135**	**17,605**

The provisional fair values of the assets and liabilities and the associated goodwill arising from the acquisitions are as follows:

	Note	Perricone MD (£'000)	David Berryman (£'000)	Claremont (£'000)
Intangible assets	**11**	16,292	1,402	21,734
Property, plant and equipment	12	150	1,342	105
Inventories		13,417	908	749
Trade and other receivables		16,475	4,375	12,268
Cash and cash equivalents		6,235	136	10,768
Trade and other payables		(15,059)	(4,137)	(836)
Deferred tax	21	(4,118)	(266)	(4,129)
Net assets acquired		**33,392**	**3,760**	**30,659**
Goodwill	11	17,646	3,757	30,424
Purchase consideration		51,038	7,517*	61,083
Transactions costs		1,210	28	643

* Note within the £7.5m consideration for David Berryman, £0.5m is deferred consideration dependent upon performance targets post acquisition.

10 BUSINESS COMBINATIONS (CONTINUED)

Purchase consideration was cash for all acquisitions. Transactions costs comprises mainly of advisor fees, including financial, tax and legal due diligence costs and these are included in acquisition - legal and professional costs in the adjusted items in note 4.

The goodwill is attributable to the cost synergies and cross-selling opportunities that are expected to be achieved from incorporating the businesses into the Group's platform and supporting operations.

Cash flows arising from the acquisitions were as follows

	Perricone MD (£'000)	David Berryman (£'000)	Claremont (£'000)
Purchase consideration	51,038	6,967	61,083
Cash and cash equivalents acquired	(6,235)	(136)	(10,768)
Net cash flows	**44,803**	**6,831**	**50,315**

Amounts of revenue and profit before tax (PBT) of the acquirees since the acquisition date included in the consolidated statement of comprehensive income for the reporting period, and the revenue and PBT of the combined entities for the current reporting period as though the acquisition date for all business combinations that occurred during the year had been acquired at the beginning of the annual reporting period are as follows:

£'000	Revenue contributed in year of acquisition	PBT contributed in year of acquisition	Full year revenue of year of acquisition	Full year PBT of year of acquisition
Perricone MD	75,770	6,286	76,161	(1,145)
David Berryman	324	(81)	9,388	(619)
Claremont	281	56	9,322	4,252

During 2020, the Group has concluded on the fair value of the net assets in respect of acquisitions completed in 2019, resulting in a decrease of £0.1m in net assets and a corresponding increase in goodwill

11 INTANGIBLE ASSETS

	Goodwill £'000	Platform development costs £'000	Intellectual property £'000*	Brands £'000	New Product Development £'000	Total £'000
Cost or valuation						
At 1 January 2019 (restated)	**349,979**	**107,132**	**67,011**	**84,517**	**1,112**	**609,751**
Additions (restated)		33,304	19,029		1,464	**53,797**
Business combinations (note 10)	22,022		7,244	19,503		**48,769**
Currency translation differences	(1,317)	(499)	(115)	(806)		**(2,737)**
Disposals			(1)			**(1)**
At 31 December 2019 (restated)	**370,684**	**139,937**	**93,168**	**103,214**	**2,576**	**709,579**
At 1 January 2020	**370,684**	**139,937**	**93,168**	**103,214**	**2,576**	**709,579**
Additions	1,115	39,917	21,857	743	2,189	**65,821**
Business combinations (note 10)	51,827		32,884	6,544		**91,255**
Currency translation differences	(1,942)	(112)	(1,160)	(331)		**(3,545)**
At 31 December 2020	**421,684**	**179,742**	**146,749**	**110,170**	**4,765**	**863,110**
Accumulated amortisation						
At 1 January 2019 (restated)	**270**	**54,851**	**30,812**	**8,658**	**508**	**95,099**
Amortisation (note 3) (restated)	-	20,924	13,298	3,975	123	**38,320**
Currency translation differences		(510)	(18)	(112)		**(640)**
At 31 December 2019 (restated)	270	75,265	44,092	12,521	631	**132,779**
At 1 January 2020	**270**	**75,265**	**44,092**	**12,521**	**631**	**132,779**
Amortisation (note 3)	-	28,451	18,309	9,745	734	**57,239**
Currency translation differences	-	(276)	(780)	(145)		**(1,201)**
At 31 December 2020	**270**	**103,440**	**61,621**	**22,121**	**1,365**	**188,817**
NBV						
At 1 January 2019 (restated)	349,709	52,281	36,199	75,859	604	**514,652**
At 31 December 2019 (restated)	370,414	64,672	49,076	90,693	1,945	**576,800**
At 31 December 2020	**421,414**	**76,302**	**85,128**	**88,049**	**3,400**	**674,293**

* Included within Intellectual property are costs relating to the fulfilment of contracts under IFRS 15 with a net book value of £2.0m at 31 December 2020 (2019: £nil)

11 INTANGIBLE ASSETS (CONTINUED)

IMPAIRMENT TESTS FOR GOODWILL AND OTHER INTANGIBLE ASSETS

The Group's intangible assets include acquired brands and intellectual property, some of which are deemed to have indefinite lives as there are no foreseeable limits to the periods over which they are expected to generate cash inflows. The assessment of an indefinite life considers the market position and the Group's commitment to maintaining the brand. Goodwill, brands and intellectual property that have indefinite useful lives are subject to annual impairment testing, or more frequent testing if there are indications of impairment.

Intangible assets and goodwill are reviewed by assessing the appropriate cash-generating units ("CGUs"), which are identified based on the smallest identifiable group of assets that generate cash inflows independently in relation to the specific intangible assets. Due to interdependency between divisions on the Ingenuity platform, management has identified two CGUs, THG Retailing and Commerce Services and THG Experiences. Prior to 2020 and the commercialisation of the Ingenuity platform and further integration and embedding of divisions onto the platform, the Group's intangible assets were tested for impairment at a more granular level, however, given the dependency they now have on the Ingenuity platform, the CGUs can now only be identified as the two noted above.

The value-in-use calculations used to support the intangibles at Group use amounts from approved Budgets, and projections over an initial period of 5 years (2019: 3-10 years) and pre-tax cash flows projected forward assuming a perpetual growth rate of 2% (2019: 2%). The discount rate applied to the cash flow projections was 9.3% on a post tax basis (2019: 6.1%). The specific assumptions for each CGU are as follows:

THG Retailing and Commerce Services: average revenue growth rate of 25.4% over 5 years

THG Experiences: average growth rate of 16.2% over 5 years

The net book value of goodwill, brands and intellectual property with indefinite lives allocated to CGUs for the purposes of impairment testing is as follows:

	2020		2019 (restated)	
	Goodwill £'000	Brands £'000	Goodwill £'000	Brands £'000
THG Retailing and Commerce Services	404,990	5,527	353,990	5,527
THG Experiences	16,424	-	16,424	-
	421,414	5,527	370,414	5,527

A sensitivity analysis has been performed around the base assumptions, being operating profit and sales growth, with the conclusion that no reasonable possible changes in key assumptions would cause the recoverable amount of the goodwill and brands with indefinite lives to be less than the carrying value. A 10% reduction in the discounted cash flows would not result in an impairment being required in THG Retail and Commerce Services.

The unprecedented environment the hospitality sector finds itself in (due to the Covid-19 pandemic) has meant the hotels and country club have been closed during much of the last year and this has adversely impacted the profitability of the Experience CGU. When reviewing the value in use of the CGU the Group has made assumptions in relation to how trading at these venues recovers and then grows. The Group has then flexed the assumptions used when conducted sensitivity analysis on the impairment test of the CGU's carrying value. This has not resulted in any impairment of the carrying value at 31 December 2020 as the CGU's recoverable amount exceeds its carrying value by £13.3m. However if the unprecedented pressures were to continue and the discount rate adopted for the CGU (9.3%) were to increase by 0.5% then the excess headroom reported would be eliminated.

12 PROPERTY, PLANT AND EQUIPMENT

	Motor vehicles £'000	Plant and machinery £'000	Fixtures and fittings £'000	Computer equipment and software £'000	Freehold buildings £'000	Total £'000
Cost						
At 1 January 2019 (restated)	**2,394**	**74,984**	**42,599**	**43,319**	**115,007**	**278,303**
Transfers*	-	(2,220)	-	(681)	-	(2,901)
Additions (restated)	139	8,020	27,681	25,678	64,959	126,477
Business combinations			1,240	22	40,408	41,670
Currency translation differences	-	(983)	(258)	(144)	104	(1,281)
Disposals	(23)	(99)	(46)	(58)	(253)	(479)
At 31 December 2019 (restated)	**2,510**	**79,702**	**71,216**	**68,136**	**220,225**	**441,789**
At 1 January 2020	**2,510**	**79,702**	**71,216**	**68,136**	**220,225**	**441,789**
Additions	320	27,860	13,513	13,609	161,653	216,955
Business combinations		1,383	169	25	20	1,597
Currency translation differences		(374)	(169)	(1,257)	1,204	(596)
Disposals	(775)	(38,491)	(10,294)	(13,571)	(279,351)	(342,482)
At 31 December 2020	**2,055**	**70,080**	**74,435**	**66,942**	**103,751**	**317,263**
Accumulated depreciation						
At 1 January 2019 (restated)	**1,145**	**21,532**	**12,603**	**16,886**	**6,061**	**58,227**
Transfers*	-	(1,207)	-	(534)	-	(1,741)
Depreciation (note 3) (restated)	308	12,815	7,379	8,029	2,321	30,852
Currency translation differences	-	(605)	(73)	(74)	(77)	(829)
Disposals	(23)	(99)	(31)	(13)	(253)	(419)
At 31 December 2019 (restated)	**1,430**	**32,436**	**19,878**	**24,294**	**8,052**	**86,090**
At 1 January 2020	**1,430**	**32,436**	**19,878**	**24,294**	**8,052**	**86,090**
Depreciation (note 3)	317	13,552	7,803	8,466	3,675	33,813
Impairment	-	-	-	-	29,367	29,367
Currency translation differences	-	(152)	(125)	(1,009)	2	(1,284)
Disposals	(652)	(36,798)	(7,114)	(13,273)	(13,107)	(70,944)
At 31 December 2020	**1,095**	**9,038**	**20,442**	**18,478**	**27,989**	**77,042**
NBV						
At 1 January 2019 (restated)	1,249	53,452	29,996	26,433	108,946	220,076
At 31 December 2019 (restated)	1,080	47,266	51,338	43,842	212,173	355,699
At 31 December 2020	**960**	**61,042**	**53,993**	**48,464**	**75,762**	**240,221**

*Transfers in 2019 are due to the Group adopting IFRS 16 and are reclassifications to leases

Disposals include amounts relating to the Propco divestment as detailed in note 27 of this report. As the Covid-19 lockdown in the UK significantly impacted the commercial property sector, management reviewed both the value in use and the market value of assets held for sale. As a result, the assets were written down to their fair value. Refer to note 4 for further details.

13 INVENTORIES

	2020	2019 (restated)
	£'000	£'000
Goods held for resale	**247,841**	166,611
Raw materials	**46,554**	32,452
Goods in transit	**8,283**	5,010
	302,678	204,073

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 £884m (2019: £629m). The value of inventories written down and recognised as an expense in the statement of comprehensive income in the year was £3.3m (2019: £2.0m).

14 FINANCIAL ASSETS AND LIABILITIES

	Note	2020	2019 (restated)
		£'000	£'000
Assets as per balance sheet – financial assets			
Trade and other receivables excluding non financial assets	15	**147,211**	65,683
Cash and cash equivalents	16	**773,581**	312,233
Assets as per balance sheet - held at fair value through OCI			
Derivative financial instruments designated as hedging instruments		**15,849**	2,214
		936,641	380,130
Liabilities as per balance sheet - other financial liabilities at amortised cost			
Bank borrowings	18	**526,159**	750,099
Lease liabilities	22	**236,185**	38,465
Trade and other payables excluding non financial liabilities	17	**478,603**	312,071
Liabilities as per balance sheet - other financial liabilities at fair value			
Derivative financial instruments designated as hedging instruments		**2,563**	2,940
		1,243,510	1,103,575
Derivative financial instruments designated as hedging instruments			
FX forwards hedging foreign exchange risk on borrowings		**13,405**	(2,721)
Interest rate swaps		**(2,563)**	(219)
FX forwards hedging foreign exchange risk on highly probable future cash flows		**2,444**	2,214
		13,286	(726)

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.

2020	Notional	Impact on OCI*	Recycled through statement of comprehensive income
		£'000	£'000
Derivatives hedging foreign exchange risk on borrowings	€600,000,000	3,278	20,173
Derivatives hedging interest rate risk on borrowings	€600,000,000	1,899	861
Derivatives hedging foreign exchange risk on future cash flows	£139,857,604	(186)	(256)

* Note impact on OCI is shown net of deferred tax

LIQUIDITY RISK

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due.

The Group regularly forecasts cash flows and maintains an appropriate balance of cash and debt facilities to ensure that sufficient funds are available to cover future expenses and capital expenditure.

Group held €600m notional of forward contracts expiring in December 2022 and €600m notional of interest swaps expiring December 2022 through to December 2026. Maturity of the Group's all derivative and non derivative financial liabilities are given below.

	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 2020:							
Bank borrowings	**526,159**	**543,139**	-	**1,871**	-	-	**541,268**
Lease liabilities	**236,185**	**370,672**	**7,009**	**21,902**	**27,010**	**68,743**	**246,008**
Trade payables	**478,603**	**478,603**	**460,858**	**17,745**	-	-	-
Derivative financial liabilities	**2,563**	**2,563**	-	-	**241**	**702**	**1,620**
31 December 2019 (restated)							
Bank borrowings	750,099	764,776	-	147,532		111,384	505,860
Lease liabilities	38,465	47,595	2,549	7,394	6,522	7,547	23,583
Trade payables	312,071	312,071	307,733	4,338		-	
Derivative financial liabilities	2,940	2,940			2,760	79	101

The fair value of bank borrowings at 31st December 2020 was £542.5m.

14 FINANCIAL ASSETS AND LIABILITIES (CONTINUED)

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 Groups approach to managing foreign exchange risk is to designate cash flow hedges across a combination of forwards, swap agreements and spot transactions, whose fair value is based on the observable market value of the respective instrument, taking into account interest rates, foreign exchange rates and market volatility at the balance sheet date.

The Group is also exposed to EUR GBP exchange rate risk on a €600m loan within the Group, and mitigate this risk through the use of hedging instruments such as FX forward contracts.

As at 31 December 2019, the Group held €600m notional of forward contracts expiring in December 2022.

The Group's foreign exchange exposure is predominantly Euro, US Dollars and Polish Zloty. If the closing exchange rate was 5% higher/lower, the Group's statement of Comprehensive Income and Equity would be impacted as follows.

	Change in foreign exchange rate	Effect on change in EUR rate*	Effect on change in USD rate	Effect on change in PLN rate
		£'000	£'000	£'000
2020	**+5%**	**43**	**151**	**1,708**
2020	**-5%**	**(47)**	**(167)**	**(1,887)**
2019	+5%	75	757	1,623
2019	5%	(83)	(837)	(1,794)

* If the closing exchange rate was 5% higher/lower the impact on Groups' equity would be £4m reflecting the impact of the derivatives hedges associated with the €600m term loan B.

INTEREST RATE RISK

The Group is exposed to EURIBOR and LIBOR through its loan facilities and has entered into a series of interest rate swap agreements to mitigate this risk. As of 31 December 2020, the Group held €600m expiring December 2022 through to December 2026. Interest rate sensitivity is summarised in note 18.

The Group's financial risks are detailed on page 122 and 129 in this Annual Report.

CHANGES IN LIABILITIES ARISING FROM FINANCING ACTIVITIES

The changes in liabilities arising from financing activities are presented below.

	1 January 2020	Cash flows	New leases	Disposals	Foreign exchange movement	Other	31 December 2020
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Borrowings	750,099	(144,030)	-	(138,946)	28,668	30,768	526,159
Lease liabilities	38,465	(17,206)	225,915	(15,308)	(202)	4,521	236,185
Total liabilities from financing activities	**788,564**	**(161,236)**	**225,915**	**(154,154)**	**28,466**	**34,789**	**762,344**

	1 January 2019	Cash flows	New leases	Foreign exchange movement	Other	31 December 2019
	£'000	£'000	£'000	£'000	£'000	£'000
Borrowings	526,957	192,869		6,738	23,535	750,099
Lease liabilities	25,251	(9,502)	21,681	(108)	1,143	38,465
Total liabilities from financing activities	552,208	183,367	21,681	6,630	24,678	788,564

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.

15 TRADE AND OTHER RECEIVABLES

	2020	2019
	£'000	£'000
Trade receivables	**76,643**	50,168
Less loss allowance	**(1,945)**	(1,539)
Net trade receivables	**74,698**	48,629
Prepayments	**14,757**	17,011
Accrued income	**45,414**	29,179
Other taxation and social security	**39,164**	19,311
Other receivables	**72,513**	17,054
	246,546	131,184

Trade and other receivables are principally denominated in Sterling.

At 31 December 2020 the ageing of trade receivables was as follows.

	2020	2019
	£'000	£'000
Not due	**48,483**	29,502
0 to 3 months overdue	**26,377**	20,191
3 to 6 months overdue	**1,783**	475
	76,643	50,168

15 TRADE AND OTHER RECEIVABLES (CONTINUED)

The movement in the loss allowance of trade receivables was as follows

	£'000
At 1 January 2020	1,539
Charge for the year	1,129
Released	(205)
Utilised	(518)
At 31 December 2020	**1,945**

The Group's credit risk exposure on trade receivables using a provision matrix is as follows:

	Current	0-30 days	31-60 days	61-90 days	90+ days	Total
Expected credit loss rate	0.75%	0.32%	1.28%	3.02%	83.14%	
Estimated total gross carrying amount at default	48,483	25,229	762	386	1,783	**76,643**
Expected credit loss	(361)	(79)	(10)	(12)	(1,483)	**(1,945)**
At 31 December 2020	**48,122**	**25,150**	**752**	**374**	**300**	**74,698**

16 CASH AND CASH EQUIVALENTS

	2020	2019
	£'000	£'000
Cash and cash equivalents	**773,581**	312,233

Cash and cash equivalents includes £26.5m (2019 £3.5m) of amounts receivable from banks for credit and debit card transactions which clear the bank shortly after the transaction takes place.

17 TRADE AND OTHER PAYABLES

	2020	2019 (restated)
	£'000	£'000
Trade creditors	**254,637**	168,442
Accruals	**220,415**	142,235
Other taxation and social security	**18,577**	16,632
Other creditors	**3,001**	1,394
Government grants	**2,518**	2,896
Deferred consideration on acquisitions	**550**	-
	499,698	331,599

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

18 INTEREST-BEARING LOANS AND BORROWINGS

	Note	2020	2019 (restated)
		£'000	£'000
Current			
Bank borrowings		**1,871**	147,532
Lease liabilities	22	**28,911**	9,787
		30,782	157,319
Non-current			
Bank borrowings		**524,288**	602,567
Lease liabilities	22	**207,274**	28,678
		731,562	631,245

Bank borrowings relate predominantly to the 7-year Euro term loan B and undrawn down 5-year revolving credit facility. 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 3.75% plus LIBOR. 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 10bps, the Group's loss before tax would be c £0.7m higher / lower, and the subsequent move on the derivative valuation would cause equity to be c £2m higher / lower as a result of the same move

Net debt consists of loans and lease liabilities, less cash and cash equivalents, defined as referenced in note 22. Loans that are denominated in foreign currency are translated at the effective hedged rate where applicable. Net cash / (debt) is an alternative performance measure and is not defined under IFRS. A reconciliation to the most directly comparable IFRS measure is included below

	2020	2019 (restated)
	£'000	£'000
Loans and other borrowings	**(526,159)**	(750,099)
Lease liabilities	**(236,185)**	(38,465)
Cash and cash equivalents	**773,581**	312,233
Sub-total	**11,237**	(476,331)
Adjustments:		
Retranslate debt balance at swap rate where hedged by foreign exchange derivatives	**35,403**	6,738
Net cash / (debt)	**46,640**	(469,593)
Net cash / (debt) before leases liabilities	**282,825**	(431,128)

Lease liabilities are measured at the present value of lease payments to be made over the lease term

The contractual maturity analysis of bank borrowings and lease liabilities are given in note 14

19 PROVISIONS

	Customer loyalty points £'000	Dilapidations £'000	Other provisions £'000	Total £'000
At 1 January 2020	**859**	**963**	**39**	**1,861**
Utilisation	-	(298)	-	**(298)**
Released	(859)	-	(39)	**(898)**
Created	-	200	-	**200**
At 31 December 2020	-	**865**	-	**865**

The loyalty points provision relates to unredeemed points which entitled customers to discounts on future purchases to the extent the Group believes that they will be redeemed. The scheme closed in 2020 and the provision was released.

Dilapidation provisions relate to properties mainly acquired as part of acquisitions and are released once the repairs to the properties are carried out.

Other provisions are primarily related to guarantees given.

20 CONTRACT LIABILITIES

	2020	2019 (restated)
	£'000	£'000
Contract liabilities	**32,912**	23,739

Contract liabilities are the consideration received from the customers for sales where the Group still has an obligation to transfer goods or services. 100% of the transaction price allocated to the unsatisfied contracts as at 31 December 2020 are recognised as revenue in the next reporting period.

21. DEFERRED TAX

The deferred tax balance comprises:

	2020	2019 (restated)
	£'000	£'000
Short term timing differences	**3,622**	(5,886)
Accelerated capital allowances	**(3,862)**	106
Business combinations	**29,091**	18,665
Tax losses	**(15,380)**	(3,482)
Loan relationships	**(4,730)**	-
Derivatives	**(2,501)**	(1,330)
Other balance sheet amounts	**(296)**	(34)
	5,944	8,039

21 DEFERRED TAX (CONTINUED)

The movement on the deferred tax liability during the year is as follows:

	Fixed assets	Temporary differences trading	Tax losses	Loan relationships	Business combinations	Other	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Opening balance 1 January 2020	**106**	**(5,886)**	**(3,482)**	-	**18,665**	**(1,364)**	**8,039**
Charged / (credited) to the statement of comprehensive income	(3,875)	318	(4,374)	(4,730)	1,958	(263)	**(10,966)**
Charged / (credited) to equity	-	9,172	(7,662)	-	-	(1,170)	**340**
Business combinations	-	-	-	-	8,468	-	**8,468**
Other	(93)	18	138			-	**63**
Closing balance 31 December 2020	**(3,862)**	**3,622**	**(15,380)**	**(4,730)**	**29,091**	**(2,797)**	**5,944**

The Group has unrecognised deferred tax assets relating to losses of £6.2m (2019: £5.8m), which have not been recognised due to the uncertainty of when these assets will be realised.

22 LEASES

Set out below are the carrying amounts of the right-of-use assets recognised and movements during the period:

	Motor vehicles £'000	Plant and machinery £'000	Computer equipment and software £'000	Land and buildings £'000	Total £'000
As at 1 January 2019	**143**	-	-	**22,669**	**22,812**
Additions	497	1,181	56	22,199	**23,933**
Depreciation (note 3)	(103)	(336)	(40)	(8,293)	**(8,772)**
As at 31 December 2019	**537**	**845**	**16**	**36,575**	**37,973**
As at 1 January 2020	**537**	**845**	**16**	**36,575**	**37,973**
Additions	179	154		183,144	**183,477**
Depreciation (note 3)	(164)	(328)	(16)	(13,734)	**(14,242)**
Lease modifications	-	-	-	2,019	**2,019**
Disposals				(15,335)	**(15,335)**
Currency translation differences	(13)	(6)	-	14	**(5)**
As at 31 December 2020	**539**	**665**	-	**192,683**	**193,887**

22 LEASES (CONTINUED)

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.

	2020 £'000	2019 £'000
As at 1 January	**38,465**	25,251
Additions	**223,896**	22,082
Accretion of interest	**4,521**	1 143
Payments	**(17,206)**	(9,903)
Lease modifications	**2,019**	-
Disposals	**(15,308)**	
Currency translation differences	**(202)**	(108)
As at 31 December	**236,185**	38,465
Current	**28,911**	9,787
Non-current	**207,274**	28,678

The maturity analysis of lease liabilities is disclosed in Note 18

The Group had total cash outflows for leases of £17 2m in 2020 (2019 £9 9m)

The following are the amounts recognised in the year in the consolidated statement of comprehensive income:

	2020 £'000	2019 £'000
Depreciation expense on right-of-use assets	**14,242**	8,772
Interest expense on lease liabilities	**4,521**	1,143

23 SHARE CAPITAL AND RESERVES

THG PLC is a public company limited by shares and incorporated in England and Wales. It has a standard listing on the London Stock Exchange and is the holding company of the Group

The Company has ten classes of shares. Ordinary Shares of £0.005 each, all of which are fully paid, D1 Shares of £0.005 each, D2 Shares of £1 each, all of which are fully paid, E Shares of £0.005 each, F Shares of £0.005 each, G Shares of £0.005 each; H Shares of £0.005 each, the Special Share of £1, which is fully paid up, Deferred 1 shares of £0.005 each, and Deferred 2 shares of £0.005 each

As at 31 December 2020 and 2019, the Company's issued share capital comprised

Class	2020 Number	Nominal value £ each
Ordinary shares	**970,646,554**	**0.005**
D1 ordinary shares	**59,415,474**	**0.005**
D2 ordinary shares	**20,302**	**1**
E ordinary shares	**50,172,433**	**0.005**
F ordinary shares	**30,478,008**	**0.005**
G ordinary shares	**45,703,943**	**0.005**
H ordinary shares	**89,612,682**	**0.005**
Special share	**1**	**1**
Deferred 1 shares	**276,062**	**0.005**
Deferred 2 shares	**21,563,860**	**0.005**
	1,267,889,319	

As a result of the reorganisation of the shares prior to the Admission in September 2020, all shares, other than the D2 ordinary shares of £1 00 each, have been sub divided into 200 making the nominal value per share £0.005 Further details were disclosed in THG's listing prospectus

The rights attaching to the Company's shares are set out in the Director's report page 149 and 151

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 in order 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 2020 the following took place (i) 30,000 B ordinary shares, nominal value of £1 00 per share, were issued for cash consideration of £15,000,000 00, (ii) 110,744 B ordinary shares, nominal value of £1 00 per share, were issued for non-cash consideration pursuant to a share purchase agreement entered into between the Company and the Sellers (as defined therein) relating to the transfer of A ordinary shares of £1 00 each and B ordinary shares of £0 0004 each in the issued share capital of The Hut Management Company Limited, dated 9 September 2020; (iii) 32,695 C ordinary shares, nominal value of £1 00 per share, were issued for cash consideration of £269,733 75; (iv) 57,486 C ordinary shares, nominal value of £1.00 per share, were issued for cash consideration of £431,145 00; (v) 30,864 C ordinary shares, nominal value of £1 00 per share, were issued for cash consideration of £30,864 00, (vi) 3,925 E ordinary shares, nominal value of £1 00 per share, were issued for cash consideration of £169,756 25, (vii) 164,323 F ordinary shares, nominal value of £1 00 per share, were issued for cash consideration of £10,023,703 00, (viii) 246,414 G ordinary shares, nominal value of £1 00 per share, were issued for cash consideration of £12,813,528 00, (ix) 483,149 H ordinary shares, nominal value of £1 00 per share, were issued for cash consideration of £23,674,301.00, and (x) 1 Special Share, nominal value of £1 00, was issued for cash consideration of £1 00

The EBT, which was terminated upon IPO, facilitated an internal market for participants in employee share schemes to sell their shares in the Company During the financial year, the EBT purchased a total of 320 C ordinary shares, nominal value of £1.00 per share, for an aggregate consideration of £128,000 which was deducted from retained earnings

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/liabilities are held separately from that of the Group. The pension charge represents the amount paid by the Group and amounted to £3.5m (2019: £2.3m). There were no outstanding contributions due to the fund at the year end.

25 CASH FLOW GENERATED FROM OPERATIONS

	Note	2020 £'000	2019 (restated) £'000
Loss before taxation		**(534,639)**	(45,158)
Adjustments for:			
Depreciation of property, plant and equipment	12	**33,813**	30,852
Depreciation of right of use assets	22	**14,242**	8,772
Amortisation	11	**57,239**	38,320
Share-based payments	7	**331,624**	27,251
Adjusted items	4	**195,714**	26,004
Net finance costs	8	**52,807**	25,417
Operating cash flow before adjusting items and before movements in working capital and provisions		**150,800**	111,458
Increase in inventories		**(83,404)**	(47,078)
Increase in trade and other receivables		**(66,824)**	(22,272)
Increase in trade and other payables*		**176,799**	29,068
Decrease in provisions		**(996)**	(411)
Foreign exchange gain		**574**	269
Cash generated from operations before adjusting items		**176,949**	71,034

*Included within trade and other payables is an increase in contract liabilities of £11.8m (2019: £1.7m)

Refer to the Chief Financial Officer's Review on page 134 of this report for details regarding undrawn borrowing facilities that may be available in the future for the operating activities and settling capital commitments.

26 EARNINGS PER SHARE

The following table reflects the income and share data used in the basic and diluted EPS calculations.

	2020	2019 (restated)
Loss for the financial year (£'000)	**(532,629)**	(44,186)
Weighted average number of ordinary shares for basic EPS	**804,280,441**	724,298,445
Basic and Diluted EPS (£'s)	**(0.66)**	(0.06)

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 weighted average number of shares has been restated to take into account a share split that took place during the year.

The diluted loss per share has been calculated by adjusting the weighted average number of shares for the effects of the D, E, F, G and H shares, assuming full vesting of all potentially dilutive shares. The number of these shares is disclosed in note 23.

There was no change in the diluted earnings per share, since the effect of all potentially dilutive shares outstanding was anti-dilutive.

27 RELATED PARTY TRANSACTIONS

The Directors' interests in the ordinary share capital of the Company at the balance sheet date are detailed below.

	£ per share	Ordinary shares 2020 Number	Ordinary shares 2019 Number
M J Moulding	0.005	**135,470,561**	-
M J Moulding	1	**361**	548,169
J A Gallemore	0.005	**3,638,116**	-
J A Gallemore	1	**3,174**	22,227
D P Murphy	0.005	**14,566,016**	
D P Murphy	1	-	47,118
I McDonald	0.005	**2,189,039**	-
I McDonald	1.000	-	17,300
Z Byng-Thorne	1	**750**	750
		155,868,017	635,564

In addition to the shareholdings noted above, the Directors had the following interests in vested shares issued under previous incentive arrangements at the balance sheet date. These shares carry no voting rights.

	Date of award	2020 Subscription/ exercise price £	2019 Subscription/ exercise price £	2020 Number	2019 Number
M J Moulding	Oct-10	-	7.5	-	14,545
M J Moulding	Nov-13	-	5	-	87,920
M J Moulding	Mar-18	-	43.25	-	138,796
M J Moulding	Dec-19	**0.23**	43.25	**43,641,266**	95,000
M J Moulding	Aug-20	**0.33**	-	**20,197,808**	-
M J Moulding	Aug-20	**0.28**	-	**30,296,620**	0
M J Moulding	Aug-20	**0.26**	-	**89,612,682**	-
J A Gallemore	Oct-10	-	7.5	-	14,545
J A Gallemore	Nov-13	-	5	-	10,962
J A Gallemore	Dec-19	**0.23**	43.25	**185,476**	1,000
J A Gallemore	Aug-20	**0.33**		**2,666,963**	
J A Gallemore	Aug-20	**0.28**	-	**4,000,537**	0
D P Murphy	Dec-19	**0.23**	43.25	**370,953**	2,000
I McDonald	Dec-19	**0.23**	43.25	**185,476**	1,000
Z Byng-Thorne	Dec-19	**0.23**	43.25	**98,673**	1,000
				191,256,454	366,768

The Group has provided interest free loans of £0.3m (2019: £0.8m) to the Directors for them to subscribe for shares as part of the employee benefit scheme. The loans are repayable in the event of a sale or listing of the Group. The share-based payments expense associated with the Directors was £293.6m (2019: £22.4m). Full details of the Directors shareholdings are detailed in the Directors Remuneration Report on page 196.

27 RELATED PARTY TRANSACTIONS (CONTINUED)

On 27 August 2020, the Group entered into a 5 year agreement on commercial terms with Moulding Group Capital Limited (previously named Kingsmead Holdco Limited) to provide property, facilities and project management services to the entity and its subsidiaries This agreement generates £635,000 of Other Income for the Group per annum, and was based on Management's estimate of the replacement cost to obtain these services from a third party

As part of the IPO readiness process, the Board approved the divestment of the Propco Group (as defined in the glossary on page 306), and its sale to FIC Holdco Limited, an entity wholly owned by the Group's CEO and Chair To determine the fair value, the Group assessed the fair value of the Propco Group using various external data points from the external property market; property experts; our in-house certified property expert, and feedback obtained from shareholders and external advisors Accordingly, the market value was £75.9m and the consideration received was the cancellation of vested share options, accounted for in accordance with IFRS, resulting in a £75.9m charge to reserves (see Statement of Changes in Equity, page 247) In advance of the sale, these assets were categorised as assets held for sale in line with IFRS 5 'Non current assets held for sale and discontinued operations' (see note 4 and the Chief Financial Officers Review on page 139 for further details)

The balance sheet of the disposed Group at disposal date is detailed below

	2020
	£'m
Non-current assets	
Property, plant and equipment – Land and buildings	**165.0**
Property, plant and equipment – Other	**111.9**
	276.9
Current assets	
Trade and other debtors	9.6
Cash and cash equivalents	10.0
	19.6
Total assets	**296.5**
Equity	**75.9**
Non-current liabilities	
Borrowings	138.8
Current liabilities	
Trade and other payables	52.6
Deferred consideration	29.2
	81.8
Total liabilities	**220.6**
Total equity and liabilities	**296.5**

Subsequent to Admission, transactions with Propco were limited to a) amounts payable relating to the settlement of obligations under the ongoing commercial lease agreements and b) balances paid on behalf of Propco that are recoverable from Propco. These amounts relate to balances charged by suppliers invoiced to an incorrect legal entity during the period of the divestment and are fully recoverable, and are expected to not continue going forward

The amounts recognised on the Group's balance sheet and in the statement of comprehensive income in relation to the leases with Propco in the year are as follows

	2020
	£'000
Right of use asset	**174,249**
Lease liability	**215,951**
Depreciation arising on right-of-use assets	**3,697**
Expense recognised in financing costs	**3,187**

Cash paid in the settlement of obligations under these related party leases was £5.7m, the table below gives further detail around the leases in place

Number of properties	Residual lease term date divestment	Rent per annum (£'000)	FY20 rent (£'000)
9	0-5 years	962	241
1	8 years	3,378	1,126
11	14 15 years	2,906	834
7	20 25 years	10,887	3,535
		18,133	**5,736**

The Group has also entered into further lease contracts that have not yet commenced as at 31 December 2020 The future lease payments for these non-cancellable lease contracts are £2.3m within one year, £12.4m within five years and £65.8 thereafter

The following table shows the amounts paid or received against Propco, and are outstanding on the balance sheet at the 31 December 2020 where the Group has paid suppliers on behalf of the Propco Group, or vice versa

Related party	Amounts owed by related parties	Amounts owed to related parties
	£'000	£'000
Aghoco 1442 Ltd	**13**	**98**
Icon 3 Holdco Ltd	**253**	-
FIC Shareco Ltd	**5**	-
THG HQ PropCo Ltd	**30**	-
Allenby Square Ltd	**71**	**302**
THG Alpha PropCo Ltd	-	**20**
THG Omega PropCo Ltd	-	**1,120**
THG Icon Unit 3 Propco S à r l	-	**267**
THG Gadbrook PropCo Ltd	-	**218**
THG Icon Unit 4 PropCo Ltd	-	**195**
THG PV PropCo Ltd	-	**41**
THG A&A PropCo Ltd	-	**217**
THG G&S PropCo Ltd	-	**401**
THG HCC PropCo Ltd	-	**315**
THG KS Propco Ltd	-	**269**
THG Unit 3 PropCo S à r l	**2,310**	-
	2,682	**3,463**

28 POST BALANCE SHEET EVENTS

After the end of reporting period the Group has acquired the following businesses. Details of the acquisitions are as follows

Business	Country of incorporation	Nature of activity	Date of acquisition	Consideration (£'000)	Percentage ownership
Dermstore	USA	Online professional skincare and beauty retailer	2 February 2021	263,172	100%
Indigo Environmental	England and Wales	Recycling provider	3 March 2021	4,613 (*)	100%
Arrow Films	England and Wales	Motion picture distribution activities	5 March 2021	15,472 (**)	100%
More Trees	England and Wales	Tree planting	1 April 2021	512 (***)	100%
Private Label Nutrition	England and Wales	Vitamin, mineral and supplement manufacturer	16 April 2021	2,646 (****)	100%

* There is further deferred consideration payable over three years at total maximum earnout of £2.5m

** There is further deferred consideration payable over three years at total maximum earnout of £3.0m

*** There is further deferred consideration payable over five years at total maximum earnout of £4.0m

**** There is further deferred consideration payable over a year at total maximum earnout of £1.6m

The provisional carrying amount of assets and liabilities in the books of the acquirees at the dates of acquisition were as follows

	Dermstore (£'000)	Indigo Environmental (£'000)	Arrow Films (£'000)	More Trees (£'000)	Private Label Nutrition (£'000)
Intangible assets	4,769	-	-	-	-
Property, plant and equipment	153	1,127	132	-	593
Inventories	23,380	305	816	-	551
Trade and other receivables	1,355	904	3,360	1	61
Cash and cash equivalents	9,035	243	6,305	9	474
Trade and other payables	(23,273)	(845)	(4,687)	(20)	(629)
Deferred tax	(716)	(26)	-	-	-
Net assets	**14,703**	**1,708**	**5,926**	**(10)**	**1,050**

The information on provisional fair values of the assets and liabilities acquired, intangible assets recognised and the associated goodwill arising from the acquisition are still under review as the accounting for the business combination is ongoing at the point of signing these financial statements

The Dermstore acquisition provides the Group with a much-strengthened position in the US online beauty market as discussed in the Strategic Report. Indigo Environmental and More Trees form part of THG (eco), which puts sustainable business practice at the core of the Group's vertically integrated business model and Ingenuity offering. The acquisition of Arrow Films, a motion picture distribution studio, provides THG OnDemand with vertical integration of physical and digital film content. Private Label Nutrition will further enhance the vertically integrated model of THG Nutrition

29 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 2020 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).

Subsidiary	Registered office	Country of incorporation	Nature of business
The Hut.com Limited**	1	England and Wales	Online retailing
The Hut Platform Limited**	1	England and Wales	Provision of website development services
The Hut Holdings Limited**	1	England and Wales	Dormant
The Hut.com (Trading) Limited**	2	Jersey	Online retailing
Cend Limited**	1	England and Wales	Online retailing
Grco Internet Supplies Limited**	3	Guernsey	Holding company
Iwantoneofthose Limited**	3	Guernsey	Dormant
The Hut Entertainment SL**	25	Spain	Dormant
Ensco 818 Limited**	1	England and Wales	Holding company
Mankind Holdings Limited**	3	Guernsey	Dormant
Mankind Direct Limited**	1	England and Wales	Procurement company
Mon Limited**	1	England and Wales	Online advertising
Active Nutrition International OY**	21	Finland	Dormant
Lookfantastic Group Limited**	1	England and Wales	Holding company
Lookfantastic.com Ltd**	1	England and Wales	Online retailing
Lookfantastic Franchising Limited**	1	England and Wales	Franchising and consultancy services
Lookfantastic London Limited**	1	England and Wales	Dormant
Lookfantastic Salons Limited**	1	England and Wales	Hairdressing salon
Exante Diet Limited**	1	England and Wales	Dormant
Bike Kit Limited**	1	England and Wales	Dormant
CNP Professional Holdings Limited**	3	Guernsey	Procurement company
MyVitamins Limited**	1	England and Wales	Dormant
HQ Hair Limited**	3	Guernsey	Holding company
Cend International Limited**	1	England and Wales	Online retailing
THGPP LLC**	4	USA	Dormant
THG International LLC**	4	USA	Warehouse and distribution
Mama Mio Limited**	1	England and Wales	Online retailing
Mama Mio Distribution Limited**	1	England and Wales	Dormant
Mama Mio US Inc**	4	USA	Online retailing
Hale Country Club Limited**	1	England and Wales	Retail and leisure company
Cadbrook Limited**	1	England and Wales	Dormant
TeG International Limited**	1	England and Wales	Marketing company
The Hut Group International (Shanghai) Co Limited**	21	China	License holding company
PC Beauty Inc**	4	USA	Holding company
Ideal Shape LLC**	4	USA	Marketing company
Performance Supplements LLC**	1	USA	Marketing company
Intraderm LLC**	4	USA	Online retailing
Salu Australia PTY Limited**	5	Australia	Holding company

29 SUBSIDIARY UNDERTAKINGS (CONTINUED)

Subsidiary	Registered office	Country of incorporation	Nature of business
Skincarestore Australia PTY Limited**	5	Australia	Online retailing
Salu Beauty Inc**	1	USA	Online retailing
UK2 Limited**	1	England and Wales	Webhosting
Another.com Limited**	1	England and Wales	Webhosting
Virtual Internet Holdings Limited**	1	England and Wales	Holding company
Hosting Services Inc**	6	USA	Webhosting
UK2 Ukraine LLC**	12	Ukraine	Webhosting
Virtual Internet (UK) Limited**	1	England and Wales	Webhosting
The Hut.com (Poland) sp. z o.o.**	13	Poland	Warehouse and distribution
RY.com.au Pty Limited**	5	Australia	Dormant
Media Ark Limited**	1	England and Wales	Visual content producer
Hangar Seven Limited**	1	England and Wales	Visual content producer
H7P Portugal Unipessoal LDA**	22	Portugal	Visual content producer
Illamasqua (Holdings) Limited**	1	England and Wales	Holding company
Illamasqua Limited**	1	England and Wales	Online retailing
Beauty Box Beteiligungen GmbH**	7	Germany	Holding company
Beauty Trend Holding GmbH**	7	Germany	Online retailing
Beauty Trend GmbH**	7	Germany	Online retailing
Jade 1150. GmbH**	7	Germany	Holding company
Beauty Trend S.A.S France**	11	France	Online retailing
GlossyBox Sweden Holding UG**	7	Germany	Holding company
GlossyBox Sweden AB**	14	Sweden	Online retailing
GlossyBox United Kingdom Holding GmbH**	7	Germany	Holding company
Beauty Trend UK Limited**	1	England and Wales	Online retailing
VRB GmbH & Co. B-149 KG**	7	Germany	Holding company
Beauty Trend USA Inc**	8	USA	Online retailing
El Spa Holdings (UK) Limited**	1	England and Wales	Holding company
ESPA International (UK) Limited**	1	England and Wales	Online retailing
Primavera Aromatherapy Limited**	1	England and Wales	Manufacturing
ESPA International (US) Inc**	9	USA	Online retailing
ESPA International FZE**	23	UAE	Online retailing
Make Money Limited**	1	England and Wales	Holding company
M Beauty Limited**	1	England and Wales	Online retailing
Language Connect International Ltd**	1	England and Wales	Translation and interpretation
Language Connect, Inc**	10	USA	Translation and interpretation
Language Connect Singapore Pte. Limited**	15	Singapore	Translation and interpretation
Acheson & Acheson Limited**	1	England and Wales	Manufacturing
1019 Products Limited**	1	England and Wales	Dormant
Ameliorate Skincare Limited**	1	England and Wales	Dormant
Eddie Rockers Limited**	1	England and Wales	Holding company
Great John Street Hotel Limited**	1	England and Wales	Hotel operator
King Street Investments Limited**	1	England and Wales	Hotel operator
THG Trustee Limited**	1	England and Wales	Trustee of EBT
THG MP, Inc**	16	USA	Dormant
Myprotein Japan K.K.**	17	Japan	Online retailing
Colorist Christophe Robin S.A.S.**	11	France	Online retailing
Colorist Christophe Robin US, Inc**	16	USA	Online retailing
THG General Trading LLC**	18	UAE	Online retailing

29 SUBSIDIARY UNDERTAKINGS (CONTINUED)

Subsidiary	Registered office	Country of incorporation	Nature of business
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 (formerly known as THG 100 KS PropCo Limited)**	1	England and Wales	Hotel operator
THG Iron CP PropCo**	1	England and Wales	Holding company
The Hut Group Limited**	1	England and Wales	Dormant
THG Hangar Holdco Limited**	1	England and Wales	Holding company
THG Hangar Limited**	1	England and Wales	Holding company
THG Hangar 2 Limited**	1	England and Wales	Holding company
Lion/Wrinkle Holdings, Inc**	1	USA	Holding company
Lion/Wrinkle Parent Corp**	1	USA	Holding company
Lion/Wrinkle Intermediate LLC**	1	USA	Holding company
N.V. Perricone LLC**	19	USA	Holding company
Perricone MD Cosmeceuticals UK Limited**	1	England and Wales	Online retailing
The Hut Group, S.L**	20	Spain	Online retailing
THG Intermediate OpCo Limited**	1	England and Wales	Holding company
THG Operations Holdings Limited**	1	England and Wales	Holding company
THG Intermediate Holdings Limited**	1	England and Wales	Holding company

** - 100% owned by THG PLC either directly or indirectly

Registered Offices:

1 - 5th Floor, Voyager House, Chicago Avenue, Manchester Airport, Manchester, England M90 3DQ
2 - 2nd Floor, Charter Place, 23/27 Seaton Place, St Helier, Jersey, JE1 1JY
3 - Sarnia House, Le Truchot, St Peter Port, Guernsey, GY1 4NA
4 - Corporation Trust Center, 1209 Orange Street, Wilmington, DE 19801, USA
5 - C01/38 Atchinson Street, St Leonards, NSW 2065, Australia
6 - 517 West 100 North, Providence, UT 84332, USA
7 - Köpenicker Straße 62, 10179 Berlin, Germany
8 - Beauty Trend USA Inc, 401 Greenwich St, 3 Floor, New York, NY 10013, USA
9 - 100 SE 2nd Street, Suite 2000, Miami, FL 33131, USA
10 - Language Connect, Inc, 79 Madison Avenue, Suite 205, New York, NY 10016, USA
11 - 73 rue Sainte-Anne, Paris, France
12 - 58 Zaliznychyna Str, Lviv, Ukraine, 79018
13 - ul. Magazynowa 1, 55-040 Magnice, Poland
14 - Drottninggatan 108, 113 60, Stockholm, Sweden
15 - 63 Market Street, 09-01, Bank of Singapore Centre, Singapore 048942
16 - 06-101, WeWork, 115 Broadway, New York, NY 10006, USA
17 - DLA Piper Tokyo, 2-1-1 Marunouchi, Chiyoda-ku, Meiji Seimei Kan 7F, Tokyo, 100-0005, Japan
18 - Office 404, Single Business Tower, Business Bay, P.O. Box 113014, UAE
19 - 600 Montgomery St Ste 2500, San Francisco, CA, 94111-2724, USA
20 - Calle Monte Esquinza 30, Bajo Izquierda (28010) Madrid, Spain
21 - Room 753, Level 7, Building 2, No. 155, Fu Te Xi 1st Road, China (Shanghai) Pilot Free Trade Zone
22 - Lote D, Area Empresarial de Marim, 8700-122 Olhão, Portugal
23 - Jebel Ali Free Zone, Dubai, UAE
24 - c/o Toimisto Simo Salonen Oy, Teknologiantie 2, 90590 OULU, Finland
25 - Calle Doctor Fleming 3, planta 2, 28036 Madrid (Spain)

29 SUBSIDIARY UNDERTAKINGS (CONTINUED)

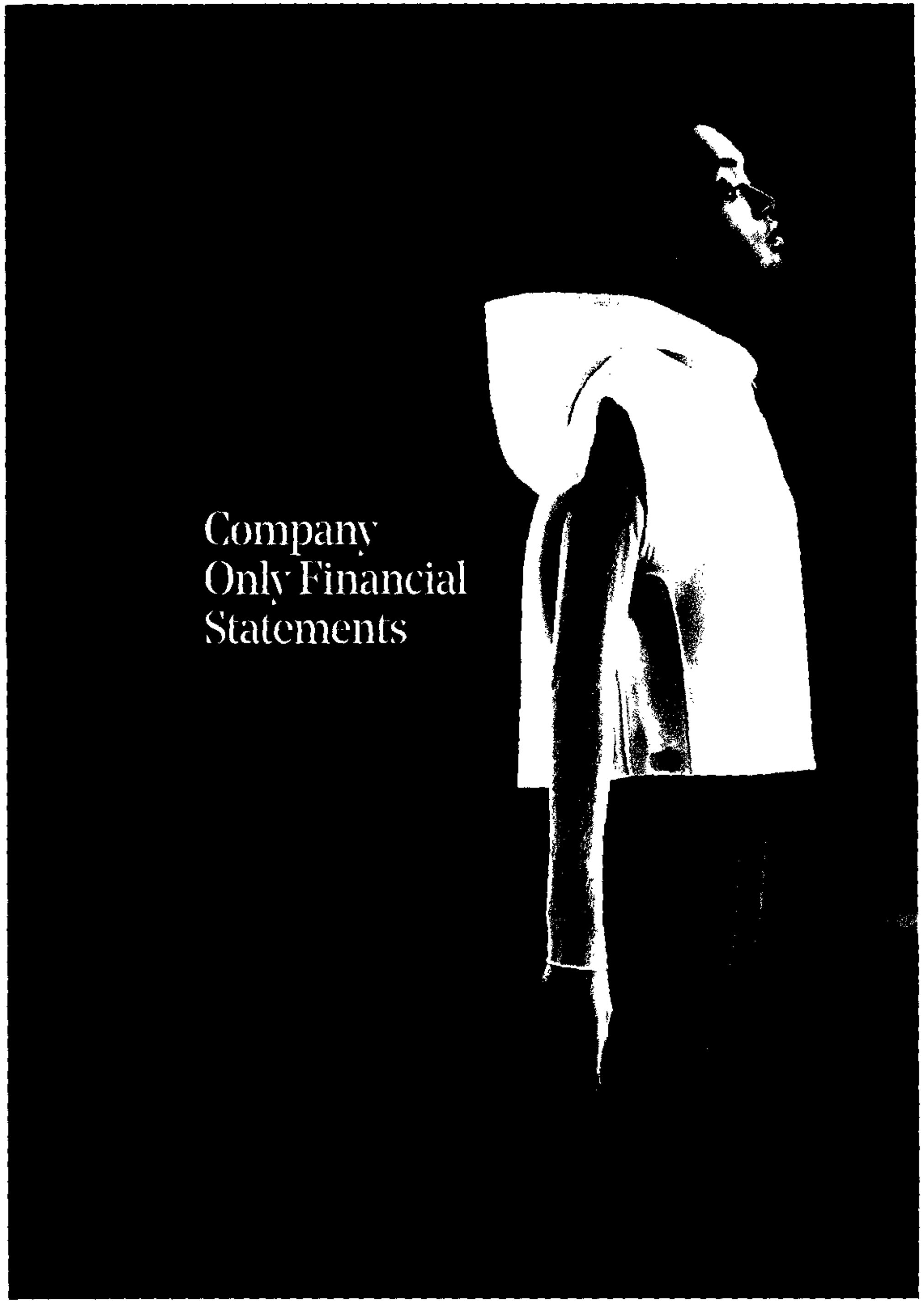
SUBSIDIARY AUDIT EXEMPTIONS

The below subsidiaries have taken the exemption from an audit for the year ended 31 December 2020 permitted by s479A of Companies Act 2006. In order to allow these subsidiaries to take the audit exemption, the parent company THG PLC has given a statutory guarantee, in line with s479C of Companies Act 2006.

Name	Company number	Name	Company number	Name	Company number
Ensco 818 Ltd	7459909	UK-2 Ltd	3550739	David Berryman Holdings Limited	10392135
Lookfantastic Group Ltd	5381562	Virtual Internet (UK) Ltd	3203095	Claremont Ingredients Limited	2817306
Illamasqua Holdings Ltd	6116121	Beauty Trend UK Ltd	7569585	David Berryman Limited	2185279
El Spa Holdings (UK) Ltd	9317257	THG International Ltd	10525712	Fair Juice Limited	6494686
Make Money Ltd	5080897	Illamasqua Ltd	6301971	Perricone MD Cosmeceuticals UK Limited	6171993
Eagle Rockets Ltd	3009737	Primavera Aromatherapy Ltd	2053064	Guan Internet Supplies Ltd	49249
THG Intermediate OpCo Ltd	12497092	M Beauty Ltd	5850964	CNP Professional Holdings Ltd	53443
THG Intermediate Holdings Limited	12526036	THG 100 KING STREET LIMITED	12938227	HQ Hair Ltd	52898
Lookfantastic.com Ltd	2519634	Cend International Ltd	8651475	Hangar Seven Ltd	6293681
Mankind Direct Ltd	4112104	ESPA International (UK) Ltd	2742156	Lookfantastic Franchising Ltd	5382066
Cend Ltd	4067712	Language Connect International Ltd	7364250	Lookfantastic Salons Ltd	6310534
The Hut Platform Ltd	6173891	Acheson and Acheson Ltd	2764368	Mio Ltd	5158225
Another.com Ltd	3661600	King Street Investments Ltd	8242806	Mama Mio Ltd	5251791
The Hut Group Limited	12526936	Great John Street Hotel Ltd	7973960	Hale Country Club Ltd	6973110

The below subsidiaries have taken the exemption from an audit for the year ended 31 December 2020 permitted by s480 of Companies Act 2006

Name	Company number	Name	Company number	Name	Company number
Lookfantastic London Ltd	6338401	Exante Diet Ltd	7126424	Bike Kit Ltd	8317186
Mama Mio Distribution Ltd	7231655	Mankind Holdings Ltd	52666	The Hut Holdings Ltd	7002848
Mantomorrowhouse.com Ltd	52187	Virtual Internet Holdings Ltd	5943186	Media Ark Ltd	6127322
Ameliorate Skincare Ltd	3427037	1010 Products Ltd	3402920	Gathbrook Ltd	9867117
Myvitamins Ltd	8179216	THG Trustee Ltd	[illegible]		



Company balance sheet as at 31 December 2020

	Note	2020 £'000	2019 £'000
Fixed assets			
Investments	4	508,846	88,044
		508,846	88,044
Current assets			
Debtors	5	891,368	295,790
Cash		93,227	23,930
		984,595	319,720
Creditors: amounts falling due within one year	6	(15,637)	(1,612)
Net current assets		968,958	318,108
Total assets less current liabilities		1,477,804	406,152
Net assets		1,477,804	406,152
Capital and reserves			
Called up share capital		6,061	4,381
Share premium		1,287,171	230,718
Merger reserve		615	615
Capital redemption reserve		523	523
Loss for the year		(317,335)	(48,379)
Retained earnings		500,769	218,294
Total shareholders' funds		1,477,804	406,152

The financial statements on pages 297 to 304 were approved by the Board of Directors on 21 April 2021 and were signed on its behalf by

J A Gallemore
Director
Registered number 06539496

Company statement of changes in equity for the year ended 31 December 2020

	Ordinary shares £'000	Share premium £'000	Merger reserve £'000	Capital Redemption Reserve £'000	Retained earnings £'000	Total equity £'000
Balance at 1 January 2019	4,020	110,446	615	523	201,806	317,410
Loss for the year	-	-			(48,379)	(48,379)
Issue of ordinary share capital	361	120,272			-	120,633
Share buy-backs	-				(8,200)	(8,200)
Share based payments	-				22,422	22,422
Capital contribution	-	-	-		2,266	2,266
Balance at 31 December 2019	4,381	230,718	615	523	169,915	406,152
Balance at 1 January 2020	4,381	230,718	615	523	169,915	406,152
Loss for the year					(317,335)	(317,335)
Issue of ordinary share capital	2,079	1,056,453	-	-	737	1,059,269
Share buy-backs	(399)	-	-	-	(1,506)	(1,905)
Share-based payments	-	-	-		293,604	293,604
Capital contribution	-	-	-	-	38,019	38,019
Balance at 31 December 2020	6,061	1,287,171	615	523	183,434	1,477,804

Notes to the company financial statements

1 ACCOUNTING POLICIES

The principal accounting policies have been applied in accordance with 'Financial Reporting Standard 101 Reduced Disclosure Framework' (FRS 101) and are detailed below. The policies have been applied consistently throughout both the current and preceding year.

A BASIS OF PREPARATION

The consolidated financial statements of THG PLC have been prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006 and international financial reporting standards adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union. As permitted by Section 408 of the Companies Act 2006, an entity profit and loss account is not included as part of the published consolidated financial statements of THG PLC. The loss for the financial year in the financial statements of the Company is £317.3m (2019: £48.4m loss).

In accordance with FRS101, 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

B TAXATION AND DEFERRED TAXATION

Current tax including UK Corporation Tax is provided at amounts expected to be paid or recovered using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

Deferred taxation is provided in full on timing differences that result in an obligation at the balance sheet date to pay more tax, or a right to pay less tax, at a future date, at rates expected to apply when they crystallise based on current tax rates and law.

Temporary differences arise from the inclusion of items of income and expenditure in taxation computations in periods different from those in which they are included in the financial statements. Deferred tax assets are recognised to the extent that it is regarded as more likely than not that they will be recovered. Deferred tax assets and liabilities are not discounted.

C FINANCIAL INSTRUMENTS

Financial assets and financial liabilities are recognised on the Company's balance sheet when the Company becomes a party to the contractual provisions of the instrument.

The most significant financial asset relates to an intercompany debtor, representing funding requirements within the Group. Management have considered all aspects of IFRS 9 with respect to recognising the appropriate value of these financial instruments at the balance sheet date, including credit risk, and have concluded that this has not adversely changed since initial recognition.

D FINANCIAL LIABILITIES AND EQUITY

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered. An equity instrument is any contract that evidences a residual interest in the assets of the Company after deducting all its liabilities.

E INVESTMENTS IN SUBSIDIARIES

Investments in subsidiaries are held at cost, less any provision for impairment. Where equity settled share based payments are granted to the employees of subsidiary companies, the fair value of the award is treated as a capital contribution by the Company and the investments in subsidiaries are adjusted to reflect this capital contribution.

F SHARE-BASED PAYMENTS

The Company operates a share-based compensation plan, under which the Company and the Group subsidiary entities receive services from employees as consideration for equity instruments of the Company. The fair value of the employee services received in exchange for the grant of the equity instruments is recognised as an expense in the statement of comprehensive income. The total amount to be expensed is determined by reference to the fair value of the equity instruments granted.

Non-market vesting conditions are included in assumptions about the number of equity instruments that are expected to vest. The total expense is recognised over the vesting period, which is the period over which all the specified vesting conditions are to be satisfied.

At the end of each reporting period, the entity revises its estimates of the number of equity instruments that are expected to vest based on the non-market vesting conditions. It recognises the impact of the revision to original estimates, if any, in the statement of comprehensive income, with a corresponding adjustment to equity.

When the equity instruments are exercised or growth shares in THG are issued to employees, the Company issues new shares. Of the proceeds received on exercise or issue of growth shares, an amount equal to the nominal value of the shares issued is credited to the share capital account and an amount equal to the share premium, net of directly attributable transaction costs, is credited to the share premium account.

The grant by the Company of equity instruments to the employees of subsidiary undertakings in the Group is treated as a capital contribution. The fair value of employee services received, measured by reference to the grant date fair value, is recognised over the vesting period as an increase to investment in subsidiary undertakings with a corresponding credit to equity.

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

G CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

SHARE-BASED PAYMENTS

The Company's share-based compensation plans are measured at fair value at the grant date using a Monte Carlo simulation. The model requires management's judgement to determine the most appropriate inputs to the valuation model. The Company also uses external third-party specialists to review the valuation model. A key area of estimation uncertainty is the volatility input to the Monte Carlo simulation on which management consult with external advisors to best establish the appropriate level at the date of grant of these awards.

2 EMPLOYEE COSTS AND NUMBERS

	2020 £'000	2019 £'000
Wages and salaries	2,274	1,843
Social security costs	311	251
Share-based payments	293,604	22,422
	296,189	24,516

The average number of employees during the year was 6 (2019: 6).

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.

	2020 £'000	2019 £'000
At 1 January	88,044	85,778
Additions	382,783	-
Capital contribution	38,019	2,266
At 31 December	508,846	88,044

5 DEBTORS

	2020	2019
	£000	£000
Trade receivables	**392**	-
Amounts owed by Group undertakings	**825,927**	278,291
Unpaid share capital	**57,660**	11,985
Corporation tax asset	**4,687**	5,400
Other taxation and social security	**277**	114
Prepayments and accrued income	**2,425**	-
	891,368	295,790

Amounts owed by Group undertakings are unsecured, non-interest bearing and repayable on demand.

6 CREDITORS AMOUNTS FALLING DUE WITHIN ONE YEAR

	2020	2019
	£000	£000
Trade creditors	**9,256**	486
Accruals and deferred income	**3,600**	1,126
Other creditors	**2,781**	-
	15,637	1,612

7 SHARE CAPITAL AND RESERVES

THG PLC is a public company limited by shares and incorporated in England and Wales. It has a standard listing on the London Stock Exchange and is the holding company of the Group.

The Company has ten classes of shares, Ordinary Shares of £0.005 each, all of which are fully paid, D1 Shares of £0.005 each, D2 Shares of £1 each, all of which are fully paid, E Shares of £0.005 each, F Shares of £0.005 each, G Shares of £0.005 each, H Shares of £0.005 each, the Special Share of £1, which is fully paid up, and Deferred 2 shares of £0.005 each.

As at 31 December 2020 and 2019, the Company's issued share capital comprised

Class	2020 Number	Nominal value £ each
Ordinary shares	**970,646,554**	**0.005**
D1 ordinary shares	**59,415,474**	**0.005**
D2 ordinary shares	**20,302**	**1**
E ordinary shares	**50,172,433**	**0.005**
F ordinary shares	**30,478,008**	**0.005**
G ordinary shares	**45,703,943**	**0.005**
H ordinary shares	**89,612,682**	**0.005**
Special share	**1**	**1**
Deferred 1 shares	**276,062**	**0.005**
Deferred 2 shares	**21,563,860**	**0.005**
	1,267,889,319	

During the financial year ending 31 December 2020 the following took place: (i) 30,000 B ordinary shares, nominal value of £1.00 per share, were issued for cash consideration of £15,000,000.00, (ii) 110,744 B ordinary shares, nominal value of £1.00 per share, were issued for non cash consideration pursuant to a share purchase agreement entered into between the Company and the Sellers (as defined therein) relating to the transfer of A ordinary shares of £1.00 each and B ordinary shares of £0.0004 each in the issued share capital of The Hut Management Company Limited, dated 9 September 2020, (iii) 32,695 C ordinary shares, nominal value of £1.00 per share, were issued for cash consideration of £269,733.75, (iv) 57,486 C ordinary shares, nominal value of £1.00 per share, were issued for cash consideration of £431,145.00, (v) 30,864 C ordinary shares, nominal value of £1.00 per share, were issued for cash consideration of £30,864.00; (vi) 3,925 E ordinary shares, nominal value of £1.00 per share, were issued for cash consideration of £169,756.25, (vii) 164,323 F ordinary shares, nominal value of £1.00 per share, were issued for cash consideration of £10,023,703.00; (viii) 246,414 G ordinary shares, nominal value of £1.00 per share, were issued for cash consideration of £12,813,528.00, (ix) 483,149 H ordinary shares, nominal value of £1.00 per share, were issued for cash consideration of £23,674,301.00, and (xi) 1 Special Share, nominal value of £1.00, was issued for cash consideration of £1.00

8 RELATED PARTY TRANSACTIONS

The company has taken *exemption* under FRS 101 not to disclose transactions with wholly owned subsidiary companies

The following table shows the amounts recognised on balance sheet at the 31 December 2020 where the Company has paid suppliers on behalf of the *Propco Group* (defined in the Glossary on page 306), or vice versa:

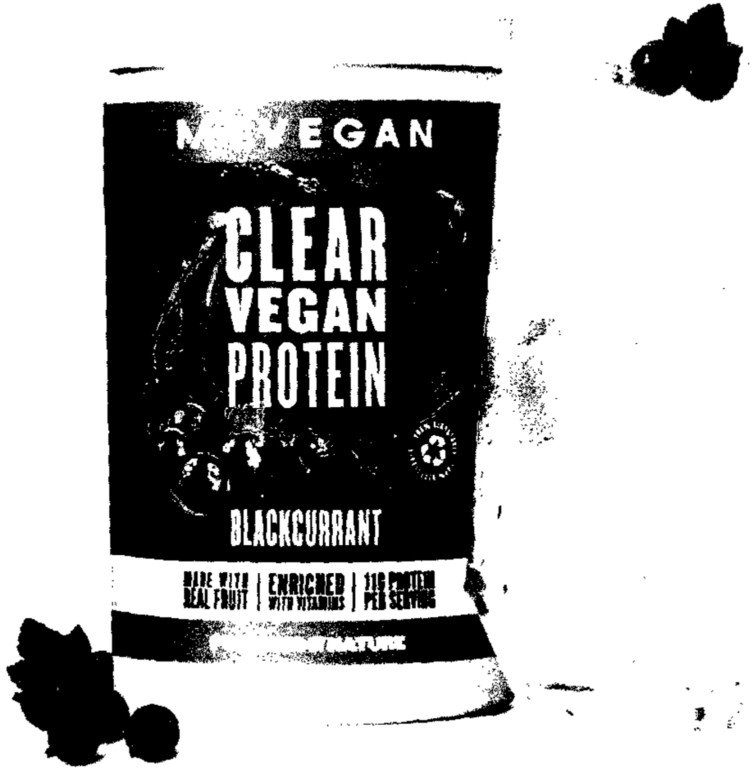
Related party	Amounts owed by related parties	*Amounts* owed to related parties
	£'000	£'000
Aghoco 1442 Ltd	13	98
Iron 3 Holdco Ltd	253	-
FIC Shareco Ltd	5	-
THG HQ PropCo Ltd	30	-
Allenby Square Ltd	71	302
THG Alpha PropCo Ltd	-	20
THG GJS PropCo Ltd	-	225
THG ICC PropCo Ltd	-	58
THG KS Propco Ltd	-	66
THG Unit 3 PropCo S.a r.l	2,310	-
	2,682	769

9 POST BALANCE SHEET EVENTS

Disclosure on post balance sheet events is in note 28 of the Group financial statements.

Glossary

The definitions set out below apply throughout this *document*, unless the context requires otherwise.



Terms	Meaning
2030 Sustainability Strategy	means the strategy adopted by THG in relation to sustainability and environmental matters, to be communicated in H2 of 2021
Adjusted EBITDA	means the non GAAP measure which is defined as Earnings Before Interest, Taxes, Depreciation and Amortisation and adjusting items as detailed in note 4 of the financial statements contained within this Annual Report
Admission	means the admission of all the Ordinary Shares to both the standard listing segment of the Official List of the FCA and the London Stock Exchange's main market for listed securities, which took place on or around 16 September 2020
AGM	means the annual general meeting of the Company that will be held on 21 June 2021
Annual Report	means this Annual Report and Accounts of the Company in respect of the financial year ending 31 December 2020
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
BCMS	means Business Continuity Management System
Berryman	means David Berryman Limited, the fruit-based ingredient business that was acquired by THG on 8 December 2020
Board	means the Board of Directors of the Company (or its subsidiaries as the context may require from time to time)
Board Committees	means the Company's Board-constituted Committees comprising the Audit and Risk Committee, the Remuneration Committee, the Nomination Committee, the Related Party Committee and the Sustainability Committee
Brexit	means the United Kingdom's decision to leave the European Union following the referendum on 23 June 2016
BRC	means the British Retail Consortium
CAGR	means Cumulative Annual Growth Rate
Carbon Neutral	means achieving a net-zero release of carbon dioxide into the atmosphere
Chief Executive Officer or CEO	means Matthew Moulding, the Company's Chief Executive Officer and co-founder
Chief Financial Officer or CFO	means John Gallemore, the Company's Chief Financial Officer and co-founder
Claremont	means Claremont Ingredients Limited, the leading independent flavour manufacturing, sports nutrition and beverages development business that was acquired by THG on 10 December 2020
Code	means The UK Corporate Governance Code (July 2018) published by the FRC
Companies Act	means the Companies Act 2006 (as amended from time to time)
Company	means THG PLC, a public limited company incorporated in England and Wales with registered number 06539496, whose registered office is at 5th Floor Voyager House, Chicago Avenue, Manchester Airport, Manchester, M90 3DQ, United Kingdom
Company Secretary	means James Pochin, the Company Secretary of THG PLC
Covid-19	means the disease caused by Severe Acute Respiratory Syndrome Coronavirus 2, which is responsible for the ongoing global pandemic that has impacted the Company's operations
CPG	means Consumer Product Groups
CRM	means Customer Relationship Management
D&I	means Diversity and Inclusion
D1 Shares	means the D ordinary shares of £0.005 each in the capital of the Company having the rights and being subject to the restrictions set out in the Articles of Association
D2 Shares	means the D ordinary shares of £1.00 each in the capital of the Company having the rights and being subject to the restrictions set out in the Articles of Association
D2C	means Direct to Customer
Deferred 1 Shares	means the deferred 1 shares in the capital of the Company having the rights and being subject to the restrictions set out in the Articles of Association
Deferred 2 Shares	means the deferred 2 shares in the capital of the Company having the rights and being subject to the restrictions set out in the Articles of Association
Dermstore	means Dermstore LLC, the pure play online prestige skincare business that was acquired by THG on 2 February 2021
Directors	means the directors of the Company from time to time and **"Director"** means any one of them
Directors' Remuneration Policy	means the policy that sets out the remuneration arrangements for Directors in respect of which Shareholder approval will be sought at the AGM
Disclosure Guidance and Transparency Rules or DTRs	means the disclosure guidance and transparency rules made by the FCA under Part VI of the Financial Services and Markets Act 2000 (as amended from time to time)
Division	means Business units within the overall single operating segment of the Group
EBITDA	means the non GAAP measure which is defined as Earnings Before Interest, Taxes, Depreciation and Amortisation
EBT	means earnings before tax
EHO	means Environmental Health Officer
ERM	means Enterprise Risk Management
ESG	means environmental, social and corporate governance factors which are non-financial and are used in assessing the sustainability and societal impact of the Company and its operations
EU	meaning 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 Chair or Chair	means Matthew Moulding, the co-founder of the Company
Executive Directors	means the executive directors of the Company from time to time, being the Executive Chair and Chief Executive Officer and the Chief Financial Officer at the date of this Annual Report and **"Executive Director"** means any one of them
EY or External Auditor	means Ernst & Young LLP the Group's statutory auditor and adviser in respect of non audit services

FCA	means the Financial Conduct Authority
FDA	means the Foods and Drug Administration, a US federal agency of the Department of Health and Human Services
FMCG	means fast moving consumer goods
FRC	means the Financial Reporting Council
F Shares	means the F ordinary shares of £0.005 each in the capital of the Company having the rights and being subject to the restrictions set out in the Articles of Association
GAAP	means Generally Accepted Accounting Principles
GDPR	means the General Data Protection Regulation (EU) 2016/679
General Counsel	means James Pochin, the General Counsel of the Company
GHG	means greenhouse gases
GMP	means Greater Manchester Police
Group or THG	means the Company and its subsidiaries and subsidiary undertakings from time to time
G Shares	means the G ordinary shares of £0.005 each in the capital of the Company, having the rights and being subject to the restrictions set out in the Articles of Association
HMRC	means Her Majesty's Revenue and Customs
H Shares	means the H ordinary shares of £0.005 each in the capital of the Company, having the rights and being subject to the restrictions set out in the Articles of Association
IAS	means International Accounting Standards
IFRS	means International Financial Reporting Standards
IPO	means the initial public offering of Ordinary Shares by the Company in September 2020
ISO	means the International Organization for Standardization
KOL	means Key Opinion Leader
KPI	means key performance indicator
Listing Rules	means the Listing Rules made by the FCA under Part VI of the Financial Services and Markets Act 2000 (as amended from time to time)
London Stock Exchange	means the London Stock Exchange PLC or its successor
LTIP	means the long-term incentive plan operated by the Company for Executive Directors and selected members of Senior Management
M&A	means mergers and acquisitions
NEDs	means the Non-executive Directors of the Company and **"NED"** means any one of them
NHS	means the UK's National Health Service
Notice of Meeting	means the notice of AGM circulated to Shareholders on or around the date of posting of this Annual Report
NPD	means New Product Development
OECD	means the Organisation for economic Cooperation and Development
Ordinary Shares	means the voting ordinary shares of £0.005 each in the capital of the Company, having the rights and being subject to the restrictions set out in the Articles of Association
Perricone	means Perricone MD the US prestige skincare brand that was acquired by THG on 29 September 2020
PHE	means Public Health England
PPE	means personal protective equipment
PR	means Public Relations
Propco Group	means 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 which 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 Chair and CEO
RCF	means revolving credit facility
Regulations	means the Companies (Miscellaneous Reporting) Regulations 2018 (as amended from time to time)
Related Party Transaction	means a transaction, arrangement or relationship to which the Company or any of its subsidiaries will be a participant and where any related party has a direct or indirect interest
SaaS	means the term 'software as a service', which is software that is licensed on a subscription basis and is centrally hosted
Section 172	means section 172 of the Companies Act, which relates to the duty of a company's directors to promote the success of a company
Senior Management	means the Executive Leadership Team and its direct reports
Shareholder	means a holder of Ordinary Shares
Shares	means together the Ordinary Shares, D1 Shares, D2 Shares, E Shares, F Shares, G Shares, H Shares, Deferred 1 Shares, Deferred 2 Shares and the Special Share or any or a combination of each as the context requires
SID	means the Board's senior independent NED, currently Zillah Byng-Thorne
Special Advisors	means the independent special advisors appointed by the Company to provide additional resource and specialist support to the Board Committees in respect of areas such as tax risk governance, sustainability, cyber risk and regulatory compliance
Special Share	means the "special" share of £1.00 in the capital of the Company, having the rights and being subject to the restrictions set out in the Articles of Association and further details of which are included on page 150 of the Directors' Report (as contained within the Annual Report)
Standard Listing	means a standard listing under Chapter 14 of the Listing Rules

THG Beauty	means a key division and market of the Company relating to beauty products, commerce and distribution
THG Commerce	means a key division and market of the Company relating to the hosting of leading third-party brands on THG Ingenuity
THG Detect	means a SaaS platform feature created and used by the Company that identifies and protects against all aspects of fraud and risk online, to protect business-critical data and customer information
THG Digital	means the Company's end-to-end digital brand services
THG (eco)	means the Company's commitment to sustainability and innovation
THG Experience	means a key division and market of the Company relating to influencer marketing and commerce
THG Fluently	means the Company's proprietary translation services
THG Ingenuity	means a platform created and used by the Company to achieve global ecommerce competitive advantage
THG Luxury	means the luxury fashion retail division of the Company
THG Nutrition	means a key division and market of the Company relating to nutritional products, commerce and distribution
THG Studios	means a division of the Company which produces digital content
THG Technology	means a key division and market of the Company
THG Values	means the Company's values, namely leadership, innovation, decisiveness and ambition
WAEP	means weighted average exercise price
Wates Principles	means the Wates Corporate Governance Principles for Large Private Companies (December 2018), published by the FRC
WMS	means website managed services
YoY	means year on year

THG

THG PLC
For the year ended 31 December 2020
Company Registration Number: 06539496