

**THG PLC**  
**(the "Company")**

6 May 2022

**Annual Report & Accounts 2021**

The Company confirms that the Annual Report & Accounts for the financial year ended 31 December 2021 ("**2021 Annual Report**") have today been posted or otherwise made available to the Company's shareholders.

A copy of the 2021 Annual Report is available to view on the Company's website at:  
<https://www.thg.com/investor-relations/>.

In accordance with Listing Rule 14.3.6R, a copy of the 2021 Annual Report will today be submitted to the National Storage Mechanism and will shortly be available for inspection at:  
<https://data.fca.org.uk/#/nsm/nationalstoragemechanism>.

As detailed in the 2021 Annual Report, the Company's Annual General Meeting ("**Meeting**") will take place at 12.30 p.m. on Friday 10 June 2022 at the Cheshire Suite at Manchester Airport Marriott Hotel, Hale Road, Hale Barns, Manchester WA15 8XW. The Notice of Meeting will be published and distributed to the Company's shareholders in due course.

**Appendix**

The Appendix to this announcement is a supplement to the Company's preliminary statement of financial results for the financial year ended 31 December 2021 made on 21 April 2022. The 2021 Annual Report contains the Company's principal risks as at 20 April 2022, being the date of the document, and a responsibility statement relating to the content of the 2021 Annual Report. Extracts of this information are provided in the Appendix, as required pursuant to DTR 6.3.5R, but this material should be read in conjunction with, and is not a substitute for reading, the full 2021 Annual Report. Page numbers and cross-references in the Appendix refer to page numbers and cross-references in the 2021 Annual Report.

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**Notes to editors**

THG ([www.thg.com](http://www.thg.com)) is a vertically integrated, digital-first consumer brands group, retailing its own brands in beauty and nutrition, plus third-party brands, via its proprietary, end-to-end, e-commerce technology, infrastructure and brand-building platform (THG Ingenuity) to an online and global customer base. THG's business is operated through the following businesses:

**THG Beauty:** The globally pre-eminent digital-first brand owner, retailer and manufacturer in the prestige beauty market, combining its prestige portfolio of eight owned brands across skincare, haircare and cosmetics, the provision of a global route to market for over 1,300 third-party beauty brands through its portfolio of websites, including Lookfantastic, Dermstore, Cult Beauty and Mankind and the beauty subscription box brand GLOSSYBOX.

**THG Nutrition:** A group of digital-first Nutrition brands, which includes the world's largest online sports nutrition brand Myprotein, and its family brands (Myvegan, Myvitamins, MP Clothing and Myprotein Pro), with a vertically integrated business model, supported by six THG production facilities.

**THG Ingenuity:** Ingenuity Commerce provides an end-to-end direct to consumer e-commerce solution for consumer brand owners under 'Software as a Service' (SaaS) licences. The wider Ingenuity division provides stand-alone digital services, including hosting, studio content, translation services and beauty product development and manufacturing.

**THG OnDemand:** Personalisation and customisation is a key offering within THG OnDemand, enabling brands to offer unique products to a vast range of consumers across THG's global territories through websites including Zavvi, IWOOT and Pop in a Box.

**Other:** Luxury D2C websites including Coggles, AllSole and MyBag, in addition to THG Experience. The latter comprises prestige events locations at Hale Country Club & Spa, King Street Townhouse Hotel and Great John Street Hotel, providing deeply experiential brand building environments, most notably in support of THG Society, the Group's proprietary influencer marketing platform.

## **APPENDIX**

The following is extracted in full unedited text from pages 105 to 116 of the 2021 Annual Report:

### **Risk management and informed decision-making**

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

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

#### **How we identify risk**

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

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

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

#### **Our risk appetite and risk tolerances**

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

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

#### **Emerging risks**

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

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

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

#### **How we manage risk**

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

the potential to cause, impact, or increase another risk and that these are weighted appropriately. This exercise informs our scenario analysis, particularly in scenarios used in the Viability Statement.

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

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

## **Risk governance**

### **Board**

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

### **Risk Committee**

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

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

### **Audit Committee**

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

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

### **Executive**

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

### **Chief Risk Officer**

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

### **THG Risk**

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

### **THG Internal Audit**

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

## **Risk Management and Internal Controls**

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

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

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

## **Covid-19**

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

The 2020 impact of the Covid-19 pandemic on the online retail marketplace and the wider global economy has continued throughout 2021, with a continuing consumer shift onto digital platforms. Whilst the pandemic has

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

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

## Brexit

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

## Principal risks

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

In reviewing the principal risks, we have evolved Cyber Threats to Cyber Security and Data Privacy to reflect the continuing change in Cyber Security risk and address Data Privacy more explicitly. Key Service Disruption has evolved to reflect all aspects of Third-Party Reliance across the business. In addition, Regulatory Compliance has broadened to reflect the breadth of regulatory requirements potentially impacting THG and Sustainability and Ethics has evolved into Environment, Social and Governance to reflect our continued commitment to the wider community and the creation of THG Eco.

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

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

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

Principal risk	Risk context	Management and mitigation
<b>Cyber security and data privacy</b>		<b>Stable</b>
Failure to responsibly collect, process and store data, together with not ensuring an appropriate standard of cyber security across the business, will result in us not meeting our regulatory and contractual obligations, and losing the trust of our stakeholders.	Information is the life blood of a digital company - protecting the confidentiality, integrity and accessibility of this data is critical for a data-driven business. Failure to do so can have significant financial and regulatory consequences in the General Data Protection Regulation (GDPR) era. In addition, we also need to use our data efficiently and effectively to drive improved business performance.	<ul style="list-style-type: none"> <li>The Chief Information Security Officer oversees information security. The Global Privacy Officer oversees information protection.</li> <li>Multi-year cyber security programmes driving continuous improvement and cyber risk reduction across technology, business processes and culture.</li> <li>Continuously improving the data protection strategy, framework and methodology, ongoing data mapping and impact assessment procedures.</li> <li>The Information Security Risk Management Methodology is deployed to provide objective reviews and monitoring on our assets and systems.</li> <li>Formal certification schemes maintained across the business.</li> <li>All colleagues are required to undertake awareness training for information management and data protection, with a focus on the GDPR requirements.</li> <li>Internal and external validation of compliance through auditing, including risk-based audits of suppliers and other third parties (see "Third Party Reliance").</li> </ul>
<b>Third-party reliance</b>		<b>Improving</b>
Failure to embed our partners as an integral and aligned part of our infrastructure, fulfilment and go-to-market strategy in a timely manner, will result in us failing to deliver the right capabilities and experiences to our customers.	THG places reliance on third-party providers to support the delivery of our services to our customers. Any interruption in these services or relationships could have a profound impact on THG's reputation in the market and could result in significant financial liabilities and losses.	<ul style="list-style-type: none"> <li>All new suppliers go through a rigorous selection and onboarding process.</li> <li>Procurement team monitors supplier performance on an ongoing basis, against third-party contract SLAs.</li> <li>Dual sourcing for most supply categories and in all business units, reducing dependencies on sole suppliers.</li> <li>Extensive and up-to-date knowledge of supplier base enabling sources to be found quickly.</li> <li>Ongoing development of Global site standards and conformance agreements to ensure adequate standards are maintained in the supply chain as far as possible, applicable both in-house and with third-party sites</li> <li>Assurance on our key third-party suppliers and service providers through Internal and external compliance auditing.</li> </ul>

		<ul style="list-style-type: none"> <li>Continuous monitoring of the supply chain activity and news through advanced web-scraping functionality.</li> <li>Continuous monitoring and forecasting of demand and availability to adjust intake accordingly.</li> <li>Multiple delivery methods, routes, ports and carrier strategies to minimise the risk of disruptions.</li> <li>Supply Chain Business Continuity strategies and planning to respond to incidents.</li> <li>Increasing our Supply Chain capacity by building new additional fulfilment centres globally, with less reliance on third-party warehouses (see "Infrastructure")</li> </ul>
<b>Talent</b>		<b>Improving</b>
If we fail to attract at pace, and/or retain employees with the critical skills, capabilities, motivation and capacity we need to deliver on our strategy, we will not be successful.	As we continue to evolve our priorities, the capacity, knowledge and leadership skills we need will continue to change. THG will not only need to attract the talent and experience we will need to help navigate this change. We will also need to provide an environment where employees can develop to meet these new expectations, an environment where everyone can perform at their best. By continuing to empower employees and leaders to make decisions, be innovative, and be bold in delivering on our commitments, THG will continue to create an attractive working environment, increasing employee engagement and aligned high-performing teams.	<ul style="list-style-type: none"> <li>Reviews of our remuneration requirements and mechanisms designed to incentivise and drive the right behaviour with a focus on ensuring fair and equitable pay across the business.</li> <li>Focused development of key staff, through dedicated learning and development tools, to ensure they create the environment which enables colleagues to thrive and perform at their best.</li> <li>The above, monitored via engagement surveys, follow ups and our Performance management processes.</li> <li>Ongoing focus on Policy and culture requirements. See "Culture".</li> <li>Brexit Steering Committee continues to assess how THG should respond to the uncertainty and inherent risks, relevant to Talent.</li> <li>Throughout 2021, the focus of our Covid-19 Steering Group was to ensure that our colleagues, were being appropriately supported. In the second part of the year, the focus shifted to assisting our office-based colleagues in returning to a safe office environment.</li> </ul>
<b>Ingenuity e-commerce platform</b>		<b>Improving</b>
Failure to maintain a reliable, scalable and secure live services environment, will impact our ability to deliver the consistent and resilient experience expected by our customers.	<p>As a digital company, we continue to focus on scaling our current and future Ingenuity platform services environment in an agile and speedy manner to ensure the delivery of a consistent and robust cloud platform and associated digital network.</p> <p>THG must provide the right infrastructure and operations for our customer products, a hosting platform together with the governance to ensure optimal service availability, performance, security protection and restoration (if required).</p>	<ul style="list-style-type: none"> <li>Accountability across Platforms and Projects, underpinned by ongoing risk assessments and continuous improvement projects.</li> <li>Ongoing investment in our Ingenuity platform services to ensure that the THG estate evolves to support the business as it scales and changes.</li> <li>Continuously improving data protection strategy, framework and methodology, ongoing data mapping and impact assessments procedures.</li> <li>Robust change management processes and incident management protocols, adhered to for all products and services.</li> <li>Service-level objectives including uptime, responsiveness, and mean time to repair objectives</li> <li>Comprehensive disaster recovery and business continuity plans in place across the Group.</li> <li>Other key mitigation factors detailed under "Cyber Security and Data Privacy" risk.</li> </ul>
<b>Customer needs</b>		<b>Stable</b>
If we fail to anticipate, understand and deliver against the capabilities and experiences our current and future customers need in a timely manner, they will find alternative providers.	As THG continues to grow its business and brands, an understanding of how to continually attract customers whilst retaining our existing customers is essential. This requires a deep and continuous flow of insights supported by processes and systems. By understanding the needs of our customers, THG will continue to differentiate itself from competitors, build compelling value propositions and offers, leverage key drivers to identify opportunities, decrease churn and drive more effective revenue generation.	<ul style="list-style-type: none"> <li>Utilisation of customer activity and churn data, to understand their appetite for product offerings.</li> <li>Continuous Net Promoter Score (NPS) surveying allows THG to identify customer challenges rapidly, and respond in a timely manner to emerging trends.</li> <li>Managed International Customer Service - 24/7 Customer Service for a global audience across live chat, calls, email and social.</li> <li>Specialised Merchandising executives support the business with brand selections.</li> <li>Competitor activity and offerings are reviewed regularly to remain abreast of market developments.</li> <li>Developments in e-commerce trends are monitored to keep abreast of the latest developments and innovations.</li> <li>Consumers' changing preferences are monitored internally and by market research to ensure products remain relevant.</li> <li>Performance targets control key deliverables (net promoter scores, site traffic).</li> <li>Highly-competent buyers and merchandisers are adept at interpreting and acquiring desirable brands.</li> <li>Product range planning ensures sufficient product offering to cover expected demand.</li> <li>Buying, merchandising and marketing departments operate cohesively, with regular cross-functional communication.</li> <li>Customer service levels and complaints are monitored, and internet sites are reviewed for customer opinion.</li> <li>Investment in logistics, fulfilment, delivery, marketing, brand and customer experience to keep our customer appeal.</li> <li>Use of technology and data to be more targeted and strategic in how we gain new customers and maximise the</li> </ul>

		loyalty and lifetime value of existing customers.
<b>Corporate structure</b>		<b>Improving</b>
If we fail to successfully co-ordinate, deliver and execute, at pace, the development of the THG corporate structure, it will impact the successful delivery of our strategy.	As part of the continued maturing of our business and to support our ongoing growth and strategic aims, our corporate structure must evolve to provide transparency and clarity to the vision for each element of THG, be it Beauty, Nutrition, Ingenuity or other operating divisions.	<ul style="list-style-type: none"> <li>Robust processes introduced for the reorganisation and legal entity restructure progressed during 2021 and into 2022.</li> <li>Ongoing support from third party advisors as part of the restructure.</li> <li>Realignment and re-engineering of our business processes resulting from the corporate restructure.</li> <li>Establishment of a standalone Committee for the restructure to oversee action tracking and risk management.</li> <li>Ongoing recruitment and talent acquisition at senior level, for new roles.</li> </ul>
<b>Infrastructure</b>		<b>Improving</b>
If we fail to scale our infrastructure, systems and processes at pace, whilst maintaining service levels, it will impact the successful delivery of our strategy.	World-class infrastructure from source to customer is fundamental to the exacting service levels that we seek to provide to businesses and customers alike. Our infrastructure must be robust, slick and secure and ensure the THG service offering is second to none.	<ul style="list-style-type: none"> <li>Increasing our Supply Chain capacity directly by building new manufacturing and fulfilment centres globally, to ensure adequate warehouse facilities are available to keep pace with business growth.</li> <li>Increasing our Supply Chain capacity indirectly via acquisitions.</li> <li>Strategic programmes underway to ensure that all aspects of the THG estate evolves to support the business as it scales and changes.</li> <li>THG estate planning is delivered by our in-house Capital Projects team, supported by our Group Property Director.</li> <li>Capex Committee established to work alongside THG's Capital Projects team to support and monitor transformation programmes, including management of programme risks and dependencies.</li> <li>Each programme is supported by cross-functional steering Groups, including at least one Executive Sponsor, which meet regularly to review the programme, including status, risks, dependencies and impact.</li> <li>THG Risk representation in steering Groups to ensure the cross-functional execution of infrastructure projects are successful, achieving desired outcomes on time and maximising expected benefits.</li> <li>Engagement of trusted advisors, contract managers and surveyors to support in-house expertise.</li> <li>The THG estate is protected by 24-hour security, access control and fire protection.</li> <li>Comprehensive disaster recovery and business continuity plans in place across the Group.</li> <li>Brexit Steering Committee continues to assess how THG should respond to the uncertainty and inherent risks, including how changes to our infrastructure can mitigate these.</li> </ul>
<b>Onboarding and integration</b>		<b>Improving</b>
If we fail to successfully onboard and integrate acquisitions whilst continuing to drive our core business, it may impact the pace at which we deliver our strategy.	Acquisitions form a critical element of the THG strategy alongside the continuing organic growth of the business. Our strategic acquisitions add scale, skills and breadth to our overall service offering. The successful integration of the acquisitions into our core business are fundamental to us delivering our service offering and achieving our strategic aims.	<ul style="list-style-type: none"> <li>Formal process for onboarding acquisitions, where processes are aligned to THG standard.</li> <li>Ongoing advisory support from third party advisors in pre-acquisition due diligence and post-acquisition.</li> <li>Integrations are delivered by our in-house Integrations team.</li> <li>Acquisitions and integrations are supported by cross-functional steering Groups, including at least one Executive Sponsor, which meet regularly to review the programme, including status, risks, dependencies and impact.</li> <li>THG Risk representation in steering Groups to ensure the successful cross-functional execution of acquisitions and integrations and reduce the risk that projects do not deliver their desired outcomes on time or fail to maximise the expected benefits.</li> </ul>
<b>Innovation</b>		<b>Improving</b>
If we fail to identify and leverage emerging technologies and invest in modern practices and supporting tools, methods and infrastructure in a timely manner, we will not meet the needs of our customers or our commercial goals.	We must be able to rapidly deploy new innovations to our infrastructure, systems and customers by introducing technologies, services, or new ways of working. Innovation requires us to address how we drive change and transformation across our employees, processes and technology, and how we differentiate and drive excellence and efficiencies.	<ul style="list-style-type: none"> <li>Strategic acquisitions which further enhance the Group's new product development and in-house capabilities.</li> <li>Strategic investments in our fulfilment infrastructure, such as the AutoStore ASRS.</li> <li>A fully vertically-integrated business model, with full control over NPD, branding and design capabilities, which significantly reduces development timelines.</li> <li>Collaboration with partners to complement and enable accelerated innovation.</li> <li>Innovation informed through demand insights, consumer data and feedback from our global retail customer base.</li> <li>Attracting and retaining the most innovative and inventive talent from across the globe. See "Talent".</li> </ul>
<b>Regulatory compliance</b>		<b>Stable</b>
Failure to anticipate, understand and implement our numerous regulatory requirements, will	We continue to operate in a global market with numerous regulatory requirements ranging from Health and Safety, Food Safety and Product Safety to	<ul style="list-style-type: none"> <li>Divisional Compliance teams, with sector specific knowledge and experience.</li> <li>Central Compliance team overseeing and challenging the Divisional teams.</li> </ul>

<p>result in us failing to meet our regulatory obligations, impacting our ability to deliver our strategy and losing the trust of our stakeholders.</p>	<p>Taxation and Trading legislation. Remaining aware of changing regulation and ensuring compliance is key to ensuring we protect both THG and our customers and partners.</p>	<ul style="list-style-type: none"> <li>· Compliance teams with reporting lines into the Chief Risk Officer.</li> <li>· Defined Risk Appetite metrics and Key Risk Indicators which are monitored and updated at each Risk Committee.</li> <li>· Updated Risk Management Framework and Divisional Compliance reporting dashboards.</li> <li>· Horizon scanning inputs are obtained from our Legal partners and reviewed for trends and responses required.</li> <li>· Ongoing planning and preparation, supported by external advisers, to meet our responsibilities as we continue to fulfil more customer orders direct from third party brands via our Ingenuity division.</li> <li>· Group Risk Deep-dive reviews to identify gaps and vulnerabilities.</li> <li>· See "Cyber Security and Data Privacy" for related regulatory compliance mitigations.</li> </ul>
<p><b>Environment, social and governance</b></p>		<p style="text-align: center;"><b>Improving</b></p>
<p>Failure to achieve our sustainability and environmental, social and governance related aims, objectives and obligations, will impact our ability to deliver our strategy and result in us failing to meet our regulatory obligations, losing the trust of our stakeholders.</p>	<p>We are committed to investing in education, technology, and the environment to give individuals, businesses, and our planet the opportunity to thrive. Our goal is to use our technology, time, and experience to back a generation of diverse, sustainable businesses.</p>	<ul style="list-style-type: none"> <li>· Sustainability is integral to the group ethos with a function headed at an Executive level to focus on creating more sustainable products and supply chain operations and reduce environmental impact.</li> <li>· A Chief Sustainability Officer has been appointed to oversee and lead the Group's approach to sustainability, including climate-related risks.</li> <li>· THG's 2030 Sustainability strategy was launched in 2021 and sets out how we will address these challenges and opportunities.</li> <li>· In support of the strategy, the provision of a formal structure with targets underpinned by science, data and technology.</li> <li>· Multiple projects designed to respond to specific ESG risks, for example, the establishment of a dedicated, cross-functional TCFD Working Group, overseen by THG's Executive Board and the Sustainability Committee.</li> <li>· To ensure appropriate oversight, the Sustainability Committee undertakes regularly reviews of key supply chain topics.</li> <li>· Regular updates and submitting proposals for approval by the Board and Sustainability Committee.</li> <li>· We have a materials sourcing strategy and proactive engagement with suppliers.</li> <li>· Supply chain visibility from our vertically integrated end-to-end model.</li> <li>· Continuous engagement with our supply base encourages a proactive approach, for example in addressing waste and energy management.</li> <li>· Regulatory compliance across jurisdictions and activities, from packaging and labelling, through to plastics taxation and modern slavery, as well as TCFD, is carefully monitored throughout the business, overseen by the Group Sustainability Team by means of KPIs, internal policy, and tracking progress against the published THG 2030 sustainability strategy.</li> </ul>
<p><b>Culture</b></p>		<p style="text-align: center;"><b>Stable</b></p>
<p>If we do not fully empower our employees and enable accountability in line with our shared values and behaviours, we will be challenged to create a culture, that meets THG's business ambitions.</p>	<p>The development of a shared behavioural competency that encourages employees to always do the right thing, put customers at the heart of the business and drive innovation, is critical in THG's success. Devolution of decision making, and the acceptance of accountability for decisions, is fundamental to our continued development and sustains our shared Values and Behaviours. THG also supports a culture of empowered leaders that develops ideas and solutions, and that provides employees with a safe environment allowing for honest disclosures and discussions. Such a trusting and empowered environment can help sustain innovation, enhance customer success and drive the engagement that results in increased market share.</p>	<ul style="list-style-type: none"> <li>· Ongoing integration of Values and Behaviours into all our core colleague priorities including objectives, performance management, appraisals, talent attraction, selection and development, leadership development and onboarding.</li> <li>· Establishment of a Diversity &amp; Inclusion Committee, a platform to further improve the employee journey and workplace culture to ensure we are a truly inclusive workplace.</li> <li>· Formal assessment against personal objectives for each colleague as part of established performance management process, which also considers personal application of THG's Values and Behaviours.</li> <li>· HR Handbook communicated to all colleagues, with eLearning modules rolled out across the workforce, and annual refresher training.</li> <li>· Training including anti-bribery and corruption training which continues to be delivered across our business units based on assessed risk.</li> </ul> <p>The above monitored via:</p> <ul style="list-style-type: none"> <li>· Whistleblowing and Incident Reporting mechanisms in place to allow issues to be formally reported and investigated.</li> <li>· Engagement surveys and follow-ups.</li> <li>· KPIs and People Dashboards at a divisional level, including DNI metrics and Attrition analysis.</li> </ul>

The following is extracted in full unedited text from pages 127 and 128 of the 2021 Annual Report:

**Directors' Statement of Responsibility in respect of the Annual Report**

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

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

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

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

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

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

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

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

#### **Audit and Auditor**

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

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

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

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