THG

THG Basis of Reporting 2023 – GHG Emissions and Energy

This Basis of Reporting document outlines the definition, scope, methodology and assumptions used to calculate and the KPIs and metrics covering GHG emissions and energy related data by THG for the 2023 Annual Report & Accounts

Introduction

THG plc is an e-commerce consumer brand company founded in 2004 and headquartered at Manchester, England. The Company operates through two global consumer divisions, THG Beauty and THG Nutrition, each comprising a portfolio of brands. The Group's technology platform and operations infrastructure division, THG Ingenuity, powers the group and third-party enterprise clients.

This document outlines the definition, scope, methodology and assumptions used in THG's Energy and Emissions Reporting included in the company's Annual Report and Accounts. The Group has a regulatory obligation to report on Greenhouse Gas ('GHG') emissions as per the requirements under UK Companies Act 2006 (Strategic Report and Directors' Report) Regulations 2013; and the UK Streamlined Energy & Carbon Reporting (SECR) regulations.

The Scope 1 & 2 data is reported for the year ended 2023, and the Scope 3 data is reported for the year ended 2022. We report our GHG emissions in accordance with the GHG Protocol, which sets a global standard for how to measure, manage and report GHG emissions.

Scope

GHG emissions

GHG emissions are broken down into Scope 1, 2 & 3.

- Scope 1 emissions are our direct emissions from the combustion of fuel/energy sources onsite from our buildings, vehicles, and machines.
- Scope 2 emissions cover our indirect emissions from the purchase of electricity.
- Scope 3 indirect emissions

The Group chooses to use an intensity ratio of GHG emissions per £1m turnover. Using turnover offers a simple way to measure and monitor Group performance on emissions and is also a useful way to benchmark and compare with other organisations. Using turnover is also the most appropriate given the vast range of activities and sectors THG operate in.

Energy

Total energy use includes direct and indirect energy reported in kWh.
We report on the:

1. Total renewable energy as: Total renewable energy (kWh)/Total energy use (kWh) expressed as a percentage (%).
2. Total renewable electricity use as: Total renewable electricity (kWh)/Total electricity use (kWh) expressed as a percentage (%).

Supplier emissions factors are used for sites with REGOs (Renewable Energy Guarantees of Origin), and the energy consumed from sites with REGOs are reported as 'Renewable' and is part of the calculation of 'Total renewable energy' and 'Total renewable electricity'. On site solar energy consumption is also reported as 'Renewable' and forms part of the calculation for 'Total renewable energy' and 'Total renewable electricity'.

Existing Environmental KPI's

- Scope 1 emissions (Tonnes of CO2e)
- Scope 2 location-based emissions (Tonnes of CO2e)
- Scope 2 market-based emissions (Tonnes of CO2e)
- Total energy use (kWh)
- Total energy use per Country (kWh)
- Renewable electricity across operations (%)
- Year on Year difference in Energy Use (kWh)
- Year on Year difference in Scope 1 emissions (Tonnes of mCO2e)
- Year on Year difference in Scope 2 location-based emissions (Tonnes of mCO2e)
- Year on Year different in Scope 2 market-based emissions (Tonnes of mCO2e)
- Year on Year different in Renewable Electricity across operations (%)
- Total Scope 1 & 2 Emissions of market-based emissions per Country (Tonnes of mCO2e)
- Scope 3 2022 Emissions (Tonnes of CO2e)

Reporting period

Our Scope 1 & 2 2023 reporting period covers 01 January 2023 to 31 December 2023 which aligns with the Group's Annual Report and Accounts.

Our Scope 3 2022 reporting period covers 01 January 2022 to 31 December 2022 which aligns with the 2022 Group's Annual Reports and Accounts. Scope 3 emissions reporting is currently a year behind scope 1 &2 due to the complexity and the associated time required to gather the required data.

Reporting boundary

Scope 1 and 2

THG reports emissions data using an operational control approach to define our organisational boundary, which meets the definitional requirements of the Companies Act 2006 (Strategic Report and Directors' Report) Regulations 2013 in respect of those emissions for which we are responsible. Where an activity falls under our operational control, we report 100% of the associated emissions.

Operational control has been assumed where THG can influence, manage, and track energy use and/or emissions from an operation, details below:

i. Where we have a contract directly with the energy supplier – the site is considered under our control.
ii. Where energy is paid by the landlord and re-charged to us based on the actual amount we have consumed (i.e., metered amount) – the site is considered under our control.

Out of operational control has been assumed where THG **cannot** influence, manage, and track energy use and/or emissions from an operation, details below:

i. Where we pay a fixed fee for energy as part of our rental payments (i.e., regardless of the amount consumed) - the site is considered NOT under our control and emissions associated with this energy usage would be captured in our Scope 3 numbers.

The property list is updated annually as a minimum with the assistance of the Property team, taking into consideration acquisitions and disposals throughout the reporting period.

Scope 3

The 15 scope 3 categories were assessed for relevance to THG. The emissions categories covered in our submission to the SBTi, which is the baseline for this and future reporting, were categories 1-8, and 11-12.

Calculation methodology

Data collection process and system - Scope 1 & 2

Energy consumption data is gathered on a weekly, monthly or quarterly basis depending on the data type and source. Data is then uploaded onto an ESG reporting platform, Diligent, for conversion and calculation into appropriate Scope 1 and 2 emissions.

Energy and associated emissions from the use of fuels and electricity are collected and calculated via several methods:

a) Automatic Meter readings: Electricity and gas consumption is automatically captured and evidenced using opening and closing meter readings which is displayed in invoices or on supplier portals

b) Utility or fuel card invoices: The majority of UK sites data for the reporting period is evidenced by utility bills via our Energy Broker consumption reports. For some smaller sites and international sites, these bills are collected by local teams. Vehicle consumption data is evidenced by fuel card invoices/reports.

c) Non - Automatic Meter readings: Electricity and gas consumption is manually captured and evidenced using opening and closing meter readings which is displayed in invoices or meter displays

d) Estimations: See sub-section “Estimates, assumptions and exclusions”

Data collection process and system - Scope 3

Scope 3 emissions are in the most part calculated manually. This is due to the complexity of the activity data, the requirements for data processing, and the diversity of emissions factors. We have an internal data collection matrix which notes the specific stakeholder and report name which makes up our data set. These data sets are then provided to our appointed consultants who calculate our scope 3 emissions. The Scope 3 output is then verified by a different third-party.

Data sources and collection methods

Scope 1 & 2

Scope	Emissions source	Data source	Method	Related KPI and units
1	Fuel combustion - Natural Gas, Gas Oil	Invoices/Meter readings	Collected by: 1) Third party (energy broker) on a monthly basis using the Optima system, 2) Invoices from local THG teams or landlords on a monthly, quarterly or biannual basis and 3) Meter reads by local THG site teams on a monthly basis	Total energy consumption (kWh) and Scope 1 emissions (CO2e).
	Vehicle fleet – Diesel, Petrol, Gas Oil and LPG	Invoices/Fuel card bills	Collected by 1) Fuel card bills (monthly) and 2) invoices from local THG teams (monthly) 3) images of the dashboard showing kilometres / miles travelled in a period.	Total energy consumption (kWh) and Scope 1 emissions (CO2e).
2	Electricity	Invoices/Meter readings	Collected by: 1) Third party (energy broker) on a monthly basis using the Optima system, 2) Invoices from local THG teams or landlords on a monthly, quarterly or biannual basis and 3) Meter reads by local THG site teams on a monthly basis	Total energy consumption (kWh) and Scope 2 emissions (CO2e) –market and location based

Scope 3

#	Category Name	Data source	Method
1	Purchased Goods and Services	A mix of spend and weight data used, for products sold.	Where available, supplier-specific emissions information was used. Where supplier-specific emissions were not available spend based factors were used. These were sourced from DEFRA's Supply chain emission factors for spending on products, the US Bureau of Economic Analysis's Input Output Database, and the EPA's Supply chain emissions factors for US industries and were adjusted for inflation and (for the non-UK datasets) exchange rate at time of publication. Beauty - a mixture of spend and weight-based emissions factors were used, including LCA data for similar products Nutrition - exclusively weight-based activity data and emissions factors were used, with LCA data for comparable products, where available

2	Capital Goods	High-level spend data by category.	DEFRA's supply chain EEIO emissions factors, adjusted for inflation, were used to convert the activity data into emissions. The exception was a factor for 'real estate', which (in the absence of a comparable DEFRA factor) was taken from the US Input Output Database and was used to account for the elements of the 'properties' spend category.
3	Fuel- and Energy-Related Activities	Used the same activity data (but different emission factors) as scopes 1&2 fuel and energy GHG assessment	High-quality data for tonne.km (this unit was used for the emissions associated with transporting one tonne of goods one kilometre) for the transport and distribution methods, and the mode by which goods were transported was available. The tonne.km data was used to calculate WTT T&D emissions. The WTT for internal T&D between THG warehouse was included in the T&D calculations for this distribution. WTT and T&D emissions factors were sourced from DEFRA's Emissions factors for the company reporting 2020 update (July 2020).
4	Upstream Transportation and Distribution	Mass of products, with approximate delivery distance (country level only). The transit method was not available for 2020 and reasonable assumptions have been made.	High-quality data for tonne.km (this unit was used for the emissions associated with transporting one tonne of goods one kilometre) for the transport and distribution methods, and the mode by which goods were transported was available. The tonne.km data was used to calculate WTT T&D emissions. The WTT for internal T&D between THG warehouse was included in the T&D calculations for this distribution. WTT and T&D emissions factors were sourced from DEFRA's Emissions factors for the company reporting 2020 update (July 2020).
5	Waste Generated in Operations	Waste vendor spend - The disposal route (recycled, landfilled, etc.) is not available and has been estimated based on UK national averages.	Emissions due to waste generated has been calculated using a spend-based approach, using the spend with associated waste suppliers (e.g., Biffa), taken from the supplier-spend report. True activity data (i.e., mass of waste, material type, and disposal route) is not currently available, therefore the spend-based approach was employed. It is anticipated that THG will move to an activity-based calculation approach in the near future.
6	Business Travel	Activity data (e.g., distance, or spend) by a method of collating travel, plus hotel stays	Emissions from business travel are calculated using the mode of travel, the distance travelled, and the class of travel (if applicable, first, economy etc.). Hotel stays are calculated using the country of the hotel and the total number of nights stayed. Where not reported in the travel report, the distance between two locations was calculated based on the latitude and longitude. This calculated distance was used in the emissions calculation. Emissions factors for the travel, and any associated WTT emissions are sourced from DEFRA's emissions factors corresponding to the reporting period.
7	Employee Commuting	*Commuting*: mode of travel, frequency, distance data collected via staff survey.	Emissions from commuting of employees is calculated from the results of a commuting survey, which should be distributed to all full-time THG staff. This should include all office, fulfilment, and other staff, but NOT contractors or temporary staff.

		Home working: no. staff days/year is available and adequate for preliminary assessment	The last full survey was conducted in 2020. Emissions from employee commuting for 2021 – 2023 have been conducted based on the results of this survey – with the data extrapolated to account for the increase in total employee numbers over this time. A new survey is planned to be sent out in 2024.
8	Upstream Leased Assets	Total data centre energy and refrigerant consumption and THG's proportion of overall use	The Scope 1 and 2 emissions from data centres, proportional to THGs proportion of overall use of that data centre, is calculated from the fuel, electricity, and refrigerant consumption provided by the data centres. The consumption is multiplied by the appropriate emissions factors for fuel consumption, or the local electricity grid emissions factor. For data centres who claim to use renewable electricity, this should be supported with appropriate renewable energy certificate which corresponds with the quantity of renewable electricity claimed (i.e., if 100% renewables are claimed, certificates covering 100% of consumption should be provided). Where utility data hasn't been provided, spend allocated emissions factors have been used.
9	Downstream Transportation and Distribution	Out of Scope	There was no transportation or distribution of finished goods from THG's operations to end customers that was not paid for by THG. All distribution of goods related to THGs operations has been captured in upstream T&D.
10	Processing of Sold Products	Out of Scope	As THG does not produce intermediate products, this category was not applicable.
11	Use of Sold Products	Units sold; energy rating and lifetime usage estimated based on research	The emissions from sold products is estimated from the predicted energy consumption and full lifetime of all sold electrical products. Estimated consumption and lifetime are based on the high-level product category (e.g., Hair products, skincare products, lighting, etc.). The average emissions from electricity consumption are calculated using the UK grid electricity factor, taken from the DEFRA emissions factors.
12	End-of-Life Treatment of Sold Products	Modelled using an approximate mass of goods & packaging sold, with materials (for packaging only) and UK average disposal/ end-of-life route.	End of life treatment emissions apply to sold electrical products, clothing, and packaging. The total quantity (in kg) of each of these items sold is taken from purchase ledgers, or the annual UK Packaging Compliance submission to the Environment Agency.. The emissions factors for the end of life treatment are taken from the DEFRA reporting factors, and 100% landfill is assumed to maintain a conservative approach.
13	Downstream Leased Assets	Out of Scope	This category did not apply to THG in 2022

14	Franchises	Out of Scope	This category did not apply to THG in 2022
15	Investments	Out of Scope	This category did not apply to THG in 2022

Estimates, assumptions and exclusions

Estimates are used for natural gas and electricity consumption in properties where meter readings or invoice data were not available or inaccurate. In these instances, natural gas and electricity estimations are calculated using our reporting platform – data gaps/inaccurate data points are filled by:

1) Using the specific sites meter average consumption (based on the actual data during the reporting year or the year preceding) and applying it to the missing month(s). This calculation will be used in the first instance. If data is not available, then methodology 2 will be used

or

2) Using the property type's (e.g. offices) average monthly consumption (kWh) per square feet of the property (based on the actual data during the reporting year) and applying it to the missing month(s)*.

Conversion factors for fuel units to kWh have been taken from the publications where the emission factors are published.

F-gas/fugitive/refrigerant emissions are currently excluded as it was not possible to make robust assumptions and therefore not included in this year's reporting scope but will be included in future years once a consistent approach to data collection has been implemented for this source.

Emissions factors

We calculate our GHG emissions, measured in carbon-dioxide equivalent (CO2e), through the collection of source data in their appropriate units (e.g. kilowatt-hours (kWh), litres (L), cubic metres (m3) etc.) and converting into the associated carbon emissions using the relevant emissions factors.

THG has used the following factors to calculate GHG emissions for the reporting period:

Scope 1

- 2023 UK Government GHG Conversion Factors for Company Reporting have been used for the Natural Gas calculations.
- On-site solar will have an emissions factor of zero.

Scope 2

- Under the Location-based reporting method, the 2023 UK Government GHG Conversion Factors for Company Reporting have been used for electricity used in UK. Overseas emissions factors were obtained from various country specific or international databases such as the AIB (Association of Issuing Bodies). A full list of sources used for 2023 emissions conversion factors used can be found in Table 1.
- Under the Market-based reporting method, supplier emission factors are used. For THG, the supplier emissions factors are used for applicable UK sites only and are from the REGO (Renewable Energy Guarantees of Origin) scheme. For UK sites not under the REGO scheme or overseas sites then the appropriate national emissions factors are used – see Table 1

Table 1 – Emissions factor source documents

Country	Emissions factor source
Australia	National Greenhouse Accounts Factors. August 2023. (Ref: New South Wales, Queensland and Victoria)
France	IEA Emission Factors 2023, AIB European Residual Mixes 2022 and World Resources Institute (2017) - Emission Factors from Cross-Sector Tools March 2017.
Poland	IEA Emission Factors 2023, AIB European Residual Mixes 2022 and World Resources Institute (2017) - Emission Factors from Cross-Sector Tools March 2017.
Sweden	IEA Emission Factors 2023 and AIB European Residual Mixes 2022
Ukraine*	IEA Emission Factors 2023 and World Resources Institute (2017) - Emission Factors from Cross-Sector Tools March 2017.
United Kingdom	2023 UK Government GHG Conversion Factors for Company Reporting, AIB European Residual Mixes 2022 and World Resources Institute (2017) - Emission Factors from Cross-Sector Tools March 2017.
United States of America	EPA Center for Corporate Climate Leadership. Emission Factors for Greenhouse Inventories 2023 and EPA eGRID Year 2021 data. January 30, 2023 (Ref: California, Kentucky and New Jersey)

*Emissions factor based on Poland due to lack of data availability

Emission factors are published on a calendar year basis and as such we apply the latest relevant emission factors from publications as of 31 December of the reporting year. When using the AIB European Residual Mixes document for applicable UK and EU sites, we use the "residual mix" emissions factors market-based emissions reporting and "production mix" for location-based emissions reporting. For emissions using AIB European Residual Mixes document and Green-e® Residual Mix Emission document, these will be reported as CO2 and not CO2e, the difference is immaterial but in future we will look to improve on this to ensure consistency in reporting CO2e.

Scope 3

The typical method for estimating carbon emissions is based on the methods listed below, which are shown in descending order of general accuracy below:

- Supplier specific.
- Hybrid (combination of supplier-specific and average data).
- Average data (such as industry average emission factors).
- Spend-based (applying the most relevant available environmentally extended input-output (EEIO)-derived emission factors based on spend).

In this first iteration in THG's Scope 3 accounting cycle, supplier-specific emissions factors were not available to THG and, therefore, have not been used in this report.

Intensity ratio

The intensity metrics used are 1) tonnes of CO2e per £1m revenue and 2) kWh per £1m revenue. Our emissions and energy are normalised by total company revenue for the year ended 31 December 2023, which is in line with our GHG emissions reporting period.

Restatement Policy

Where information becomes available, we will restate prior year's figures using the latest available data to make data as comparable between years as possible. The threshold for restatement for prior year adjustments and errors is 5%. Where restatements have been made for specific indicators, these will clearly be outlined in our selected greenhouse gas emissions data and Annual Report.

Next Steps

For future years, our sustainability reporting will continue to be developed, in order to include the following:

- Expansion of ESG data and metrics, for example: Water and Waste
- Roll out of Automatic Meter Readers (AMRs) to cover a greater proportion of the portfolio
- Inclusion of refrigerant emissions
- Continued transition to supplier specific LCAs and intensity data for scope 3 reporting
- Aim to streamline the scope 3 calculation process to bring scope 3 reporting onto the same reporting schedule as scopes 1 & 2.

Contact information

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Assurance and Assurance Statement

We engaged Bureau Veritas to undertake a limited assurance engagement using the ISAE 3000 assurance standards. The assurance process helps us review our procedures and systems, providing valuable feedback on where we can improve. All data assured by Bureau Veritas are clearly marked in THG's 2023 Annual Report & Accounts. Details of what was performed and the associated assurance statement is included below:

INSERT STATEMENT HERE