

THG Basis of Reporting 2022

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 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 are broken down into two scopes; we have included full reporting for Scope 1 and 2.

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

The Group chooses to use an intensity ratio of GHG emissions per £1m turnover for scope 1 and 2 market-based emissions. 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.

Total energy use includes direct and indirect energy reported in kWh.

We report on the Total renewable energy as: Total renewable energy (kWh)/Total energy use (kWh) expressed as a percentage (%).

We report on the 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'

Reporting period

Our 2022 reporting period covers 01 January 2022 to 31 December 2022 which aligns with the Group's Annual Report and Accounts.

Reporting boundary

THG reports emissions data using an operational control approach to define our organizational 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 has the ability to influence, manage and track energy use and/or emissions from an operation, details below:

i. Where we have a contract directly with the electricity supplier – the site is considered under our control ✓

ii. Where electricity 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 ✓

iii. Where we pay a fixed fee for energy as part of our rental payments (i.e. regardless of the amount actually 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.

Calculation methodology

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, Metrio a Nasdaq Company, 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:

- 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
- 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
- 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
- Estimations: See sub-section "Estimates, assumptions and exclusions"

Data sources and collection methods

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 bi-annual 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 and On-site fuel - 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)	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 bi-annual 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

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 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)*. We will use this method if the majority of the data for the site has gaps/errors

or

2) Using the specific sites meter average consumption (based on the actual data during the reporting year) and applying it to the missing month(s). We will use this method if the majority of the data for the site are actual/correct

Estimates are also used for fuel consumption where data is erroneous. In these instances, the fuel consumption for the vehicle in question will be estimated by applying the maximum fuel capacity for the general vehicle type – we anticipate the need for fuel consumption estimation to be extremely rare due to the nature of automated fuel card systems.

Natural gas measurements which are in cubic metres (m3) are converted to kWh on the ESG reporting platform by multiplying the Natural gas (m3) by 11.362.

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.

Emission factors

Scope 2

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

- The UK Government Greenhouse gas reporting: conversion factors 2022 (GHG 2022 factors) have been used for fuel consumed in the UK and abroad
- On-site solar will have an emissions factor of zero

Under the Location-based reporting method, the UK Government Greenhouse gas reporting: conversion factors 2022 (GHG 2022 factors) 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 2022 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	Australian National Greenhouse Accounts November 2022
France	AIB European Residual Mixes 2021 Association of Issuing Bodies (Version 1.0, 2022-05-31)
Germany	AIB European Residual Mixes 2021 Association of Issuing Bodies (Version 1.0, 2022-05-31)
Poland	AIB European Residual Mixes 2021 Association of Issuing Bodies (Version 1.0, 2022-05-31)
Sweden	AIB European Residual Mixes 2021 Association of Issuing Bodies (Version 1.0, 2022-05-31)
Ukraine*	AIB European Residual Mixes 2021 Association of Issuing Bodies (Version 1.0, 2022-05-31)
United Kingdom	UK Government GHG Conversion Factors for Company Reporting 2022 and AIB European Residual Mixes 2021 Association of Issuing Bodies (Version 1.0, 2022-05-31)
United States of America	US EPA Emission Factors for Greenhouse Gas Inventories (Last modified 1 April 2022) and 2022 Green-e® Residual Mix Emission Rates (2020 Data)

*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.

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 2022, 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: Scope 3, People and Diversity, Water and Waste
- Further intensity ratios specific to property types which will improve estimation and more accurate reporting

Contact information

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Assurance and Assurance Statement

To further increase our non-financial data accuracy and transparency, for the first time, we introduced independent external assurance over our GHG emissions and energy data for 2022. 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 2022 Annual Report & Accounts. Details of what was performed and the associated assurance statement is included below:

Independent Assurance Report

1. Introduction and Objectives of Work

Bureau Veritas UK Ltd (Bureau Veritas) has been engaged by THG to provide limited assurance of specific KPIs across the group's operations for inclusion into THG's Annual Report (the 'Report'). The objective is to provide assurance to THG and its stakeholders over the accuracy and reliability of the reported information and data.

2. Scope of Work

Assurance over specific KPI's

The scope of our work was limited to assurance over the following information included within the Report for the period January 1st 2022 to December 31st 2022 (the 'Selected Information'):

- Scope 1 emissions (tonnes of CO₂e)
- Scope 2 location-based emissions (tonnes CO₂e)
- Scope 2 market-based emissions (tonnes CO₂e)
- Total energy use (kWh)
- Renewable electricity across operations (%)

3. Reporting Criteria

The Selected Information needs to be read and understood together with the 'THG Basis of Reporting 2022 – GHG emissions and energy' as set out in the above report.

4. Limitations and Exclusions

Excluded from the scope of our work is assurance of information relating to:

- Activities outside the defined assurance period.
- Positional statements of a descriptive or interpretative nature, or of opinion, belief, aspiration or commitment to undertake future actions; and
- Other information included in the Report other than the Selected Information.

The following limitations should be noted:

- This limited assurance engagement relies on a risk based selected sample of sustainability data and the associated limitations that this entails.
- The reliability of the reported data is dependent on the accuracy of metering and other production measurement arrangements employed at site level, not addressed as part of this assurance
- This independent statement should not be relied upon to detect all errors, omissions or misstatements that may exist.

5. Reporting Criteria

This preparation and presentation of the Selected Information in the Report are the sole responsibility of the management of THG.

Bureau Veritas was not involved in the drafting of the Report or of the Reporting Criteria. Our responsibilities were to:

- Obtain limited assurance about whether the Selected Information has been prepared in accordance with the Reporting Criteria;
- Form an independent conclusion based on the assurance procedures performed and evidence obtained; and
- Report our conclusions to the Directors of THG

6. Assessment Standard

We performed our work to a limited level of assurance in accordance with International Standard on Assurance Engagements (ISAE) 3000 Revised, Assurance Engagements Other than Audits or Reviews of Historical Financial Information (effective for assurance reports dated on or after December 15, 2015), issued by the International Auditing and Assurance Standards Board.

7. Summary of Work Performed

As part of our independent assurance, our work included:

- Conducting interviews with relevant personnel of THG
- Reviewing the data collection and consolidation processes used to compile Selected Information, including assessing assumptions made, and the data scope and reporting boundaries;
- Reviewing documentary evidence provided by THG.
- Agreeing a selection of the Selected Information to the corresponding source documentation;
- Reviewing THG systems for quantitative data aggregation and analysis
- Carrying out 5 virtual site visits, selected on a risk-based basis to the UK, USA and Poland
- Reperforming greenhouse gas emissions conversions calculations
- Reviewing the application of estimates for the A&A site for Solar and for a sampled office for electricity

A 5% materiality threshold was applied to this assurance. It should be noted that the procedures performed in a limited assurance engagement vary in nature and timing from, and are less in extent than for, a reasonable assurance engagement. Consequently, the level of assurance obtained in a limited assurance engagement is substantially lower than the assurance that would have been obtained had a reasonable assurance engagement been performed.

8. Conclusion

On the basis of our methodology and the activities and limitations described above nothing has come to our attention to indicate that the Selected Information as stated below is not fairly stated in all material respects:

THG: Reported Energy and GHG emissions	
Scope 1 emissions (tonnes of CO2e)	5,194
Scope 2 location-based emissions (tonnes CO2e)	13,238
Scope 2 market-based emissions (tonnes CO2e)	9,157
Total energy use (kWh)	66,522,794
Renewable electricity across operations (%)	63

9. Statement of Independence, Integrity and Competence

Bureau Veritas is an independent professional services company that specialises in quality, environmental, health, safety and social accountability with over 190 years history. Its assurance team has extensive experience in conducting verification over environmental, social, ethical and health and safety information, systems and processes.

Bureau Veritas operates a certified¹ Quality Management System which complies with the requirements of ISO 9001:2015, and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards, quality reviews and applicable legal and regulatory requirements which we consider to be equivalent to ISQM 1 & 2².

Bureau Veritas has implemented and applies a Code of Ethics, which meets the requirements of the International Federation of Inspections Agencies (IFIA)³, across the business to ensure that its employees maintain integrity, objectivity, professional competence and due care, confidentiality, professional behaviour and high ethical standards in their day-to-day business activities. We consider this to be equivalent to the requirements of the IESBA code⁴. The assurance team for this work does not have any involvement in any other Bureau Veritas projects with THG.

Bureau Veritas UK Ltd

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London, 16th March 2023

1. Certificate available on request
2. International Standard on Quality Management 1 (Previously International Standard on QualityControl 1) & International Standard on Quality Management 2
3. International Federation of Inspection Agencies – Compliance Code – Third Edition
4. Code of Ethics for Professional Accountants issued by the International Ethics Standards Board for Accountants

