
# asos

**ASOS Plc** Annual Report and Accounts 2021

We are an online retailer for fashion-loving 20-somethings around the world.

Through our market-leading app and web experience, ASOS customers can shop a curated edit of c.90,000 products, sourced from 850+ of the best global and local third-party brands, alongside our mix of fashion-led in-house labels including ASOS DESIGN, ASOS EDITION, ASOS 4505, Collusion, Reclaimed Vintage, Topshop, Topman, Miss Selfridge and HIIT.

We are mission-led, purpose-driven and guided by our values. We believe in a world where you have the freedom to explore and express yourself without judgement, no matter who you are or where you're from.

We aim to deliver a truly frictionless experience, with an ever-greater number of payment methods and hundreds of local delivery and returns options, dispatched from state-of-the-art fulfilment centres in the UK, US and Germany.

All built to deliver on our purpose – to give our customers the confidence to be whoever they want to be.





# Chair's statement

This has been a strong year for ASOS. Despite challenging circumstances, the talent, passion, resilience and commitment of our Executive team and our ASOSers has shone through and helped us deliver the strong results we have published. Revenues rose to £3,910.5m, delivering an adjusted pre-tax profit of £193.6m, a rise of 22%[1] and 36% respectively.

Over the last three years we have made significant progress, delivering 60% growth in revenues, improved profitability and a strengthened balance sheet. We have also bolstered the management team and improved ASOS' operational capabilities and resilience. As a result, we enter the coming year well placed against the backdrop of difficult conditions that we and all businesses are facing. At the same time, however, we recognise that there is more to do to accelerate the pace and intensity of our commercial execution. We know that our performance in the next 12 months is likely to be constrained by demand volatility and global supply chain and cost pressures. But we have started the new financial year confident that we have an unrivalled collection of brands that resonates with our core 20-something customers, the right technology underpinning our platform, the right strategy in place and a strong management team, leading more than 3,000 ASOSers who have an unrivalled passion for fashion and what it means in the lives of our customers.

## Investing in ASOS

ASOS was born online, a pioneer in its field, and quickly became the fashion destination for 20-somethings in the UK. Over 21 years, we have benefited from our first-mover advantage to become a market leader with a sustainable, profitable and growing market share. As in any market, the dynamics have constantly changed. For ASOS, it has been the behaviours and needs of our core customers. Our customers increasingly want to express themselves individually rather than follow trends, seeking out brands that feel authentic and have a purpose. To meet these needs, the past 12 months saw significant investment within ASOS, including: our first major acquisition – the Topshop brands – in February 2021, the successful delivery of our retail planning and merchandising system (TGR), opening our new UK warehouse in Lichfield, and the automation of our US fulfilment centre in Atlanta.

At the same time, we tested our pricing and marketing strategies, reviewing and learning from the results to ensure that we continue to give our customers exactly what they want, when they want it, at a compelling price. Taken together, the result is a well-controlled global online retail operation that performs increasingly efficiently and with agility and resilience – qualities that have proven themselves invaluable over the last year and will continue to serve us well as we move forwards.

## Stepping down

This is my last statement as Chair, before stepping down in November. I have been immensely proud to have been part of the ASOS story over the last three years and of the tremendous success we have achieved. ASOS' management and Board have spent considerable time over recent months developing and validating a clear strategic plan to accelerate international growth, building on ASOS' undoubted strength in the UK. This will allow ASOS to deliver against the ambition to be one of the few truly global leaders in online fashion retail. Under the plan, we are committing to deliver annual revenues of £7bn and an EBIT margin of at least 4% within three to four years, which will be achieved by accelerating our international growth, adding at least £1bn to ASOS' annual own-brand sales and strengthening the ASOS Platform.

Key to the delivery of this plan is ensuring that we have the right leadership in place for the next phase to ensure we deliver against our clear strategic intent.

I want to thank Nick Beighton, who has stepped down as Chief Executive Officer (CEO) after 12 years with ASOS and six as CEO. He has played a pivotal role in the development of ASOS over the past 12 years. He joined a start-up business and leaves an internationally-focused business with over 26m customers in 200 markets around the world. A large part of his legacy is in how he has led the industry in putting sustainability at the heart of ASOS with our Fashion with Integrity programme. We wish Nick all the best for the next phase of his career.

I hand over the Chair to Ian Dyson, who has been our Senior Independent Non-executive Director since 2013. Ian is the right candidate to oversee the next phase of growth, working with the existing Executive team to support the delivery of the global growth strategy. In addition, Jørgen Lindemann is joining the Board as a Non-executive Director on 1 November 2021, bringing deep experience in leading digital-first businesses. Jørgen is currently the Chair of Miinto, the Danish-based online fashion marketplace, and was formerly the President and CEO of Modern Times Group (MTG), the Swedish-based digital entertainments business, and recently stood down from the Board of Zalando following five-years as a Non-executive Director. ASOS is also well-advanced in the search for an experienced Non-executive Director to join the Board and take over the roles of Audit Committee Chair and Senior Independent Director from Ian Dyson.

Finally, I'd like to take this opportunity to wish the team at ASOS, all our suppliers and brand partners, our valued customers and our investors the very best for the future.

**Adam Crozier**
Chair

1 On a constant currency basis.

# Chief Operating Officer's statement

**Mat Dunn**
Chief Operating Officer & Chief Financial Officer

ASOS has achieved a great deal over the past year. Against a backdrop of continued challenges due to the COVID-19 pandemic, our strategy has delivered exceptional results.

Over the last 12 months, our focus has been on delivering what our core fashion-loving 20-something customers want, while protecting our people, supporting our partners and investing in our long-term future. We accelerated active customer growth, which helped drive sales, and invested in enhancing our customer experience. Our previous and ongoing investment in distribution and technology proved well-targeted and timely – giving us greater flexibility and agility to respond to changes, such as by helping us improve our short lead time product offers and change supply lines swiftly, in response to reduced freight capacity from South-East Asia.

One of the real highlights of the year was the successful acquisition of the Topshop brands, which marked an acceleration of our multi-brand platform strategy. ASOS had already been central to driving the growth of these iconic British brands online, and we are extremely proud that they are now under our ownership. Since we completed the deal in February 2021, we have more than delivered against our promise, developing and enhancing the brands further using our design, marketing, technology, logistics and 20-somethings expertise. We integrated and relaunched the brands in three weeks – with one-off costs of just £10.5m, half the cost originally expected. Since then, we have announced a strategic partnership with Nordstrom, to drive the growth of these iconic brands in North America, also paving the way for ASOS' own-brands to be sold in Nordstrom stores and online.

More widely, we have continued to accelerate our offering on our multi-brand platform – we sell more than 850 brands, have 26.4m active customers and our website gets 60m visits a week – making it among the best in the world. We operate across the globe, in 10 languages and offer 19 different payment methods. Customers get next-day delivery or express delivery in every key country, and we provide four-day standard delivery in all our major markets. These aren't just numbers – these are the standards by which our customers measure us and they are what drives new and repeat business. A reflection of our achievements is not only seen in our increased sales, but in our higher customer satisfaction scores, and looking ahead, we will continue to focus on the customer experience to drive further growth.

Against this backdrop, in October 2021, we set out the headlines of the next phase of the ASOS strategy. We are going to continue our focus on serving fashion-loving 20-somethings – a consumer group with a Total Addressable Market of £430bn in the UK, US, Europe and our core RoW territories, meaning we see significant further growth potential. We have set medium-term targets which will see the Group become a business with £7bn of annual revenues, delivering an EBIT margin of at least 4% within three to four years. We will significantly increase our marketing investment, particularly in international markets, and we will have capital expenditure in the range of £200m to £250m a year.

We will deliver on this plan by:

- Accelerating international growth, including doubling the size of the combined US and Europe business;
- Adding at least £1bn to our annual own-brand sales; and
- Strengthening the ASOS Platform with the launch of 'Partner Fulfilment', targeting c.5% of Gross Merchandise Value (GMV).

As part of the drive towards this, our new warehouse in Lichfield opened in August 2021 and we continue to improve the service for our US customers with further automation at our US fulfilment centre in Atlanta. These enhancements will increase our annual supply chain capacity to £6bn in sales by 2023.





> **ASOS has achieved a great deal over the past year. Against a backdrop of continued challenges due to the COVID-19 pandemic, our strategy has delivered exceptional results.**

£3,910.5m
Revenue 2021
(2020: £3,263.5m)

45.4%
Gross margin 2021
(2020: 47.4%)

Our relentless focus on flawless delivery for customers will underpin our growth, as will constantly refreshing how we connect with them. We're also committed to continuing to improve how our products are presented, with new styling and doubling down on our influencer campaigns over the next 12 months. We also look forward to our customers reconnecting with formalwear as their lives return to normal.

As Adam has outlined, we have made a number of leadership changes as we prepare for delivery of our next phase of global growth. I am delighted to be taking on the role of Chief Operating Officer, which is an addition to my role as Chief Financial Officer, and will lead ASOS on a day-to-day basis ahead of the appointment of a new Chief Executive Officer. I would like to thank Nick Beighton for his contribution to ASOS over the past 12 years and his guidance to me since I joined the business.

On behalf of the Board I would also like to thank Adam Crozier, who steps down as Chair in November after three years. His guidance and wise counsel to the whole Executive team has been invaluable, and in leading our Board he has made a significant contribution to ASOS.

All of this positions us well for the future and the delivery of continued growth, but growth without regard to the planet's wellbeing is unsustainable. For this reason, we have refreshed and enhanced our commitment to sustainability – what we call our Fashion with Integrity (FWI) programme. FWI has been a cornerstone of how we think, work and act for a decade. Within FWI, we aim to reassure our customers that they need have no concerns over the ethics of shopping with us. Now we have launched our FWI 2030 programme, with enhanced commitments focused on four ambitious goals: Be Net Zero, centred around our carbon emissions; Be More Circular, about transitioning to more circular systems; Be Transparent, focused on transparency and human rights; and Be Diverse, encompassing diversity, equity and inclusion.

As we focus on our mission to become the world's number one destination for fashion-loving 20-somethings, these goals will help us to be a truly global retailer in a responsible and sustainable way. We also recognise that nothing can be achieved without the right people. We know that over the past 18 months, our ASOSers' lives have been turned upside down, yet their resilience and commitment have allowed us to regain our growth momentum and I would like to thank them, but also show them that our purpose extends to them – helping them to be who they want to be.

Just as we support our people, we also support the communities in which we operate via the ASOS Foundation. With projects in the UK, India and Kenya, the Foundation helps disadvantaged young people be who they want to be. I am delighted to report that most recently the Foundation made a £1.2m commitment to co-fund Yorkshire's first OnSide Youth Zone in Barnsley, where we are the largest private employer. These state-of-the-art centres have been shown to reduce anti-social behaviour by up to 70% and help young people discover their talents so they can reach their potential.

Finally, as we enter the new financial year, I would like to thank our customers for their loyalty and commitment. Every day they vote for us with their orders. They are our inspiration and give us our purpose.

**Mat Dunn**
Chief Operating Officer & Chief Financial Officer

# A year in review

## *Topshop brands acquisition*

We delivered each milestone of our Topshop, Topman, Miss Selfridge and HIIT integration on schedule and they are now integrated into BAU. Site traffic saw a significant step-change post-acquisition with a further step up after relaunch, driving strong sales momentum.

TOPSHOP
TOPMAN
Miss Selfridge
HIIT

3X Triple digit sales growth across Topshop brands

## revenue

2020: £3,263.5m

£3,910.5m

## adjusted profit before tax

£193.6m

2020: £142.1m

Fashion with Integrity

2030 Programme

Launched September 2021

80%

of all ASOS operations are powered by renewable energy

## Brands on site

850+

118 added during the year

## Active customer base

26.4m

2020: 23.4m

## *Nordstrom strategic partnership*

This partnership will help drive the growth of the Topshop, Topman, Miss Selfridge and HIIT brands and pave the way for exploration of a new wider strategic partnership aimed at building greater awareness and engagement in the North American market.

45% reduction in operational $CO_2$ emissions per order since 2015/16*

*Performance as of end of FY20, the latest period reported.

## US Automation

US Automation on track for H2 FY23

+50%

increase stockholding to 15.5m units

+1.5m

increase in units per week

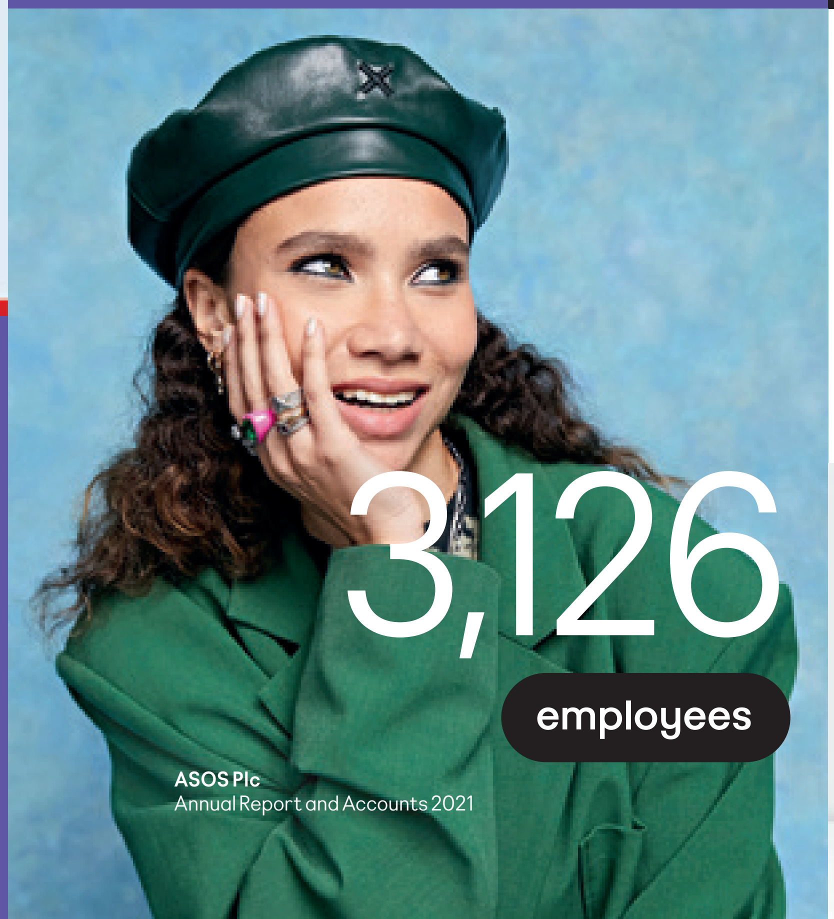
## *TGR landing*

Following a multi-year development programme and an extended period of parallel run, our Truly Global Retail (TGR) system launched successfully, delivering significantly enhanced global retail planning and pricing capability and provides an essential foundation for our flexible fulfilment aspirations.

## Lichfield

7m units

Our fulfilment centre in Lichfield, UK launched in August 2021 and has increased our UK stockholding capacity to 7m units.



3,126

employees

## *Flexible fulfilment*

Flexible fulfilment is progressing to plan; further deployment of unified stock pool between the UK and US ahead of further rollout across ASOS and subsequent development of partner fulfilment capabilities by the end of this calendar year.

Phase one — ASOS Fulfils

Phase two — Partner Fulfilment


Reusable mail bag trial for ASOS staff launched

# Operational and financial review

## Overview

ASOS delivered a strong performance across the year as we continued to navigate dynamic demand patterns, supply chain constraints, and changing COVID-19 restrictions throughout the year. We delivered sales growth of 22% (all sales numbers quoted throughout the operational and financial review are in constant currency and reflect total sales unless otherwise stated) with first half performance benefiting from significant lockdown restrictions, particularly in the UK. Many of these restrictions were removed in the second half, but our consumers were still largely unable to participate in activities that drive demand for fashion. As a result, although we saw increased demand for event-led product, with 'going out' wear a higher proportion of our mix in the second half of the year, the mix of this product still remains well below pre-pandemic levels. In tandem with increased demand for event-led product, returns rates continued to trend back towards pre-pandemic levels, particularly in the UK, France and Germany.

Following the acquisition of the Topshop brands in the first half of this year, we have integrated at pace with supplier onboarding, transition of the brand team, and re-initiation of wholesale sales to Nordstrom, all completed in the second half of the year. We are pleased with the progress to date and remain on track to close out the final stages of the integration, which includes the publication of a full list of the Topshop brands Tier 1 to 3 factories by March 2022. The brands continue to perform strongly on ASOS.com, with sustained triple digit sales since acquisition driven by strong performance across the UK, US and Germany.

We announced ambitious new 2030 ESG goals at our recent Fashion with Integrity Capital Markets Event. The Fashion with Integrity 2030 programme is aimed at minimising ASOS' impact on the planet, delivering positive benefits for the people who work in fashion and meeting increasing demand from customers for greater choice in responsible fashion. These stretching ESG goals are set under two overarching pillars, Planet and People, which are underpinned by four key goals: Be Net Zero, Be More Circular, Be Transparent and Be Diverse. More information can be found on pages 30 to 33.

We are encouraged by ASOS' ability to weather the pandemic and emerge from the last 18 months a stronger organisation with a more comprehensive product offer, improved profitability and a robust balance sheet. Our focus now shifts to the next phase of our growth, which is focused on accelerating the pace and intensity of our international growth along with our commercial execution. We remain confident in our ability to navigate the short-term issues of demand variability and supply chain constraints as we move through the pandemic, and we strongly believe in our ability to capitalise on the available growth opportunity over the medium term.

## Financial performance

ASOS delivered another strong set of results, with adjusted profit before tax of £193.6m (excluding Topshop, Topman, Miss Selfridge and HIIT one-off acquisition and integration costs and amortisation of acquired intangible assets). Excluding the estimated net COVID-19 related tailwinds, we delivered a 30% increase in adjusted profit before tax of £126.3m and a 20bps improvement in adjusted PBT margin versus FY20. Adjusted EBIT (including the COVID-19 related tailwinds) grew to £206.6m, reflecting growth of 37% on the prior year, with adjusted EBIT margin of 5.3% representing 70bps margin expansion on the prior year.

With the removal of restrictions across most of our markets in the second half of the year, we saw product mix start to normalise, however we still saw an estimated COVID-19 tailwind of £67.3m driven by lower returns rates across the year, of which £48.5m estimated benefit was reported in the first half. Year-on-year, the COVID-19 tailwind was £22.3m favourable, due to the full annualisation of lower warehouse and distribution costs driven by lower returns, partially offset by freight-related headwinds. We expect product mix and returns rates to continue to normalise in FY22 with no COVID-19 benefit expected in FY22.

We closed the year with a net cash position of £199.5m, reflecting good underlying cash generation despite the impact of longer lead times due to COVID-19 related supply disruptions on stock build and a working capital unwind of £88.7m from the prior year. We invested £286.4m with the Topshop brands acquisition (£264.8m cash paid upfront and £21.6m contingent consideration relating to payments made for inventory in H2), whilst cash capital expenditure totalled £157.1m, driven by investment into TGR, the fit-out of our new Lichfield fulfilment centre and automation of the Atlanta fulfilment centre. Looking ahead to next year, as we embark on our next phase of growth, we envisage an increase in capital expenditure to c.£210.0m, driven by continued investment into Lichfield, US automation and an increase in our technology investment as we look to accelerate our customer experience and data science capabilities. We expect free cash flow to be broadly neutral despite these higher levels of investment.

## Financial review

### Overview

| | Year to 31 August 2021 | | | | |
|---|---|---|---|---|---|
| | UK £m | EU £m | US £m | ROW[1] £m | Total £m |
| Retail sales | 1,595.7 | 1,156.5 | 442.0 | 589.6 | 3,783.8 |
| Income from other services[2] | 56.3 | 28.8 | 24.2 | 17.4 | 126.7 |
| **Total revenue** | **1,652.0** | **1,185.3** | **466.2** | **607.0** | **3,910.5** |
| Cost of sales | | | | | (2,134.1) |
| **Gross profit** | | | | | **1,776.4** |
| Distribution expenses | | | | | (509.5) |
| Administrative expenses | | | | | (1,076.8) |
| **Operating profit** | | | | | **190.1** |
| Finance income | | | | | 0.2 |
| Finance expense | | | | | (13.2) |
| **Profit before tax** | | | | | 177.1 |

1 Rest of World.
2 Income from other services comprises of delivery receipt payments, wholesale sales and marketing services.





| | Year to 31 August 2021 | Year to 31 August 2020 | Change |
|---|---|---|---|
| Active customers[1] (m) | **26.4** | 23.4 | *13%* |
| Average basket value (including VAT)[2] | **£39.75** | £39.52 | *1%* |
| Average order frequency[3] | **3.61** | 3.43 | *5%* |
| Total shipped orders (m) | **95.2** | 80.2 | *19%* |
| Total visits (m) | **3,091.8** | 2,691.2 | *15%* |
| Conversion[4] | **3.1%** | 3.0% | *10bps* |
| Mobile device visits | **83.2%** | 85.5% | *(230bps)* |

1 Defined as having shopped in the last 12 months as at 31 August.
2 Average basket value is defined as net retail sales divided by orders.
3 Calculated as last 12 months' total orders divided by active customers.
4 Calculated as total orders divided by total visits.

We achieved strong total sales growth of 22% year-on-year as we continued to operate against a backdrop of COVID-19 restrictions and the resulting impact on our consumers. Growth was underpinned by exceptional performance in the UK which grew at 36%, whilst internationally we were pleased with our progress in both the EU +15% and US +21%, reflecting the wholesale contribution in P4 which continues to gain momentum. RoW delivered 6% growth year-on-year.

Since launch, Topshop, Topman, Miss Selfridge and HIIT have established themselves as a key part of the ASOS brands offer, with sales growing by triple digits year-on-year since acquisition. Pleasingly, these brands continue to resonate strongly with consumers in the UK, US and Germany where we have exceptionally strong growth rates. Topshop brands have contributed an estimated £61.7m of incremental sales since the acquisition and integration. From a geographical split, the UK continues to over-index in sales, contributing more than 50% of the total Topshop brands sales, with Europe contribution at 23% and US contribution at 16%. When we announced the acquisition, we indicated that we expected a ramp up period in FY21 while we transitioned stock to our warehouses, onboarded new suppliers, audited and rationalised the supplier base and built out the Topshop range and, in light of this, we are pleased with the performance of these brands to date. We see further potential for growth via our strategic partnership with Nordstrom in North America as well as the broader development of the wholesale business.

Our active customer base increased by 3.0m to reach 26.4m active customers, up 13% year-on-year. With a reduction in event-led shopping continuing throughout most of the year, we continued to see an impact on churn, with low frequency occasion wear shoppers dropping out the base, particularly in our international markets which have a higher level of occasion wear mix. Our growth was underpinned by strong new customer acquisition and we continued to see a more engaged shopper added to the base in FY21.

Gross margin stepped back by 200bps driven by COVID-19 related inbound freight costs and Brexit duty, product mix and adverse foreign exchange movements, which had an adverse impact on gross margin during FY21. This was mainly due to the strengthening of the pound against emerging market currencies – primarily the Russian Rouble, which devalued by 15% across the year. We have seen a recovery in demand for event-led product in the second half of the year across all our key markets, resulting in increasingly normalised returns rates and a rebalancing of our product mix towards event-led product. We saw a step up in promotional activity due to competitive pressures in RoW and as we invested for growth in key markets, along with price investment into Europe and the US, which we were able to fund through improved intake margins.

Within operating costs, distribution and warehouse costs reduced as a percentage of sales by 60bps and 50bps respectively, to 13.0% and 9.1%. This was mainly driven by the COVID-19 returns rate benefit. Marketing costs increased by 140bps to 5.1% as we invested into digital marketing and social media engagement, to drive awareness and support the launch of the Topshop brands with campaigns launched on TikTok and Snapchat during the year. We also continued to see improvements in other operating costs which reduced by 250bps to 9.8% supported by non-strategic cost removal of c.£30m for the year and increased leverage across our fixed cost base. This was due to further refinement of our operational structure, and reduced facilities and travel costs. Depreciation and amortisation fell by 10bps as a percentage of sales as we leveraged our existing fixed asset base to drive higher sales, while Lichfield went live on 28 August 2021 meaning there was only a minor depreciation impact in FY21.

Adjusted profit before tax increased by 36% to £193.6m (excluding one-off acquisition and integration costs of £10.5m and amortisation of acquired intangible assets of £6.0m). Profitability continued to benefit from a COVID-19 tailwind of £67.3m. Excluding the impact of the estimated COVID-19 benefits from FY21 and FY20 PBT, we delivered 3.2% adjusted PBT margin, reflecting a 20bps expansion on the prior year, and 30% growth in PBT. Despite the external challenges, we increased our overall margin through continued rigour of our cost base and strong operational grip. This is reflected in a further reduction in our operating costs as a percentage of sales.

### Gross margin

Gross margin reduced by 200bps driven by increased inbound freight and duty, product mix and foreign exchange movements. Brexit resulted in incremental duties in FY21 as a result of duties incurred on product shipped between the UK and Europe. Although we have worked to reduce the impact of Brexit on our costs, we anticipate that a portion of this will remain. We also saw freight-related impacts on our costs, most notably in the second half of the year, driven predominantly by increased freight rates. Increased lead time impacts were also experienced between UK and EU as a result of Brexit, with additional customs requirements and checks.

In response to some of the above dynamics, we worked on various ways to mitigate these impacts to ASOS. This included entering a long-term ocean freight contract directly with a major shipping line, with rates secured that represented a significant reduction against current market levels. Furthermore, we introduced a sea/air combination, ensuring flexibility existed with transit times on longer lead sourced product.

In the second half of the year, product mix began to normalise with increased demand for event-led products particularly evident in the UK, Europe and the US. Whilst this is still not back to pre-pandemic levels of demand, we have seen demand for occasion wear step up as restrictions were lifted and vaccination rates increased. In line with this, returns rates have started to normalise.

We took the decision at half year to invest in the pricing of ASOS Design products across Europe and in the US, continuing our ambition to develop the customer offer in these markets and refining the price perception of the brand relative to competitors. These investments were partially offset by an improved buying margin, reflecting our continued progress in this space. Lastly, we saw an FX-related headwind in gross margin, primarily as a result of the strengthening of emerging market currencies where we hedge on a limited basis and therefore where some exposure remains.

# Operational and financial review – continued

### Operating expenses

| £m | Year to 31 August 2021 | % of sales | Year to 31 August 2020 | % of sales | Change |
|---|---|---|---|---|---|
| Distribution costs | **(509.5)** | ***13.0%*** | (444.6) | 13.6% | *(15%)* |
| Warehousing | **(356.4)** | ***9.1%*** | (313.5) | 9.6% | *(14%)* |
| Marketing | **(200.9)** | ***5.1%*** | (119.4) | 3.7% | *(68%)* |
| Other operating costs | **(384.0)** | ***9.8%*** | (401.4) | 12.3% | *4%* |
| Depreciation and amortisation | **(135.5)** | ***3.5%*** | (117.4) | 3.6% | *(15%)* |
| **Total operating costs** | **(1,586.3)** | ***40.6%*** | (1,396.3) | 42.8% | *(14%)* |

Operating expenses for the year decreased by 220bps as a percentage of sales to £1,586.3m. In distribution and warehousing, the COVID-19 tailwind drove a reduction in costs as a percentage of sales as lower returns rates continued to generate lower carrier and warehouse processing costs.

Outside of this, the external cost environment remained challenging and we continued to face higher surcharges when fulfilling RoW territories and competition for warehouse labour in the UK was high, leading to above inflationary increases agreed to remain an attractive employer. Despite these challenges, our supply chain remained resilient throughout the year and we continued to drive gains from Eurohub automation and leverage our fixed cost base across each of our sites.

Marketing costs increased by 140bps as a percentage of sales as we invested in digital marketing channels to boost new customer acquisition, particularly over peak. We also focused on customer engagement and the positioning of the Topshop brands, ensuring that we position these brands for continued global growth. Additionally, we continued to develop our engagement with customers through TikTok and Snapchat which we know are increasingly popular channels with our 20-something customers.

Other operating costs reduced by 250bps to 9.8% of sales driven by reduced travel, a reduction in facilities-related costs and a 14bps decrease in payroll costs as a percentage of sales, as we continued to improve the efficiency of our operational structure.

Total operating cost savings were also supported by our continued focus on removing non-strategic costs and refining our processes, driving c.£30m across the income statement. Our end-to-end customer returns process was a key focus and we drove savings and efficiencies through embedding improved processes and controls across the customer journey whilst improving the customer experience. Additionally, by planning in more granularity and enabling new technology tools we drove an improvement in our underlying margin by reducing markdown, whilst continuing to focus on reducing our fixed cost base.

Following the acquisition of the Topshop brands in February 2021, we also incurred £10.5m of one-off costs which are not expected to recur in FY22.

### Interest

Net interest costs were £13.0m in the period, an increase of £4.0m year-on-year, predominantly driven by a £6.1m charge on the convertible bonds that were issued in April 2021.

### Taxation

In March 2021 it was announced that the UK headline corporation tax rate will increase to 25% from 1 April 2023. This was substantively enacted in May 2021 and will apply to ASOS for the first time in FY23.

The effective tax rate is 27.5% for FY21, increasing from prior year (20.3%). This has largely been driven by one-off costs incurred as part of the Topshop brands acquisition, which are not deductible for tax purposes, together with the remeasurement of deferred tax balances as a result of the change in the UK tax rates – mostly related to deferred taxes on capital allowances and R&D claims, that are expected to reverse after 2023. Excluding the impact of these items, the effective tax rate was 21.3%, higher than guidance due to higher non-deductible items and tax adjustments relating to the prior year.

Going forward, ASOS expects the effective tax rate to continue to be approximately 100bps higher than the prevailing rate of UK corporation tax due to permanently disallowable items.

### Earnings per share

Basic earnings per share increased by 2% to 128.9p, whilst diluted earnings per share remained broadly flat at 125.5p (FY20: 126.3p and 125.6p) as increased profit after tax was offset by an increase in the weighted average shares in issue. This was due to the dilutive impact of the convertible bonds issued in April 2021 and the full year impact of the number of shares from the equity raise conducted in 2020.

### Cash flow

There was a £208.0m decrease in net cash (cash and cash equivalents less borrowings) in the period, including the net cash outflow associated with the acquired assets of Topshop brands in February 2021 of £286.4m. This compares with a £498.0m increase in net cash in the previous year. The working capital cash outflow of £74.2m reflects our later ramp up of stock intake at the end of FY20 (£88.7m) ahead of peak. Cash capital expenditure of £157.1m focused on growth and transformation projects such as our fourth fulfilment centre in Lichfield, US Automation and TGR. We continued to generate free cash flow within the year of +£35.9m.





### Adjusted Performance Measures (APMs)

ASOS defines the below non-IFRS performance measures to allow shareholders to better understand underlying financial performance and position, both in comparison to prior periods, and within the online retail sector. Retail sales is a measure of the Group's trading performance relating to the sale of products to end customers and is used by management to monitor performance across markets. Reported PBT, EBIT and EBITDA have been adjusted for items that, because of their nature, frequency and materiality, are not considered underlying. Net cash/(debt) is a measure of the Group's liquidity, whilst free cash flow is the movement between net cash/(debt) year-on-year, adjusted for the impact of the Topshop brands acquisition and financing cash flows.

A full list of the adjusting items and the measures they impact can be seen in the table and definitions below.

| Adjusting items | FY 2021 £m | FY 2020 £m | Change £m | Change % |
|---|---|---|---|---|
| **Adjusting items for retail sales:** | | | | |
| Income from other services | **126.7** | 92.5 | 34.2 | 37% |
| **Adjusting items for EBIT and PBT:** | | | | |
| Topshop brands acquisition and integration one-off costs | **(10.5)** | – | (10.5) | (100%) |
| Amortisation of acquired intangible assets[1] | **(6.0)** | – | (6.0) | (100%) |
| **Adjusting items for EBITDA** | | | | |
| Share-based payment charges | **(7.6)** | (10.9) | 3.3 | 30% |
| Topshop brands acquisition and integration one-off costs | **(10.5)** | – | (10.5) | (100%) |
| **Adjusting items for Net Cash/(debt)** | | | | |
| Borrowings | **(463.2)** | – | (463.2) | (100%) |
| **Adjusting items for Free Cash Flow** | | | | |
| Acquisition of Topshop brands | **(286.4)** | – | (286.4) | (100%) |
| Payment of one-off costs associated with Topshop brands acquisition and integration | **(7.1)** | – | (7.1) | (100%) |
| Convertible bond proceeds (net of transaction costs) | **491.0** | – | 491.0 | 100% |
| Nordstrom loan proceeds | **21.9** | – | 21.9 | 100% |
| Equity raise | **–** | 239.4 | 239.4 | 100% |
| Revolving Credit Facility (RCF) drawn down (removed from FY20 opening balance) | **–** | (75.0) | 75.0 | 100% |

1 Intangible assets acquired through Topshop brands acquisition.

| Reconciliation from IFRS measures | FY 2021 £m | FY 2020 £m | Change £m | Change % |
|---|---|---|---|---|
| Revenue | 3,910.5 | 3,263.5 | | |
| **APM: Retail sales[1]** | **3,783.8** | 3,171.0 | **612.8** | **20%** |
| Reported profit before tax | 177.1 | 142.1 | | |
| PBT margin | 4.5% | 4.4% | | |
| **Adjusted profit before tax[2]** | **193.6** | 142.1 | **51.5** | **36%** |
| **Adjusted PBT margin** | **5.0%** | 4.4% | **60bps** | |
| Reported EBIT | 190.1 | 151.1 | | |
| EBIT margin | 4.9% | 4.6% | | |
| **Adjusted EBIT[3]** | **206.6** | 151.1 | **55.5** | **37%** |
| **Adjusted EBIT margin** | **5.3%** | 4.6% | **70bps** | |
| Reported EBITDA | 325.6 | 268.5 | | |
| EBITDA margin | 8.3% | 8.2% | | |
| **Adjusted EBITDA[4]** | **343.7** | 279.4 | **64.3** | **23%** |
| **Adjusted EBITDA margin** | **8.8%** | 8.6% | **20bps** | |
| Cash and cash equivalents | 662.7 | 407.5 | | |
| **Net cash/(debt)[5]** | **199.5** | 407.5 | **(208.0)** | **(51%)** |
| Net increase in cash and cash equivalents | 255.3 | 422.9 | | |
| **Free Cash Flow[6]** | **35.9** | 258.5 | | |

1 Retail sales represent internet sales of products, net of an appropriate reduction for actual and expected returns. Retail sales growth is shown in constant currency.
2 Adjusted PBT is the profit before tax, Topshop brands acquisition and integration one-off costs and amortisation of acquired intangible assets. Adjusted PBT margin is the Adjusted PBT divided by total sales.
3 Adjusted EBIT is the profit before tax, interest, Topshop brands acquisition and integration one-off costs and amortisation of acquired intangible assets. Adjusted EBIT margin is the Adjusted EBIT divided by total sales.
4 Adjusted EBITDA is the profit before tax, interest, depreciation, amortisation, share-based payment charges and Topshop brands acquisition and integration one-off costs. Adjusted EBITDA margin is the Adjusted EBITDA divided by total sales.
5 Net cash/(debt) is cash and cash equivalents less the carrying amount of any borrowings at year-end. Borrowings exclude outstanding lease liabilities which at year-end totalled £328.9m (FY20 £313.1m).
6 Free Cash Flow is defined as the movement in net cash/(debt) excluding the impact of the Topshop brands acquisition in February 2021 and financing activity, being the equity raise in April 2020, the convertible bond in April 2021 and the loan from Norstrom in July 2021. FY20 is also impacted by the RCF drawdown of £75m, which was not included in the opening cash and cash equivalents balance per the cash flow, but which is captured within our free cash flow definition on the basis that this represented debt at the end of FY19.

# Performance by market

## UK

The UK continued to deliver exceptional growth, with sales growing 36% to £1,652.0m as we continued to take share of the online market, and grew our overall market share accordingly. We saw a reduction in churn rates coupled with strong growth in new customers. We added 1.4m new customers during the period, acquiring more high street shoppers. The cohort of customers acquired over the last 18 months are highly engaged shoppers, who are aware of our breadth of offer and more likely to return than average. As well as strong customer growth, we saw an increase in average basket value (ABV) and frequency, albeit with a step back in average selling price (ASP) as casual wear still retains a larger portion of our product mix than pre-pandemic. Furthermore, we saw a significant step up in our Premier customer base after lockdown restrictions were lifted with growth of 18% across the year, which was strongly weighted towards the second half. Our underlying year-on-year P4 sales growth, of 29%, slowed somewhat relative to our performance in P3 of 37%. This was driven in part by tougher comparatives, in addition to a poor summer season, a warmer start to autumn/winter, and travel-related restrictions which disproportionately impacted our 20-something consumers, many of whom were only eligible for their second dose of the COVID-19 vaccination in August and September.

Exceptional growth in the UK of 36% was underpinned by a 20% increase in the customer base of our most mature market, reaffirming the strength of our model and proposition in the UK. We continued to attract new customers throughout the year and retained our existing base, in part driven by the shift to online retail, however supported by investment and the Topshop brands performance.

### UK performance

| UK KPIs | Year to 31 August 2021 |
|---|---|
| Retail sales | +36% |
| Total sales | +36% |
| Visits | +28% |
| Orders | +30% |
| Conversion | 10bps |
| ABV | +5% |
| Active customers | 8.5m (+20%) |

Visits and orders growth were strong at 28% and 30% respectively, supporting an improvement in conversion. ABV was up 5% on the year, driven by favourable returns rates for much of the year as customers mixed into lockdown categories.

We are seeing positive trends in customer engagement, with average order frequency up and churn down year-on-year. Our share of the UK market also continues to grow, as growth in our core product categories is supported by customers shopping across multiple categories – including our Face + Body and Activewear ranges.

## EU

We delivered sales growth of 15% in Europe, along with 13% growth in our active customer base. Growth slowed in P4 to 4% (on an underlying basis) impacted by more muted consumer demand. ABV and frequency grew by 1%, however ASP stepped back on the year. Demand for dresses has seen a significant step up, however with both shipping and Brexit-related customs delays to contend with, our stock profile has not been in the optimal position to capitalise on the available demand in the market, resulting in weaker viewed availability through the back end of P3 into P4. In spite of this, we saw strong performance in Germany and France over the year as a whole. Following the easing of restrictions in the latter part of the year, market performance in France has been more muted with ASOS' growth impacted accordingly and overall market growth in Germany has also slowed in recent months. ASOS was, however, able to capitalise on consumer demand in this market with visits growing ahead of the market. Southern Europe continued to prove challenging.

EU retail sales grew 15% despite the challenges from the ongoing COVID-19 restrictions and the resulting impact on consumer confidence and purchasing power. We invested in ASOS Design pricing in the second half of the year, improving our customer offer relative to competitors and positioning us for further growth. We have continued to see an increase in our ASOS brands mix, supported by a pleasing performance across Topshop brands and Collusion in the second half of the year.

### EU performance

| EU KPIs | Year to 31 August 2021 |
|---|---|
| Retail sales | +15% (+15% CC) |
| Total sales | +15% (+15% CC) |
| Visits | +11% |
| Orders | +13% |
| Conversion | 10bps |
| ABV | +1% |
| Active customers | 10.4m (+13%) |

Customer momentum continued, with 1.2m customers added driving growth of 13% year-on-year. Performance across EU was a tale of two halves, with a weaker performance in Southern Europe offset by strong performance in our core markets of France and Germany, despite a slowdown in P4 growth momentum. In Germany, whilst demand was strong, supply constraints resulted in lower dresses availability and as a result we were not able to capture all of the available opportunity. Ireland was the standout performer, with exceptional sales growth underpinned by active customers growth of 28% year-on-year. Southern Europe continues to be challenging with increased competitor activity and constrained demand.



## US

We delivered strong growth in the US, with retail sales growing by 18% and total sales growth of 21%. Total sales growth was supported by wholesale sales contribution from the Topshop brands, which launched in April 2021 and built strong momentum towards the end of the period. We added 0.3m new customers during the period, reflecting a 9% increase in the active customer base with visits growth of 16%. ABV and frequency remained flat year-on-year, with a step back in ASP driven by the shift into lower ASP casual wear categories in FY21, offset by an increase in average basket size (ABS) in the year. In line with other markets, we have experienced intake constraints in the US driven by global shipping and US customs delays, impacting newness, availability and speed to market. However, we were encouraged to see improvements in H2 as we increased the range of products available via ASOS Fulfils, which augments the stock held in Atlanta from Barnsley. Pre-pandemic, event-led product in the US over-indexed by an average of 10% compared to our other markets. We are, however, starting to see demand for event-led product normalise back to 2019 levels which is particularly encouraging for the US business. Our Topshop brands continue to resonate strongly in the US market, with the US now accounting for 16% of our FY21 Topshop revenues (retail and wholesale).

Strong total sales growth in the US of 21%, supported by the acquired Topshop brands in February 2021 and more deliberate purchasing by customers which led to a lower returns rate. We continue to face challenges in the US market, notably ensuring that our stock offer is optimised for the US customer.

### US performance

| US KPIs | Year to 31 August 2021 |
|---|---|
| Retail sales | +10% (+18% CC) |
| Total sales | +12% (+21% CC) |
| Visits | +16% |
| Orders | +9% |
| Conversion | -20bps |
| ABV | Flat |
| Active customers | 3.5m (+9%) |

Post-acquisition, the opportunity we have to grow the Topshop brands in the US has become clear, with strong traffic post-acquisition and a triple-digit increase in sales in H2 reflecting their appeal to the US customer. By continuing to invest in marketing, along with our partnership with Nordstrom and our wholesale business, we have seen total sales growth of 32% in constant currency sales in P4.

Overall traffic growth of 16% was pleasing, supported by increased investment in promotional and marketing activity in the second half of the year. The US total active customer base grew 9% year-on-year to 3.5m, with new customer growth underpinning this increase. Demand continues to be impacted by COVID-19, with the mix of 'going out' categories – a key part of ASOS' appeal in the US – remaining behind FY20 and FY19. However, we have been encouraged by the growth of our Face + Body and Sportswear sales, albeit still a small percentage of the overall mix, which represent key strategic segments for us going forward.

## Rest of World

Our Rest of World (RoW) growth stepped back to 6% with 3% growth in active customers. We saw an increase in churn rates and slower growth in new customers. Rest of World continues to be disproportionately impacted by an extended delivery proposition, which is particularly evident in Australia where our standard delivery proposition has been more than 30 days in recent weeks. We have seen a decline in market share in Australia as local competition continues to capitalise through increased promotional activity and advantageous delivery propositions. We also had to temporarily halt our Premier delivery proposition in Australia, which further impacted customer retention. Within Russia, market growth has been subdued, however we have seen signs of improvement as we exit FY21. We have leveraged our ASOS Fulfils programme in Russia by supplementing the Russian stock pool, with Russia now able to receive stock from both Eurohub and Barnsley, and we have started to see signs of recovery with improved availability of popular products.

RoW retail sales grew by 6%, with softer growth in H2 reflecting the delays to, and reduced competitiveness of, our delivery proposition in key markets. Russia proved challenging, as overall demand slowed and active customers stepped back 5%, however we have seen a positive reaction to a more aggressive trading stance in the latter part of the year, supported by the rollout of ASOS Fulfils allowing customers access to both the Eurohub and Barnsley stock pools. Australia was impacted by the effects COVID-19 had on our delivery proposition, with standard delivery reaching a high of 30 days, resulting in low single-digit growth. In contrast, sales growth in Israel was strong and the country continues to represent an increasingly significant proportion of our RoW segment.

### RoW performance

| RoW KPIs | Year to 31 August 2021 |
|---|---|
| Retail sales | +0% (+6% CC) |
| Total sales | +1% (+6% CC) |
| Visits | +5% |
| Orders | (1%) |
| Conversion | -10bps |
| ABV | +2% |
| Active customers | 4.0m (+3%) |

ABV increased 2% as action taken to protect basket economics in the first half was only partially offset by a more aggressive trading stance and reduction in full price sales mix. Active customer growth was underpinned by the acquisition of new customers offsetting the increase in churn of our existing customers, as we continued to see low frequency, occasion-wear shoppers drop out of our customer base.

# Outlook

We have progressed well against our strategic priorities centred on building a solid foundation for global growth through the development of our brands, global fulfilment centre network and the successful deployment of TGR. However, we still have much to do to improve the flexibility and speed of our retail model and to accelerate the pace of delivery of our international growth strategy so we can truly capture the global opportunity ahead of us. We have a clear strategy and plan in place, a strong leadership team, and approach the future with confidence.

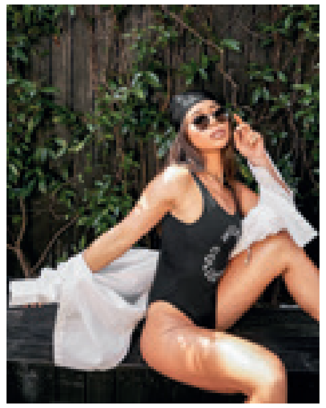
We will deploy our platform capability, accelerate both US and EU growth trajectories and continue to deliver strong operational efficiencies to support our structural profitability. However, it is clear that our performance in FY22 will be constrained, particularly in the first half of the year, as a result of global supply constraints and cost inflationary pressures. At the same time we are set to cycle tough comparatives (particularly in the UK), and will begin to invest behind the growth initiatives which support our medium-term ambitions.

These pressures are reflected in H1 FY22 sales growth expectations in the mid-single digits. We do, however, expect sales growth to accelerate in the second half of the year to deliver full year sales growth of between 10% and 15%, supported by increased event-led demand, reduced supply constraints and increased marketing investment to support an acceleration of our international growth rates.

Last year was an exceptional year for profitability, with strong underlying growth further supported by a £67.3m estimated benefit from COVID-19 related returns rates. We do not expect any COVID-19 benefit in FY22 with returns rates having returned to more normal levels. We anticipate notable cost headwinds, particularly in the first half, from higher inbound freight and outbound delivery costs. We also anticipate inflationary pressures particularly with respect to labour across the year. We will look to offset these cost pressures through continued cost efficiencies and scale leverage along with appropriate measures to mitigate inflation. We will invest through these short-term headwinds to capture the long-term opportunity that we see ahead of us by increasing our marketing spend in our international territories, driving a c.1% increase in marketing as a percentage of sales. As a result we expect profit in the range of £110m to £140m, compared to £126.3m in the prior year (excluding the COVID-19 benefit).

**Mat Dunn**
Chief Operating Officer &
Chief Financial Officer

**Ian Dyson**
Senior Independent Director &
Chair of the Audit Committee



# Our business model

Our strategic pillars provide the framework for our global business model...

01 Truly global retailer for fashion-loving 20-somethings

02 **The asos brands**
Design that can't be found anywhere else.

03 **The asos platform**
One platform with all the relevant product, all of the time.

04 **The asos experience**
Inspiring, exciting, friction-free and personalised.

05 Effective, efficient and sustainable model

...and are underpinned by our corresponding strategic priorities.

**Expand our global reach and local scale**
by accelerating growth in key markets.

**Grow our unique asos brands**
by launching new brands and improving on both speed to market and price.

**Enhance our flexible and multi-brand platform**
by growing high potential categories, implementing flexible fulfilment and improving proposition.

**Improve our personalised customer experience**
through the application of data science and experimentation to deliver the most engaging experience.

**Develop our effective, efficient and sustainable model**
by transforming our organisation including upgrading talent and capabilities, improving cross-functional ways of working and further driving responsibility for everything we do.

# Our strategic priorities

**As part of our vision to be the number one destination for fashion-loving 20-somethings worldwide, we continue to measure our progress against the five strategic priorities designed to shape our focus across the business.**

These five strategic priorities span our business and shape our intention in each area.

## 01 Truly Global Retailer

***Original ambition for FY21***

We will become a truly global retailer by enhancing our systems, infrastructure and teams for global trading and accelerating growth in key markets to expand our local and overall scale.

***Progress in FY21***

During FY21 we have focused on landing significant investments in systems, capabilities, and capacity to support our global growth ambitions.

Earlier this year, we announced that we had successfully deployed our TGR system. This was designed to replace legacy infrastructure with a cutting-edge planning and retail capability, along with new reporting metrics to support our global growth ambitions. The rollout process completed on schedule with strong user adoption, limited disruption and business benefits being realised as planned. Through TGR, our buying and merchandising teams have improved planning capability, visibility of freight costs and transit impacts to make better sourcing decisions. For the wider business, the additional visibility and reporting metrics enable swifter trading decisions. TGR was also a critical enabler for our fourth fulfilment centre in Lichfield and is a necessary foundation for the development of our Partner Fulfilment programme.

To support our ambitions in key markets, we continue to expand our global capacity. The development of our new fulfilment centre in Lichfield, which opened in August 2021, further supports our global expansion plans. We have successfully completed our launch phase, which involved operational testing, recruitment and site establishment, and are currently in the process of ramping up the facility, which is expected to contribute incremental capacity to the 2021 peak, ahead of plan. The facility has initially launched as a manual operation with a first phase that can store up to 7m units and we will automate by the end of FY23. We anticipate a cost drag in FY22 reflecting initial start-up costs as well as impacts from the manual nature of the facility. These will unwind over time, fully reversing once automation comes online towards the end of FY23.

We expect our US warehouse in Atlanta to be automated by the end of FY23, which will increase stock capacity by c.50% to 15.5m units, with a warehouse throughput of 3.1m units per week.



## 02 The ASOS Brands

***Original ambition for FY21***

We will grow our unique ASOS brands, continuing to penetrate into under-served segments of the market whilst continuing to improve our speed to market and price propositions.

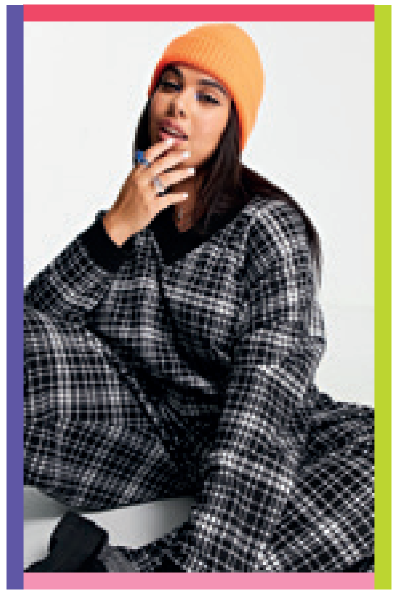
***Progress in FY21***

ASOS Design continues to perform well, although it has declined in mix by 370bps over the last 12 months given its strength is occasion wear. However, we saw an increase in demand for 'going out' product and pleasingly, within ASOS Design, occasion wear has grown by 16% in the second half. Our venture brands grew by 69%, with Collusion a strong contributor to this exceptional growth up 63%. We have also delivered strong growth in many of our new ASOS labels, with Weekend Collective posting strong sales in its year of launch, Unrvlld Supply growing by 122% and Dark Future by 88%.

Earlier this year, we announced the acquisition of four iconic brands, Topshop, Topman, Miss Selfridge and HIIT which dropped seamlessly onto our platform in February. Since our half year update, these brands have sustained triple digit growth momentum against pre-acquisition Topshop brands sales on ASOS.com. We have seen outstanding growth in the US, now accounting for 16% of global Topshop brands sales. We continue to post strong growth rates in the UK and Germany, highlighting the strength of these brands in these markets. During the period, we launched our wholesale business, despatching our first Topshop wholesale orders of this year, a first for ASOS, and we have built momentum on wholesale sales into P4. We have also trimmed down our wholesale partners with our focus on 'fewer, better, more digital' and will be partnering with Nordstrom, Zalando, Yoox, GFG and Namshi going forward.

From a supply chain perspective, we have successfully onboarded all 135 Topshop brand suppliers. We subsequently identified 55 suppliers who will be exited in a responsible timeframe with the final supplier base expected to consist of 80 suppliers, many of whom have not worked with ASOS before. We have mapped all Tier 1 to 3 suppliers, and all Tier 1 and 2 suppliers have provided evidence of a third-party audit. We are currently working through these audits and are on track to publish a full listing of all Tier 1 to 3 suppliers by March 2022, as committed.

As we continue to grow our exclusive ASOS brands, we will leverage our Nordstrom partnership to drive increased customer awareness across North America. As part of this collaboration, we will release a curated edit of ASOS Design, Collusion and AsYou in two key retail stores and across Nordstrom.com by the end of this calendar year, with a full launch on track for the first half of 2022. In addition to this, ASOS click & collect services will be rolled out across the wider Nordstrom store estate in the first half of 2022 as the next step in continuing to enhance the ASOS proposition for our US customers.



# Our strategic priorities – continued

## 03 The ASOS Platform

*Original ambition for FY21*

We will enhance our flexible and multi-brand platform; partnering with brands to expand high potential categories, implementing flexible fulfilment capabilities to expand customer choice and continuing to improve the relevance of our customer proposition and tech platform.

*Progress in FY21*

During the year, we have successfully driven growth in high potential categories.

At half year, we referenced the fact that Face + Body and Activewear are strategic focus areas for ASOS going forward, and we continue to focus on building out our multi-brand platform to support growth in these two areas. Our Face + Body business has grown at pace and is now a £150m revenue business, up 49% year-on-year. We have seen strong Face + Body growth rates in all markets, but particularly in the UK, posting strong growth of 64% year-on-year. We continued to build out our offer adding several new brands, including Charlotte Tilbury, Huda Beauty, Lush and Morphe over the past year. In Sportswear, we saw growth of 51% as Activewear continues to resonate strongly with consumers coming out of the pandemic. We expect performance in the next 12 months to be more muted given the current consumer dynamics, but we remain confident that this is a long-term growth driver for ASOS.

The development and rollout of our flexible and multi-brand platform continued at pace. In phase 1, which we refer to as 'ASOS Fulfils', we successfully completed our trial which exposed selected UK stock to our US customers to expand our brand offering and backfill size availability. Through this we were able to offer an improved stock profile, with no material uplift in customer care contacts during the period. We have subsequently rolled this out to the UK, Russia, France, Italy and Australia. With ASOS Fulfils now underway, we are ready for the second phase of the flexible fulfilment programme known as 'Partner Fulfilment'. Partner Fulfilment will allow direct to consumer fulfilment and augments ASOS' own supply chain with our suppliers' capability to directly fulfil customer orders, allowing greater stock availability and product assortment. In time, this will allow our consumer greater opportunities to view a wider range of product and will increase the local relevance of our product offer, whilst still retaining our curated edit based on the needs of our 20-something customer. We expect to begin our roll-out in the UK at the end of calendar year 2021, in partnership with a major global sportswear supplier.

We have continued to invest in our proposition and we have expanded delivery options for our customers, adding over 158 new delivery enhancements and 60k new outbound Click & Collect and returns locations to expand our total offering to 212k outbound locations and 270k returns locations globally. We have invested in the growth of our Buy Now Pay Later offering, including in key European markets, taking advantage of third-party investments. We have also rolled out an International Digital Voucher and Gift Card offering.

## 04 The ASOS Customer Experience

*Original ambition for FY21*

We will improve our inspiring and personalised customer experience through the application of data and artificial intelligence to deliver the most engaging customer experience.

*Progress in FY21*

This year we have continued to advance our personalised, engaging and inspiring customer experience. We have made investments in data infrastructure and capabilities over the past two years, enabling us to continue to apply data science to deliver a more relevant and engaging experience for each customer. Furthermore we rolled out the 'For You' feature on Android along with personalised search and 'New In' category results. We have also significantly increased our experimentation velocity reflecting 122% growth on the prior year. We continued to expand our ratings and reviews on site with nearly 2m reviews collected to date, providing valuable peer-to-peer review along with live feedback for the buying and merchandising teams.

In February 2021, we completed a transition to a new customer testing platform to step up our experimentation capacity and velocity. This will allow us to more rapidly evolve the customer experience, validate where to invest by building evidence of customer behaviour changes, and identify what features to build by iteratively testing concepts. This will enable us to innovate at a faster rate.

We have also achieved better than planned progress in the ongoing transformation of our customer service operation, a critical part of the ASOS customer experience. This has resulted in an 85% improvement in first contact resolution and a 32% reduction in customer care cost per order (or 47bps reduction in cost as a percentage of sales).





## 05 Effective, Efficient and Sustainable Model

*Original ambition for FY21*

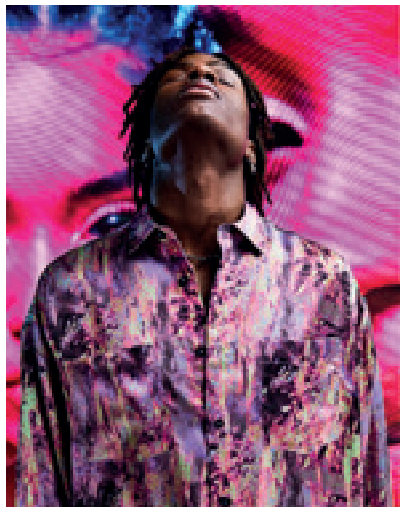
We will support our growth through an effective, efficient and sustainable operating model, continuing to evolve and develop our culture, organisation, and talent whilst further driving responsible fashion into everything we do.

*Progress in FY21*

We continued our relentless focus on operational excellence, ensuring efficient and effective operations designed to delight our customers. As part of this, we continued our FY20 programme of non-strategic cost removal to actively review non-strategic costs and drive improvements across different business areas which included: marketing investment focused on more efficient channels, maximisation of our input pricing through more effective supplier negotiations, delivery of cost savings through improved processes in key areas such as returns, product re-processing and customer care, along with focused investment into improving basket metrics. These improvements drove a benefit of c.£30m in FY21.

Fashion with Integrity (FWI) is the backbone of our business and we operate with sustainability at the heart of everything we do. We are proud of the work we have done over the past decade which included:

- Building an industry-leading position in tackling modern slavery throughout our supply chain
- The co-founding of the Fast Forward auditing programme, designed to tackle issues in UK manufacturing
- The launch of the ASOS Design Circular Collection and training all commercial teams on circular design strategies
- Using over 80% recycled material across mailing and garment bags
- Reducing operational carbon emissions per order by 45% from FY16 to FY20



At our FWI Capital Markets Event in September we launched our 2030 ambitions. Taking into account the most material issues for ASOS, the 2030 FWI programme is focused on minimising ASOS' impact on the planet, delivering positive benefits for people who work in fashion, and meeting increasing demands from customers for greater choice in responsible fashion. From that focus, ASOS has set two overarching pillars, Planet and People, which are underpinned by four key goals:

- Be Net Zero: minimising ASOS' impact on the planet through decarbonisation targets set with the Carbon Trust. ASOS will be carbon neutral in its direct operations by 2025 and achieve net zero carbon emissions across our value chain by 2030
- Be More Circular: shifting towards more circular systems, ensuring 100% of ASOS own-brand products and packaging are made from more sustainable or recycled materials by 2030, prioritising circular design, and facilitating product recovery programmes
- Be Transparent: accelerating transparency and human rights within its supply chain and the wider fashion industry. ASOS will publish a detailed human rights strategy and implementation reports annually from 2023; ensure that third-party brands are signed up to the Transparency Pledge and the new ASOS Ethical Trade policy by 2025; and provide full public transparency of every ASOS own-brand product by 2030
- Be Diverse: driving diversity, equity and inclusion across every aspect of the business, with a focus on leadership representation. ASOS will ensure at least 50% female representation and over 15% ethnic minority representation at every leadership level by 2030

# Key performance indicators

**Our key performance indicators allow us to measure both the financial value we create for our shareholders and the strategic value in growing our business and delivering our purpose.**

## Financial objectives

Our key financial measures give us a clear indication of the overall performance and position of ASOS. In some cases, the figure is an alternative performance measure, i.e. not a statutory measure. In these cases, information is shown in the definition to cross-reference to the corresponding statutory measure.

**Key financial measures**

**Revenue**
Retail sales, delivery receipts and third-party revenues from continuing operations

22%[1] ▲

2021 £3,910.5m
2020 £3,263.5m

**Gross margin**
Gross profit as a percentage of revenue

200bps ▼

2021 45.4%
2020 47.4%

**Adjusted EBIT[2]**
Profit before interest, tax, depreciation and amortisation

37% ▲

2021 £206.6m
2020 £151.1m

**Adjusted EBIT margin[2]**
Operating profit as a percentage of revenue

70bps ▲

2021 5.3%
2020 4.6%

**Adjusted profit before tax[2]**

36% ▲

2021 £193.6m
2020 £142.1m

**Diluted EPS**
Profit after tax divided by the weighted average number of shares in issue during the period, adjusted for the effects of potentially dilutive share options

0% ◀▶

2021 125.5p
2020 125.6p

**Net assets**

28% ▲

2021 £1,034.0m
2020 £810.3m

1 On a constant currency basis.
2 Defined and reconciled to the closest IFRS measure on page 9 of the Annual Report.

## Strategic objectives

We are really pleased with the progress of almost all of our key strategic measures. Active customers increased by 13% to 26.4m and orders and visits are up 19% and 15% respectively.

**Key strategic measures**

**Active customers**
Number of customers having shopped in the last 12 months as at 31 August

13% ▲

2021 26.4m
2020 23.4m

**Total orders**
Total orders shipped

19% ▲

2021 95.2m
2020 80.2m

**Total visits**
Number of visits to ASOS.com via any device

15% ▲

2021 3,091.8m
2020 2,691.2m

**Mobile device visits**
Number of visits to ASOS.com on any mobile device divided by total visits

230bps ▼

2021 83.2%
2020 85.5%

**Net ABV**
Average basket value, being total order value after returns and discounts, excluding VAT, divided by total orders

1% ▲

2021 £39.75
2020 £39.52

**Group conversion**
Percentage of visits that convert to an order

10bps ▲

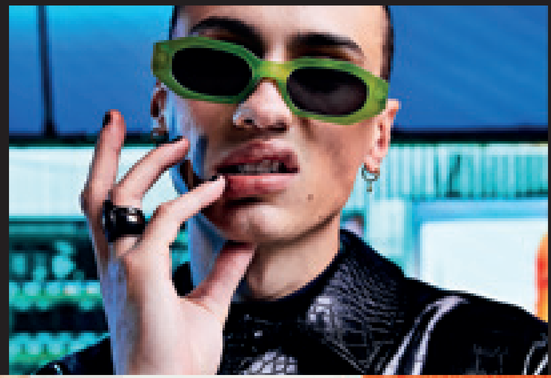
2021 3.1%
2020 3.0%

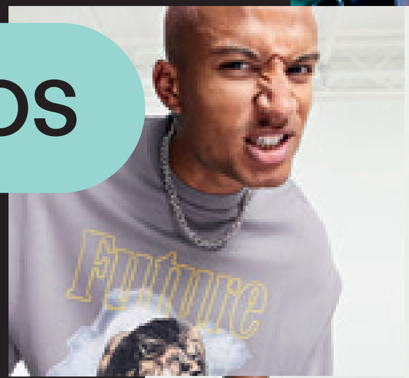
**NPS**
Net Promoter Score based on a customer pulse survey. This represents the movement in the average score in the 12-month period to 31 August

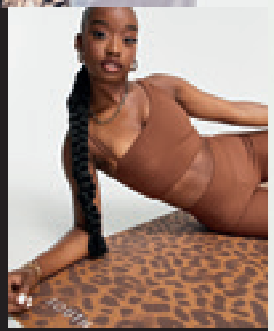
2% ▲

2021 58
2020 57

# Our brands







the ASOS BRANDS

## HIIT

Nothing boosts your motivation like brand-new workout clothes. Enter...HIIT, a seriously good collection of hardworking activewear that includes not only leggings, shorts, sports tops and gym bras, but also the occasional accessory to transform your workout.

## asos DESIGN

ASOS DESIGN is your every day and every night go-to. No matter who you are, where you're from and what you're up to, our universal brand is here for you, serving up exclusive designs, the latest trends, and in all our fit ranges.

## asos EDITION

Turn up and stand out in occasionwear that's as unique as you with ASOS EDITION, made for life's most memorable moments. You'll be all dressed up with everywhere to go in its dreamy dresses, statement jumpsuits and co-ords, and a selection of standout wedding dresses.

## TOPMAN

A unique UK menswear brand with an established smart to casual aesthetic for our top end 20-something customer. Shopping for every moment from modern essentials to formalwear, Topman ticks all the boxes with its range of easy-to-wear, on-trend clothing, shoes and accessories. Whatever you're after, Topman serves up those pieces you'll reach for again and again.

## asos 4505

The ASOS activewear range has performance kit, designed to reflect the most stylish trends, whatever your workout. Whether you're running or raving, ASOS 4505 ensures your playtime has personality. It's our movement for movement.

## asos LUXE

Serving up high-key looks across a selection of loungewear and going out-out 'fits, ASOS LUXE is here to help you live your best glam life.

## TOPSHOP

This iconic UK brand with an established fashion heritage is now part of ASOS, catering for our top end 20-something customer and styled for our 'scenester' girl.



the VENTURE BRANDS

## AsYou

A glam brand for our Gen-Z audience who own their style. Serving up new trends, pieces are designed to represent every side of our 20-something customer, whether they're off-duty or going out-out.

## COLLUSION

A new brand for a new generation, COLLUSION offers up clothing and accessories that let you effortlessly invent your very own unique looks. Refusing to compromise on principle or style, expect lots of dynamic designs that celebrate individuality and inclusivity.

## Miss Selfridge

A uniquely feminine womenswear brand with a girly playful look, for our young 20-something, taking her from day to date night.

## Reclaimed VINTAGE

Reclaimed Vintage combines innovative design and vintage style across all of its collections. Influenced by classic shapes, style icons and old-school street brands, Reclaimed Vintage Inspired is where you'll find fresh ideas with a vintage twist, while Reclaimed Vintage Revived features hand-picked vintage gems from around the world.

# Our values

We are mission-led, purpose-driven and guided by our values. Our mission is to be the world's number one destination for fashion-loving 20-somethings. We believe in a world where you have the freedom to explore and express yourself without judgement, no matter who you are or where you're from.

That's why our purpose is to give fashion-loving 20-somethings the confidence to be whoever they want to be.

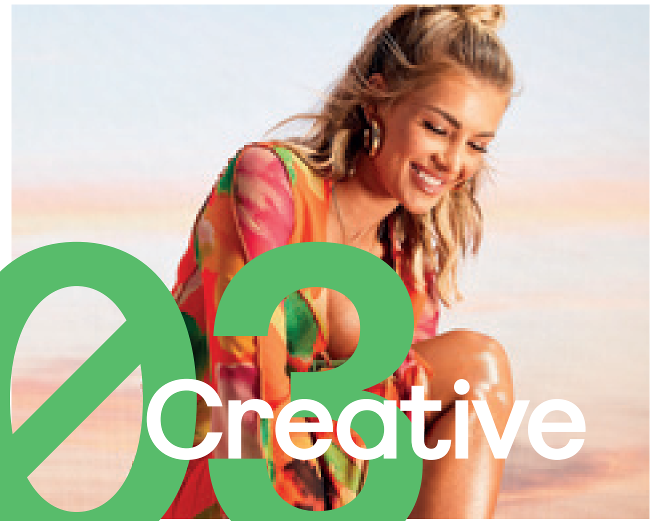
We are guided by our values

## 01 Authentic

**We celebrate what makes us unique and stay true to ourselves.** Our business is built on an inclusive culture which encourages passion, enthusiasm and development so our ASOSers can bring their best selves to work. We recognise that it's our differences which make us stand out from the crowd, giving our ASOSers and customers the confidence to be whoever they want to be.

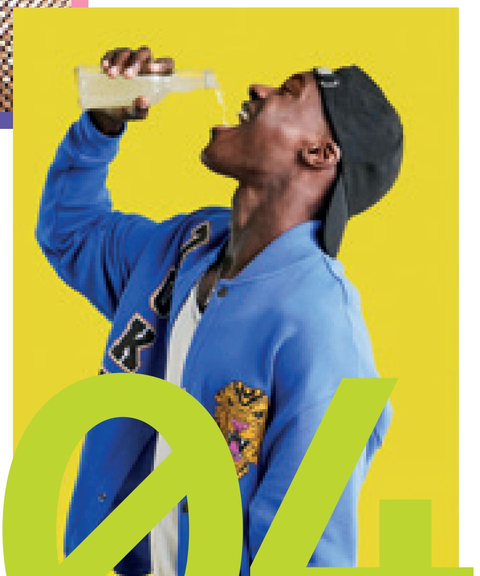
## 02 Brave

**We've been bold and ambitious from the start – it's in our DNA.** We're empowered to try something different with the freedom to fail, turning left when others turn right. We use our voice to drive us forward, speaking up on the things our people and customers care about and challenging the status quo.



## 03 Creative

**We have a curious and adventurous spirit – it's who we are and runs through everything we do.** We balance leadership with learning by being comfortable as an innovator and when following in the footsteps of others. Our products and platform are fuelled by creative passion and a deep understanding of our customers, allowing us to empower millions of people around the world.



## 04 Disciplined

**Great work doesn't happen by chance.** We need to take time in our pursuit of excellence, honing our skills, perfecting our craft, executing our plans, being comfortable with the uncomfortable and bridging the gap between goals and accomplishments. It's a strategy that allows us to create an ASOS that's built for future success.

# Our people


## The people behind the brand

We want the experience of our people to be like no other – an experience that ASOSers love, where they learn, where they collaborate, where they embrace change and where they can be authentic, brave, creative and disciplined in everything they do. Building a deeper sense of belonging and engagement during a tough year and creating an environment where ASOSers can thrive has been a key focus in FY21.

## Understanding our people

To be able to get a deeper understanding of who our ASOSers are and what's important to them, this year we launched the ASOS Vibe, our new employee engagement programme in partnership with Glint. The programme consists of quarterly pulse surveys to find out how ASOSers feel about working life at ASOS, as well as additional targeted surveys for new starters and leavers. For the first time, we're able to drill down into our data to compare what our ASOSers from different teams, countries and demographics think about 'The Vibe' at ASOS.

The first ASOS-wide survey proved a vital tool in benchmarking employee engagement across ASOS, and since January 2021 we have seen perception of actions taken as a result of the survey improve by 11 points, communication by four points and manager effectiveness by three points.

- Our response rates for all surveys has been consistently greater than 73%
- Our engagement score for August 2021 was 68; our score has increased by one percentage point since May 2021.

We plan to continue to measure engagement quarterly to ensure dynamic engagement priorities and use the feedback to inform all new people initiatives.

This year, we also launched a project, sponsored by Karen Geary, our designated Non-executive Director for employee engagement, to elevate the role of our employee forum. The Voices Network is now our platform to bring together and amplify ASOSer voices so we can help shape and create an experience like no other. From collating ideas and insights, to championing Company-wide campaigns, it ensures ASOSer views are represented in all decisions. We relaunched the network with a new representative structure and ran an election process throughout Summer 2021. Our new cohort of representatives have commenced their training in readiness for FY22.

## Working against a backdrop of the pandemic

We have worked hard to ensure that every ASOSer, including the 300 new ASOSers who joined us as part of the acquisition of the Topshop brands in February 2021, felt safe and supported throughout the COVID-19 pandemic. We ran a series of virtual wellbeing events, including group mindfulness sessions, mental health first aider drop-ins and fireside talks, as well as continued promotion of the fantastic support tools we have made available to all ASOSers, such as the Unmind mental wellbeing app, our Mental Health First Aiders, and Here For You, our Employee Assistance programme. We have implemented dedicated meeting-free time into ASOSers' diaries to create meaningful focus time to support ASOSers experiencing 'Zoom fatigue' and, as a thank you for all their hard work, we gave all ASOSers an extra day off on 25 June 2021 to take a well-earned breather to focus on their wellbeing. Through the ASOS Vibe survey, we know that as a result of these initiatives, ASOSers' mental wellbeing has improved by three points.

The COVID-19 pandemic has forced organisations to think differently about flexible working arrangements and at ASOS, we're no different. We recognised the need to re-evaluate our approach to flexible working and this year launched 'Dynamic Working' – defined as a way of working where our ASOSers deliver priorities with flexibility on where and how they work. It's not a prescriptive, one-size fits all policy, but rather a framework that will flex to fit the performance and business requirements of each function and role. This feels like the right step forward to continue to build a culture of flexibility, empowerment and inclusion.





## A continued focus on diversity, equity and inclusion

We're committed to building a truly inclusive workplace and in last year's Annual Report we outlined a number of the initiatives we had taken to address the lack of diversity at senior levels and in response to the Black Lives Matter movement. We have made significant progress over the last 12 months, recognising that we can't transform overnight.

Our Diversity, Equity & Inclusion (DEI) Strategy 'All IN' launched in January 2021, with the purpose of ensuring that all ASOSers have the confidence to be whoever they want to be, now and in the future, without judgement. We gave DEI a new virtual home in our new DEI hub. The DEI hub houses our strategy and plans, a DEI 'glossary of terms', educational resources, an inclusion calendar and the many opportunities for ASOSers to get involved, including events, employee networks and a virtual suggestion box. To support us in our DEI agenda, we have signed up to be a member of Inclusive Companies, who will help us benchmark our efforts against other organisations in our industry and beyond, to ensure we're taking the right action to be a truly inclusive organisation.

## Our strategy focuses on two key areas: Representation and Culture

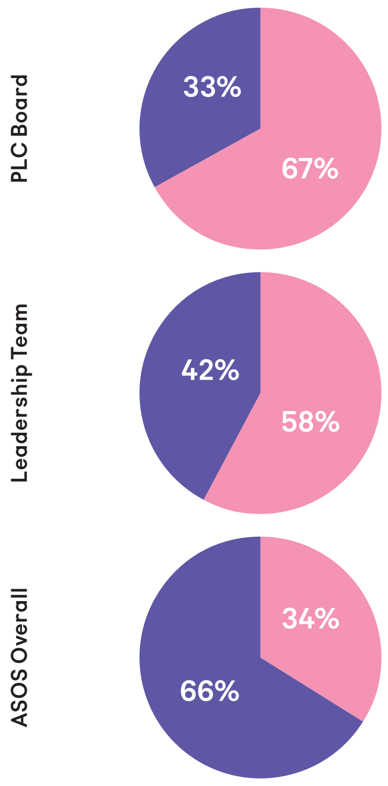
***Representation***

When it comes to representation, cleaning up our demographic data has been critical and our immediate focus has been to increase the representation of both women and ethnic minority ASOSers at leadership level. Through hours of ASOSer listening we know that having diverse role models at senior levels is our biggest opportunity to enact change.

Since August 2020, we have increased the number of women holding leadership positions by 21% and women now make up 42% of our combined leadership team. We have also increased the number of ethnic minority ASOSers holding leadership positions by 45%.

Increasing the representation of both women and ethnic minority ASOSers at senior levels remains a top priority. While we continue to focus on change for the long term, in the immediate term we continue to run our Reverse Mentoring Programme for our Executive Committee, with every Committee member receiving mentoring from a more junior ASOSer from an ethnic minority background to share their lived

**Number of women holding leadership positions as at 31 August 2021**




Key › Male Female

# Our people – continued

experiences and help our leaders become more aware of the inequities in everyday life. In April 2021 we launched our industry-leading Future Leaders Programme, in accordance with our Race at Work Charter commitments to take action to support ethnic minority career progression. The programme is a 13-month fully funded level five apprenticeship with a recognised CMI qualification and our biggest apprenticeship to date, with 71 in the first cohort.

### *Culture*

Our approach to DEI goes deeper than representation alone. To ensure our approach is more than a tick-box exercise, we brought our people together through a series of events to help make DEI part of our culture. The 'All IN' events series featured changemakers, innovators and collaborators. Run in collaboration with our Race Equality Heads and Hearts Employee Groups, the event series aimed to educate and uplift our ASOSers – touching on all aspects of DEI – from race equality and intersectionality, to celebrating different cultures and perspectives.

While our internal representation targets have been focused on gender and ethnicity in FY21, we acknowledge that diversity, equity and inclusion intersect with far broader notions of identity – whether that's disability, sexual orientation, gender identity, neurodiversity, family status, religion or more. We're driving inclusion for all our people through our employee networks, of which we now have five, focusing on Race Equality, Women In Tech, LGBTQ+, Parents & Families and Disability – and the launch of a mandatory education programme which formally kicked off in September 2021.

### Attracting and retaining talent

We are operating in an increasingly competitive, candidate-driven market, where the skills we require now and in the future are in high demand. This year, a key part of our attraction and retention strategy has been to engage and entice diverse, international talent through the launch of our new employee value proposition – 'Be whoever you want to be at ASOS' – powering our employer brand.

Our ability to scale our recruitment delivery team has been critical, alongside the investment in new recruitment technology, to streamline and accelerate the process through automation and AI. We have invested in a leading-edge cloud-based recruitment technology (SmartRecruiter) to revolutionise the way we hire. It will transform the way we interact and engage with our workforce, putting a greater emphasis on understanding the talent we have and enabling internal mobility. This means developing and promoting from within first, in addition to proactively identifying external communities of talent.

### Developing talent

This year, we launched the Manager Learning Hub which supports our continued dedication to creating talented leaders through innovative digital learning and virtual sessions. It's the destination for all things manager development at ASOS and, since launch, we've had 10,000 resource views and more than 300 of our managers have attended virtual and in-person facilitated sessions.

Apprenticeships continue to be a key focus for our Learning and Development team and allow us to unlock potential, create great role models and drive high performance. We use the apprentice levy to create incredible development opportunities that allow workplace application alongside achieving recognised qualifications. In the last 12 months, the number of people on an apprenticeship has increased by nearly 700%. We now have 186 ASOSers on 19 apprenticeships at all levels, from entry level Customer Service to Masters Degree level Data Science. We had 37 apprentices graduate from their apprenticeship programmes and a further 25 will successfully complete by December 2021.

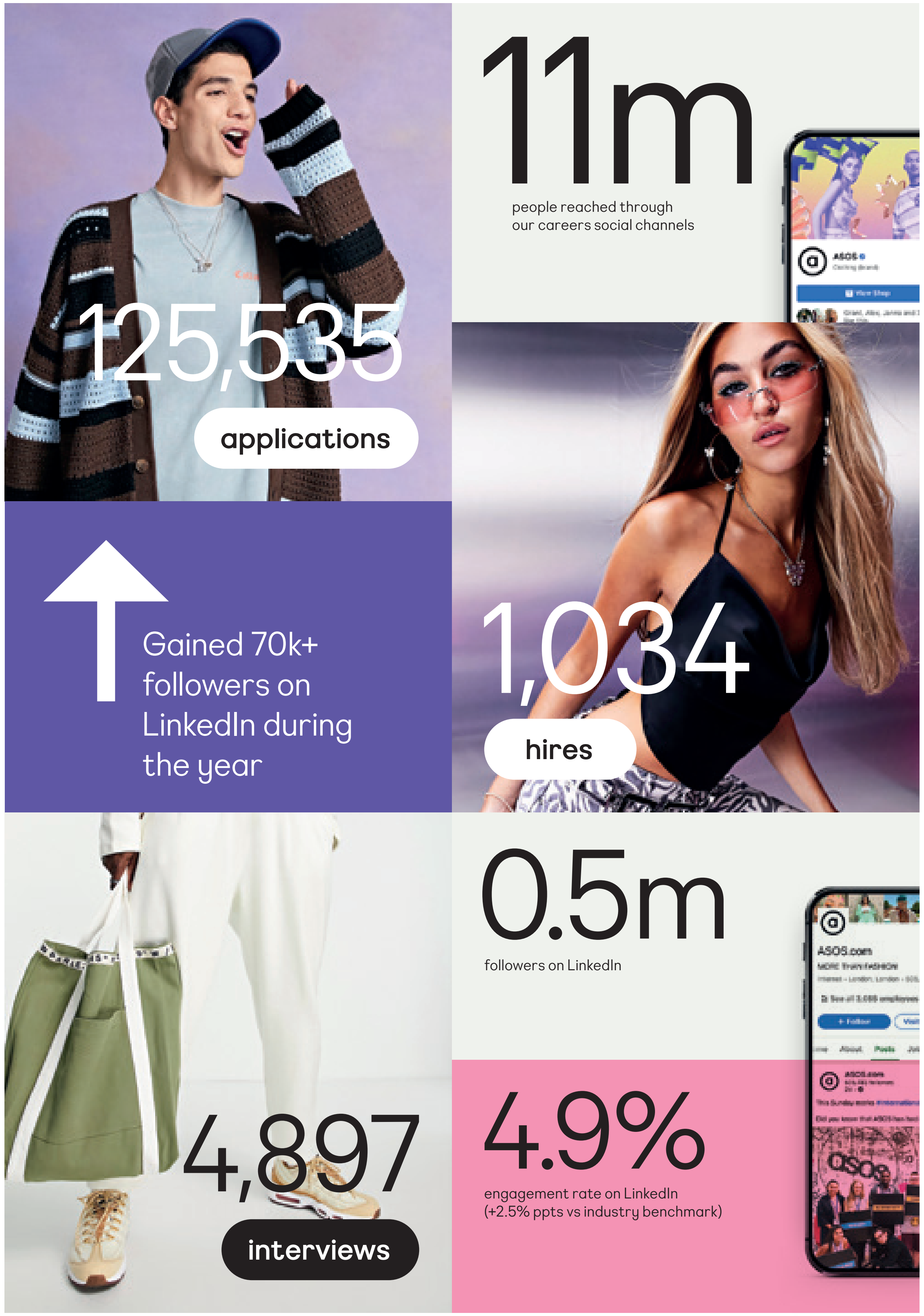
In the past 12 months, we also created the 'Zero Hero Challenge', our own externally accredited Lean training. Starting in April 2021, 75 ASOSers have been through the programme alongside 24 in our own third-party supply chain. We plan to increase this to c.700 people next year as we look to build this strategic capability across ASOS, helping us to unlock efficiencies and reduce waste across the business.

We also created and delivered a bespoke training programme for our Customer Care team that improves customer service, query resolution time, reduces errors, and empowers our advisers to have great conversations with our customers. The bespoke programme, 'Grow', is delivered in three different languages.

### Focusing on our performance

With the launch of our fourth value, Disciplined, we know that great work doesn't happen by chance, which is why this year we have invested heavily in our performance management and objective-setting process. FY21 has focused on aligning objectives vertically, with a golden thread from the Executive Committee's objectives through to all levels. To support robust, fair and timely conversations about performance management, we launched a toolkit and ran a series of workshops for ASOSers at all levels.

FY22 will see a migration towards an organisation-wide Objectives and Key Results (OKR) framework, linked to the Executive Committee's OKRs. We have invested in new performance technology and, for the first time at ASOS, individual OKRs will be completely transparent, tracked and measured. This will allow a continued focus on both individual and team high performance, giving our ASOSers a true understanding of how they individually contribute towards ASOS' success. The new technology will drive quality conversations and will help give ASOSers purpose and focus, enabling them to bring their best selves to work and deliver great results.



# Fashion with Integrity

## We have continued to make progress in our journey to become a more sustainable business through our Fashion with Integrity programme over the past year.

Whether forming new partnerships with charity organisations, achieving further reductions in our operational carbon footprint, or taking greater steps into circular design strategies, Fashion with Integrity has continued to guide our approach to business, as it has done since 2010.

We're proud of the progress we've made this year. To help us take Fashion with Integrity forward to 2030, we've set new goals across our business so that we can deliver positive benefits for people and minimise our impact on the planet.

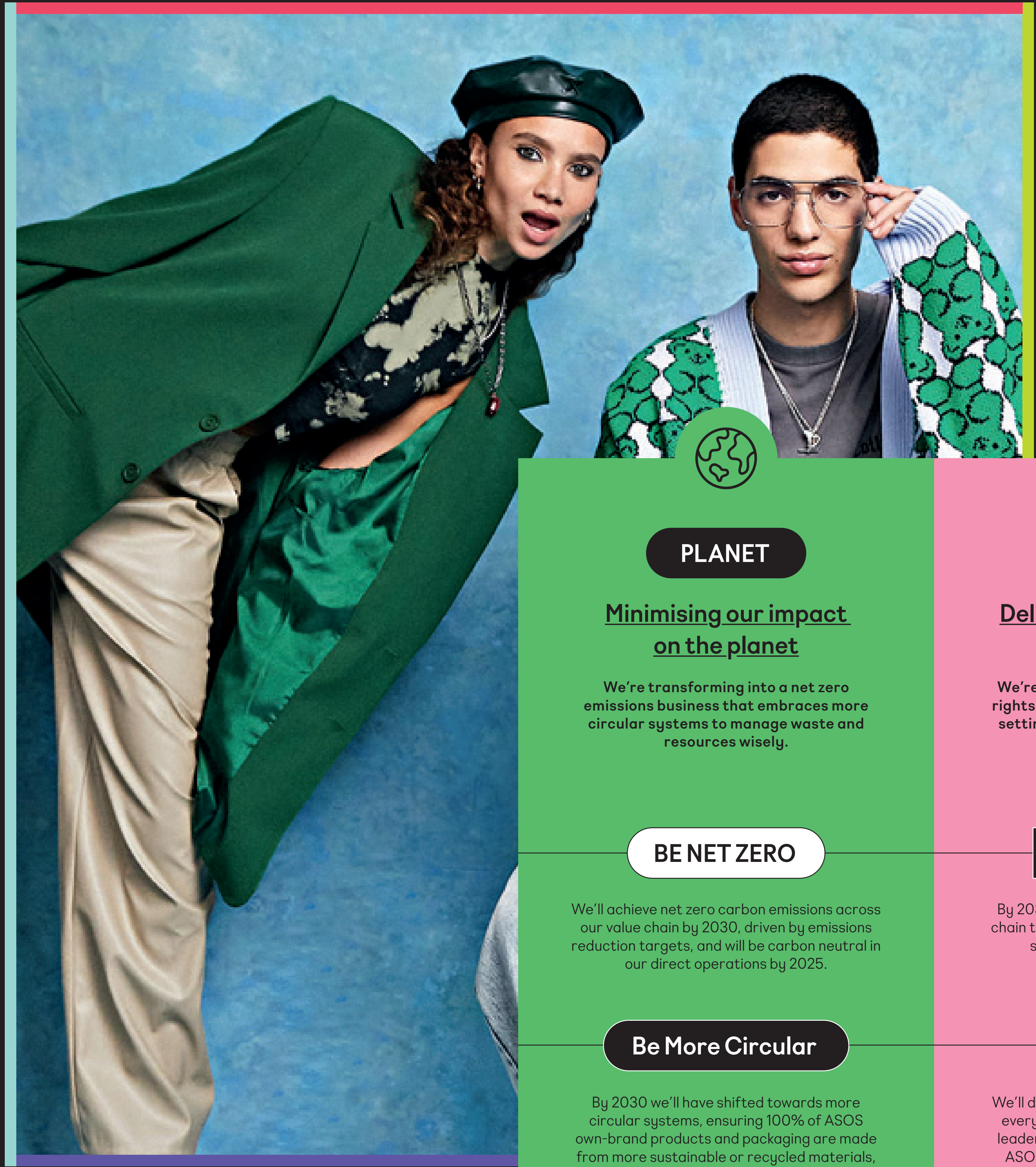
The journey to our 2030 goals started with a formal materiality assessment carried out with an external reporting expert. The process involved engagement with employees, investors, global brand partners and suppliers, and human rights and fashion sustainability organisations, to identify the most important issues for our business. Those issues then became the focus for our four big goals:

**Be Net Zero, Be More Circular, Be Transparent, Be Diverse.**

More detail

**Read about** our new goals in more detail in the 'Fashion with Integrity – Our 2030 Strategy' report on our corporate website, asosplc.com





See overleaf for our 2030 programme

### PLANET

**Minimising our impact on the planet**

**We're transforming into a net zero emissions business that embraces more circular systems to manage waste and resources wisely.**

**BE NET ZERO**

We'll achieve net zero carbon emissions across our value chain by 2030, driven by emissions reduction targets, and will be carbon neutral in our direct operations by 2025.

**Be More Circular**

By 2030 we'll have shifted towards more circular systems, ensuring 100% of ASOS own-brand products and packaging are made from more sustainable or recycled materials, prioritising circular design and facilitating product recovery programmes.

### PEOPLE

**Delivering positive benefits for people**

**We're expanding transparency and human rights progress across our supply chain and setting new diversity, equity and inclusion goals for our business.**

**BE TRANSPARENT**

By 2030 we'll have led improvements in supply chain transparency and human rights within our supply chain and the wider industry.

**Be Diverse**

We'll drive diversity, equity and inclusion across every aspect of our business, with a focus on leadership representation and ensuring every ASOSer can be their authentic self at work.

# Fashion with Integrity – continued

More detail

**For more detail** on how we plan to achieve these goals and how we'll be governing our Fashion with Integrity 2030 programme, head to the 'Fashion with Integrity – Our 2030 Strategy' report on our corporate website, asosplc.com

## BE NET ZERO

Through our Be Net Zero goal, we'll achieve net zero across our value chain by 2030 and will be carbon neutral in our direct operations (offices, fulfilment centres, deliveries and returns) from 2025.

We'll get there through decarbonisation targets we've set in collaboration with the Carbon Trust, a global climate change and sustainability consultancy, and which have been verified by the Science Based Targets initiative (SBTi).

*Our KPIs*

- Reduce Scope 1 and 2 emissions/order by 87% by 2030 vs 2018/19 baseline
- Reduce own-brand product emissions/£profit by 58% by 2030 vs 2018/19 baseline
- Reduce transportation emissions/£profit by 58% by 2030 vs 2018/19 baseline
- Two-thirds of third-party brands (by emissions) signed up to setting targets in line with SBTi requirements by 2025

## Be More Circular

Through our Be More Circular goal, we'll embrace more circular systems that prioritise extending the life of garments and conserving resources by making better material choices and using more sustainable processes.

We'll ensure that 100% of ASOS own-brand products and packaging are produced using more sustainable or recycled materials by 2030. We'll also continue to expand our use of circular design strategies across our full own-brand product range, and we'll facilitate product recovery programmes in key markets to enable our customers to extend the life of their garments.

*Our KPIs*

- 100% of ASOS own-brand products made from recycled or more sustainable materials by 2030, with pathways in place for prioritising high-impact materials, i.e. our existing commitment to sourcing 100% more sustainable cotton by 2025
- By 2023, we'll publish a public-facing circularity strategy to allow us to embed circular design strategies by 2030
- 100% of own-brand packaging made from certified sustainable or recycled materials and be widely recyclable by 2025
- Facilitate programmes for recycling and reuse in key markets by 2030

## BE TRANSPARENT

Through our Be Transparent goal, we'll accelerate progress on transparency and human rights within our own supply chain and the wider fashion industry. We'll provide full public transparency of every own-brand product sold on ASOS by 2030 and ensure 100% of third-party brands have signed up to the Transparency Pledge by 2025.

Through a detailed, public-facing human rights strategy released each year from 2023, we'll set out our plans to deliver benefits for people by empowering women in the supply chain, further supporting freedom of association, and working to achieve a living wage.

*Our KPIs*

- 100% of ASOS own-brand products will have supply chains mapped to raw materials level by 2030, extending our existing supply chain mapping
- 100% of third-party brands on ASOS will have committed to the Transparency Pledge and new ASOS Ethical Trading policy by 2025 at the latest
- From 2023, we'll publish an annual human rights strategy and implementation report, focused on freedom of association, gender empowerment, wages and modern slavery
- Customers will be able to easily view and interact with information on the sustainability credentials of 100% of ASOS own-brand products by 2030

## Be Diverse

Through our Be Diverse goal, we'll drive diversity, equity and inclusion across every aspect of our business, with a focus on leadership representation and ensuring every ASOSer can be their authentic self at work.

*Our KPIs*

- At least 50% female and over 15% ethnic minority representation across our combined leadership team by 2023, and at every leadership level by 2030
- Over 40% female representation in engineering, product and science (technology) roles by 2030
- Zero statistically significant differences in engagement scores and functional attrition rates across all demographics from 2030, with all ASOSers able to be their authentic selves at work
- We'll publish a Diversity, Equity and Inclusion strategy and roadmap for the ASOS platform, our customers and our people by 2023





Developing our new 2030 programme has been a key focus over the past year. But we've also continued to push Fashion with Integrity forward through a wide range of initiatives.

| | |
|---|---|
| **August 2021** | Continuing our partnership with the British Paralympics Association, we kitted out the ParalympicsGB team with opening ceremony, closing ceremony and formal outfits for the Tokyo 2020 Games. |
| | We launched a product collaboration with Love Music Hate Racism, supporting the campaign's UK artist residency programme to develop talent and funding a podcast on promoting racial unity and supporting young emerging artists. |
| **July 2021** | We published our latest operational carbon emissions report for the 2019/20 financial year. We delivered a 13% absolute reduction in operational carbon emissions over that year, meaning that since 2015/16, we've reduced operational emissions per order by 45%. |
| | In support of Exist Loudly's work to create and facilitate spaces of joy, community and care for Black LGBTQ+ youth across the UK, our Collusion team created and launched a dedicated product range for Pride month. Through it we're funding the charity's first long-term programme for Black LGBTQ+ youth who are not in education, work, or training, which will build employability skills, community and confidence. |
| | We started work with a new charity partner, Look Good Feel Better, to fundraise for their work in providing confidence for cancer patients through beauty treatments and workshops. As well as selling a dedicated charity beauty box, we sent all proceeds from lipstick sales on National Lipstick Day to the charity. |
| **June 2021** | We launched our internal trial of reusable mailing bags. 3,000 trial reusable bags are now in circulation among our staff, so we can gather feedback on their performance. |
| | We hit the £500,000 mark for donations raised for disability charity Scope from ASOS sample donations since 2016. |
| **May 2021** | We achieved Level 3 (Maturing) status in Textile Exchange's Material Change Index, highlighting our commitment to transitioning to more sustainable fibres and the progress we've made so far. |
| **April 2021** | We launched two separate clothing donation initiatives with DPD and Oxfam, helping our customers to extend the life of their clothes. |
| | We published our fifth Modern Slavery Statement, becoming the first brand to include external commentary within their statement, from Anti-Slavery International. Along with our statement, we publicly called for the introduction of mandatory due diligence legislation in the UK, which would ensure companies are taking action to identify and address modern slavery risks in their supply chains. |
| | Together with international youth charity Ditch The Label, we launched a #StopAsianHate support hub to help prevent Asian hate and support those impacted. |
| **March 2021** | For International Women's Day, we supported the Prince's Trust's Women Supporting Women initiative, donating through the ASOS Foundation and launching an edit of female-owned brands on ASOS. |
| | We announced our commitment to publishing the supply chains of our newly-acquired brands – Topshop, Topman, Miss Selfridge and HIIT – for the first time by the end of 2021. |
| **February 2021** | February marked the four-year anniversary of our funding of the Centrepoint helpline, giving young people at risk of homelessness a route to access vital support. |
| **January 2021** | As part of our work to reduce the impact of our operations, we launched consolidated returns in key markets, allowing our customers to combine multiple returns into one parcel – reducing emissions associated with multiple returns. |
| | We kicked off the year with the launch of our responsible activewear range for ASOS 4505, featuring products made from recycled polyester, recycled jersey and organic cotton. |
| **December 2020** | We published our latest UN Global Compact Communication on Progress at the end of 2020, and for the first time mapped all our work under Fashion with Integrity against the UN's Sustainable Development Goals. |
| **November 2020** | We conducted energy efficiency audits at all major operational sites (except Atlanta due to COVID-19 travel restrictions) and agreed an action plan for energy efficiency for each, increasing our share of renewable electricity consumption to 80% across our global operations. |
| | To support our independent businesses and small businesses on ASOS Marketplace, we waived commission and rental fees over the peak trading period. |
| **October 2020** | To help educate our people about the importance of biodiversity and the crucial role of pollinators to our planet, we expanded our Berlin honeybee project to bring honeybees to our five major sites. With 40 beehives now installed across Atalanta, Barnsley, Berlin, Leavesden and Greater London House, complete with flower corridors, turf meadows and the appropriate ecosystems to provide not just honeybees, but a whole range of pollinators, with the habitat they need to thrive. Managed by local beekeepers, proceeds from the honey they produce will go towards the ASOS Foundation. |
| **September 2020** | We kick started the year with the launch of our first-ever Circular Design collection, a proof of concept for how we can create commercial product using circular design systems. Since then, we've continued to roll out our circular design training programme for all our teams involved in product and brought our learnings together in an internal circular design guidebook in June 2021. |
| | Following our announcement of strengthened requirements for third-party brands that manufacture in the UK, we held a workshop with our brand partners in September to support them in signing up to Fast Forward. The auditing programme was co-founded by ASOS in 2014 to address challenges specific to UK manufacturing. |

Key › People Planet

# Stakeholder engagement

## We continue to be committed to actively engaging with our stakeholders.

Our mission is to be the world's number one destination for fashion-loving 20-somethings. Our key stakeholders play a fundamental role in helping us achieve this mission, and therefore strong stakeholder engagement plays a pivotal role in achieving our long-term objectives and driving long-term value creation.

How the Board considered our key stakeholders in their decision-making during the year and our section 172(1) statement can be found on pages 50 to 51.

### Our Customers

#### Why they are important...

Our goal is to create and curate products and experiences to inspire fashion-loving 20-somethings. To stay relevant to our 20-something audience, it is essential that we never lose touch with what matters to them, whoever and wherever they are. It's vital that we engage frequently with our customers to ensure we can provide them with what they want, when they want it. The rapid shift in customer habits driven by the COVID-19 pandemic demonstrates why it is so important for us to be in constant contact with our customers and to be able to pivot our product offering and content to stay relevant to our customers. Ensuring we stay relevant to our customers is key to the long-term success of the business.

#### How we engaged...

- Increased our curated brand offering through the acquisition of the Topshop brands and engaged with our customers through a multi-million-pound social campaign. We also launched our new Venture brand, AsYou, and our logo-carriers, including DarkFuture and Weekend Collective, to speak directly to the ever-increasingly brand obsessed 20-something.
- Added 118 brands to the ASOS Platform throughout the year.
- Refreshed our branding to enable a continued and expanded relevant connection with our ever-changing, global audience, introduced features in our digital experience to make it more engaging for our customers, and connected with our customers multiple times a day with engaging and inspiring content across all social media channels.
- Our strategic partnership with Nordstrom provides our North American customers with increased ease of access to the ASOS Brands.
- Ensured that the discussions and decisions made during the development of our Reimagined Strategy prioritised the continual advancement of our mission to be the number one destination for fashion-loving 20-somethings globally and to ensure that the Group's strategy focuses on the wants and needs of our customers.
- Revamped our Customer Care strategy, evolving it into a digital-first experience, using Live Chat as the core channel to provide our customers with real-time resolutions.

### Our ASOSers

#### Why they are important...

We're determined to create an employee experience like no other, where our ASOSers can be whoever they want to be. An experience that ASOSers love, where they learn, where they collaborate, where they embrace change and where they can be authentic, brave, creative and disciplined in everything they do. Where ASOSers can push boundaries, challenge expectations and help drive our journey to becoming the world's number one destination for fashion-loving 20-somethings and, ultimately, our long-term success.

#### How we engaged...

- Launched the ASOS Vibe, our new employee engagement programme, and our Diversity, Equity & Inclusion (DEI) strategy, 'All IN'.
- Evolved our employee engagement forum: The Voices Network.
- Launched our Dynamic Working policy.
- Focused on the wellbeing of our ASOSers with a series of virtual wellbeing events during the national lockdowns and gifted all ASOSers an extra day off to take a well-earned breather.
- Launched our Manager Learning Hub to support the development of our talented leaders.
- Continued the 'ReAssembles' programme created in FY20 to monitor the health and safety and wellbeing of our ASOSers during FY21, and provide ASOSers with regular communication on important matters relating to the pandemic.
- Karen Geary, our designated Non-executive Director for employee engagement, engaged with ASOSer representatives during the year to discuss matters such as the ASOS Vibe, our DEI strategy and The Voices Network.
- The Executive Committee engaged with employees through our ASOS Voices Town Halls, updating employees on recent activities, business performance and answering ASOSers' questions.

More information on ASOSer engagement can be found on pages 26 to 29.



### Our Shareholders

#### Why they are important...

A key objective for the Board is to create value for shareholders and our mission, purpose, values and strategy strive to deliver long-term, sustainable growth for our shareholders.

#### How we engaged...

- Throughout the year our Investor Relations team regularly engaged with our larger shareholders.
- Our CEO, CFO and Director of Investor Relations held a number of virtual roadshows following key announcements including our Full-Year Results, the acquisition of the Topshop brands, our Half-Year Results and convertible bond offering.
- During the year we held two Capital Markets Events (CME) to provide updates on our Retail and Supply Chain progress and ambitions and in September 2021 we held a CME to launch or Fashion with Integrity 2030 programme.
- The Chair, Senior Independent Director and Committee Chairs are all available to meet with shareholders, where requested. During the year, Karen Geary, Chair of the Remuneration Committee, engaged in a consultation exercise with our largest shareholders to discuss our approach to remuneration for FY22.
- Our Annual General Meeting (AGM) is a key way for shareholders to meet face-to-face to discuss our annual performance and strategy. As per government guidance on preventing the spread of COVID-19, we held a closed meeting in 2020, but we look forward to welcoming shareholders at this year's AGM.
- The Board receives regular updates on shareholder and analyst sentiment and peer analysis.

**More information on our engagement with our shareholders can be found on pages 51 to 52.**

### Our Suppliers

#### Why they are important...

Maintaining close working relationships and open dialogue with our suppliers and brands is key to ensuring that we continue to create and curate the most relevant product range for fashion-loving 20-somethings.

#### How we engaged...

- Called for the implementation of mandatory human rights due diligence in the UK in order to strengthen the 2015 Modern Slavery Act, as part of the publication of our fifth Modern Slavery Statement in April 2021.
- Developed a new Freedom of Association and Collective Bargaining Policy, expanding on provisions previously included in our Supplier Ethical Code.
- The Board is committed to ensuring that ASOS continues to operate responsibly in everything that we do as part of our Fashion with Integrity programme, including the way we manage our supply chain. The Board receives regular briefings from management in respect of our supply chain, particularly throughout the COVID-19 pandemic.
- Dedicated Ethical Trade team who manage our Ethical Trade programme and work with third-party auditors in key product regions to understand country-specific issues, ensuring ethical standards are being upheld and regularly engage with local and international stakeholders.
- Supported our partner brands manufacturing clothing in the UK to join the Fast Forward programme and improve their ethical standards.
- Launched a product collaboration with Love Music Hate Racism, supporting the campaign's UK artist residency programme to develop talent and funding a podcast on promoting racial unity and supporting young emerging artists.

### Our Community

#### Why they are important...

Operating responsibly in everything we do is not just incredibly important to our business and our people, it is also key to driving positive outcomes for the communities in which we operate. From the way we manage our supply chain, to how we address environmental challenges such as plastic waste: it all matters. We want ASOS to be a force for good, so we can support the people who support us. That's why we've continued to actively engage with local communities, charities and government, helping drive positive change.

#### How we engaged...

- Continued to engage with local government and regional stakeholders such as the Staffordshire Chambers of Commerce to promote the region and its opportunities following the announcement of our new fulfilment centre in Lichfield.
- We've also continued to support our local community in Barnsley, home to our main UK fulfilment centre. In August 2021, the ASOS Foundation committed £1.2m of funding as the first corporate sponsor for OnSide's state-of-the-art Barnsley Youth Zone.
- The ASOS Foundation has continued to partner with charities to provide infrastructure, training and support to enable disadvantaged young people to reach their potential in the UK, Kenya and India.
- Engaged with government on a wide range of issues this year, through regular engagement, our membership of the British Retail Consortium, and responses to specific consultations.
- Joined Textiles 2030, a new voluntary agreement building on the Sustainable Clothing Action Plan and backed by the Department for Environment, Food, and Rural Affairs. We also responded to the Department's consultation on its draft Waste Prevention Programme for England.
- Responded to a Government consultation on business rates, as part of its wider Business Rates Review, and engaged with the Treasury ahead of the March Budget.
- Joined the Governance Board of the Apparel and General Merchandising Public and Private Protocol. This brings together wide-ranging stakeholders with the aim of raising working standards within the UK fashion manufacturing sector.
- We sit on the steering committee of Highfields Community Centre in Leicester and have contributed to the funding of two community outreach workers to ensure workers are educated on their rights.
- To help educate our people on the importance of biodiversity and natural pollinators, we've recently introduced 13 new beehives at our offices and fulfilment centres, which means we now have a total of 41 hives across our five ASOS sites.

# Managing risk at ASOS

**Everything we do at ASOS revolves around our mission and purpose – we are mission-led, purpose-driven – and that mission and purpose can only truly be secured through effective risk management.**

Our Risk Management Framework applies to every part of our business in the manner needed to be effective within our own unique culture. It empowers us to identify and determine what our key risks and opportunities are and how to manage them appropriately. This in turn enables us to meet our day-to-day and strategic objectives, which underpin the sustainable growth and long-term viability of our business.

## Our approach to risk

Identifying risks and opportunities is a continual process which plays an integral part in our decision-making and day-to-day operations. Creating a culture that is risk aware while opportunity-driven enables us to continue to move at the pace that we do.

We recognise that failure to quickly identify risks before they crystallise could stop us from achieving our mission, to be the world's number one destination for fashion-loving 20-somethings.

## Our risk management process

Risks are owned, managed and reviewed across ASOS using the following process:

**RISK MANAGEMENT**

### Identify

- → Risks are identified across all business areas in relation to our business objectives and strategic plans and operations.
- → The Executive Committee and leadership team have overall accountability for risks and their mitigation and review risk profiles on a regular basis.
- → The Business Assurance team supports the business in identifying and reviewing risks by facilitating risk reviews and risk identification workshops.

### Assess

- → Risks are assessed and monitored through our risk assessment methodology, which includes rating the inherent likelihood and impact of the risk materialising and agreeing and implementing the key controls and mitigating actions to bring the residual risk in line with appetite.
- → Key controls and the status of ongoing mitigations are regularly reviewed and evaluated.
- → The Executive Committee and the Audit Committee review the principal risks, their residual rating and controls.

### Manage and Monitor

- → Risk owners and mitigation owners are appointed.
- → The status of risk mitigations, including any target dates for implementation, are regularly reviewed, and developments and movements in risks are monitored.
- → Risk development and movement is monitored in quarterly business reviews.
- → Principal risk coverage is mapped to our Internal Audit plan.

### Embed

- → Ongoing and proactive conversations about risk help promote a positive risk culture.
- → We focus on continuous improvement to ensure our risk management framework is fit for purpose as the business evolves and grows.
- → The Risk Management team actively drives our risk management agenda.

### Report

- → Regular review and dialogue with our Executive Committee and Plc Board on the risk profile.
- → A comprehensive risk review is prepared for and discussed with the Audit Committee every six months, highlighting key and emerging risks along with any significant changes to existing risks.



## Risk responsibility

The ASOS Plc Board has overall responsibility for risk management and application of controls. This includes reviewing the robustness of our risk management and internal control framework so that they remain fit for purpose and evolve with our dynamic business. Responsibility for reviewing specific risks and controls is delegated to the Audit Committee, while the Executive Committee, Operating Board and Senior Leadership Team are responsible for implementing processes, mitigations and controls on the ground.

The General Counsel & Company Secretary has executive responsibility for risk management. The Business Assurance team facilitate the day-to-day and strategic application of our risk management framework and process by providing a rigorous framework, while ensuring that the approach is dynamic and engaging to influence our ASOSers. While continuity in our risk management approach is valuable to ensure a consistent assessment of risk year on year, the Risk Management Framework and the processes that underpin it are reviewed regularly by the Business Assurance team to ensure it evolves appropriately in line with business change.

## Assurance and oversight of our risks and opportunities

Our assurance and oversight echoes the 'Three Lines of Defence' model:

***Practical assurance***
- Day-to-day risk management within ASOS, engaging the breadth of ASOS leadership, including defined accountability through ownership and application of controls and mitigation.

***Management oversight***
- The Business Assurance team facilitate the risk management process by providing oversight, guidance and challenge. The Operating Board, Executive Committee and Audit Committee also support the second line, ultimately reporting to the ASOS Plc Board.

***Independent assurance***
- Internal audit provides independent assurance on our risk management activities and internal controls.

## Oversight of our risks and opportunities

### Top-down review

Existing and emerging macroeconomic and business risks that could seriously affect ASOS' performance, future prospects or reputation are assessed by the Executive Committee, Operating Board, Audit Committee and ASOS Plc Board to ensure there is the appropriate level of oversight.

**TOP-DOWN APPROACH**
- ASOS Plc Board
- Audit Committee
- Executive Committee
- Operating Board

### Bottom-up review

Day-to-day operational risks that influence daily decision-making and strategic objectives are assessed across the business. Risks are escalated in accordance with our risk assessment framework.

**BOTTOM-UP APPROACH**
- Business risk workshops
- Project risk reviews
- Functional risk register review

# Principal risks and opportunities

Like all businesses we face a variety of risks, many of which will at the same time offer opportunities. As a global company, our principal risks are created through the complex nature of our operations, scale and ambition. We know that emerging risks can quickly change and can be heavily influenced by the macroeconomic environment. The risk landscape in the last year has been greatly changed by two geopolitical events: firstly, the COVID-19 pandemic and the impact this has had on the movement of goods and people, local and national restrictions and changes in people's routines and habits, and secondly, Brexit and the changes it has brought to the way we operate. As we continue to navigate the uncertainties and changes these two events have caused, we also keep our eye on the horizon to ensure that we mitigate emerging risks where needed and take advantage of opportunities early, when possible.

**Risk movement key**

- Increased risk
- Stable
- Decreased risk
- New risk

## Macroeconomic trends

**Risk movement** Stable

**Risk owner**
Chief Financial Officer

**What's the risk?**
Specific macroeconomic and geopolitical changes and uncertainty such as an increase in unemployment rates, political instability in key markets or inflation caused by geopolitical uncertainty following Brexit and the pandemic can all influence our business by impacting our ability to trade across borders, change how our customers behave, or diminish our customer proposition, impacting our overall financial performance.

**How do we manage the risk?**
We continue to monitor the shift in macroeconomic risks linked to geopolitical uncertainties to put in place mitigating measures to prepare for any further volatility, including:

- The Executive Committee and Operating Board continue to monitor, model and assess the potential outcomes and supply and demand impact of the COVID-19 pandemic, Brexit and other significant macroeconomic issues
- We have a diverse sourcing and supply chain involving multiple suppliers across a wide range of locations to minimise an over-reliance on an individual country and/or supplier or brand, and so we can use this flexibility in our extensive network in the event of capacity or capability challenges
- We are driving continuous improvements in financial planning to constantly improve financial resilience and our ability to respond to unforeseen challenges

## Supply chain disruption

**Risk movement** Increased

**Risk owner**
Chief Financial Officer

**What's the risk?**
Global or local supply chain disruption and/or crises (caused by events such as political unrest, global pandemic, Brexit or the Suez Canal crisis), result in issues in our inbound (e.g. supplier or carrier failures) or outbound (e.g. carrier or fulfilment centre disruptions) supply chain which impacts our ability to deliver what our customers want, when they want it.

**How do we manage the risk?**

- Sourcing a third-party site for wholesale storage and distribution
- Monitoring and Forecasting – we continuously monitor demand and availability to adjust intake accordingly
- We have multiple delivery methods, routes, ports and carrier strategies to minimise the risk of disruptions
- Supply Chain Business Continuity strategies and planning to respond to incidents
- Increasing our Supply Chain capacity by building a new and additional fulfilment centre in the UK



## Transformation projects fail to deliver required outcome

**Risk movement** Stable

**Risk owner**
Chief Strategy Officer

**What's the risk?**
As we continue to grow at pace, we have a framework of strategic programmes underway to ensure that all aspects of our business (including, in particular, commercial, supply chain, technology, systems, processes and talent) evolve to support the business as it scales and changes. Cross-functional execution of this strategy brings complexities to navigate and can lead to programme delays and the risk that projects do not deliver their desired outcomes on time, or fail to maximise the expected benefits. Additionally, we may lack the internal capabilities and talent to support moving into new adjacent business areas. Ultimately this can hinder achievement of strategic objectives through business disruption, increased costs and an inability to capitalise on efficiencies, and/or lost opportunities.

**How do we manage the risk?**

- Governance boards work alongside ASOS' Transformation teams to support and monitor transformation programmes, including management of programme risks and dependencies
- Each programme is supported by a cross-functional Steering Committee, including at least one Executive Sponsor, that meets regularly to review the programme, including status, risks, dependencies and impacts
- Detailed programme management with regular updates on progress and key issues and risks for the major programmes are provided to the ASOS Plc Board and Audit Committee
- Strategic objectives are embedded into the Executive Committee's individual objectives
- Talent mapping to ensure we have the appropriate capability and capacity in place to deliver our strategic objectives

## Data breach

**Risk movement** Stable

**Risk owner**
Chief Technology Officer

**What's the risk?**
As a pure play online retailer, we use data for a number of different reasons, including to process orders, receive payment and engage with our customers on a regular basis. With more than 26m active customers worldwide, we work with a variety of third-party suppliers and employ thousands of ASOSers – with that comes a lot of responsibility to protect the integrity and security of data being used and processed, and it means that we will always be a target for cyber threats.

Deliberate theft or accidental loss of confidential ASOS or customer data, due to inadequate technical controls, employee breach or error, could cause reputational damage, regulatory non-compliance and lead to significant financial penalties, and a loss of employee or customer confidence.

**How do we manage the risk?**

- Our Data Protection Officer (DPO) is an independent role and can audit any information store used by ASOS or its contracted third-parties
- The Data Protection team works across the business to make sure we have visibility of the collection, use and reuse of data and any new projects that require customer or employee data, while also putting in place the right training and awareness. A data breach response plan is in place for use in a major incident
- Our Chief Information Security Officer and DPO work together to ensure cross-functional alignment on key issues and to share intelligence on risk areas and opportunities
- Security controls and processes are assessed and updated continuously. The Cyber Security team continuously monitors for any internal or external signs of confidential data loss
- Data and security requirements are embedded within our Procurement and Legal processes
- A third-party security assessment tool is used for security assessments
- Data retention audits are undertaken on personal data storage environments to identify and triage storage and retention risks
- Online PIA SIA assessment for faster identification of privacy and security impacts of projects

# Principal risks and opportunities – continued

## Foreign exchange rate exposure

**Risk movement** Decreased

**Risk owner**
Chief Financial Officer

**What's the risk?**
We are a UK-based global retailer selling products to customers across the world in many different currencies, whilst recognising revenues in our financial statements in pounds sterling. Global growth and the growing number of customers shopping with us from international markets will continue to drive a foreign exchange exposure. This could lead to lost opportunities and any potential exposure to volatility in foreign exchange rates creates increased risk on our profitability. Whilst the risk profile of certain currencies remains volatile, the GBP has been more stable in the last year, and there is also less volatility in the pound post-Brexit.

**How do we manage the risk?**
- We have evolved our hedging policy so it remains strong as our business operating model grows in complexity and share of international customers
- We continue to perform horizon-scanning and monitor the implications of emerging macroeconomic risks to prepare for any volatility in foreign exchange movements
- We have increased the level of rigour in our financial planning, including strengthening our lead indicators, which helps protect us against any adverse movements in foreign exchange rates
- We continue to drive profitability through natural hedging in local fulfilment currencies

## Sustainability and climate change

**Risk movement** Stable

**Risk owner**
Chief Strategy Officer

**What's the risk?**
The topic of sustainability and the impact we have on the planet is being talked about more and more. Our Fashion with Integrity programme has been central to our operations for 11 years now. However, we know that there is always more that we need to do in this area to meet our own expectations and those of our stakeholders, to make sure ASOS remains viable in the future.

We face both risks related to the transition to a lower-carbon economy and physical impacts of climate change, through our business practices and supply chain. This includes changes in technology, market risks and how the Company's response to climate change affects its reputation. Physical risks can be event-driven (acute) or longer-term shifts (chronic) in climate patterns. These will particularly affect the ASOS supply chain and impacts on customer product demand.

Not acting on these risks will result in potential loss of customers, investors and associated harm to business performance, increased uncertainty around price fluctuations and availability of raw materials

**How do we manage the risk?**
- Our new Fashion With Integrity (FWI) 2030 programme sets out how we will address these challenges and opportunities
- Setting a new 'Be Net Zero' ambition within this programme, committing to net zero carbon emissions by 2030 and carbon reduction through targets set with the Science-Based Targets initiative
- We have a materials sourcing strategy and proactive engagement with suppliers. Some of our sourcing regions, and our dependence on natural commodities to produce our products, are particularly vulnerable to the impacts of climate change. By building greater transparency and securing supply routes for more sustainable materials, we increase our resilience
- Continuous engagement with our supply base encourages a proactive approach to building resilience, for example in addressing waste and energy management. When we look at new sourcing regions, environmental risk is a key consideration



## Cyber security incidents

**Risk movement** Stable

**Risk owners**
Chief Technology Officer/Chief Information Security Officer

**What's the risk?**
The cyber security landscape is continuously evolving, with threats becoming more sophisticated, aggressive and more frequent. Our Cyber Security team continues to improve our security policies, procedures and security capabilities, to reduce risks related to confidential data loss, malware infections, ransomware, phishing attempts, DDoS attacks and insecure third-party software.

**How do we manage the risk?**
- Our Cyber Security team puts in place security tools and controls to ensure effectiveness and efficiency of our security and fraud operations
- We continue to seek out and work with independent third-party security specialists that provide periodic penetration and red team tests
- Multi-factor authentication across our business increases our protection against phishing and malware attacks, while cyber awareness campaigns keep ASOSers aware of cyber security
- We run employee campaigns to raise awareness of potential threats

## Shift in e-commerce market dynamics

**Risk movement** Stable

**Risk owners**
Chief Growth Officer/Chief Strategy Officer/
Chief Commercial Officer

**What's the risk?**
Our customers are experiencing an increasingly global and competitive e-commerce environment, including large scale international multi-brand marketplaces, competitive fast-fashion 20-something brands and international e-commerce disruptors changing the way customers shop. Failure to evolve our business model, improve our product offering, and be top of mind for our audience in an increasingly competitive environment, could result in us losing opportunity and market share.

**How do we manage the risk?**
- Market and Pricing Strategy to evolve our business model and to achieve our 10-year vision and three-year plan, and to maintain our growth trajectory
- Continue to drive the attractiveness of our product offering via unique product ranges only available on ASOS.com and style edits and exclusive products from brands on site. At the same time keep expanding our diverse and inclusive products, including our sustainable and Face + Body ranges
- Investment in logistics, fulfilment, delivery, marketing, brand and customer experience to keep our customer appeal
- Use of technology and data to be more targeted and strategic in how we gain new customers and maximise the loyalty and lifetime value of existing customers

# Principal risks and opportunities – continued

## Key third-party technology service provider failure

**Risk movement** Decreased

**Risk owner**
Chief Technology Officer

**What's the risk?**
We rely on different third-party suppliers and service providers throughout the customer journey, from website to fulfilment, payment and the product itself. This means that failure on their part may disrupt our operations and overall business. Any failure in day-to-day operations can impact how we process or fulfil customer orders, potentially resulting in reduced customer proposition, lost opportunity, sales and customer confidence.

**How do we manage the risk?**

- As our internal tech and cyber resiliency continues to mature, focus has shifted more and more towards assurance on our key third-party suppliers and service providers, with tactical and strategic audits and, if necessary, mitigation or remediation plans in place with those service providers deemed as 'higher risk' (be that due to over-reliance or concerns over the security of their systems, or risk of business failure)
- We have continued to enhance ASOS' Business Continuity capabilities in ASOS' head office, customer care operations and supply chain, including our fulfilment centres
- All new suppliers go through a rigorous selection and on-boarding process and our Procurement team monitors supplier performance on an ongoing basis
- The ASOS Platform teams have developed plans to remove reliance on, or improve resilience for, our higher risk systems, and we have carried out a Third-Party Resiliency Internal Audit to identify gaps and vulnerabilities

## Ethical trade issues

**Risk movement** Decreased

**Risk owner**
Chief Commercial Officer

**What's the risk?**
The risk of illegal or unethical practices in our supply chain, such as violation of labour rights and safety caused by lack of systems, processes or resources to monitor visibility and transparency, is something that we take very seriously. We know that our customers care about integrity and want to be confident about where their clothes come from and how they are produced, and want to be reassured that workers and the environment are not harmed in this process.

Global regulatory scrutiny in this area is also increasing so we need to be even more diligent when monitoring risks in our supply chain. This is now recognised and assessed in the new principal risk: Failure to comply with legislation or regulation.

**How do we manage the risk?**

- We continue to make progress mitigating our ethical trade and sourcing risks by developing our expertise around product quality and ethical trading standards
- We continue to deliver an industry-leading audit programme to identify and manage risk in line with our Fashion with Integrity (FWI) 2030 programme
- Improved technical capacity in our Garment Technology teams so we can be even more sure that the products we receive from our suppliers meet our product quality standards and expectations before they go on our website
- In-country compliance testing and quality control facilities, with enhanced testing and reporting capabilities to identify issues at source
- In-country Ethical Trade teams and third-party auditors who monitor our suppliers in the countries we source from
- We have developed a series of policies and guidelines based on the Ethical Trading Initiative base code and ILO Fundamental Conventions, which suppliers are contractually obliged to agree to as part of the onboarding process
- Undertaking a thorough supply chain review of the Topshop brands supply chain to ensure compliance with all our FWI principles, including tracking and gaining full visibility of the supply chain and ensuring that suppliers meet our standards and sign up to our codes and policies



## Failure to comply with legislation or regulation

**Risk movement** New

**Risk owner**
Chief Financial Officer

**What's the risk?**
Strategic expansion into new business sectors creates new regulatory and governance complexities and unanticipated or increasingly difficult regulatory changes, policies or penalties, such as new taxes, UK Corporate Governance reform and climate regulations, increasing our risk exposure. Lack of processes, systems or resources to monitor and respond to these changes could lead to increased costs, fines, potential litigation, business disruption and reputational damage.

**How do we manage the risk?**

- Tax risk reviews, liaising with local tax authorities and quarterly internal tax coordination meeting with the Tax Governance Committee
- Formed a working group to assess readiness for UK Corporate Governance Reform, i.e. UK SOX with detailed planning and scoping underway
- Detailed planning and preparation underway, supported by external advisers, to meet our responsibilities as we fulfil customer orders direct from third-party brands
- Horizon scanning inputs are obtained from our Legal partners and reviewed for trends and responses required

## On our radar

In a year of huge change and challenge, we continue to monitor the impacts of Brexit and the COVID-19 pandemic. While no longer principal risks themselves, their consequences and potential future impacts have been incorporated within the relevant principal risks.

Many of our Brexit-related risks were mitigated prior to the transition period ending on 31 January 2020 through changes in our supply chain. The Brexit Steering Committee has continued to monitor the remaining risks during Spring and Summer 2021 and we have had logistical challenges, particularly in regard to Inter Warehouse Transfers and customs declarations and risks related to e-commerce in Northern Ireland.

The short-term risks caused by the COVID-19 pandemic stabilised during Winter2020/Spring 2021 as we tried and tested our new ways of working. We are now monitoring emerging risks as we move from lockdown and restrictions to living with COVID-19. Significant operational impacts continue to remain a risk and customer shopping habits keep changing as the world settles into a 'new normal'.

Brexit and the pandemic are also affecting the availability of talent in our supply chain and wider business. The pandemic has changed the needs and wants of talent when it comes to ways of working and location, this brings both risk of loss of talent and conversely opportunity to attract and secure new talent. Tech capabilities are specifically high in demand and the market is increasingly competitive. Our talent pool remains large with a high volume of direct applications and a growth in our LinkedIn followership, but we will continue to monitor this risk over the next year.

**Additional emerging risks that may impact us in the future are:**

- Ensuring our proposition is competitive in emerging markets through identifying and completing the required infrastructure at the right time
- Cyber security threats from malicious actors posing as third-party technology suppliers to get access to the ASOS environment

# Long-term viability statement

**The preparation of the Viability Statement includes an assessment of the Group's ability to continue in operation and meet its future commitments and liabilities as they fall due over the three-year period of assessment.**

### The assessment period

ASOS continues to adopt a three-year assessment period to assess the Group's viability. The Board has determined that this assessment period to 31 August 2024 is appropriate because of the inherently dynamic and fast-paced environment the Group operates in, which is characterised by short product cycles and ever-changing demand. The Board believes that this assessment period continues to provide an appropriate balance between the long-term nature of investments in warehousing and logistics capacity planning, and the key drivers of near-term business performance. This period is also consistent with the Group's strategic planning cycle and the structure of the long-term incentive scheme for senior management.

### Assessment of viability

The assessment of the Group's viability commenced with a review of the headroom as at 31 August 2021, available through the Group's cash and cash equivalents and debt facilities, taking into consideration a conservative view of the three-year plan approved by the Board and based on the assumption that the Revolving Credit Facility (RCF) would remain in place until maturity in 2024 and that the Convertible Bonds issued with a maturity date of 2026 would remain in place and unconverted. Under this base scenario, we see a continuation of the strong sales growth seen in FY21, with growing EBITDA and a year-on-year improvement in our cash position.

Finally, we estimated the impact of severe but plausible scenarios aligned to the Group's principal risks and uncertainties, as set out on pages 36 to 43, and identified the principal risks which could have a significant impact on the viability of the Group and stress-tested a combined scenario where the following risks were modelled as materialising over the three-year period:

- Macroeconomic trends: Unfavourable macroeconomic conditions and adverse movements in foreign exchange rates leading to a persistent degradation in gross profit margin.
- Supply chain disruption: A major incident leading to the complete operational loss of our largest warehouse.
- Cyber security incident and data breach: A cyber attack exploiting vulnerabilities and leading to a temporary loss of sales from the shutdown of our website and a consequent GDPR fine.

### Conclusion

This scenario is hypothetical and severe for the purpose of creating outcomes that have the ability to sufficiently threaten the viability of the Group; however, ASOS has control measures in place that in practice would prevent and mitigate this scenario taking place.

The assessment demonstrates that, even under this severe but plausible scenario, the Group would continue to have sufficient liquidity headroom on its existing debt facilities and would meet requirements under our RCF covenants, along with existing mitigating options to reduce cash outgoings over the period considered.

Based on the conservative assessment of the most critical risks facing the Group, the Directors have a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over the three-year period to 31 August 2024.





# Board of Directors








# Board of Directors – continued

## 01 Adam Crozier
Chair
N

**Appointed** November 2018

**External appointments** Chair of Kantar and Whitbread plc, non-executive director of Sony Corporation

**Experience** Adam was previously chair of Vue International and previous non-executive directorships include Stage Entertainment BV, G4S plc, Debenhams plc and Camelot Group plc.

Adam has had over 20 years' experience as a chief executive officer across four different industries, most recently as the chief executive officer of ITV plc from April 2010 to June 2017. Over that time he has built a strong track record in turning around troubled organisations and for his ability to build and lead successful management teams. Under Adam's leadership, ITV was transformed into one of the most successful and dynamic media and content companies in the world and its financial performance improved dramatically.

Before joining ITV, Adam was chief executive of Royal Mail, where over seven years he led its modernisation and transformed it from a heavily loss-making position to profitability. Prior to Royal Mail he was chief executive officer of The Football Association between 2000 and 2002 and joint chief executive officer of Saatchi & Saatchi from 1995 to 2000.

Adam will step down as Chair of the Board on 28 November 2021.

## 02 Mat Dunn
Chief Operating Officer & Chief Financial Officer

**Appointed** Chief Financial Officer in April 2019 and Chief Operating Officer in October 2021

**External appointments** None

**Experience** Mat is a chartered management accountant with over 15 years of post-qualification experience. He has significant international experience in both developed and developing markets, as well as experience leading major commercial and functional improvement and transformation programmes.

Before ASOS, Mat held various financial planning, management and leadership positions at SABMiller plc from 2002, before joining EMI Music Limited as chief financial officer of their Global Catalogue division in 2009. He returned to SABMiller plc in 2010, where he held the role of chief financial officer of Asia until 2014 before becoming chief financial officer of South African Breweries Limited from 2014 until joining Britvic plc as chief financial officer in 2015.

## 03 Ian Dyson
Senior Independent Director and Chair of the Audit Committee
A N R

**Appointed** October 2013

**External appointments** Non-executive director and chair of the audit committees of InterContinental Hotels Group plc and SSP Group plc

**Experience** He has more than 20 years of experience in the public market arena and has held both executive and non-executive directorships at FTSE100 and FTSE250 companies. He was group finance and operations director of Marks & Spencer Group plc from 2005 to 2010 before becoming chief executive of Punch Taverns plc in 2010. Before that, Ian was group finance director of Rank Group Plc and was formerly a non-executive director and chair of the audit committee of Misys Plc and Flutter Entertainment plc (formerly Paddy Power Betfair plc).

Ian will be appointed Chair of the Board on 29 November 2021 for a three-year term.

## 04 Mai Fyfield
Independent Non-executive Director
A R

**Appointed** November 2019

**External appointments** Non-executive director of Roku, a US listed entity, Nationwide Building Society, BBC Commercial Holdings, and The Football Association Premier League Limited

**Experience** Mai was chief strategy and commercial officer at Sky plc until October 2018, responsible for leading strategy and Sky's commercial partnerships across the Sky Group. During her time at Sky, she was a key player in the growth and diversification of the business and has extensive international and digital experience. Prior to joining Sky in 1999, Mai spent eight years working as an economic adviser to blue-chip companies in a number of different industries, both in the UK and the US.



## 05 Karen Geary
Independent Non-executive Director and Chair of the Remuneration Committee
A N R

**Appointed** October 2019

**External appointments** Non-executive director of National Express Group plc and Sabre Insurance Group plc

**Experience** Karen is a former FTSE100 HR director with an extensive track record in the technology industry. Between 1998 and 2013, Karen was with The Sage Group plc, where she built the HR function and was a member of the executive committee from 2004. Between 2014 and 2016, Karen was chief people officer at Wandisco, Inc., based in the US. She was most recently with Micro Focus International, the FTSE100 software company, as chief human resources officer, having initially joined the business as a non-executive director and chair of the remuneration committee in 2016.

Karen brings over 20 years of executive leadership experience across start-up and listed blue-chip organisations, as well as international HR and business transformation experience across a variety of industries, particularly in Europe and the US.

## 06 Luke Jensen
Independent Non-executive Director
A N

**Appointed** November 2019

**External appointments** Executive director of Ocado Group plc, chief executive officer of Ocado Solutions Limited and non-executive director of Hana Group

**Experience** Luke is currently chief executive officer of Ocado Solutions, a position he has held since 2017 and joined the Board of Ocado Group plc, the FTSE100 listed online grocer and technology company, in 2018. Prior to this, Luke was a senior adviser at Boston Consulting Group between 2015 and 2017, and between 2008 and 2014, Luke held various roles at J Sainsbury plc, including group development director, where he was responsible for online and all customer-facing digital activities. Luke has extensive experience in logistics, strategy and technology in the retail sector, on an international scale.

## Anna Suchopar
General Counsel & Company Secretary

**Appointed** June 2019

## 07 Nick Robertson
Founder and Non-executive Director

**Appointed** Co-founded ASOS.com Ltd in 2000, and served as its Chief Executive Officer until September 2015, when he became a Non-executive Director

**External appointments** Non-executive Director at AFCW plc

**Experience** Nick's career began in 1987 at the advertising agency Young & Rubicam. In 1991, he moved to Car at, the UK's largest media planning and buying agency. In 1995, he co-founded Entertainment Marketing Ltd, a marketing services business. He is Chair of the ASOS Foundation, a registered charity funded by ASOS which works to improve the lives of young people in the UK and overseas through long-term partnerships with established local charities. Nick was awarded an OBE in 2011 for his achievements in the world of fashion retailing.

## 08 Eugenia Ulasewicz
Independent Non-executive Director
A N

**Appointed** April 2020

**External appointments** Non-executive director of Signet Jewelers Limited, Vince Holding Group and Dufry AG

**Experience** After holding a number of senior retail positions with Bloomingdale's, Galeries Lafayette and Saks Fifth Avenue, Eugenia joined Burberry Group plc and was President of Burberry, Americas, one of three global regions of Burberry Group plc which includes North and Latin Americas, from 1998 to 2013. After leaving Burberry in 2013, Eugenia took on a number of board engagements and serves as a non-executive director for Signet Jewelers, Vince Holding Group and Dufry AG. She was a non-executive director on Bunzl plc, a global distribution and outsourcing group based in the UK with substantial operations in the Americas, Europe and Australia, until April 2020. Eugenia has extensive experience as a fashion, retail and wholesale connected commerce operator, and brand management particularly in the US and broader Americas.

Board changes

**Nick Beighton**
Chief Executive Officer

Nick stepped down as Chief Executive Officer on 11 October 2021, after 12 years on the Board, six as Chief Executive Officer.

**Key**
- A Audit Committee
- N Nomination Committee
- R Remuneration Committee

# Corporate Governance Report

## Chair's Governance Statement

Dear Shareholder,

I'm pleased to present the Corporate Governance Report for the year ending 31 August 2021. ASOS' performance in FY21 has been positive against a backdrop of continued pandemic restrictions and global supply chain pressures. The Board and I have continued to be committed to maintaining the highest levels of corporate governance to allow for effective decision-making amidst high levels of uncertainty in the external environment. Effective governance has allowed the Company to continue to make critical business decisions which promote the long-term success of the Company.

### Chair's succession and composition of the Board

As previously announced, I will be stepping down as Chair of the Board on 28 November 2021 and Ian Dyson will be appointed as my replacement with effect from 29 November 2021 for a three-year term. We are well-progressed with our search for a new Non-executive Director to replace Ian as Chair of the Audit Committee and Senior Independent Director, but while that search is finalised, Ian will retain his role as Chair of the Audit Committee in the short term. We have also announced the appointment of Jørgen Lindemann, who will join the Board as Non-executive Director on 1 November 2021. Jørgen brings with him deep experience of leading digital-first businesses and will further strengthen our Board to ensure that ASOS achieves its strategic goals.

Further to this, Nick Beighton stepped down as Chief Executive Officer (CEO) on 11 October 2021, after 12 years with the business, including six as CEO. A search has commenced for a successor. Mat Dunn has taken on the additional role of Chief Operating Officer to lead the business on a day-to-day basis, while Katy Mecklenburgh, currently Director of Group Finance, will become Interim Chief Financial Officer.

### Board activities and stakeholder considerations

In the 2020 Annual Report, we introduced our five key strategic pillars designed to shape our focus across the business. When making key decisions during year, the Board has ensured alignment to these strategic pillars, whilst also carefully considering each of ASOS' stakeholder needs to promote success and long-term sustainable value. In addition to the eight scheduled meetings during the year, the Board held a number of additional meetings to discuss key decisions such as the acquisition of the Topshop brands completed in February 2021, the launch of our convertible bond offering in April 2021 and the automation of our Atlanta fulfilment centre in the US. More information on the Board's decision-making during the year can be found on pages 50 to 51 and information on how the Board engages with stakeholders can be found on pages 34 to 35 and 51 to 52.

**Compliance with the 2018 UK Corporate Governance Code**

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### Governance

Maintaining appropriate standards of corporate governance is essential for good management of the business. As a Board, we recognise the need for ensuring an effective corporate governance framework is in place to give our stakeholders the confidence that the business is being run effectively. I am pleased to report that during the year the Company has chosen to apply the principles and complied with the provisions of the 2018 UK Corporate Governance Code (the Code), with the exception of Provisions 36 and 38, post-employment shareholding requirements and aligning Executive Director pension contributions with the workforce. After a review of post-cessation shareholdings for Executive Directors, the Remuneration Committee and the Board concluded that sufficiently robust retention measures exist under the current plan rules to ensure a significant number of shares are held post-cessation and therefore it was not recommended to introduce a formal policy (this is discussed in more detail in the Remuneration Report on page 64). An explanation of how we will comply with Provision 38 in the future is set out on page 66 in the Directors' Remuneration Report. A full version of the Code is available from the Financial Reporting Council website at frc.org.uk.

Details of our compliance with the Code, the composition of our Board, corporate governance arrangements, processes and activities during the year, and reports from each of the Board's Committees, are set out on the following pages.

**Adam Crozier**
Chair
19 October 2021





## Board leadership and company purpose

**Our purpose, culture and strategy**
The Board has overall responsibility for establishing the Group's purpose, culture and strategy to deliver the long-term growth of the Group and generate value for shareholders.

During the year the Board and the Executive Committee developed a clear and compelling Reimagined Strategy to build on the significant investments we have made during the year and drive growth through the next decade. Through this Reimagined Strategy, we are still led by our purpose to give our customers the confidence to be whoever they want to be; driven by our mission to become the world's number one destination for fashion-loving 20-somethings worldwide; and guided by our values: authentic, brave, creative and disciplined. This strategy will ensure that we are in the best position to be one of the long-term winners in our chosen markets. At ASOS we recognise the importance of effective corporate governance in supporting the long-term success and growth of the Group. Good corporate governance facilitates clear delegation of authority from the Board through to our Executive Committee, Operating Board and beyond, to promote clear, disciplined decision-making and ensure the effective execution of our strategic priorities. During the year, the Board was focused on the delivery of five strategic pillars introduced in last year's Annual Report and our laser-focus on fashion-loving 20-somethings and our three-part USP of our ASOS Brands, Platform and Customer Experience give us a strategic advantage and resilience against our key competitors and our business model enables a flywheel of growth and profitability.

The Board acknowledges that it is accountable to stakeholders for ensuring that the Group is appropriately managed and achieves its objectives in a way that is supported by the right culture and behaviours. The Board is responsible for ensuring that its activities reflect the culture of the Group, set the tone from the top and drive the right behaviours with our ASOSers. Our ASOS behaviours are recognised by all ASOSers and support our culture and ensure that every ASOSer lives our purpose.

### Board activities during the year

**Board meetings**
The Board held eight scheduled meetings during the year and met a further six times to discuss matters of a time-sensitive nature, including the automation of our US fulfilment centre in Atlanta and the Group's strategy. Directors are expected to attend all Board and relevant Committee meetings. The table below sets out attendance at all Board and Committee meetings held during the year ended 31 August 2021.

The Board and its Committees receive appropriate and timely information before each meeting, a formal agenda is produced for each meeting, and Board and Committee papers are distributed several days before meetings take place, allowing all Board members to contribute, even if they cannot attend. Any Director can challenge proposals, and decisions are taken democratically after discussion. Any Director who feels that any concern remains unresolved after discussion may ask for that concern to be noted in the minutes of the meeting, which are then circulated to all Directors. Specific actions arising from such meetings are agreed by the Board or relevant Committee and then followed up by management.

The Directors have access to the advice and services of the Company Secretarial team, including the General Counsel & Company Secretary, who is responsible for ensuring that all Board procedures have been complied with. The appointment and removal of the Company Secretary is a matter reserved for the Board as a whole. Individual Directors are also able to take independent legal and financial advice at the Group's expense when necessary, to support the performance of their duties as Directors. During the year, the Chair met with the Non-executive Directors without the Executive Directors being present. The Directors are also updated on the Group's business areas and the regulatory and industry-specific environments in which they operate by way of written briefings and meetings with senior executives and, where appropriate, external parties. Appropriate training is also available to all Directors to develop their knowledge and ensure they stay up to date on matters for which they have responsibility as a Board member. In addition, a Directors' and Officers' Liability insurance policy is maintained for all Directors.

| | Plc Board meetings | | | Committee meetings | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | | | | Audit | | Remuneration | | Nomination | |
| | Eligible to attend | Scheduled meetings attended | Additional meetings attended | Eligible to attend | Attended | Eligible to attend | Attended | Eligible to attend | Attended |
| Adam Crozier | 14 | 8/8 | 6/6 | – | – | – | – | 3 | 3/3 |
| Nick Beighton | 14 | 8/8 | 6/6 | – | – | – | – | – | – |
| Mat Dunn | 14 | 8/8 | 6/6 | – | – | – | – | – | – |
| Ian Dyson[1] | 14 | 8/8 | 6/6 | 4 | 4/4 | 6 | 6/6 | 3 | 2/3 |
| Mai Fyfield | 14 | 8/8 | 6/6 | 4 | 4/4 | 6 | 6/6 | – | – |
| Karen Geary[2] | 14 | 7/8 | 6/6 | 4 | 4/4 | 6 | 6/6 | 3 | 3/3 |
| Luke Jensen[3] | 14 | 8/8 | 4/6 | 4 | 4/4 | – | – | 3 | 3/3 |
| Nick Robertson | 14 | 8/8 | 6/6 | – | – | – | – | – | – |
| Eugenia Ulasewicz | 14 | 8/8 | 6/6 | 4 | 4/4 | – | – | 3 | 3/3 |

1 Ian Dyson did not attend the Nomination Committee meeting on 20 August 2021 due to a conflict of interest.
2 Karen Geary was unable to attend the Board Meeting on 23 February 2021 due to a pre-existing commitment agreed before her appointment to the Board.
3 A number of Board and Committee Meetings were scheduled at short notice to discuss time-sensitive matters. As a result, Luke Jensen was unable to attend additional Board meetings due to other commitments. A full briefing was given to Luke on the proceedings at these meetings.

# Corporate Governance Report – continued

## Key Board decisions

**S.172(1) statement and stakeholder engagement**
The Board is accountable to its stakeholders and understands the importance of incorporating stakeholder considerations into the Board discussions and decision-making.

The Directors continue to ensure they act in a way which is in good faith and most likely to promote the success of the Group over the long term for the benefit of shareholders, and in doing so, also having regard for the Group's key stakeholders and other matters set out in section 172(1) (a) to (f) of the Companies Act 2006, being:

- the likely consequences of any decision in the long term;
- the interests of the Group's employees;
- the need to foster the Group's business relationships with suppliers, customers and others;
- the impact of the Group's operations on the community and the environment;
- the desirability of the Group maintaining a reputation for high standards of business conduct; and
- the need to act fairly as between members of the Company.

The Directors have identified the Group's key stakeholders to be: customers, shareholders, employees, suppliers and the community. Each stakeholder group has their own individual priorities, of which the Directors are aware and have regard to. These priorities are considered, where appropriate, in the Board's decision-making. This is not only the right thing to do but is also vital in achieving the Group's long-term objectives. As well as outlining key decisions made by the Board during the year, the below also identifies how the Board considered its stakeholders and their priorities during their discussions and decision-making.

**Alignment table key**

**Strategic pillars alignment**

- 01 Truly Global Retailer
- 02 ASOS Brands
- 03 ASOS Platform
- 04 ASOS Customer Experience
- 05 Effective, Efficient and Sustainable Model

**Stakeholder engagement alignment**

- Our Customers
- Our ASOSers
- Our Shareholders
- Our Suppliers
- Our Community

| Matter considered | Deliberations | Alignment |
|---|---|---|
| Fourth fulfilment centre in Lichfield, UK | Capacity constraints within the Barnsley fulfilment centre, largely driven by continued growth in the UK, led to discussions to consider the requirement to open a fourth fulfilment centre in the UK to address these constraints and support future growth. The Board approved the £90m investment into a brand-new state-of-the-art fulfilment centre in Lichfield, which will employ c.2,000 people at the site over the next three years. The project will positively impact the **community** through large-scale job creation in Lichfield and the surrounding area. The site will also help improve ASOS' offering and delivery proposition, having a positive impact on our **customers**, as well as laying the foundation for future growth to provide long-term sustainable profit and growth to **shareholders**. | 01 03 05 |
| Automation of our US fulfilment centre in Atlanta | The Board discussed whether investment in the automation of our fulfilment centre in Atlanta was appropriate given the other large supply chain projects with similar resourcing requirements. The Board considered the priorities of our **shareholders** to determine whether taking on another large-scale supply chain project would create resource issues and hinder the outcome of the project, as well as potentially impacting others. The Board agreed to the investment as they considered appropriate plans were in place to execute the project successfully and the project would allow the business to operate more efficiently in the US and improve stock offering to North American **customers**. | 01 05 |
| Acquisition of Topshop, Topman, Miss Selfridge and HIIT brands | The opportunity arose to purchase the iconic British brands, Topshop, Topman, Miss Selfridge and HIIT (the Brands) which was completed in February 2021. The Board thoroughly debated whether the Brands were strategically aligned with our strategy, in particular our global growth ambitions, and whether the Brands would resonate with our core customers, to grow the ASOS customer base and drive long-term sustainable value for our shareholders. The Board also discussed the integration process and how this would impact current employees, and potential new employees brought in as part of the acquisition. The Board agreed that the Brands would resonate well with our core **customer** base, they had strong brand equity in the UK and had an established brand presence in the US and Germany, two of our key strategic markets. The Board therefore agreed that the acquisition would likely help to promote the long-term success of the Company and drive long-term sustainable value for our **shareholders**. It was also agreed the Group would retain aspects of the Brands' wholesale business, in particular to grow our partnership with Nordstrom; this would in turn help to build stronger relationships with our **suppliers**. | 01 02 |



| Matter considered | Deliberations | Alignment |
|---|---|---|
| Issue of unsecured convertible bonds | In April 2021, the Board considered the opportunity available to strengthen the cash position by entering into financial arrangements for the issue of unsecured convertible bonds (the Convertible Bonds). The Convertible Bonds provide the Group with greater agility to pursue growth opportunities, whilst maintaining flexibility in the Group's long-term capital structure, as well as providing an opportunity for the Company to diversify our investor base. The Board carefully considered the proposal, discussing the impact on existing shareholders and the benefits of completing the transaction. The net proceeds of the issue of the Convertible Bonds would provide the Group with additional flexibility to continue to invest in its global growth strategy, as well as refinancing the acquisition of the Brands completed in February 2021, helping to deliver long-term sustainable growth to **shareholders**. It would also enable the Group to invest further into improving its **customer** offering. | 05 |
| Nordstrom strategic partnership | The Group's strategic partnership with Nordstrom paves the way for wider collaboration between ASOS and Nordstrom as we seek to leverage our complementary retail models and customer insight. ASOS is working with Nordstrom to debut as its first ever retail partner, which will see an edit of the best ASOS Brands launched across Nordstrom.com and in selected high-impact Nordstrom stores. Further to this, ASOS click & collect services will be rolled out within those stores as the next step in continuing to enhance the ASOS proposition for our North American **customers**. | 01 03 05 |
| Truly Global Retail (TGR) – our retail planning and merchandise system | Due to the uncertainties of the COVID-19 pandemic, it was agreed in May 2020 to postpone the go-live of TGR from June 2020 to January 2021. In November 2020, the Board carefully considered the current status of the TGR programme, reviewed a provisional assessment of the go-live readiness and conducted a thorough review to ensure that all stakeholders were fully briefed and ready ahead of the go-live date to limit any issues. The decision to delay the launch of TGR due to the pandemic allowed additional valuable time to test, improve and close down as many defects as possible pre-go-live. This also allowed more time to ensure impacted **employees** had received adequate training. Impacted **suppliers** were also suitably engaged through a carefully designed supplier engagement programme. | 01 03 05 |

### Engagement with ASOSers

Our ASOSers are the people behind the brand. Our purpose is to give people the confidence to be whoever they want to be and we want to ensure we allow our employees to do just that. ASOSers' priorities are carefully considered within the Board's decision-making. This year saw the launch of our new employee engagement programme, the ASOS Vibe, consisting of quarterly pulse surveys to discover how ASOSers really feel about working at ASOS, as well as an additional targeted survey for new starters and leavers. During the year, Karen Geary, our designated Non-executive Director for employee engagement, reviewed the results of the surveys and received updates on the launch of our new employee forum, the Voices Network, which is our platform to bring together and amplify ASOSer voices to help shape and create an experience like no other, to keep ASOSer views at the centre of the Group's decision-making, and met with the senior leaders sponsoring the Voices Network. Key information was fed back to the Board to ensure the Board are as informed as possible to consider the priorities of ASOSers in its decision-making.

**More information on ASOSer engagement can be found on pages 26 to 29.**

### Relations with shareholders

ASOS is committed to communicating openly with its shareholders to ensure that its strategy and performance are clearly understood. During the year, numerous activities were undertaken to engage with our shareholders.

**More information about our engagement with shareholders can be found on page 35.**

**Results and routine announcements**
We communicate with shareholders through our full-year and half-year announcements and trading updates. We invite institutional shareholders and analysts to attend presentations either in person or virtually, following our full-year and half-year announcements. The presentation slides and webcasts of the presentations are made available at www.asosplc.com.

**Shareholder meetings**
The Annual General Meeting (AGM) is the principal forum for dialogue with private shareholders. The AGM was held on Thursday 26 November 2020 at our head office in London. Due to the outbreak of COVID-19 and the related public health guidance and legislation issued by the UK Government at the time of the AGM, the Board concluded that in the interests of all stakeholders, it was most appropriate to run the AGM as a closed meeting. Shareholders were therefore not able to attend in person. Shareholders were given the opportunity to ask questions to the Directors ahead of the meeting via email. Shareholders were still able to vote on each resolution by way of a poll, by appointing a proxy electronically in advance of the meeting and the results of voting were published on our website asosplc.com.

This year's AGM will be held at 12 noon on Tuesday 7 December 2021 at our head office in London. Full details are included in the Notice of Meeting, which is sent to shareholders at least 21 days before the meeting. All current Directors will attend the AGM and are available to answer questions raised by shareholders. Shareholders will vote on each resolution by way of a poll.

# Corporate Governance Report – continued

**Website and shareholder communications**
Our website asosplc.com provides a range of corporate information on our business, results and financial performance, including copies of our Annual Report and Accounts, announcements and presentations.

**Meetings, roadshows and conferences**
The Directors actively seek to build a mutual understanding of objectives with institutional shareholders. Shareholder relations are managed primarily by the Executive Directors and Director of Investor Relations, supported by our Chair as appropriate. A calendar of events is set out below. In addition, analysts' notes and brokers' briefings are reviewed to achieve a wide understanding of investors' views. The Board is kept informed of the views and concerns of major shareholders through briefings from the Executive Directors, and investment reports from analysts. The Non-executive Directors, including the Senior Independent Director and Committee Chairs, are available to meet with major shareholders whenever required to discuss issues as they arise.

| Date | Conference | Location |
|---|---|---|
| October 2020 | Full-Year Results Roadshow | Virtual Global |
| November 2020 | J.P Morgan Global Consumer, Retail & Luxury Conference | Virtual Global |
| November 2020 | Berenberg West Coast Consumer & E-Commerce Conference | Virtual USA |
| December 2020 | Jefferies Virtual Retail & Brands Summit | Virtual USA |
| February 2021 | Acquisition of Topshop, Topman, Miss Selfridge and HIIT Roadshow | Virtual Global |
| April 2021 | Half-Year Results & Convertible Bond Offering Roadshow | Virtual Global |
| April 2021 | Capital Markets Event: Retail @ ASOS | Virtual Global |
| April 2021 | HSBC US Investor Event | Virtual USA |
| April 2021 | Berenberg Conference USA 2021 | Virtual USA |
| June 2021 | Barclays European Internet & Emerging Tech Conference | Virtual Global |
| June 2021 | Goldman Sachs Digital Economy Conference | Virtual Global |
| July 2021 | P3 results roadshow | Virtual Global |
| August 2021 | Capital Markets Event: Supply Chain @ ASOS | Virtual Global |





## Division of responsibilities

### Board Structure

The table below sets out our governance framework and outlines the division of responsibilities between the Chair and the CEO, as agreed by the Board, along with a summary of the roles of the Senior Independent Director, the Executive Directors and the Non-executive Directors, and our Committees.

### The Board

The Board is responsible for the long-term sustainable success of the Company, by ensuring that ASOS, its subsidiaries and all its businesses (the Group) are managed for the long-term benefit of all shareholders, while having regard for employees, customers, suppliers, and our operational impact on the community and environment. It sets the Group's purpose, strategy and values and is accountable to shareholders for ensuring that the Group is appropriately managed and achieves its objectives in a way that is supported by the right culture and behaviours. The Board sets the Group's risk appetite, and reviews the controls applied to operate the business in line with that appetite. It determines, monitors and oversees risk management processes, financial controls and audit processes to ensure ASOS operates effectively and sustainably in the long term.

**Chair**
- Responsible for running the business of the Board
- Ensures the effectiveness of the Board and appropriate strategic focus and direction
- Promotes high standards of corporate governance
- Encourages open debate between the Executive and Non-executive Directors

**Chief Executive**
- Responsible for proposing the strategic focus to the Board
- Implementation and execution of strategy
- Leading the engagement of ASOS through the Executive Committee

**Senior Independent Director**
- Trusted intermediary for other Non-executive Directors
- Supports the Chair
- Appraises the Chair's performance
- Available to shareholders where concerns arise

**Non-executive Directors**
- Scrutinise and constructively challenge the performance of management in the execution of our strategy
- Provide sound independent judgement to Board discussions
- Protect long-term shareholder value

The Board has delegated specific responsibilities to the Board Committees: Audit, Nomination and Remuneration. The duties of each Committee are set out in the Committees' Terms of Reference, which are available at www.asosplc.com. Details of each of the Committee's activities during the year are set out in the Committee reports on pages 55 to 82.

The minutes of Committee meetings are shared with all Directors and each Committee Chair provides a verbal report on Committee activities to the Board following each Committee meeting. Each Committee has access, at the cost of the Group, to the resources, information and advice that it deems necessary to enable the Committee to discharge its duties.

**Audit Committee**
The Audit Committee's principal responsibilities are to:
- Monitor the integrity of ASOS' financial statements in relation to the Group's financial performance
- Review the effectiveness of the internal and external audit processes
- Review the effectiveness of the Group's financial and internal controls, including the process for the evaluation, assessment and management of risk

**More information on the composition, responsibilities and activities of the Audit Committee are set out in the separate Audit Committee Report on pages 55 to 61.**

**Nomination Committee**
The Nomination Committee's principal responsibilities are to:
- Monitor the structure, size and composition of the Board and its Committees
- Identify the balance of skills, knowledge, diversity and experience on the Board and recommend new Board and/or Committee members to the Board as appropriate
- Review the time commitment and independence of the Non-executive Directors, including potential conflicts of interest
- Oversee talent and succession plans for senior management
- Ensure that an appropriate and tailored induction is undertaken by all new Board members and that training and development is available to existing Board members

**More information on the composition, responsibilities and activities of the Nomination Committee are set out in the separate Nomination Committee Report on pages 62 to 63.**

**Remuneration Committee**
The Remuneration Committee's principal responsibilities are to:
- Determine and recommend to the Board the Group's overall Remuneration Policy and monitor the ongoing effectiveness of that policy
- Determine and recommend to the Board the remuneration of the Executive Directors, the Chair and other members of the Executive Committee
- Monitor, review and apporve the levels and structure of remuneration for other senior managers and employees
- Determine the headline targets for any performance-related bonus or pay schemes

**The composition, responsibilities and activities of the Remuneration Committee are set out in the Directors' Remuneration Report on pages 64 to 82, along with our Remuneration Policy and details of how that policy was implemented during the year to 31 August 2021.**

**Disclosure Committee**
To verify the accuracy and oversee the timeliness of Group disclosures and material information as per the regulatory framework.

**Executive Committee**
The Board delegates responsibility for the day-to-day management of the Group to the Executive Committee. Led by the CEO, the Executive Committee is collectively responsible for developing and implementing the strategy, operational plans and budgets; monitoring overall operational and financial performance; overseeing key risks; and management development. The Executive Committee meets formally on a monthly basis.

**ESG Committee**
We are establishing an ESG Committee to ensure the effective delivery of our Fashion with Integrity 2030 programme and management of ESG risk.

**Operating Board**
The Executive Committee delegates authority to the Operating Board to manage short-term activities related to trading, commercial performance, customer acquisition and operational execution, to drive profitability and the ASOS vision. The Operating Board meets on a weekly basis.

## Composition, succession and evaluation

**Board composition**
The Board is currently composed of the Chair, one Executive Director and six Non-executive Directors, five of whom are considered to be independent. There were no changes to the composition of the Board of Directors during the year, however following year end Nick Beighton stepped down as Chief Executive Officer on 11 October 2021 and a search has commenced for a successor. In the interim period, Mat Dunn has taken on the additional role of Chief Operating Officer to lead the business on a day-to-day basis. Further to this, Adam Crozier will be stepping down as Chair of the Board on 28 November 2021 and Ian Dyson will replace him with effect from 29 November 2021 for a three-year term. Jørgen Lindemann will join the Board as Non-executive Director on 1 November 2021. Biographies for the Directors as at the date of this report are set out on pages 46 to 47. The Board is satisfied that all Non-executive Directors have sufficient time to commit to their role on the Board. Any changes to the time commitments and interests of its Directors are reported to and, where appropriate, agreed with the rest of the Board.

The Board is satisfied that its Directors have an appropriate balance of skills and experience, and there is a suitable balance between independence of character and judgement, and knowledge of the Group, to enable it to discharge its duties and responsibilities effectively. All Directors are encouraged to use their independent judgement and to constructively challenge all matters, whether strategic or operational. We have effective procedures in place to monitor and deal with conflicts of interest.

ASOS recognises the importance of diversity across the organisation and see it as a key driver of business success. We are an organisation that is committed to creating an inclusive culture where our people reflect the diversity of the customers we serve. We are passionate about creating an environment where every ASOS employee is given the opportunity to contribute and use their talents, skills and experiences to participate in making ASOS the number one online destination for fashion-loving 20-somethings. We believe that a diverse Board, with a broad range of skills, backgrounds, knowledge and experience, is an essential element to maintain Board effectiveness and competitive advantage. Diversity of skills, background, knowledge and gender are all taken into consideration when making new appointments to the Board. All appointments are made on merit, taking into account suitability for the role, composition and balance of the Board, to ensure that the Group has the right mix of skills, experience, independence and knowledge to perform effectively and drive our next stage of growth. The Board consider suitably qualified applicants from as wide a range as possible, with no restrictions on age, gender, religion or ethnic background and the Group will only engage with executive search firms who have signed up to the voluntary Code of Conduct on gender diversity and best practice to ensure that the pool of candidates is as wide and diverse as possible. We endeavour to maintain a level of at least 30% female Directors on the ASOS Plc Board over the short to medium term. The Board ensures that procedures are in place to underpin this policy on diversity, including in its succession planning for senior management. As laid out in our new Fashion with Integrity 2030 programme, we are committed to ensuring that there is at least 50% female and over 15% ethic minority representation across our combined leadership team by 2023 and at every leadership level by 2030. ASOS will also publish a Diversity, Equity and Inclusion strategy and roadmap for the ASOS Platform, our customers and our people by 2023.

**Board appointments**
The Board, on the recommendation of the Nomination Committee, makes decisions regarding the appointment and removal of Directors and there is a formal, rigorous and transparent procedure for appointments. To facilitate their understanding of ASOS and provide an insight into the experience of an ASOS employee, all new Directors receive a comprehensive, formal induction tailored to their needs, including site visits, briefings from senior managers on key areas of the business and meetings with external advisors. In accordance with the UK Corporate Governance Code, all of our Directors stand for re-election annually at every AGM. The Board unanimously believes that the contributions of each Director standing for re-election continue to be effective. We therefore encourage shareholders to support the re-election and, in the case of Jørgen Lindemann, the election at the AGM on 7 December 2021.

**More information on Board composition can be found in the Nomination Committee report on pages 62 to 63.**

## Board effectiveness review

An effective Board is vital to the success of ASOS and, in order to ensure that the Board continues to operate as efficiently as possible, and that each Director is sufficiently committed to their role, the Board conducts annual evaluations of its performance, as well as that of its Committees and individual Directors.

This year, the annual effectiveness review was conducted externally, by an independent evaluator. Following a thorough tender process, Lintstock Limited ('Lintstock') were appointed to conduct the evaluation. Lintstock have no other connections to the Group allowing them to conduct an independent assessment of the Board.

The below outlines the key stages of the external evaluation process:
1. The scope of the review was agreed by the Company Secretary, the Chair and Lintstock.
2. The Company Secretary, the Company Secretarial team and Lintstock developed detailed questionnaires relating to Board, Committee, Chair and Individual performance for the Board to complete, as relevant.
3. Lintstock prepared comprehensive reports based on the responses to the questionnaires which were reviewed by the Chair and Company Secretary, prior to review and discussion by the Board.

As well as addressing core aspects of Board and Committee performance, the exercise had a particular focus on the clarity of the strategic plan and execution, succession planning and talent development and the Board's engagement with key stakeholder groups including the Executive Committee, employees, and investors. Following consideration of the reports, the Board agreed that the focus for FY22 would be on reviewing the coverage of Board agendas, to reassess the time devoted to key strategic topics, and to maintain a high level of focus on the succession and people agenda.





# Audit Committee Report

### Committee Chair
Ian Dyson

### Members
Mai Fyfield
Karen Geary
Luke Jensen
Eugenia Ulasewicz

### Responsibilities
The Committee's principal responsibilities are to:
- Monitor the integrity of ASOS' financial statements in relation to the Group's financial performance.
- Review the effectiveness of the internal and external audit processes.
- Review the effectiveness of the Group's financial and internal controls, including the process for the evaluation, assessment and management of risk.

### Terms of Reference
The full Terms of Reference for the Committee, which are reviewed and approved annually, are available on our corporate website, asosplc.com. They were last reviewed on 7 October 2021.

### Committee attendance

| Committee member | Role | Attendance record |
|---|---|---|
| Ian Dyson | Committee Chair | 4/4 |
| Mai Fyfield | Non-executive Director | 4/4 |
| Karen Geary | Non-executive Director | 4/4 |
| Luke Jensen | Non-executive Director | 4/4 |
| Eugenia Ulasewicz | Non-executive Director | 4/4 |

## Audit Committee Chair's statement

The Committee continues to play a key role in supporting the Board in fulfilling its corporate governance responsibilities including monitoring the Group's financial reporting practices, reviewing the effectiveness of the Internal and External Audit functions, risk management framework and cyber security. This report provides an overview of how the Committee operates, the Committee's activities during the year and key focus for the year ahead.

As well as the 'business as usual' items, the Committee continued to focus on the impact of the COVID-19 pandemic on the business, including protecting the health and safety of employees and colleagues, monitoring the Group's financial performance, new and emerging risks, and our business continuity and resilience. The Committee also carried out work to ensure that we continue to effectively protect workers in our sourcing supply chain, reviewed the accounting that was applied to the Group's acquisition of the Topshop brands, oversaw the enhancements to our whistleblowing policy, processes and improved reporting to the Committee, and mandated and oversaw the formal 'in-housing' and development of ASOS' Internal Audit function.

The Committee's priorities for the next financial year will include:
- Monitoring the development of ASOS' Internal Audit function
- Monitoring the progress of the BEIS Governance Reform
- Continued focus on cyber security

### Committee membership and activities
The members of the Committee are independent Non-executive Directors who possess the necessary depth of financial and commercial expertise to fulfil their role. Detailed information on the experience, skills and qualifications of all Committee members can be found on pages 46 to 47. The Board is satisfied that the Committee Chair, Ian Dyson, has recent and relevant financial experience for the purposes of satisfying the UK Corporate Governance Code. As previously announced, Ian Dyson will be appointed as Chair of the Board with effect from 29 November 2021 for a three-year term. We are well-progressed with our search for a new Non-executive Director to replace Ian as Chair of the Audit Committee, but while that search is finalised, Ian will retain this role in the short term.

Although not members of the Audit Committee, the Board Chair, Executive Directors, General Counsel & Company Secretary, and the newly appointed Director of Group Finance and Director of Internal Audit & Risk are also invited to attend meetings, unless they have a conflict of interest. Other senior members of the business are invited to attend meetings as appropriate.

The Committee has engaged the following external advisors to help it meet its responsibilities, both of whom are invited to attend Committee meetings unless they have a conflict of interest: PricewaterhouseCoopers LLP (PwC) act as External Auditors to ASOS and Deloitte LLP provide co-source support to our Internal Audit function. The Audit Committee Chair and members regularly meet with both the External and Internal Auditors, without the Executive Directors or members of the Finance team

# Audit Committee Report – continued

being present, to ensure that open lines of communication exist. ASOS also receives advice as needed from KPMG, EY and Slaughter and May LLP on tax and legal issues relating to corporate matters.

The Committee met four times during the year and the attendance by members at Committee meetings can be seen on page 55. The Committee works to a structured programme of activities and meetings to coincide with key events around our financial calendar and, on behalf of the Board, to provide oversight of the Group's risk management processes. Following each meeting, or whenever it may be appropriate, the Committee Chair reports on the main discussion points and findings to the Board and the Board has access to the Committee's papers.

| | |
|---|---|
| **Financial reporting** | – Reviewed the Annual Report and Accounts, including whether they were fair, balanced and understandable, the material judgements and estimates, going concern and viability statements.<br>– Considered the External Auditor's report on the full- and half-year results.<br>– Reviewed the full- and half-year results announcements.<br>– Reviewed the accounting treatment for the acquisition of the Topshop, Topman, Miss Selfridge and HIIT brands, our strategic partnership with Nordstrom and the convertible bonds issue. |
| **External audit** | – Appraised the effectiveness and performance of our external auditors, assessed their independence and objectivity, and recommended their reappointment.<br>– Considered the external audit fees and terms of engagement.<br>– Reviewed the non-audit services and fees of the external auditor. |
| **Risk and internal controls** | – Ensured that effective controls, processes, assessments and mitigations were maintained during lockdowns as a result of the COVID-19 pandemic, including the continued operation in our fulfilment centres and Head Office Studios and the reopening of our Customer Care site.<br>– Monitored the Group's Risk Register, including the completeness of the process to identify the Group's principal and emerging risks and movements in such exposures, particularly in relation to new and emerging risks connected to the COVID-19 pandemic.<br>– Reviewed the effectiveness of the Group's risk management and internal control systems.<br>– Approved an updated Non-Audit Services Policy.<br>– Received updates on material litigation.<br>– Approved a new Whistleblowing Policy and escalation matrix and reviewed updates on whistleblowing matters.<br>– Approved the updated Group Gifts & Hospitality Policy and considered reports on the Group's execution of the Policy. |
| **Internal audit** | – Monitored and reviewed the effectiveness and independence of the Internal Audit function.<br>– Oversaw the creation of an in-house Internal Audit function.<br>– Reviewed internal audit reports and monitored the implementation of internal audit recommendations. |
| **Other matters** | – Appraised the Group's Ethical Trade Initiatives, audit process and risk management, to ensure continued protection of workers' rights within ASOS' supply chain.<br>– Reviewed the remedial steps taken by the People team to address issues identified in the 2019 audit with the Group's recruitment and leaver process, which identified a number of priority findings and recommended actions.<br>– Approved revised Terms of Reference for the Committee.<br>– Received updates on tax matters and approved the Group's Tax Strategy.<br>– Reviewed progress with Business Continuity planning.<br>– Reviewed the robustness of the cyber security processes and systems and the work of the Cyber Security team.<br>– Considered the BEIS white paper on governance reform, the company's formal response to the consultation and the proposed roadmap to compliance. |



## Committee performance

During the year, the Board appointed an external organisation, Lintstock, to perform an independent review of the Board and its Committees. More information on this can be found in the Corporate Governance Report on page 54. As part of this review, the performance of the Committee and its Chair was evaluated. The outcome of the review was that the Committee was operating effectively and had the necessary level of expertise and independent challenge to continue to operate effectively.

## Financial reporting

The Committee's primary responsibility in relation to the Group's financial reporting is to review, with management and the External Auditor, the quality and appropriateness of the full- and half-yearly financial statements. The Committee focuses on the quality of accounting policies and practices, the appropriateness of underlying assumptions, judgements and estimates made by management, key audit matters identified by the external auditor, the clarity of the disclosures and compliance with financial reporting standards, an assessment of whether the Annual Report, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group's position and performance, business model and strategy, and advising the Board on the form and basis underlying the long-term Viability Statement. The Committee received reports from management in relation to the identification of critical accounting judgements, significant accounting policies and proposed disclosures of these in this Annual Report.

The Committee has discussed areas of risk with the auditors and agreed for the following areas of heightened risk to be reviewed and assessed in the audit of ASOS' performance in the financial year to 31 August 2021:

- Capitalisation of costs may not be appropriate: given the high level of internal development of software there is a risk that staff costs are inappropriately capitalised.
- Revenue may not be correctly recorded: as revenue is recognised on despatch and the returns provision is based on estimates there is a risk that revenue may not be accurately recorded.
- Inventory not recorded correctly: having regard to the significant level of inventory holdings in both the UK and overseas warehouses, and the fast-moving nature of the fashion market, there is an increased risk that the closing inventory is not accurately recorded or that the inventory provisioning is not complete in the financial statements.
- Valuation of assets and liabilities acquired in a business combination: determining the fair value of assets acquired and the completeness of liabilities associated with the acquisition.
- Consideration of the impact of COVID-19: given the significance of the impact of COVID-19 on the global economy, customer behaviours and associated cash flows, the carrying amount of assets and projected future cash flows in the context of going concern and impairment assessments.

The Committee reviewed the appropriateness of management's accounting in relation to each of these significant risks and PwC reported to the Committee on the work performed in assessing each during their audit. Details of this work are provided in PwC's Audit Report on pages 88 to 94.

## Significant financial statement reporting issues

| Significant issue or judgement | How the issue was addressed |
|---|---|
| **Topshop brands acquisition:**<br>In February 2021, ASOS.com acquired a number of business assets relating to the Topshop, Topman, Miss Selfridge and HIIT brands, including the trademark rights, registered designs, domain names, social media handles and exclusive IP licences, in addition to its wholesale business and relevant employees. | The Committee reviewed the accounting treatment of the acquisition at half-year and full-year. The acquisition was deemed a business combination and was therefore accounted for using the acquisition method under IFRS 3 'Business Combinations'. The Committee considered management's key accounting judgements made in relation to the transaction, including the fair value and useful economic lives of brand intangibles, acquired stock, potential contingent liabilities, goodwill generated and deferred tax liability arising on customer relationships.<br>The Committee requested that PwC provide an overview of their view of the transaction and the accounting judgments at half-year and full-year. The Committee were satisfied with the process that PwC had taken and that the appropriate accounting treatment and judgements had been applied. |
| **Convertible bonds:**<br>In April 2021, the Company issued £500m of convertible bonds with a term period of five years. Convertible bonds are examples of convertible debentures and are accounted for under the 'split equity method' as in substance they consist of both equity and debt portions.<br>To facilitate the completion of the transaction, the Group incorporated a new entity in Jersey. | The Committee reviewed management's proposed accounting treatment within the new Jersey entity and how it will impact the Company, ASOS.com Limited and the Group as a whole, including the tax impact. The Committee has ensured that appropriate steps have been taken to ensure that the proposed accounting follows the terms outlined in the bondholder agreement. The Committee also approved the introduction of a new accounting policy for convertible bonds, which outlines how the bonds are classified and how the fair value is calculated. |

# Audit Committee Report – continued

| Significant issue or judgement | How the issue was addressed |
|---|---|
| **Inventory valuation:** As at 31 August 2021 the Group were holding £783.5m gross stock against which a provision has been recognised of £40.4m. | The Committee considered the Group's provisioning policy applied and reviewed a management paper setting out the key judgements made in respect of inventory provisions, including the ongoing impact of COVID-19 on trading. The Committee also reflected on the results of PwC's work on inventory, which included a review of the provisions held. The Committee concluded that the methodology for calculating the net realisable values of inventories, including management's judgements on provisions, was balanced and appropriate. |
| **Refund accruals:** At 31 August 2021 the accrual for net refunds totalled £58.7m. | The Committee have assessed the assumptions used by management to determine the refund accrual to be recognised, in addition to the right to return asset included within inventory. Over the last 12 months there has been significant volatility in the volume of returns being received from customers, driven by COVID-19's impact on consumer behaviour and sentiment. The second half of FY 2021 has seen a normalisation of underlying returns rates as restrictions ease globally. The Committee reflected on the results of PwC's work on revenues, which included a review of the provisions held. The Committee concluded that the judgements made by Management in calculating the provisions required were reasonable. |
| **Depreciation of property, plant and equipment and amortisation of other intangible assets:** In February 2021 the Group acquired brand and customer relationship assets from the Arcadia Group. Intangible assets included brands of £219.4m relating to Topshop, Topman, Miss Selfridge and HIIT and reflected their fair value at the acquisition date. They were estimated to have a useful economic life of between 10 and 30 years. Also acquired were wholesale customer relationships with a fair value of £24.4m, which were estimated to have a useful economic life of eight years. | Property, plant and equipment and other intangible assets are depreciated/amortised on a straight-line basis over their useful economic lives. Management reviews the appropriateness of assets' useful economic lives at least annually – any changes could affect prospective depreciation/amortisation rates and asset carrying values. The Committee was satisfied that there was appropriate oversight and challenge applied in the review of the appropriateness of existing UELs (useful economic life). During the year the Group acquired brand and customer relationship assets from the Arcadia Group for which there was significant judgement involved in determining the UELs. Management carried out market benchmarking and sought guidance from advisers to validate the conclusions reached. The Committee, having consulted with Deloitte and J.P Morgan, concurred with the judgements made by Management and was satisfied that the UELs for the acquired assets were appropriate. |





## Regulators and our financial reporting

In May 2021, the Corporate Reporting Review department of the Financial Reporting Council (FRC) advised that our Annual Report for the year ended 31 August 2020 had been subject to their review and explanations were requested on certain accounting and disclosure matters. The FRC requested a formal response on the following areas:

- the way in which revenue from brand and collaboration sales is recognised;
- the way in which revenue in respect of delivery receipts is recognised;
- the way in which sales returns are recognised and measured; and
- the various sources of estimation uncertainty within the financial statements.

Our responses were accepted by the FRC and their review was closed in June 2021. As part of our response, we committed to enhancements to our disclosures which are reflected within this Annual Report.

## External audit

The Committee has primary responsibility for overseeing the relationship with the External Auditors, PwC. This includes monitoring and reviewing their objectivity and independence on an ongoing basis, recommending their appointment, reappointment and removal, and approving the scope of the statutory audit and fees. PwC presented to the Committee its detailed audit plan for the 2021 financial year, which outlined its audit scope, planning materiality and its assessment of key audit risks. The Committee also received reports from PwC on its assessment of the accounting and disclosures in the financial statements and financial controls.

PwC presented its proposed audit plan to the Committee for discussion with the objective to ensure that the focus of its work remained aligned to the Group's strategy. The Committee is keen to ensure that its auditor feels able to challenge management and is afforded all the access it requires to report on matters that may not be part of the statutory audit but which, in the opinion of the auditor, should be brought to the attention of the Audit Committee. PwC is afforded such access through attendance at each Committee meeting, supported by other meetings held during the year with the Committee Chair without management present. When carrying out its statutory audit work, PwC also has access to a broader range of employees and different parts of the business. If it picks up any information as part of this process, it would report to the Audit Committee anything that it believes the Committee should know in order to fulfil its duties and responsibilities. As audit partner, Andrew Latham is authorised to contact the Committee Chair directly at any time to raise any matter of concern.

The fees paid to PwC for the financial year to 31 August 2021 were £390,000 (2020: £420,325). This consisted of £316,000 for audit services. The Committee reviewed and discussed the fee proposal and was engaged in agreeing audit scope. To help safeguard PwC's objectivity and independence, the Board has a formal policy on non-audit services, which was updated and approved during the year, which sets out the circumstances in which PwC may be permitted to provide certain non-audit services, subject to appropriate approval. Proposals for all non-audit services above £50,000 must be approved by the Audit Committee Chair (and if over £250,000, the Audit Committee Chair and one other Audit Committee member) before being carried out, and PwC may only provide such services if their advice does not conflict with their statutory responsibilities and ethical guidance. When reviewing requests for permitted non-audit services, the Audit Committee representatives will assess the nature of the non-audit services, whether the skills and experience make the auditor the most suitable supplier of the non-audit service, whether the provision of such services impairs the auditor's independence or objectivity, whether there are safeguards in place to eliminate or reduce to an acceptable level any threat to objectivity and independence in the conduct of the audit resulting from the provision of such services by the external auditor and the fee to be incurred for non-audit services, both for individual non-audit services and in aggregate, relative to the Group audit fee. Independence and objectivity of the External Auditors is the key priority and the Company would not enter a situation where there could be a reduced level of independence with regards to the external audit; either perceived or actual. The total fees for non-audit services paid to PwC during the year were £74,000. The services provided relate to PwC's half year review of our interim results. The total fees represented 18.9% of the Group audit fee payable to PwC during the year.

The Committee undertakes an assessment of the quality, effectiveness, objectivity and independence of the audit provided by PwC each year, seeking the views of the Board. The Committee had regard to PwC's confirmation that it maintains appropriate internal safeguards in line with applicable professional standards, fulfilment of the agreed external audit plan, the content, insights and value of their reports to the Committee, robustness and perceptiveness of the External Auditor in their handling of key accounting and audit judgements, the policies we have in place to safeguard PwC's independent status, including our Non-Audit Services Policy, and the tenure of the audit engagement partner not being greater than five years. Based on this assessment, the Committee concluded that there had been appropriate focus and challenge by PwC throughout the audit, and that PwC remained objective and independent in its role as External Auditor. Following the most recent review, the Audit Committee recommended the reappointment of PwC as auditors of ASOS, and PwC expressed their willingness to continue. A resolution to reappoint PwC and a resolution to enable the Directors to determine their remuneration will be proposed at the 2021 AGM.

# Audit Committee Report – continued

PwC were first appointed in the financial year ended 31 March 2008. Our current audit partner, Andrew Latham, has been on the Group's audit for five years and is due to rotate off following the end of the FY21 audit. The new audit partner for FY22 will be Neil Grimes.

## Risk management and internal controls

The Board has delegated responsibility for overseeing the effectiveness of the Group's internal controls and risk management systems to the Audit Committee. The Committee has a policy of continuous identification and review of principal business risks and considers how those risks may affect the achievement of business objectives and determines appropriate mitigation, taking into account the Group's risk appetite.

The Executive Committee implements the internal controls and processes and provides assurance on compliance with these processes. On a day-to-day basis, the Group risk management process is managed and co-ordinated by the General Counsel & Company Secretary and the Director of Internal Audit & Risk, to ensure there is a more integrated, deeper focus on applying and evolving risk management and internal controls throughout the business.

The key elements of the Group's internal controls are as follows:

- An established organisation structure with clear lines of responsibility
- A disciplined management and committee structure which facilitates regular performance review and decision-making
- A comprehensive strategic review and annual planning process
- A robust budgeting, forecasting and financial reporting process
- Various policies, procedures and guidelines underpinning the development and financing operations of the business, together with professional services support including legal, human resources, information technology, tax, company secretarial and health, safety and security
- A risk management and Internal Audit function
- A whistleblowing process that enables concerns to be reported confidentially and on an anonymous basis and for those concerns to be investigated

Additionally, the Committee receives and discusses regularly:

- The Group's Risk Register, including significant and emerging risks, and how exposures have changed during the period
- The effectiveness of internal controls and processes at mitigating those risks
- Internal audit reports, summary reports of findings and recommendations from completion of the internal audit plan
- Progress against completion of agreed actions from internal audit on their review of the effectiveness of various elements of the internal control system maintained by the Group
- Quarterly whistleblowing reports

Our Risk Registers are formally reviewed every six months to identify the likelihood and business impact of any material or emerging risk, as well as any mitigating factors or controls. This review feeds into a robust assessment of the principal and emerging risks facing the Group bi-annually. Progress and key themes coming out of the risk reviews are reported to the Executive Committee and the Audit Committee. More details on our risk management processes and Risk Register can be found in the report on pages 36 to 43.
In addition to the bi-annual business risk review, at the start of the pandemic, a COVID-19 specific Risk Register was established to capture related new risks, but also changes or movement in existing risks due to the pandemic.

During the year we reviewed the full suite of Group Business Continuity Plans (BCP) to improve resilience and robustness, incorporating COVID-19 learnings, and improving scenario-specific plans. An annual BCP management cycle has also been embedded, to better track, review and evolve BCP.

The Committee approved an updated Whistleblowing Policy, toolkit and escalation process during the year. The Policy outlines the ways the Group's employees can report concerns about suspected impropriety or wrongdoing (whether financial or otherwise) on a confidential basis, and anonymously if preferred. This includes an independent third-party chatbot that employees can use to raise problems and report concerns, completely anonymously and confidentially with no repercussions. Any matters reported are investigated by either the General Counsel & Company Secretary or the Director of Internal Audit & Risk (the Company's Whistleblowing Officers) and are escalated to the Committee as appropriate. Whistleblowing is a standing item on the Committee's agenda, with a report summarising notifications received during the prior quarter submitted to the Committee prior to each meeting.





During the year, the Committee continued to monitor the progress being made to further strengthen and develop the Group's cyber security measures. ASOS' approach to cyber security, and the level of security controls and processes that have been put in place over the last few years, continues to be extended and essential to our fast-moving high-growth business and our adaptation to working from home more often. The Committee also monitored the physical security measures that have evolved to counter risks to our physical supply chain and offices.

The Committee is satisfied that the risk management and internal controls systems for all parts of the business operated effectively for the financial year to 31 August 2021 and up to and including the date of this report.

## Internal Audit

The primary role of our Internal Audit function is to support the Board to protect the assets, reputation and sustainability of the Group. The Internal Audit function provides independent assurance as to the adequacy and effectiveness of the Group's internal controls and risk management systems. During the year we began the evolution of our Internal Audit function with the appointment of a Director of Internal Audit & Risk and a Head of Internal Audit who are working to build an in-house Internal Audit function. Previously the company's Internal Audit function has been solely outsourced to Deloitte LLP, but from FY22 we will move to a co-source arrangement to bring greater assurance and more integrated support to the business on a day-to-day basis. The Director of Internal Audit & Risk presented her perspective on how the Group should view and approach Internal Audit going forward, particularly in the context of increased regulatory focus. The Internal Audit Charter was amended to reflect the new in-house function and the co-source arrangement and was approved by the Audit Committee in July 2021. The Committee continues to monitor the effectiveness of the Internal Audit function.

The Committee reviewed and approved the proposed schedule of planned internal audits to be undertaken during the year at the start of the financial year. The plan was produced based on Internal Audit's assessment of key financial, operational, strategic and technological risks to the business. Due to the impact of the COVID-19 pandemic, the plan was then reassessed in January 2021, in order to ensure that it still represented the correct priorities within the business.

The following key internal audits were completed during the year: Operational spend and approval, Stock not available for sale, Third party resilience, Cash flow and forecasting, Payment gateways, Identity and access management, Fashion with Integrity – ethical supply chain, and TGR programme assurance. The following internal audits are in-flight: Cyber governance and Key financial controls: Accounts Payable. Summaries of all key internal audit reviews, activity and resulting reports are shared with the Audit Committee for review and discussion. Following each review, an Internal Audit report is provided to the management responsible for the area reviewed and the relevant Executive Committee member. These reports outline Internal Audit's opinion of the management control framework in place, together with actions indicating improvements proposed or made as appropriate.
The Executive Committee has responsibility for ensuring the timely implementation of any recommendations and actions resulting from the completion of an audit, monitored by the Committee.

A revised schedule of internal audit review projects for the financial year to 31 August 2022 was approved by the Audit Committee in July 2021.

**Ian Dyson**
Audit Committee Chair
19 October 2021

# Nomination Committee Report

### Committee Chair

Adam Crozier

### Members

Ian Dyson
Karen Geary
Luke Jensen
Eugenia Ulasewicz

### Responsibilities

The Committee's principal responsibilities are to:

- Monitor the structure, size and composition of the Board and its Committees.
- Identify the balance of skills, knowledge, diversity and experience on the Board and recommend new Board and/or Committee members to the Board as appropriate.
- Review the time commitment and independence of the Non-executive Directors, including potential conflicts of interest.
- Oversee talent and succession plans for senior management.
- Ensure that an appropriate and tailored induction is undertaken by all new Board members and that training and development is available to existing Board members.

### Terms of Reference

The full Terms of Reference for the Committee, which are reviewed and approved annually, are available on our corporate website, asosplc.com. They were last reviewed on 1 April 2021.

### Committee attendance

| Committee member | Role | Attendance record |
|---|---|---|
| Adam Crozier | Committee Chair | 3/3 |
| Ian Dyson[1] | Non-executive Director | 2/3 |
| Karen Geary | Non-executive Director | 3/3 |
| Luke Jensen | Non-executive Director | 3/3 |
| Eugenia Ulasewicz | Non-executive Director | 3/3 |

1 Ian Dyson did not attend the Nomination Committee meeting on 20 August 2021 due to a conflict of interest.

During the year, the main focus of the Committee has been on succession planning for the Executive Committee and senior management, the further development of the Group's approach to diversity, equity and inclusion, and the changes to the Board coming up in the next financial year.

We were pleased to strengthen the Executive Committee with the appointment of José Antonio Ramos as Chief Commercial Officer in January 2021, and the Executive Committee has spent the year focusing on working effectively together as a team to develop our strategy and scale the business to create a more diverse and global team. During the year, the Committee turned its focus to ensuring that there is a robust succession plan in place for the Executive Committee and the wider senior leadership team, to ensure the long-term successful delivery of the Group's strategy. The Committee considered the results of the senior management planning exercise that was conducted during the year. This review identified our key internal talent and provided valuable insight into the Group's strengths and identified the gaps that need to be addressed over time, to ensure the delivery of our three-year plan, service model and strategy. Alongside this, the Committee also monitored the enhancement of the performance management process and reviewed plans to ensure that we have the training and development plans in place to allow our talent to deliver their potential and to develop cross-functional leaders of the future and specialist subject matter experts. In FY22, the Committee will increase its focus on succession planning to ensure that a strong pipeline of talented individuals is available to support the Group in delivering the strategy and it will also focus on monitoring progress with the rebuild and relaunch of the leadership programme, and the plans to address the strength and capability gaps within the company systemically over time, to be sure it is in line with the Group's three-year plan, service model and strategy.

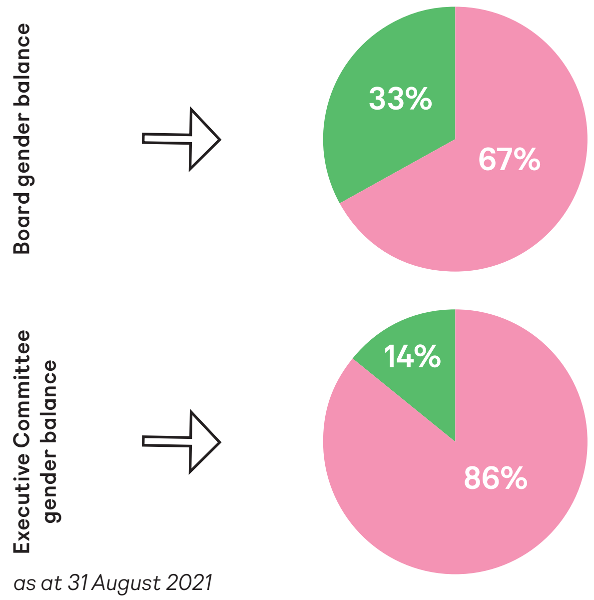
The Committee considers all of the Non-executive Directors, with the exception of Nick Robertson, to be independent in accordance with UK requirements and they continue to show commitment, make effective contributions and effectively challenge management. The Directors' commitment was highlighted by their willingness to make time to attend the additional Board meetings, informal calls and other Board communication throughout the year. The Committee also considers the composition, balance, diversity, experience and skill set of the Board, as well as the individual Directors' time commitments, and this review led to the decision to begin the search to recruit additional Non-executive Directors to enhance the Board's diversity and digital expertise. In October 2021, we announced the appointment of Jørgen Lindemann as Non-executive Director. Jørgen brings deep experience of leading digital-first businesses and will join the Board on 1 November 2021. He will also be appointed to the Audit and Nomination Committees. In addition to this, I will be stepping down as Chair of the Board on 28 November 2021 and Ian Dyson will be appointed in my place with effect from the 29 November 2021 for a three-year term. We are well-progressed with our search for a new Non-executive Director to replace Ian as Chair of the Audit Committee and Senior Independent Director, but while that search is finalised, Ian will retain his role as Chair of the Audit Committee in the short term. The Committee engaged with Russell Reynolds Associates to assist with these searches, who has no other connection to the Company, to undertake the search process. Russell Reynolds Associates is a signatory to the Enhanced Voluntary Code of Conduct for Executive Search Firms.

The Board recognises that diversity, in the broadest sense, enables wider perspectives which encourage more effective discussions and better decision-making, and is crucial for an effective Board. It also sets the tone for diversity, equity and inclusion throughout the business. The Board's policy on diversity establishes the importance of diversity in the broadest sense, not just gender or ethnicity, but also experience, skills, professional background and tenure. The Committee's work with Russell Reynolds Associates ensures that they support our approach to diversity in providing a diverse selection of candidates for Board appointments and the selection can then be based upon merit and objective criteria. Diversity and inclusion is firmly on the Committee's agenda and it has been monitoring the progress made during the year on the company's DEI strategy and our commitment to building a truly inclusive workforce, including the establishment of a Race Equality 'Heads and Hearts' Colleague Forum and the appointment of Mat Dunn as Executive Sponsor for Race. We have made progress in addressing the gender balance at senior levels, and over the next year the Committee will be focused on ethnicity at senior levels. As laid out in our new Fashion with Integrity 2030 programme, we are committed to ensuring that there is at least 50% female and over 15% ethnic minority representation across our combined leadership team by 2023 and at every leadership level by 2030. The Committee is pleased that the Board has exceeded the target recommended in the Hampton-Alexander Review and, as at 31 August 2021, 33% of the Board was female. Following the recent changes to the Executive Committee, one position is currently held by a woman (14%), while 42% of senior leadership roles are currently held by women (2020: 37.5%).

**More information on ASOS' diversity initiatives can be found on pages 27 to 28.**

The Committee has also focused on employee engagement during the year, including a review of the results of our employee engagement survey, ASOS Vibe, and implementing a strategy to increase engagement between employees and the wider Non-executive Directors. The Committee has also introduced a bi-annual review of changing people trends and insights, so that the Committee can monitor the talent, culture and diversity of the workforce.

The Committee's focus for FY22 will be on the search for a Chief Executive Officer, which Ian Dyson will lead, as well as a continued focus on succession planning, employee engagement and developing the talent pipeline.

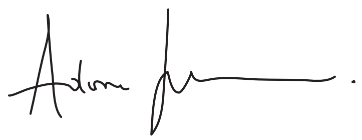



*as at 31 August 2021*

**Key ›** Male Female

### Board skills matrix

| Skill/experience | No. of NEDs |
|---|---|
| Finance/Accounting | 1 |
| Consumer/Retail | 5 |
| Strategy | 3 |
| E-commerce | 1 |
| Technology | 2 |
| HR/People | 1 |
| Logistics | 2 |
| Regulatory environment | 2 |
| International | 5 |
| Transformation | 1 |



**Adam Crozier**
Nomination Committee Chair
19 October 2021

# Directors' Remuneration Report

### Committee Chair

Karen Geary

### Members

Ian Dyson
Mai Fyfield

### Activities during the year

- Considered the alignment of executive remuneration with the strategy of ASOS and the effectiveness of the current policy, including a review of alternative structures and a consultation with shareholders. Given the Board changes announced on 11 October 2021 we have decided not to make changes to remuneration structures at this point, to allow the incoming CEO to provide input into any changes to the future structure.
- Reviewed and confirmed the outcomes of the FY21 annual bonus and the FY19 three-year ASOS Long-Term Incentive Scheme (ALTIS) awards for Executive Directors and senior management.
- Undertook the 2022 salary review for Executive Directors and senior management, having regard to a wide array of internal and external factors.
- Set targets and performance measures for the 2022 annual bonus and ALTIS awards for Executive Directors and senior management, including the addition of new bonus and ALTIS ESG measures linked to ASOS's new Fashion with Integrity 2030 programme.
- Considered the impact of the Topshop brands acquisition and the issue of the convertible bonds on incentive targets.
- Considered the departure arrangements for the CEO and the remuneration arrangements for the CO&FO role.
- Considered the relationship between executive pay and wider workforce pay, and reviewed gender and ethnicity pay gap data.
- Considered corporate governance developments and market practice relating to executive and wider workforce pay.

### Terms of Reference

The full Terms of Reference for the Committee, which are reviewed and approved annually, are available on our corporate website, asosplc.com. These were last updated on 15 September 2021.

### Committee attendance

| Committee member | Role | Attendance record |
|---|---|---|
| Karen Geary | Committee Chair | 6/6 |
| Mai Fyfield | Non-executive Director | 6/6 |
| Ian Dyson | Non-executive Director | 6/6 |

## Remuneration Committee Chair's statement

Dear Shareholder,

On behalf of the Board, I am pleased to present the Remuneration Committee's report for the year to 31 August 2021.

### Board changes

As announced on 11 October 2021, a number of Board changes are taking place at ASOS. The Chief Executive Officer (CEO), Nick Beighton, and the Board agreed that it was the right time for Nick to step down after 12 years' service, including six years as CEO. Whilst he has stepped down from his role and the Board with immediate effect on 11 October 2021, he will remain available to support the Board and the business until 31 December 2021 to ensure a smooth handover. On 11 October 2021, Mat Dunn, the Chief Financial Officer, assumed the new, expanded role of Chief Operating Officer and Chief Financial Officer (CO&FO) on a permanent basis and he will also lead the business on a day-to-day basis until a new CEO is appointed.

Full details of Nick Beighton's remuneration arrangements on departure are disclosed on page 78. In determining these arrangements, the Committee followed the approach set out in the Directors' Remuneration Policy and approved a package aligned to good practice and in accordance with his Service Agreement. Nick will be treated as a good leaver for the purpose of his outstanding incentives, which will be pro-rated to his departure date of 31 December 2021 and remain subject to performance, reflecting his contribution during his long period of service with ASOS.

Mat Dunn's forward-looking remuneration package will consist of the following:

- A salary of £525,000 (an increase of 13.9%) for the CO&FO role. The Committee believes that this reference salary is appropriate for his expanded role.
- A further temporary salary allowance of £5,000, paid monthly, to reflect the additional responsibilities he is undertaking, including the day-to-day leadership of the business on a temporary basis until a new CEO is appointed. This allowance gives him an equivalent annualised salary of £585,000. This allowance will be added to his salary of £525,000 for his annual bonus calculation (on a pro-rata basis), but pension and ALTIS opportunity will reference his salary of £525,000. The Committee considers that it is fair and appropriate that Mat is compensated at the levels described above for the significant additional responsibilities the Board is asking Mat to assume until a new CEO is appointed.
- No changes to annual bonus and ALTIS opportunity levels in percentage of salary terms.
- As previously communicated, Mat's pension contribution rate will reduce to 10% of salary effective 1 December 2021 as part of phased reductions to align with the rate for the wider workforce.

In determining these remuneration arrangements the Committee have taken into account market practice in similar circumstances, the scale and complexity of the additional responsibilities Mat is being asked to undertake, Mat's skills, experience and marketability as well as the need to motivate him to help drive the Company's next phase of growth.

On 11 October 2021, we also announced the appointment of Ian Dyson as Chair of the Company to replace Adam Crozier, whose decision to step down was previously announced. Ian's appointment will come into effect on 29 November 2021 for a three-year term. Ian will receive an all-inclusive fee of £350,000, which is equal to Adam Crozier's fee.

Jørgen Lindemann will join the Board as a Non-executive Director on 1 November 2021. His fees will be in line with policy for non-executive directors, as set out on page 71.

### Performance in FY21

Following a year of unprecedented change in FY20, ASOS has continued to respond well to the challenges created by the COVID-19 pandemic, delivering another strong set of financial results. Against a backdrop of dynamic demand patterns, continued social restrictions for most of the year and global supply chain pressures, Group sales increased by 22% on a constant currency basis, supported by growth in the UK and EU and a particular acceleration in demand in the US, and adjusted PBT grew to £193.6m, reflecting strong sales growth and continued efficiency improvements.

We continued to invest confidently across our unique ASOS Brands, our ASOS Platform and our ASOS Customer Experience. The Topshop brands integration progressed to plan, with sales growing by triple digits year-on-year since acquisition. This momentum will only accelerate as our strategic partnership with Nordstrom builds greater awareness and engagement in North America.

In September we launched our new Fashion with Integrity (FWI) 2030 programme, recommitting our position as a responsible company that delivers positive benefits for people and minimises its impact on the planet. This builds upon over a decade of FWI progress and we're reinforcing our commitment through four new ambitious goals: Be Net Zero, Be More Circular, Be Transparent and Be Diverse. Achieving these goals will make us a net zero emissions business that embraces circular design systems and uses 100% more sustainable and recycled materials in our own-brand products and packaging. Our progress will be driven by a more diverse team with equity and inclusion at its heart, leading a business where transparency and human rights remain central to our approach.

As we go into 2021/22, our long-term outlook is positive. We have a clear plan in place to deliver £7bn of annual revenue within the next three to four years, driven by accelerated international growth, adding at least £1bn to our annual own-brand sales and strengthening the ASOS Platform with the launch of our 'Partner Fulfilment' programme, and we continue to invest in global opportunities to ensure ASOS remains the go-to destination for our fashion-loving 20-something customers worldwide.

### Remuneration for the year ended 31 August 2021

Following a review of the performance measures last year, the annual bonus for 2020/21 was based 30% on revenue, 30% on PBT, 15% on free cash flow and 25% on strategic performance objectives. The Company outperformed the maximum targets for the revenue and PBT measures and achieved between target and maximum performance on the free cash flow measure, resulting in a payout just below maximum for the financial elements of the bonus. In respect of performance against the strategic and personal objectives, an overall solid set of results was delivered. Net promoter score (NPS) performance was between the threshold and target levels, EU revenue growth was at threshold and US revenue growth was between target and maximum. Performance against our strategy refresh was judged to be at maximum. For the individual objectives, the CEO's performance against people measures was judged to be between target and maximum, while performance against the FWI targets was judged to be at maximum. The CFO achieved maximum levels of performance relative to cost management targets. This resulted in an overall bonus of 89.9% and 91.2% of maximum for the CEO and CFO. Full details are provided on page 76.

ALTIS awards granted in 2018 were subject to performance measured from 1 September 2018 to 31 August 2021. Performance was measured based 30% on sales growth, 30% on EPS growth, 30% on relative total shareholder return (TSR) and 10% on NPS targets. The three-year annual compound growth in EPS and sales was 23.6% and 16.3% respectively. TSR performance was below median while NPS was below threshold, resulting in nil vesting for these two elements. This resulted in an overall vesting level of 38.1% of maximum for this award for the CEO and CFO. The Group's performance for these four metrics and the vesting calculation were audited and approved by our auditors, PwC. Full details are provided on page 77.

The Committee carefully considered whether incentive outcomes fairly reflected the underlying performance of the business as well as the experience of shareholders and stakeholders during the period, using the discretion framework developed last year to support the Committee in determining whether any discretion should be exercised.

In relation to the annual bonus, the Committee was mindful that the annual bonus outcomes were again close to maximum, in a year that has continued to be challenging for many people. When determining bonus outcomes we considered overall company performance over the period as well as the experience of shareholders and wider stakeholders. The Committee noted the second year of excellent revenue, PBT and free cash flow performance delivered over 2020/21 as well as the progress made in executing our strategy, in particular launching our FWI 2030 goals. Whilst we did experience a positive benefit from the impact of COVID-19 on our business, this was largely reinvested back in the business. The Committee is satisfied that even without the positive tailwinds, maximum performance against the bonus objectives would have been achieved. Overall, therefore, the Committee's view was that the bonus outcome was fair and no discretion was exercised on the bonus outcome.

# Directors' Remuneration Report – continued

A similar exercise was carried out for the ALTIS awards granted in 2018. The Committee considers that the ALTIS vesting outcome of 38.1% of maximum fairly reflects performance delivered over the three-year period, and therefore no discretion was exercised on the ALTIS outcome either.

## Remuneration for the year ending 31 August 2022

Last year, the Committee reviewed the executive remuneration arrangements and decided not to make substantial changes to the overall structure of remuneration in view of the evolving market conditions and uncertainty resulting from the COVID-19 pandemic. However, we indicated in our 2020 Directors' Remuneration Report that we would be considering further whether our reward structure was appropriate during 2020/21.

Over the past year, we have continued to reflect upon our current Remuneration Policy and evaluated whether it continues to support the execution of our strategy. In particular, we considered whether the ALTIS was still the most appropriate framework for the business or whether an alternative structure may provide better alignment. During the year we considered alternative approaches and we carried out a consultation with our major shareholders on potential changes. At the end of that process, we determined that it was not appropriate to make changes at this time, given diverging shareholder views on the proposals. Furthermore, in view of the Board changes described overleaf and their timing so soon after year-end, the Committee considered that a radical overhaul of the remuneration framework for 2021/22 was not prudent. We will therefore continue to operate the ALTIS for 2021/22 and will keep the overall framework under ongoing review. We have, however, introduced new measures for ESG in both the annual bonus and ALTIS and these are set out below.

## Operation of the policy in 2021/22

As part of the remuneration review in the year, the Committee considered all elements of the Executive Directors' remuneration package. As a result of these discussions, the following arrangements for 2021/22 were recommended to the Board and have been approved:

**Pension**
As announced last year, in line with the 2018 UK Corporate Governance Code, which ASOS has chosen to adopt, pension contributions for incumbent Directors are being reduced in phases to be in line with the wider workforce rate of 5% of salary. Pensions will therefore reduce to 10% of salary from 1 December 2021 and to 5% of salary on 1 December 2022. The pension for any new Executive Director will be set at 5% in line with the rate available for the wider workforce.

**Annual bonus**
During the review, we reflected upon the structure of the annual bonus. As a Committee, we believe that the broad framework remains appropriate and propose no material changes.

We will continue to target strong and consistent top-line sales growth and will continue to invest to achieve these goals, whilst maintaining strong profitability.

We reviewed the strategic performance measures to ensure that they remained aligned with our strategy and that they motivated the right behaviours. The Committee determined that a portion of the non-financial element should be linked to our new FWI 2030 programme, which lays out a comprehensive plan to achieve a new set of stretching ESG goals by 2030 (see page 30). Therefore, the strategic portion will comprise an ESG element linked to delivery of FWI targets (10% of the bonus), with the remaining 15% of the bonus tied to other strategic measures. The other strategic measures will include NPS, EU and US revenue growth, and our Employee Vibe Score. The CO&FO will also have a have an objective to effectively lead the executive team and Group as a whole up to the arrival of a new CEO and ensure a smooth transition in leadership.

**More information is provided on page 72.**

No change has been made to the bonus maximum which is 150% of salary.

**ALTIS**
ALTIS opportunities were increased for 2020/21 to 250% of salary. No changes have been made to opportunity levels for 2021/22.

The Committee carried out a review of the performance measures in the year. Given our commitment to our FWI programme, we determined that measures related to the successful rollout of the programme should be incorporated in the ALTIS, as well as the bonus. We have therefore introduced a new ESG metric, comprising 15% of the overall award, which is tied to the FWI targets we have set ourselves for each of the next three years.

The three existing ALTIS metrics will each have their weighting reduced by 5%, to accommodate the new ESG metric. Therefore, EPS and revenue growth will each have a 30% weighting, and relative TSR will have a 25% weighting. The TSR comparator group was reviewed and no changes were proposed. Details on the targets are provided on page 72.

## Corporate governance

As an AIM-listed company, we have chosen to adopt the 2018 UK Corporate Governance Code for main market companies. During the year, we considered the Principles and Provisions of the Code and reviewed market practice on Code compliance and other executive pay developments. We continue to follow much of the guidance in the Code. Areas where we have chosen not to comply with the Code are explained on page 48.

## Committee composition and effectiveness

Details of the Committee's experience can be found on pages 46 and 47. The Committee's membership was and remains fully compliant with the 2018 UK Corporate Governance Code. The outcome of the Committee's annual performance evaluation, undertaken as part of the Group's external evaluation of the effectiveness of the Board and its Committees, showed high scores for the effectiveness of the Remuneration Committee, including the management of meetings, information received and performance of the Committee Chair.

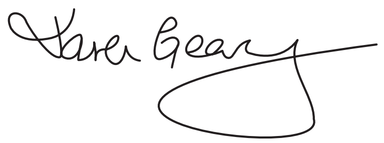


## Shareholder engagement

As an AIM-listed company, we voluntarily seek shareholder approval for our Remuneration Report to provide invaluable public accountability for the Board over the appropriateness of our Remuneration Policy and its implementation.

At the AGM last year, 81.99% of shareholders voted in favour of the Directors' Remuneration Report. While shareholder support for our arrangements remained good, the Committee is mindful that the level of support was lower than in recent years. We carried out a shareholder consultation in August/September 2021 to obtain feedback on the executive remuneration structure for 2021/22 and during those conversations we listened to shareholders' views on the executive remuneration package more generally.

The Committee and I are always pleased to discuss our approach with our shareholders and welcome your feedback throughout the year. We look forward to receiving your support for the arrangements described in this report at the upcoming AGM on 7 December 2021.

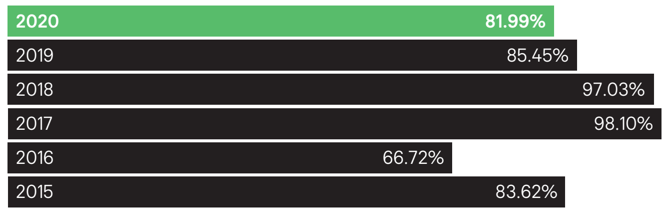


**Karen Geary**
Chair of the Remuneration Committee
19 October 2021

## Annual remuneration votes 2020

| **Total votes cast** | **84,321,313** |
|---|---|
| Votes for | 60,188,026 |
| Votes against | 13,224,901 |
| Votes withheld (abstentions) | 10,908,386 |

## Historic annual remuneration votes




# Remuneration Policy

The Remuneration Committee determines ASOS' policy on the remuneration of the Executive Directors and other senior executives. The principles that underpin this Policy aim to:

- encourage strong performance and engagement, both in the short and long term;
- enable the Group to achieve its strategic objectives and create sustainable shareholder value;
- make sure high performance is required to access high rewards; and
- ensure that the total reward cost to ASOS is affordable and sustainable.

Our Remuneration Policy must help attract, retain and motivate high-calibre, high performing, engaged employees in the very competitive market for talent in the online retail sector. It must reward people for their contributions to the success of ASOS in a fair and responsible manner, over both the short and long term. Our Remuneration Policy must also be communicated in a way that is simple, effective and clearly understood.

The Committee reviewed the executive remuneration framework at ASOS in 2019/20 and determined that, given the unique environment created by the COVID-19 pandemic, it was prudent not to make any changes at the time but to carry out a further review a year later. In early 2021, we undertook a thorough review of the framework, leaning on our previous work. This included a series of workshops with management, the Committee and our advisers, a desktop review of market practice and alternative structures seen at other companies, and discussions with our largest shareholders.

In particular, we considered whether the ALTIS was still the most appropriate framework for the business or whether an alternative structure may provide better alignment. During the year we carried out a consultation with our major shareholders on potential changes. At the end of that process, we determined that it was not appropriate to make changes at this time, given diverging shareholder views on the proposals. Furthermore, in view of the Board changes described overleaf and their timing so soon after year end, the Committee considered that a radical overhaul of the remuneration framework for 2021/22 was not prudent. We will therefore continue to operate the ALTIS for 2021/22 and will keep the overall framework under ongoing review.

Performance measures for the bonus and ALTIS remain mostly unchanged. However, taking into account feedback from shareholders, and the launch of our FWI 2030 goals we have increased the emphasis on ESG measures as part of the annual bonus plan (see page 69) and introduced ESG measures into the ALTIS (see page 70). We will continue to keep our remuneration structures under review as our strategy continues to progress.

In determining the practical application of the Policy, the Committee considers a range of internal and external factors to ensure that remuneration is appropriate and proportionate. These include pay and conditions for employees generally, shareholder feedback and appropriate market comparisons with remuneration practices in FTSE-listed, AIM-listed and other retail and internet/ technology-based companies. The Committee is satisfied that this Policy aligns the interests of Executive Directors, senior managers and other employees with the long-term interests of shareholders. An appropriate proportion of total remuneration is directly linked to the Group's performance over both the short and long term, with an appropriate weighting for Executive Directors and senior managers on share-based remuneration and long-term shareholding.

The Committee followed a detailed decision-making process which included discussions on the proposals for the Policy at a number of Committee meetings. Where changes to elements of the package were discussed, the Committee considered multiple approaches before reaching a decision. During this time the Committee considered input from management and its independent advisers and sought the views of ASOS' major shareholders to ensure that various perspectives were considered. To avoid any conflicts of interest, no Directors were involved in conversations relating to their own pay.

## Remuneration Policy components

Each component forms part of an overall competitive remuneration package designed to attract and retain appropriate talent, with the necessary skills to implement the Group's strategy in order to create long-term value for shareholders. The following provides a summary of each element of the Remuneration Policy, along with details of how the Policy will be implemented for the year ending 31 August 2022.

### Fixed remuneration elements

| Element | Purpose | How it operates | Maximum opportunity | Performance-related framework | Approach to implementation in FY22 |
|---|---|---|---|---|---|
| **Base salary** | Reflects an individual's responsibilities, experience and performance in their role | Reviewed annually.<br>Salaries are normally paid monthly. When determining salary levels the Committee takes into account:<br>– Responsibilities, abilities, experience and performance of an individual<br>– The performance of the individual in the period since the last review<br>– The Group's salary and pay structures and general workforce salary increases<br>Periodically the Committee reviews market data for FTSE-listed, AIM-listed and other retail and internet/technology-based companies to ensure salaries remain appropriate in this context. | There is no prescribed maximum annual base salary or salary increase. The Committee is guided by the general increase for the broader employee population, but has discretion to decide to award a lower or higher increase to Executive Directors to recognise, for example, an increase in the scale, scope or responsibility of the role. In addition, if salaries are set at a discount to a market rate on appointment, it may be appropriate to provide one or more increases at a higher rate than the broader employee population based on an individual's performance and experience and/or to take account of relevant market movements. | When reviewing salaries, we consider the performance of the individual in the period since the last review. | Our annual salary review date is 1 December 2021. On 11 October 2021, the Chief Financial Officer assumed the new, expanded role of Chief Operating Officer & Chief Financial Officer ('CO&FO') and his salary will be increased by 13.9% to £525,000, to reflect his expanded role.<br>He will also receive an additional temporary salary allowance of £5,000 per month to reflect the additional responsibilities he is undertaking, leading the day-to-day operation of the business on a temporary basis until a new CEO is appointed. This allowance will be included in the bonus calculation (on a pro-rata basis) but other elements of the package will be based on a salary of £525,000.<br>In determining these remuneration arrangements the Committee took into account market practice in similar circumstances, the scale and complexity of the additional responsibilities the Committee is asking the CO&FO to undertake, the CO&FO's skills, experience and marketability as well as the need to motivate him to help drive the Company's next phase of growth. |





### Fixed remuneration elements – continued

| Element | Purpose | How it operates | Maximum opportunity | Performance-related framework | Approach to implementation in FY22 |
|---|---|---|---|---|---|
| **Pension** | To contribute financially post retirement. | Defined contribution arrangement or salary supplement.<br>Only base salary is pensionable.<br>ASOS' contribution depends on the employee's seniority and may be matched to the level of contributions the employee chooses to make. | ASOS may either contribute to a pension or a cash allowance may also be paid in lieu of a pension contribution. Opportunity levels are set out on the right.<br>For any new Executive Director appointed to the Board, the pension opportunity will be in line with the rate available for the majority of the workforce. | Not applicable. | Pension allowance is currently 12.5% of base salary for the CO&FO. In order to reflect best practice and to comply with the Code, his pension contribution will reduce to 10% of salary from 1 December 2021 and 5% of salary from 1 December 2022, at which point it will align with the rate available for the majority of the workforce. The pension allowance for any new Executive Director will be limited to 5% of base salary in line with the rate available to the wider workforce. |
| **Other benefits** | To support the personal health and wellbeing of employees. To reflect and support ASOS culture. | Package of taxable benefits offered through our flexible benefits scheme, ASOS Extras, which offers all employees a fixed value depending upon their seniority, and can be used either to buy a variety of benefits or be taken in cash. Other benefits include private medical insurance and life assurance. Other benefits may be added to the package where appropriate. | There is no maximum level of benefits provided to Executive Directors, and the level of some of these benefits is not predetermined but may vary from year to year based on the overall cost to ASOS.<br>The Executive Directors receive a flexible benefits allowance of £12,500 per annum. | Not applicable. | No changes. |

### Variable remuneration elements

| Element | Purpose | How it operates | Maximum opportunity | Performance-related framework | Approach to implementation in FY22 |
|---|---|---|---|---|---|
| **Annual Bonus** | Provides a link between remuneration and both short-term Group and individual performance. | The annual bonus is earned based on performance against targets set by the Committee.<br>Targets are reviewed annually. Bonus payments are normally awarded in cash and are not pensionable.<br>The Committee will retain the discretion to adjust bonus payouts if it considers that the outcome does not reflect the underlying performance of the business or participants during the year, including the Company's performance against set metrics, or that the payout is not appropriate in the context of circumstances that were unexpected or unforeseen when the targets were set. | 150% of base salary. 60% of that maximum is payable for on-target performance. | Normally measured over a one-year performance period, based on a mix of financial targets (e.g. profit), non-financial/strategic performance and personal objectives relevant to the year, which are set taking into account the Group's strategic objectives over that period. | The maximum opportunity will continue to be 150% of salary.<br>The performance measures for FY22 are unchanged. However, taking into account feedback from shareholders, and the launch of our new Fashion with Integrity 2030 goals we have increased the emphasis on ESG measures as part of the annual bonus plan. The bonus will be based on the following:<br>– 30% revenue<br>– 30% profit before tax<br>– 15% free cash flow<br>– 10% ESG metrics linked to our 2030 Fashion with Integrity goals<br>– 15% strategic objectives<br>For FY22 the strategic objectives are:<br>– US revenue growth<br>– EU revenue growth<br>– NPS<br>– Employee Vibe score<br>– Effectively lead the executive team and company as a whole up to the arrival of a new CEO and ensure a smooth transition in leadership |

# Directors' Remuneration Report – continued

### Variable remuneration elements – continued

| Element | Purpose | How it operates | Maximum opportunity | Performance-related framework | Approach to implementation in FY22 |
|---|---|---|---|---|---|
| **ASOS Long-Term Incentive Scheme (ALTIS)** | Supports the strategy and business plan by incentivising and retaining the ASOS senior management team in a way that is aligned with both ASOS' long-term financial performance and the interests of shareholders. | Annual awards of shares to selected employees, which vest after three years subject to the achievement of performance conditions.<br>Clawback and malus provisions allow awards to be recouped in certain circumstances.<br>The Committee retains the discretion to adjust the vesting level if it considers that the vesting outcome does not reflect the underlying performance of the business or participants during the year, including the Group's performance against customer metrics, or that the payout is not appropriate in the context of circumstances that were unexpected or unforeseen when the targets were set.<br>The Committee continues to believe that a post-vesting holding period should not apply to ALTIS awards, given this is not common practice in AIM-listed businesses. | 250% of base salary (300% in exceptional circumstances) in any financial year.<br>The value of any dividends paid by ASOS over the vesting period will be payable on vesting, to the extent that awards vest. | Subject to three-year performance conditions linked to the business strategy and ensuring strong alignment with the long-term interests of shareholders. | The normal maximum opportunity will remain at 250% of salary.<br>An ESG measure has been added to the performance measures for FY22 awards. The measures will therefore be as follows:<br>– 25% based on relative TSR<br>– 30% based on EPS growth<br>– 30% based on revenue growth<br>– 15% based on ESG (linked to 2030 Fashion with Integrity goals)<br>TSR will be measured against a bespoke group of UK and international online and apparel retail peers.<br>Targets for awards to be granted in 2021/22 are set out on page 72. |
| **Share ownership guidelines** | Increases alignment between the Board and shareholders.<br>Shows a clear commitment by all Executive Directors to creating value for shareholders in the long term. | The shareholding guideline for Executive Directors is 200% of salary.<br>Guidelines require Executive Directors to hold 50% of any shares acquired on vesting of the ALTIS, and any subsequent share awards thereafter (net of tax), until the required shareholdings are achieved. | Not applicable. | Not applicable. | No change. |





### Variable remuneration elements – continued

| Element | Purpose | How it operates | Maximum opportunity | Performance-related framework | Approach to implementation in FY22 |
|---|---|---|---|---|---|
| **All-employee share plan** | Increase alignment between employees and shareholders in a tax-efficient manner.<br>Supports retention of employees. | A HMRC-approved all-employee Save As You Earn share option scheme (SAYE) encourages employees to take a stake in the business, aligning their interests with those of shareholders.<br>Other all-employee plans may be introduced if appropriate. | Consistent with prevailing HMRC limits. | Not applicable. | No change. |
| **Non-executive Directors** | Provide fees appropriate to time commitments and responsibilities of each role. | Cash fee normally paid on a monthly basis.<br>Fee levels are set taking into account the responsibilities of the additional roles, for example Committee Chairs and the SID.<br>The Chair receives a consolidated fee.<br>Fees are reviewed periodically.<br>In addition, reasonable business expenses (together with any tax thereon) may be reimbursed. | There is no prescribed maximum annual fee or fee increase. The Board is guided by the general increase for the broader employee population and takes into account relevant market movements. | Not applicable. | The Non-Executive Directors' fees were reviewed in September 2021.<br>No change was made to the non-executive Chair's fee which remains at £350,000 for the incoming Chair.<br>Fees for the other non-executive directors will increase in line with the company average salary increase of 2.25%, to £56,230, with effect from 1 December 2021.<br>The supplementary fee for the SID role will be reviewed at the time a new appointment is made to this position.<br>Fees for chairing Board committees are unchanged at £10,000 but a new membership fee of £2,500 per Committee will take effect from 1 December 2021. |

The TSR comparator group was updated for 2020 awards to reflect feedback from shareholders and is focused on fashion retailers including those with established and growing presence online. The same group will apply for 2021 awards and includes the following companies: Boohoo Group, Boozt, Brown Group, Farfetch, Global Fashion Group, H&M, Inditex, JD Sports Fashion, Joules Group, Marks and Spencer, Next, Revolve Group, THG Holdings, Zalando.

## Remuneration Policy for other employees

The Remuneration Policy for Executive Directors has been developed with consideration of the reward philosophy, strategy and policy for ASOSers across the whole organisation. Where possible, we aim to create alignment between the way executive remuneration is structured and the way ASOSers more generally are rewarded. Inevitably, there are some differences between our management and the rest of the business. This is typically a result of developing reward arrangements that are competitive for the different talent markets from which we recruit or to which we risk losing staff. The policy for Executive Directors and the senior levels within ASOS' leadership group also places a larger emphasis on pay-at-risk through incentives and long-term remuneration through the ALTIS programme.

All employees are entitled to base pay, benefits and pension contributions, and during the financial year 188 employees received an award under the ALTIS. ASOS operates a Save As You Earn scheme for all employees. More information about the Scheme is given above. We encourage a strong culture of ownership across the organisation and encourage all ASOSers to behave and think like owners. For FY21, the general salary increase across the workforce was 1.5% and this was allocated based on performance. For FY22, salary increases for all employees will be based on a budget of 2.25% of the total pay-bill, with the emphasis being to adjust pay according to position of pay against market comparators, differentiating those low in comparison to market with a higher increase.

## Pay gap reporting

On 4 October 2021 we published our Gender Pay Gap reports for April 2020 and April 2021. Our mean Gender Pay Gap for 2020 and 2021 were 30.6% and 32.3% respectively. Our median Gender Pay Gap was 41.0% for 2020 and 44.8% for 2021. We remain of the view that the UK gender pay gap is not a symptom of unequal pay for equal work among men and women, but rather there being more men than women in senior roles across the relevant UK businesses.

In addition, ASOS carries out an annual equal pay audit, checking the pay of men and women doing the same or similar roles. Our audits continue to show that our pay policies and practices pay men and women equally for equivalent roles. Our pay range system ensures ASOSers are paid fairly based on their skills, qualifications, experience and performance.

We were also very pleased to publish, for the first time, our Ethnicity Pay Gap data as part of our Fashion with Integrity objectives to ensure ASOS is a diverse and inclusive workplace. Our mean Ethnicity Pay Gap for 2020 and 2021 were 14% and 4.5% respectively. Our median Ethnicity Pay Gap was 15.3% for 2020 and -5.9% for 2021.

Diversity continues to be a key area of focus for ASOS and our 2030 FWI goals include stretching targets of achieving 50% female representation and over 15% ethnic minority representation at every leadership level by 2030.

### Performance measure selection and approach to target setting

For the ASOS annual bonus and ALTIS, our policy is to choose performance measures that help drive and reward the achievement of our strategy and also provide alignment between Executives and shareholders. Our incentive awards are designed to align with ASOS' strong and stretching performance culture, driving outcomes that benefit our shareholders, customers and ASOSers.

The Committee reviews metrics each year to ensure they remain appropriate and reflect the strategic direction of ASOS. The measures used in the FY22 annual bonus are similar to last year and reflect ASOS' KPIs for the year. They are based on:

- Revenue
- Profit before tax
- Free cash flow
- ESG metrics – achievement of year 1 targets for our FWI 2030 programme. This has four key pillars: (1) Be Net Zero; (2) Be More Circular; (3) Be Transparent; and (4) Be Diverse. These pillars are described in more detail on page 32.
- Strategic objectives: US and EU revenue performance, to ensure reward is aligned with our strategic priority to deliver growth in these areas, Net Promoter Score (NPS) to ensure that we continue to reflect our customer experience, Employee Vibe score to ensure that we continue to delight ASOSers, and effectively lead the Executive team and Group as a whole, up to the arrival of a new CEO and ensure a smooth transition in leadership.

Revenue and profit continue to be key measures of success for the business. The free cash flow metric reflects the Group's ongoing focus on maintaining a cash-positive position to enable further growth and expansion. The strategic objectives reflect our evolving areas of business focus and through NPS and Employee Vibe Score, reflect our continued focus on customers and fellow ASOSers. Our new ESG metric, focused on our 2030 FWI goals, ensures ASOS will continue its journey towards being a truly global retailer in a responsible and sustainable way.

The annual bonus targets are commercially sensitive and will be disclosed at the end of the performance year, as in prior years.

Long-term performance targets for FY22 are based on a combination of absolute and relative performance:

- TSR provides strong alignment with shareholders and will be measured against a bespoke group of online and retail competitors in Europe and the US (companies are set out on page 78) as this provides a robust and relevant benchmark. The group comprises a balance of UK, US and European companies who would broadly speaking be seen to be relevant peers by our shareholders.
- EPS is considered an objective and well accepted measure of Group performance which reinforces the objective of achieving profitable growth.
- Revenue captures top-line growth and is a key element of our progress towards our mission.
- ESG has been introduced for FY22, with performance measured against our targets for the first three years of the FWI programme.

ALTIS targets for awards due to be granted in October 2021 are as follows:

| | Threshold performance (25% vesting) | Maximum performance (100% vesting) |
|---|---|---|
| EPS growth (CAGR) | 24.5% | 29.5% |
| Revenue growth (CAGR) | 15% | 20% |
| Relative TSR | Median | Upper quartile |
| ESG – FWI goals | See below | See below |

There will be straight-line vesting in between each point.

ESG performance will be assessed based on the extent of our progress over the period FY22 to FY24 towards our key 2030 objectives, in relation to our four FWI pillars: (1) Be Net Zero; (2) Be More Circular; (3) Be Transparent; (4) Be Diverse. The Committee will judge progress in the round and determine what vesting outcome is appropriate based on the extent and nature of the progress achieved.

Targets for each performance measure are set by the Committee with consideration of an extensive set of reference points including internal plans and budgets, forecasts for the sector, relevant sector benchmarks and external expectations.

When setting targets the Committee also considered expected growth rates at our competitors and believes these targets are positioned strongly in that context. Performance is measured on a sliding scale, so that incentive payouts increase pro rata for levels of performance between the threshold and maximum performance targets.





### Committee discretion

The Committee operates under the powers it has been delegated by the Board. In addition, it complies with rules that are either subject to shareholder approval or by approval from the Board. These rules provide the Committee with certain discretions which serve to ensure that the implementation of the Remuneration Policy is fair, both to the individual Director and to the shareholders. The Committee also has discretion to vary the level of the various components of remuneration. This, together with malus and clawback provisions, enables the Committee to better manage risks. The extent of such discretions is set out in the relevant rules, and the maximum opportunity for incentive awards is set out in the Policy table on pages 69 to 70. To ensure the efficient administration of the variable incentive plans outlined, the Committee will apply certain operational discretions.

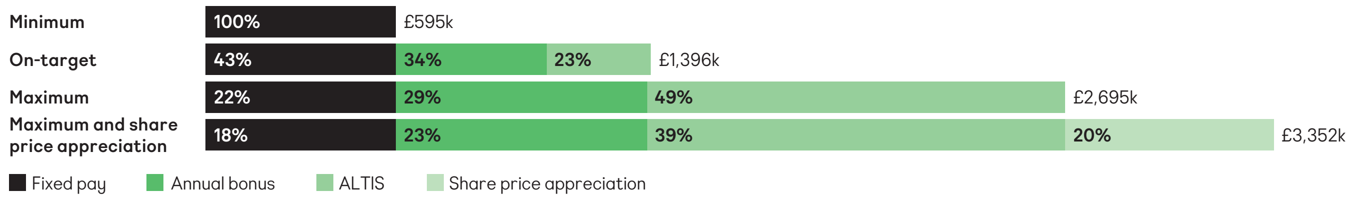
These include the following:

- Selecting the participants in the plans on an annual basis.
- Determining the timing of grants of awards and/or payments.
- Determining the quantum of awards and/or payments (within the limits set out in the Policy table).
- Determining the extent of vesting based on the assessment of performance as well as taking into account the experience of shareholders and other stakeholders over the vesting period.
- Determining whether malus or clawback shall be applied to any award in the relevant circumstances and, if so, the extent to which it shall be applied.
- Making the appropriate adjustments required in certain circumstances, for instance for changes in capital structure, or to take into account exceptional items.
- Determining 'good leaver' status for incentive plan purposes and applying the appropriate treatment.
- Undertaking the annual review of weighting of performance measures and setting targets for the annual bonus plan and other incentive schemes, where applicable, from year to year.

If an event occurs which results in the annual bonus plan or ALTIS performance conditions being deemed no longer appropriate (e.g. material acquisition or divestment), the Committee will have the ability to amend the performance conditions and/or targets, provided that the revised conditions are not materially less challenging than the original conditions. Any use of the above discretion would, where relevant, be explained in the Annual Report on Remuneration and may, as appropriate, be the subject of consultation with the Group's major shareholders.

**Total potential remuneration for Executive Directors in the 2022 financial year**

**Mat Dunn**




The chart above shows the potential remuneration at different levels of performance for the CO&FO in the 2022 financial year from the remuneration opportunity granted to him by ASOS' Remuneration Policy.

Basis of calculation:

- Minimum – fixed pay only (salary + benefits + pension or pension allowance). The CO&FO's increased salary for the CO&FO role is shown (excluding his temporary salary allowance for additional responsibilities undertaken until a new CEO is appointed), his pension is that effective from 1 December 2021 and benefits are based on the actual figure for 2020/21.
- Target – fixed pay, plus target bonus opportunity of 90% of salary, plus 25% of the face value of the ALTIS award on grant (i.e. 62.5% of salary).
- Maximum – fixed pay, plus maximum bonus opportunity of 150% of salary, plus the full face value of the ALTIS award on grant (i.e. 250% of salary).
- Maximum plus 50% share price growth – as per the maximum scenario outlined above including an assumed 50% share price growth for the ALTIS award.

### Recruiting new Executive Directors and senior executives

When recruiting any Executive Director or senior executive, we seek to apply consistent policies on fixed and variable remuneration components in line with the Remuneration Policy set out on pages 68 to 71. This helps to ensure that any new Executive Director or senior executive is on the same remuneration footing as existing Executive Directors or senior executives respectively, while still taking into account the skills and experience of the individual, the market rate for a candidate of that experience and the importance of securing the relevant individual.

The granting of payments or share awards on joining in order to secure the appointment of an Executive Director or senior executive is normally only considered where an individual forfeits outstanding variable pay opportunities or contractual rights at a previous employer as a result of appointment. In these circumstances the Committee may offer compensatory payments or awards, in such form as the Committee considers appropriate, taking into account all relevant factors including the form of awards, expected value and vesting timeframe of forfeited opportunities. When determining any such 'buyout', the guiding principle would be that awards would generally be on a 'like-for-like' basis unless this is considered by the Committee not to be practical or appropriate. Any such proposal for Executive Directors requires the prior approval of the Remuneration Committee. The Committee may also agree that ASOS will meet certain relocation and/or incidental expenses as appropriate.

### Consideration of shareholder and broader stakeholder views

The Remuneration Committee is committed to open dialogue with shareholders and our approach is to engage directly with them and their representative bodies when considering any significant changes to Executive Director remuneration arrangements. The Committee considers shareholder feedback received following the AGM as well as any additional feedback and guidance received from time to time, and this is taken into account when developing the Group's remuneration framework and practices. Assisted by its independent adviser, the Committee also actively monitors developments in corporate governance and market practice to ensure the structure of executive remuneration remains appropriate.

The employee forum is used to capture feedback from ASOSers and the proactive dialogue that exists with suppliers and customers means that there are channels of communication with all stakeholders.

### Executive Directors' service contracts and payments for loss of office

It is our policy that all Executive Directors should have rolling service contracts with an indefinite term, but a fixed period of notice of termination. The services of all Executive Directors may be terminated on a maximum of 12 months' notice by the Company or the individual. Our approach to remuneration in each of the circumstances in which an Executive Director may leave is set out in the table below, with an individual's status being determined by the Remuneration Committee in accordance with the rules of any applicable scheme.

| Remuneration component | 'Bad' leaver | 'Good' leaver |
|---|---|---|
| Salary in lieu of notice | Provided up to the effective leaving date | Up to a maximum of one year's salary; the committee would seek to make a phased payment where possible |
| Pension and other benefits | Provided up to the effective leaving date – no benefits would be provided after that date, unless this is in the interests of ASOS | Up to one year's worth of pension and benefits |
| Bonus | None | Paid in accordance with bonus scheme terms – normal practice is for payment to be time and performance pro-rated to the effective leaving date |
| ASOS Long-term Incentive Scheme (ALTIS) | Awards lapse | May vest in accordance with scheme rules – normal practice is for the vested award to be time and performance pro-rated to the effective leaving date |

ASOS also retains flexibility to pay reasonable legal fees and other costs incurred by the individual that are associated with the termination (including the settlement of claims brought against ASOS) and to provide outplacement services. In circumstances in which a departing Director may be entitled to pursue a legal claim, ASOS may negotiate settlement terms and, with the approval of the Remuneration Committee on the remuneration elements therein, enter into a settlement agreement accordingly. In addition, ASOS would honour any legal entitlements, such as statutory redundancy payments or awards made by any tribunal or court, which executives may have on, or in respect of, termination.

The individual is expected to take reasonable steps to seek alternative income to mitigate the payments.

### Post-employment shareholdings

The Committee believes that the leaver provisions currently in place ensure the alignment of the interests of our Executive Directors and our shareholders post-cessation of employment and has chosen not to comply with the provision of the UK Corporate Governance Code that a formal policy should be adopted. This is in line with practice at other AIM-listed companies where a formal guideline is not typically operated. The Committee will keep this approach under review.

### Non-executive Directors' letters of appointment

Non-executive Directors do not have service contracts with ASOS. Instead, they have letters of appointment which provide for a maximum of three months' notice of termination by the Company or the individual at any time, with no pre-determined amounts of compensation.





# Annual Report on Remuneration

Details of how ASOS' Remuneration Policy has been applied in the year to 31 August 2021 are set out below. The Committee considers that the Policy operated as intended in the year. Certain information within this section has been audited as highlighted.

### Directors' remuneration table (audited)

The remuneration of the Directors for the year to 31 August 2021 and the year to 31 August 2020 is set out in the tables below.

| Executive Director | | Base salary £ | Benefits £ | Pensions £ | Total fixed £ | Bonus £ | LTIP[1] £ | Total variable £ | Total remuneration £ |
|---|---|---|---|---|---|---|---|---|---|
| Nick Beighton | **2021** | **608,250** | **20,490** | **78,647** | **707,387** | **819,921** | **354,662** | **1,174,583** | **1,881,970** |
| | 2020 | 571,000 | 23,036 | 73,828 | 667,864 | 802,255 | 260,204 | 1,062,459 | 1,730,323 |
| Mat Dunn | **2021** | **453,500** | **17,897** | **56,687** | **528,084** | **620,343** | **374,716** | **995,059** | **1,523,143** |
| | 2020 | 429,500 | 19,383 | 53,687 | 502,570 | 414,468 | – | 414,468 | 917,038 |
| Total | **2021** | **1,061,750** | **38,387** | **135,334** | **1,235,471** | **1,440,264** | **729,378** | **2,169,642** | **3,405,113** |
| | 2020 | 1,000,500 | 42,419 | 127,515 | 1,170,434 | 1,216,723 | 260,204 | 1,476,927 | 2,647,361 |

| Non-executive Director | | Base fee £ | Additional fee £ | Total expenses[2] £ | Total remuneration £ | Basis for additional fee |
|---|---|---|---|---|---|---|
| Adam Crozier | **2021** | **350,000** | **–** | **36** | **350,036** | |
| | 2020 | 350,000 | – | 36 | 350,036 | |
| Ian Dyson | **2021** | **55,000** | **15,000** | **166** | **70,166** | **SID and Audit Committee Chair** |
| | 2020 | 55,000 | 15,000 | 36 | 70,036 | SID and Audit Committee Chair |
| Mai Fyfield[3] | **2021** | **55,000** | **–** | **176** | **55,176** | |
| | 2020 | 45,833 | – | 36 | 45,869 | |
| Karen Geary[4] | **2021** | **55,000** | **10,000** | **2,531** | **67,531** | **Remuneration Committee Chair** |
| | 2020 | 50,417 | 7,500 | 36 | 57,953 | Remuneration Committee Chair |
| Luke Jensen[3] | **2021** | **55,000** | **–** | **202** | **55,202** | |
| | 2020 | 45,833 | – | 36 | 45,869 | |
| Nick Robertson[5] | **2021** | **55,000** | **–** | **36** | **55,036** | |
| | 2020 | 55,000 | – | 36 | 55,036 | |
| Eugenia Ulasewicz[6] | **2021** | **55,000** | **–** | **36** | **55,036** | |
| | 2020 | 20,625 | – | 36 | 20,661 | |
| Total | **2021** | **680,000** | **25,000** | **3,183** | **708,183** | |
| | 2020 | 622,708 | 22,500 | 252 | 645,460 | |

1 For 2021, this includes the FY19 ALTIS award as detailed on page 77. Based on a share price of £44.1945, being the average share price for the last quarter of the financial year, from 1 June to 31 August 2021. The share price depreciated during the vesting period and therefore no portion of the award relates to share price gain. The figures for 2020 are the adjusted figures to show the share price of £44.08 on the day before the vesting date on 31 October 2020 (previously £219,563).
2 The taxable expenses include travel and other expenses related to their role and have been grossed up for tax, where applicable.
3 Luke Jensen and Mai Fyfield were appointed as Non-executive Directors on 1 November 2019.
4 Karen Geary was appointed as Non-executive Director on 1 October 2019 and Chair of the Remuneration Committee on 1 December 2019.
5 Nick Robertson donated all of his base service fee to the ASOS Foundation.
6 Eugenia Ulasewicz was appointed as Non-executive Director on 16 April 2020.

# Annual Report on Remuneration – continued

## Payments to past Directors

During the year to 31 August 2021, no payments were made to any past Directors.

## Payments for loss of office

During the year to 31 August 2021, no payments were made for loss of office.

## Annual bonus for the year ended 31 August 2021

For Nick Beighton and Mat Dunn, the annual bonus plan for the year ended 31 August 2021 was based on the following metrics.

| | Weighting | | Threshold | Target | Maximum | Performance achieved | Outcome |
|---|---|---|---|---|---|---|---|
| Profit before Tax (PBT) | 30% | | £105m | £125m | £160m | £198.3m | Maximum |
| Revenue growth | 30% | | +13% | +14% | +16% | +18% | Maximum |
| Free cash flow | 15% | | (£77.7m) | £4.8m | £42.8m | £37.6m | Between target and maximum |
| Strategic objectives | 25% | | | | | | |
| CEO & CFO: | | US revenue growth | +14% | +16% | +18% | +17% | Between target and maximum |
| | | EU revenue growth | +14% | +16% | +18% | +14% | Threshold |
| | | NPS | 57 | 58 | 59 | 57.6 | Between threshold and target |
| | | Execute year one of three-year strategic plan: successful delivery of TGR programme; and successful trial of virtual fulfilment | n/a | n/a | n/a | | Maximum |
| CEO only: | | Continue to lead and build effective senior leadership team, develop leadership capability and diversity at the Lead level | n/a | n/a | n/a | | Between target and maximum |
| | | Continued progress against Fashion with Integrity goals | n/a | n/a | n/a | | Maximum |
| CFO only: | | Cost management: Operating costs as % of sales | 45% | 44% | 43% | 41% | Maximum |

For the purpose of the bonus, financial performance outturns have been adjusted to exclude the impact of the Topshop acquisition and the convertible bonds issued during the year to ensure performance is assessed on a like for like basis with the target set.

The Committee reviewed performance against the strategic objectives. The Committee noted that progress had been achieved in growth of revenue in the EU and strong performance had been delivered in the US, while NPS performance was between threshold and target. The Committee judged that the first year of the strategic plan had been well executed. The CEO had achieved solid progress in enhancing the strength and depth in the senior leadership team and the CFO exceeded his cost management objectives. Overall the Committee determined that the CEO should be awarded 23.3% of salary and that the CFO should be awarded 25.3% of salary.



The maximum bonus opportunity for the CEO and CFO was 150% of base salary. Based on the outcomes shown above, a bonus of 89.9% of maximum was paid to the CEO and 91.2% of maximum was paid to the CFO, with a value of £819,921 for the CEO and £620,343 for the CFO.

When determining bonus outcomes the Committee considered overall Group performance over the period and particularly the continued strong financial recovery following the impact of COVID-19 on the business and the broader market. The Committee noted that all the financial elements achieved a maximum or near maximum outturn owing to the strong performance in the year, and that a good set of outcomes were delivered under the strategic element. While we did experience a positive benefit from the impact of the COVID-19 pandemic on our business, this was largely reinvested back in the business. The Committee is satisfied that, even without the positive tailwinds, maximum performance against the bonus objectives would have been achieved. Overall the Committee's view was that the bonus outcome was fair and no discretion was exercised on the bonus outcome.

## FY19 ALTIS awards vesting for performance to 31 August 2021

The ALTIS awards with a performance period ending on 31 August 2021 are due to vest on 31 October 2021. These awards were based on sales growth, EPS, relative TSR versus the FTSE All-Share General Retailers Index and NPS over the three-year performance period from 1 September 2018 to 31 August 2021. The performance targets and level of achievement against those targets were as follows:

| Measures | Weighting | Targets | Percentage vesting | Actual achievement | Vesting |
|---|---|---|---|---|---|
| Sales growth | 30% | Below 15%<br>15%<br>Between 15% and 25%<br>25% or more | 0%<br>25%<br>Between 25% and 100%*<br>100% | 16.3% | 10.4% |
| Compound annual fully diluted EPS growth | 30% | Below 15%<br>15%<br>Between 15% and 25%<br>25% or more | 0%<br>25%<br>Between 25% and 100%*<br>100% | 23.6% | 27.7% |
| TSR versus FTSE All-Share General Retailers index | 30% | Below median<br>Median<br>Between median and upper quartile<br>Upper quartile and above | 0%<br>25%<br>Between 25% and 100%*<br>100% | Below median | 0% |
| NPS | 10% | Below 63<br>63<br>Between 63 and 65<br>65 or more | 0%<br>25%<br>Between 25% and 100%*<br>100% | 58 | 0% |

For the purpose of the ALTIS, financial performance outturns have been adjusted to exclude the impact of the Topshop acquisition and the convertible bonds issued during the year to ensure performance is assessed on a like-for-like basis with the target set.

* Straight-line interpolation between points in the range.

Details of vesting for each individual Executive Director:

| Executive Director | Number of shares granted | Number of shares vesting | Date of vesting | Value of awards vesting[1] |
|---|---|---|---|---|
| Nick Beighton | 21,027 | 8,011 | 31.10.2021 | £354,662 |
| Mat Dunn | 22,216 | 8,464 | 31.10.2021 | £374,716 |

1 Based on a share price of £44.2703, being the average share price for the last quarter of the financial year, from 1 June to 31 August 2021, as is normal practice.

The Committee considers that the ALTIS vesting outcome of 38.1% of maximum fairly reflects performance delivered over the three-year period, and therefore no discretion was exercised on the ALTIS outcome.

## ALTIS awards granted in the year

In the year under review, ALTIS awards were granted to the CEO and CFO on 20 November 2020. Details of the awards are as follows:

| Executive Director | Basis of award | Number of shares granted | Face value of award[1] | % vesting for threshold performance | Performance period |
|---|---|---|---|---|---|
| Nick Beighton | 250% of salary | 34,475 | £1,549,996 | 25% | 1 September 2020 to 31 August 2023 |
| Mat Dunn | 250% of salary | 25,633 | £1,152,460 | 25% | 1 September 2020 to 31 August 2023 |

1 Based on the five-day average share price of £44.96 as at 19 November 2020.

The performance conditions for these awards are in the table below, with performance measured over the three-year period from 1 September 2020 to 31 August 2023, and vesting on 31 October 2023:

| Measures | Weighting | Targets | Percentage vesting |
|---|---|---|---|
| Revenue growth (FY23 compared to FY20) | 35% | Below 10%<br>10%<br>Between 10% and 20%<br>20% or above | 0%<br>25%<br>Between 25% and 100%*<br>100% |
| Diluted EPS for FY22 | 35% | Below 138.6p<br>138.6p<br>Between 138.6p and 179.9p<br>179.9p or above | 0%<br>25%<br>Between 25% and 100%*<br>100% |
| Relative TSR | 30% | Below median<br>Median<br>Between median and upper quartile<br>Upper quartile or above | 0%<br>25%<br>Between 25% and 100%*<br>100% |

* Straight-line interpolation between points in the range.

The relative TSR comparator group consists of the following companies: Boohoo Group, Boozt, Brown Group, Farfetch, Global Fashion Group, H&M, Inditex, JD Sports Fashion, Joules Group, Marks & Spencer, Next, Revolve Group, THG Holdings and Zalando.

### Remuneration arrangements for Nick Beighton

As announced on 11 October 2021, the CEO, Nick Beighton, and the Board agreed that it was the right time for Nick to step down after 12 years' service, including six years as CEO. He stepped down from his role and the Board with immediate effect on 11 October 2021, although he will remain available to support the business until 31 December 2021 to ensure a smooth handover. In determining these arrangements, the Committee followed the approach to set out in the Directors' Remuneration Policy and approved a package aligned to good practice.

His remuneration arrangements on leaving are summarised below:

- Nick will receive his usual salary, pension and benefits until 31 December 2021, and a payment in lieu of notice in relation to salary, pension and benefits, in respect of his remaining 12-month notice period (until 11 October 2022);
- He will be entitled to receive an annual bonus for the full FY21 year (assessed in the normal way as outlined above and paid in line with the normal timescales) and a bonus in respect of FY22, pro-rated to 31 December 2021 (assessed and paid in the normal way);
- His FY19 ALTIS will vest as normal on 31 October 2021 (as outlined on page 77);
- Reflecting his contribution during his long period of service with ASOS, he will be treated as a 'good leaver' in respect of inflight FY20 and FY21 ALTIS awards, which will be retained and vest in line with their original schedule, subject to performance testing and time pro-rating to 31 December 2021, the date of his departure;
- He will not be entitled to an FY22 ALTIS award;
- His outstanding SAYE option will lapse with effect from the date his employment ends; and
- He will be eligible for reimbursed expenses in relation to legal fees (up to £10,000) and outplacement costs (up to £50,000).





### Directors' interests in share plans (audited)

| Director | Share option scheme | Date of grant | 31 August 2020 (no. of shares) | Granted during the year to 31 August 2021 (no. of shares) | Lapsed during the year to 31 August 2021 (no. of shares) | Exercised during the year to 31 August 2021 (no. of shares) | 31 August 2021 (no. of shares) | Exercise price (pence) | Exercise date/ period |
|---|---|---|---|---|---|---|---|---|---|
| Nick Beighton | SAYE 2017 | 08.06.17 | 369 | – | 369 | – | – | – | 01.08.20 –31.01.21 |
| | ALTIS | 11.10.17 | 18,899 | – | 12,997 | 5,902 | – | – | 31.10.20 |
| | ALTIS | 24.10.18 | 21,027 | – | – | – | 21,027 | – | 31.10.21 |
| | ALTIS | 20.11.19 | 31,609 | – | – | – | 31,609 | – | 31.10.22 |
| | ALTIS | 20.11.20 | – | 34,475 | – | – | 34,475 | – | 31.10.23 |
| | SAYE 2020 | 27.11.20 | – | 510 | – | – | 510 | 3,527.0 | 01.01.24 –30.06.24 |
| Mat Dunn | ALTIS | 28.06.19 | 22,216 | – | – | – | 22,216 | | 31.10.21 |
| | ALTIS | 20.11.19 | 27,236 | – | – | – | 27,236 | – | 31.10.22 |
| | ALTIS | 20.11.20 | – | 25,633 | – | – | 25,633 | – | 31.10.23 |

Performance conditions for those awards are set out in the relevant remuneration report for the year of grant.

### Directors' shareholdings

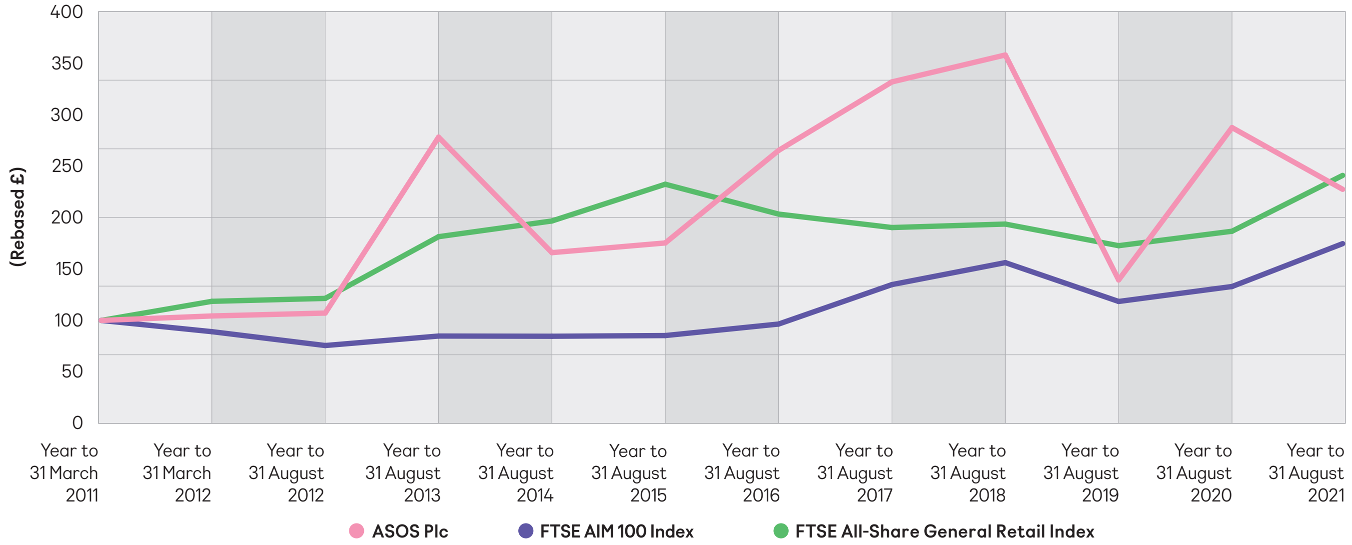
The Directors who held office at 31 August 2021 had the following interests, including family interests, in the shares of ASOS Plc. A shareholding guideline is in place for the Executive Directors; this is 500% of salary for the CEO and 200% of salary for the CFO.

| Director | Beneficially owned as at 31 August 2020 (no. of shares) | Beneficially owned as at 31 August 2021 (no. of shares) | Outstanding share options (SAYE/ALTIS) (no. of shares) | Shareholding guideline met |
|---|---|---|---|---|
| Adam Crozier | 20,770 | 20,770 | | N/A |
| Nick Beighton | 180,538 | 154,101 | 87,621 | Yes |
| Mat Dunn | 12,002 | 12,002 | 75,022 | No |
| Ian Dyson | 4,705 | 4,705 | | N/A |
| Karen Geary | 641 | 641 | | N/A |
| Luke Jensen | 9,800 | 15,733 | | N/A |
| Mai Fyfield | 2,000 | 2,000 | | N/A |
| Nick Robertson | 3,636,414 | 3,336,414 | | N/A |
| Eugenia Ulasewicz | – | – | | N/A |

### Performance and CEO remuneration comparison

The market price of ordinary shares at 31 August 2021 was £38.84 (31 August 2020: £49.09) and the range during the year to 31 August 2021 was from £37.44 to £59.18 (year to 31 August 2020: £10.50 to £50.64).

This graph shows the value, by 31 August 2021, of £100 invested in ASOS Plc on 31 March 2010 compared with that of £100 invested in the FTSE AIM 100 and the FTSE All-Share General Retail Indices. The other points plotted are the values at the intervening financial year ends, including the five-month period to 31 August 2012.



# Annual Report on Remuneration – continued

## CEO remuneration history*

The table below sets out the remuneration data for Directors undertaking the role of CEO during each of the past ten financial years.

| | Year to 31 March 2011 | Year to 31 March 2012 | Year to 31 August 2013 | Year to 31 August 2014 | Year to 31 August 2015[5] | Year to 31 August 2016[4] | Year to 31 August 2017 | Year to 31 August 2018 | Year to 31 August 2019 | Year to 31 August 2020 | Year to 31 August 2021 |
|---|---|---|---|---|---|---|---|---|---|---|---|
| Total remuneration (£)[1] | 1,740,821 | 55,210,388 | 803,843 | 337,193 | 81,280 | 1,199,520 | 3,072,259 | 2,904,614 | 848,487 | 1,730,323 | 1,881,970 |
| Annual bonus %[2] | – | 60.0% | 60.0% | – | – | 70.0% | 65.0% | – | – | 93.7% | 89.9% |
| Long-term incentive %[3] | – | 100% | – | – | – | – | 99.1% | 100% | 27.0% | 31.2% | 38.1% |

1 Gains made under the long-term incentive plans are recognised above in the financial year of the performance period to which they relate. The value for the FY17 award was calculated using a share price of £56.84, being the actual share price at the vesting date on 31 October 2017. The value for the FY18 award was calculated using a share price of £54.48, being the actual share price at the vesting date on 31 October 2018. The value shown for the FY19 award was calculated using a share price of £35.30, being the actual share price at the vesting date on 31 October 2019. The value shown for the FY20 award was calculated using a share price of £44.08, being the closing share price on the day before the vesting date on 31 October 2020. The value shown for the year to 31 August 2021 is based on the average share price for the last quarter of the financial year to 31 August 2021. This will be adjusted to reflect the share price at the point of vesting on 31 October 2021.
2 Annual bonus percentage figure shows the percentage of the individual's maximum bonus percentage received in that financial year.
3 Long-term incentive percentages show the percentage of the award that vested in the financial year.
4 During the year to 31 August 2016, the CEO changed from Nick Robertson to Nick Beighton.
5 During the year to 31 August 2015, Nick Robertson opted to waive receipt of £442,580 of his base salary, and any entitlement to bonus.
* Note that the data above is for 12-month periods only and excludes the five-month period to 31 August 2012 to give a consistent view of the CEO's annual remuneration.

## Percentage change in Directors' remuneration

The table below shows the percentage change in the Directors' salary/fees, benefits and annual bonus between the financial years ended 31 August 2021 and 31 August 2020, compared with all employees of ASOS.

| | 2020 to 2021 | | |
|---|---|---|---|
| % change | Salary/Fees | Benefits | Bonus |
| **All employees** | 16.1% | 37.6% | 7.9% |
| **Executive Directors** | | | |
| Nick Beighton | 6.5% | 2.3% | 2.2% |
| Mat Dunn[1] | 5.6% | 2.0% | 49.7% |
| **Non-executive Directors** | | | |
| Adam Crozier | – | – | – |
| Ian Dyson | – | 300%[3] | – |
| Karen Geary[2] | – | 6,900%[3] | – |
| Luke Jensen[2] | – | 400%[3] | – |
| Mai Fyfield[2] | – | 300%[3] | – |
| Nick Robertson | – | – | – |
| Eugenia Ulasewicz[2] | – | – | – |

1 The target and maximum bonus opportunity for the CFO was increased during FY21 to align with the CEO.
2 Karen Geary, Luke Jensen, Mai Fyfield and Eugenia Ulasewicz were appointed part way through FY20, therefore their fee has been pro-rated for FY20 for the purpose of this calculation.
3 Once COVID-19 social and travel restrictions started to lift, Board and Committee meetings were held in person leading to an increase in Director travel and other expenses.





## CEO pay ratio

The table below shows the ratio of the CEO's total remuneration for 2020/21 against the upper quartile, median and lower quartile full-time equivalent remuneration of ASOS' UK employees. This is the second year of reporting a pay ratio and 2019/20 data is shown for comparison.

| | Method | P25 | P50 | P75 |
|---|---|---|---|---|
| 2020/21 | Option C | 68:1 | 35:1 | 25:1 |
| 2019/20 | Option C | 73:1 | 38:1 | 24:1 |

The Company has chosen Option C as it enabled the use of readily available data that was current to ASOS' year end. The employees at P25, P50 and P75 were identified based on salaries at 31 August 2021, and their total remuneration was calculated, including salary, benefits, flex allowance and pension as at that date plus 2020/21 bonus outturns (all three employees are outside the ALTIS population). No omissions, estimates or adjustments were included in the calculation.

The total remuneration of these individuals and a small number of others positioned around each quartile were compared to determine whether the employees at P25, P50 and P75 were most representative of pay levels at these quartiles. Based on that review of similarly ranked roles, the remuneration of all three individuals was deemed to be representative of the relevant quartile.

The pay ratio this year is similar to last year's, with a slight reduction at P50. Given that the CEO's package is primarily comprised of variable pay, the ratio is significantly impacted by the level of bonus payout and ALTIS vesting each year. Bonus outturns for 2020/21 were similar to the prior year, as were ALTIS vesting levels. All three employees identified at P25, P50 and P75 received a higher salary and total remuneration in 2020/21 compared to the equivalent employees identified last year due to changes in the employee demographic (including due to the Topshop acquisition).

The base salary and total remuneration for the employees used in the above calculations are as follows:

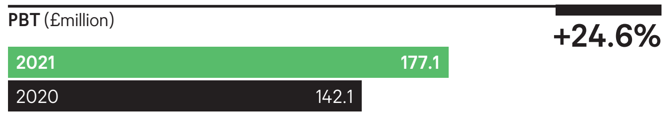
| | P25 | P50 | P75 |
|---|---|---|---|
| Base salary | £24,187 | £38,994 | £57,102 |
| Total remuneration | £27,531 | £54,272 | £75,140 |

The Committee is satisfied that the ratio is consistent with the Group's wider policies on employee pay, reward and progression. Executive Directors receive a greater proportion of their remuneration in elements tied to performance, including participation in the ALTIS which operates at the most senior levels, and this is reflected in the ratio.

## Relative importance of spend on pay

The following table shows ASOS' actual spend on pay (for all employees) relative to dividends and retained profit. To date, no dividend has been paid by ASOS Plc and there is no intention to pay a dividend at this stage as all monies are being retained in the business for future investment.


1 The above includes capitalised staff costs.




## Remuneration governance

### Composition of the Remuneration Committee

The Remuneration Committee currently comprises three independent Non-executive Directors: Karen Geary (Chair), Ian Dyson and Mai Fyfield. Appropriate members of the management team, as well as the Committee's advisers, are invited to attend meetings as appropriate, unless there is a potential conflict of interest. The remuneration of Non-executive Directors, other than the Chair, is determined by the Chair of the Board and the Executive Directors.

### Committee's responsibilities

The Committee's principal responsibilities are to:

- Determine and recommend to the Board the Group's overall remuneration policy, and monitor the ongoing effectiveness of that policy.
- Determine and recommend to the Board the remuneration of Executive Directors, the Chair and the other members of the Executive Committee.
- Monitor, review and approve the levels and structure of remuneration for other senior managers and employees.
- Determine the headline targets for any performance-related bonus or pay schemes.
- Determine specific targets and objectives for any performance-related bonus or pay schemes for the Executive Directors and the other members of the Executive Committee.
- Review and approve any material termination payment.

**Advisers to the Remuneration Committee**
The Committee has engaged the external advisers listed below to help it meet its responsibilities.

- During the year, Deloitte LLP provided advice on all remuneration matters considered by the Committee. For that advice, Deloitte LLP received fees totalling £95,950 in the financial year to 31 August 2021. Deloitte LLP are signatories to the Remuneration Consultants' Code of Conduct, and the Committee is satisfied that the advice that it receives is objective and independent. The Deloitte LLP engagement partner and advisory team that provide remuneration advice to the Committee do not have any connections with the Group or individual Directors that may impair their independence. Separately, during the year other parts of Deloitte also advised the Group in relation to financial advisory, consulting, taxation, accounting and internal audit co-sourcing services and financial modelling support as part of business planning and analysis.
- When required, ASOS also receives advice relating to remuneration matters from Lewis Silkin LLP, KPMG LLP, and Slaughter and May LLP on reward, tax and legal matters respectively. As a matter of course, the Committee also receives advice and assistance as needed from our Chief People Officer, Reward Director, Head of Reward, General Counsel & Company Secretary and Executive Directors.

### Key areas of focus for the year ahead

- Engaging with shareholders in relation to our approach to remuneration for 2022/23.
- Consider remuneration package for a new CEO.
- Review and approve any salary increases for the Executive Committee.
- Determine 2021/22 annual bonus outcome and FY20 ALTIS awards vesting.
- Approve 2022/23 ALTIS awards, and 2022/23 annual bonus.
- Continue to monitor regulatory and legislative developments.





# Directors' Report

Much of the information previously provided as part of the Directors' Report is now required, under company law, to be presented as part of the Strategic Report. This Directors' Report includes the information required to be included under the Companies Act 2006 or, where provided elsewhere, an appropriate cross-reference is given. The Corporate Governance Report approved by the Board is provided on pages 45 to 82 and incorporated by reference into this Directors' Report.

### Subsidiaries

The Group has 25 subsidiaries; a complete list, including branches outside of the UK, is provided in Note 8 of the parent company financial statements on page 131.

### Dividends

As last year, the Directors do not recommend the payment of a dividend (2020: £nil).

### Strategic Report

This is set out on the pages 1 to 44 of the Annual Report and includes an indication of likely future developments.

### Significant events since the end of the financial year

There have been no material events affecting the Group since 1 September 2021.

### Risk management and principal risks

A description of the principal risks facing the business, and the Group's approach to managing those risks, is on pages 36 to 43. Information on the Group's foreign currency risks are set out in Note 19 of the financial statements.

### Directors and their interests

Details of the Directors as at the date of this report are set out on pages 46 to 47.

In accordance with the Company's Articles of Association and the 2018 UK Corporate Governance Code, all continuing Directors will offer themselves up for re-election, or election, by shareholders at the 2021 AGM. Adam Crozier advised the Board in August 2021 that he would retire as Non-executive Director and Chair of the Board on 28 November 2021 and will therefore not be seeking re-election.

The rules for appointing and replacing Directors are set out in the Company's Articles of Association. Directors can be appointed by ordinary resolution of the Company or by the Board. The Company can remove a Director from office by passing an ordinary resolution or by notice being given to all Directors.

The interests of the Directors and their closely associated persons in the share capital of the Company as at 31 August 2021, along with details of Directors' share options and awards, are contained in the Directors' Remuneration Report on page 79. At no time during the year did any of the Directors have a material interest in any significant contract with ASOS or any of its subsidiaries.

ASOS maintains Directors' and Officers' liability insurance which gives appropriate cover for any legal action brought against its Directors. The Group has also provided an indemnity for its Directors, which is a qualifying third-party indemnity provision, for the purposes of section 234 of the Companies Act 2006. This was in place throughout the year and up to the date of approval of the financial statements.

### Articles of Association

ASOS' Articles of Association can only be amended by special resolution and are available at www.asosplc.com. At the 2020 AGM the Company adopted, by special resolution, new Articles of Association to reflect developments in market practice since the Company's Articles of Association were previously amended in September 2009.

### Share capital

The issued share capital of the Company as at 31 August 2021 was 99,837,096 ordinary shares of 3.5 pence each. Full details of the issued share capital, together with the details of shares issued during the year to 31 August 2021, are shown in Note 18 to the financial statements on page 110. As far as the Company is aware, there are no restrictions on the voting rights attaching to the Company's ordinary shares and the Company is not aware of any agreements which may result in restrictions in the transfer of securities or voting rights. No securities carry any special rights.

### Powers for the allotment and acquisition of the Company's own shares

The Company was authorised by shareholders at the 2020 AGM to purchase in the market up to 4,998,240, being 5% of the issued ordinary share capital. No shares were bought back under this authority during the year ended 31 August 2021. This is a standard authority which is renewable annually and the Directors will be seeking to renew this authority at the 2021 AGM.

At the 2020 AGM, the Directors were also granted authority to allot ordinary shares in the Company up to an aggregate amount of £1,163,922. This authority will expire at the 2021 AGM, at which the Directors will be seeking to renew this authority.

### Employee Benefit Trust

ASOS uses an Employee Benefit Trust to facilitate the acquisition of ordinary shares in the Company for the purpose of satisfying awards and options granted under ASOS share schemes. During the financial year, ASOS used both the Employee Benefit Trust (EBT) and the Link Trust (LT) to satisfy awards granted under its Save As You Earn, ATLIS and SIP share schemes:

- The EBT is a discretionary trust, the sole beneficiaries being employees (including Executive Directors) and former employees of the Group who have received awards under the Save As You Earn and ALTIS schemes (or their close relations in the event of their death). The trustee of the EBT is Apex Financial Services (Trust Company) Limited, an independent professional trustee company based in Jersey. Under the terms of the Trust Deed, ASOS funds the EBT to purchase on the EBT's own account ordinary shares in the Company on the open market in return for the EBT agreeing to use the ordinary shares in the Company that it holds to satisfy certain outstanding awards and options made under the Company's share schemes.

- The LT holds shares awarded under the SIP solely for the benefit of current employees (including Executive Directors) who participate in it. The trustee of the SIP is Link Asset Services Limited, an independent professional trustee company based in the United Kingdom. Under the terms of the Trust Deed, ASOS funds the LT to buy the shares on the open market and retain those shares on behalf of the underlying beneficiaries.

## Substantial shareholders

As at 1 October 2021, the Company was aware of the following interests in 3% or more of its ordinary share capital:

| Major shareholder | Holding | As a % of issued shares |
|---|---|---|
| Aktieselskabet af 5.5.2010 | 25,964,404 | 26.01% |
| T. Rowe Price Group | 12,212,191 | 12.23% |
| The Capital Group Companies, Inc | 5,865,146 | 5.87% |
| Baillie Gifford & Co | 5,409,675 | 5.42% |
| Camelot Capital Partners | 5,185,196 | 5.19% |
| Abrdn Plc | 3,720,101 | 3.73% |
| Nick Robertson | 3,336,414 | 3.34% |

As at 31 August 2021, the EBT and LT (combined) held 236,701 shares in ASOS Plc (2020: 245,567 shares). The total value in reserves was a credit balance of £2.1m (2020: credit balance of £2.0m). The EBT and LT are both recognised within the EBT reserve for accounting purposes. The Group's accounting policies are detailed within Note 28 to the financial statements and movements are detailed in the Consolidated Statement of Changes in Equity on page 96.

## Viability statement

In accordance with the 2018 UK Corporate Governance Code the Directors have assessed the Group's prospects and viability and the Viability Statement is set out on page 44.

## Going concern

The time horizon required for the Going Concern Statement is a minimum of 12 months from the date of signing the financial statements. Consistent with prior periods, the Directors have adopted an assessment period of 18 months from the year end date of 31 August 2021.

In determining whether there are material uncertainties, the Directors consider the Group's business activities and principal risks. The Directors' reviewed the Group's cash flows, liquidity positions and borrowing facilities for the going concern period and leveraged the work performed to support the viability statement on page 44.

There has been no material uncertainty identified which would cast significant doubt upon the Group's ability to continue using as a going concern. As such, the Directors considered it appropriate to adopt the going concern basis of accounting in the preparation of the Group's financial statements.

## Statement on disclosure of information to auditors

The Directors confirm that, so far as each is aware, there is no relevant audit information of which the Group's auditors are unaware. Each of the Directors has taken all the steps he or she should have taken as a Director to make himself or herself aware of any relevant audit information and to establish that the Group's auditors are aware of that information.

## Independent auditors

The auditors, PricewaterhouseCoopers LLP, have indicated their willingness to continue in office and a resolution that they be reappointed will be proposed at the 2021 AGM.

## Employee engagement

Information relating to how the Group engages with its workforce can be found on pages 26 to 28 and 34.

## Employees with disabilities

As a Disability Confident Committed Employer, we're committed to taking steps to ensure that our recruitment process and culture is inclusive for people with disabilities. We're committed to positively contributing to a change in attitudes, behaviours and culture, helping our ASOSers fulfil their potential and be whoever they want to be, right now and in the future.

We always seek to anticipate and provide reasonable adjustments as required during our interview process and we support any existing ASOSers who acquire a disability or long-term health condition to enable them to stay in work. We work with organisations such as Mencap and Genuis Within to provide specialist support and advice for individual ASOSers, their manager and their teams.

We have a suite of accessibility tools available to all ASOSers and whether they have a physical disability, a mental disability or just a personal preference, our tools allow ASOSers to deliver great results. To support with the rollout and the utilisation of these tools, we've run a series of masterclasses for all ASOSers to join and we're embedding the tools into every stage of the employee lifecycle. This year we've launched our Disability Network to drive changes in the areas that matter most and, as part of our ALL IN Events Series, have run panel discussions about disability and accessibility.





## Energy and carbon emission reporting

| | Unit of measurement | UK portion FY21 | UK portion FY20 | UK portion % change | Total global FY21 | Total global FY20 | Total global % change |
|---|---|---|---|---|---|---|---|
| Energy consumption used to calculate emissions – for gas, electricity and transport emissions | kWh | 29,127,996 | 24,679,429 | 18% | 55,873,228 | 50,451,739 | 11% |
| Scope 1 – emissions from combustion of gas | $tCO_2e$ | 2,064 | 1,359 | 52% | 3,602 | 2,955 | 22% |
| Scope 2 – emissions from purchased electricity – location based | $tCO_2e$ | 3,854 | 4,026 | -4% | 11,338 | 11,084 | 2% |
| Scope 3 – emissions from staff vehicles used for business purposes | $tCO_2e$ | 18 | 23 | -22% | 18 | 23 | -22% |
| Total gross emissions | $tCO_2e$ | 5,936 | 5,408 | 10% | 14,958 | 14,062 | 6% |
| Intensity ratio – $tCO_2e$/£m revenue – location based | $tCO_2e$/ £m revenue | | | | 3.84 | 4.31 | -11% |

| Market based emissions | Unit of measurement | UK portion FY21 | UK portion FY20 | UK portion % change | Total global FY21 | Total global FY20 | Total global % change |
|---|---|---|---|---|---|---|---|
| Scope 2 – emissions from purchased electricity – market based | $tCO_2e$ | 0 | 1,703 | -100% | 3,150 | 5,046 | -38% |
| Intensity ratio – $tCO_2e$/£m revenue – market based | $tCO_2e$/ £m revenue | | | | 1.73 | 2.46 | -30% |

**Quantification and reporting methodology:** We have followed the 2020 HM Government Environmental Reporting Guidelines. We have also used the GHG Reporting Protocol – Corporate Standard (Operational Control boundary), Ofgem environmental impact measurements for fuel sources, and have used the 2021 UK Government's Conversion Factors for Company Reporting. Other intensity factors acquired through EIA and EEA for US and German markets. Market based scope 2 emissions have been calculated in line with the GHG Protocol guidance and quality criteria with each relevant supply linked to renewable energy certificates. Energy data is obtained from a hierarchy of HH data, meter readings, invoices and finally estimates if necessary. Only 1% of total energy data presented is estimated. Figures are presented for both the Total global level and UK only as well, please note that the Total global data includes all UK sites as well as other global operations (USA & Germany). Data for emissions from staff vehicles used for business purposes are presented for the global level only as it's difficult to separate based on location; the same figure for the UK portion has therefore been used.

**Energy Management Statement:** This year we have continued to work with our dedicated energy management and procurement partner, Amber Energy, to progress energy management across the organisation. We conducted in-depth energy efficiency audits at all UK sites and at our fulfilment centre in Berlin. These included desk-based research, in depth data analytics and site visits. A report summarising the findings for each site was created including analysis on each site's significant energy users and a list of identified energy reduction projects. These projects were discussed with operational teams and a selection have been budgeted for delivery in FY22.

**Greenhouse Gas Management Statement:** This year we have set out new, long-term ambitions on managing and reducing our greenhouse gas emissions. Through our new Be Net Zero goal, within Fashion with Integrity, we have set new carbon reduction goals, calculated with the Carbon Trust and verified by the Science-Based Targets initiative. These include goals covering our scope 1 and 2 emissions and the majority of our scope 3. These goals will drive us to our ultimate aim of becoming Net Zero across our value chain by 2030 and prior to that achieving carbon neutral operations (covering scope 1 & 2 emissions, delivery and returns emissions) by 2025.

## Stakeholder engagement

Information relating to how the Group engages with its stakeholders can be found on pages 34 to 35 and pages 50 to 51.

## Research and development

The company did not carry out any research and development activities during the year (2020: £nil).

## Political donations

No political donations have been made during this financial year (2020: £nil).

Authority will be sought to authorise the Company to make political donations up to the value of £100,000 at the 2021 AGM. The Group's policy is that it does not, directly or through a subsidiary, make political donations; however, this resolution has been proposed to ensure the Group and its subsidiaries do not, because of the wide reaching definition in the Companies Act 2006, unintentionally make a breach of the Act.

## Annual General Meeting

The Annual General Meeting of the Company will be held at 12 noon on 7 December 2021 at Greater London House, Hampstead Road, London, NW1 7FB. The Notice of Meeting will be available to view on www.asosplc.com, sufficiently in advance of that meeting.

By order of the Board

Anne Suchopar

**Anna Suchopar**
Company Secretary
19 October 2021

# Statement of Directors' Responsibilities

The Directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulation.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have prepared the Group financial statements in accordance with International Financial Reporting Standards (IFRSs) as issued by the International Accounting Standards Board (IASB).

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 parent Company and of the profit or loss of the Group and parent Company for that period. In preparing the financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable IFRSs as issued by the IASB have been followed, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group and parent Company will continue in business.

The Directors are 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.

The Directors are also responsible for keeping adequate accounting records that are sufficient to show and explain the Group and parent Company's transactions and disclose with reasonable accuracy at any time the financial position of the Group and parent Company and enable them to ensure that the financial statements and the Directors' Remuneration Report comply with the Companies Act 2006.

The Directors are responsible for the maintenance and integrity of the parent Company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

### Directors' confirmations

The Directors consider that the Annual Report and Accounts, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group and parent Company's position and performance, business model and strategy.

In the case of each Director in office at the date the Directors' Report is approved:

- so far as the Director is aware, there is no relevant audit information of which the Group and parent Company's auditors are unaware; and
- they have taken all the steps that they ought to have taken as a Director in order to make themselves aware of any relevant audit information and to establish that the Group and parent Company's auditors are aware of that information.

**Anna Suchopar**
Company Secretary
19 October 2021





# Financial Statements

# Independent Auditors' Report to the members of ASOS Plc

## Report on the audit of the financial statements

### Opinion

In our opinion, ASOS Plc's group financial statements and company financial statements (the "financial statements"):

- give a true and fair view of the state of the group's and of the company's affairs as at 31 August 2021 and of the group's profit and the group's and company's cash flows for the year then ended;
- have been properly prepared in accordance with International Financial Reporting Standards (IFRSs) as issued by the International Accounting Standards Board (IASB); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report and Accounts 2021 (the "Annual Report"), which comprise: the Consolidated and Company Statements of Financial Position as at 31 August 2021; the Consolidated Statement of Total Comprehensive Income, the Consolidated and Company Statements of Cash Flows, and the Consolidated and Company Statements of Changes in Equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

### Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

## Independence

We remained independent of the group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, as applicable to listed entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

## Our audit approach

### Overview

| | |
|---|---|
| **Audit Scope** | We conducted the full scope audit of:<br>• ASOS Plc – The parent entity holding investments throughout the group.<br>• ASOS.com Limited – The trading entity that generates more than 99% of group revenue.<br>• Additionally, we performed a full scope financial statement line item audit over the other intangible assets and amortisation charged balances in ASOS Holdings Limited, and the convertible debt, interest and intercompany balances in Cornwall (Jersey) Limited. |
| **Key Audit Matters** | • Capitalisation of internal staff costs (group)<br>• Fraud in revenue recognition (group)<br>• Valuation of inventory (group)<br>• Valuation of assets and liabilities acquired in a business combination (group)<br>• Consideration of the impact of COVID -19 (group and parent) |
| **Materiality** | • Overall group materiality: £11,500,000 (2020: £7,000,000) based on 1% of total revenue with regard to profit before tax.<br>• Overall company materiality: £575,000 (2020: £350,000) based on 1% of total assets, capped at an allocation of group materiality.<br>• Performance materiality: £8,625,000 (group) and £431,250 (company). |

## The scope of our audit

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements.

## Key audit matters

Key audit matters are those matters that, in the auditors' professional judgement, were of most significance in the 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) identified by the auditors, including 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, and any comments we make on the results of our procedures thereon, were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

This is not a complete list of all risks identified by our audit.

Valuation of assets and liabilities acquired in a business combination is a new key audit matter this year. Otherwise, the key audit matters below are consistent with last year.



| Key audit matter | How our audit addressed the key audit matter |
|---|---|
| **Capitalisation of internal staff costs (group)**<br>Refer to notes 11, 12 and 28 (Accounting Policies) on pages 106, 107 and 120 respectively. The group continued to invest in its operational infrastructure spending £104.9m on property, plant and equipment as set out in note 12, and £346.9m on intangible assets as set out in note 11. We focussed on this area due to the size of the costs capitalised and the fact that there was judgement involved in assessing whether the criteria set out in accounting standards for the capitalisation of elements of these costs had been met. In particular we focussed on the capitalisation of internal staff costs to confirm that costs capitalised were a fair reflection of actual costs incurred and the associated time was spent on projects which met the criteria to be capitalised. We further assessed whether costs were appropriately moved out of assets under construction and appropriately amortised/depreciated from the point at which they came into operational use. | We have gained an understanding through walkthroughs performed and discussion with management of the process in place for evaluating capital approval for staff time capitalised in relation to capital projects. We tested management's operational control in relation to capital funding request forms which evidenced that the appropriate capitalisation criteria had been considered and the funding was appropriately authorised. We were able to place reliance on these controls for the purpose of our audit. Our testing approach covered capitalisation of employee time for internal staff and external contractors. We obtained an understanding of various selected capitalised projects, tested time charged back to timesheet data and independently assessed whether sufficient economic benefits were likely to flow from the projects to support the values capitalised. Our testing did not identify any material costs that had been inappropriately capitalised. For a number of projects which became operational in the year we validated that the costs previously capitalised relating to these projects were moved out of assets under construction at the point that the associated assets became operational. We further confirmed that depreciation or amortisation commenced on these projects at rates consistent with the group's accounting policies once the respective projects became operational. No matters were identified from the work performed to suggest a material error in relation to capitalisation of internal staff costs. |
| **Fraud in revenue recognition (group)**<br>Refer to note 3 and 28 (Accounting Policies) on pages 100 and 120 respectively. The group has two main sources of revenue which relates to sales made through the ASOS.com entity and its website, and sales generated through it's wholesale network. Sales of goods sold via the website are recognised on dispatch from the warehouse with customers having the right to return the goods, should they so choose. Should customers return any goods, the group will typically refund the associated revenue relating to the returned goods. We deem the risk of fraud in revenue to be specific to journal postings and judgmental adjustments. Regarding adjustments, the nature of the group's revenue and revenue recognition policies generated two specific heightened areas of focus for our audit: Firstly, regarding revenue cut off, we assessed whether the policy of recognising revenue on dispatch is appropriate and could significantly enhance revenues and profits inappropriately. Secondly, we focussed on the level of provision recorded for returns and the associated reduction in revenue and profit arising as a result of recording this provision noting the requirement in IFRS 15 that revenue from sales with rights of return should only be recognised if it is highly probable that it will not reverse. | We discussed the revenue recognition policy with management and performed a walkthrough to reconfirm our understanding of the revenue recognition process. In order to get substantive comfort over the occurrence of revenue, we have taken the total revenue figure recognised in the trial balance at the year-end, and reconciled this figure to the cash received: a "Sales to Cash reconciliation", with any differences in excess of materiality being investigated, leaving an immaterial untested balance. We have also performed additional testing over the classification of cash receipts, to ensure that cash receipts for non-revenue items are not erroneously attributed to revenue transactions in the sales to cash reconciliation, and that these cash receipts do in fact relate to real revenue transactions. We performed testing to identify unusual journals impacting revenue which did not follow expected business processes. We tested and gained evidence over the commercial rationale of a targeted sample of the journals identified. Regarding cut off we have assessed the financial impact of recognising revenue on dispatch rather than on receipt by customers. We determined the sales and profit impact for the year of recognising revenue on dispatch as against delivery was not material. We understood the methodology used to calculate the returns provision and determined the approach had not significantly changed. We tested the inputs to the calculation through to source data and assessed the key assumptions, driving the calculation, being the historical returns rates for appropriateness. This included considering the ongoing impact of Covid-19 on current return rates. We compared the provision to actual returns of sales made pre year end, which were processed in the period post year end. We also considered the disclosures in respect of this given it is a significant estimate. No evidence arose from our work that the provision for returns was materially misstated. |

| Key audit matter | How our audit addressed the key audit matter |
|---|---|
| **Valuation of inventory (group)**<br>Refer to the Consolidated Statement of Financial Position and Note 28 (Accounting Policies) on pages 97 and 120 respectively. The group held £807.1m of inventory as at 31 August 2021. The nature of the group's business model is to service demand in a dynamic and fast moving fashion market which also inherently means there is a risk of inventory falling out of fashion and proving difficult to sell above cost. The impact of the pandemic has also provided an environment which adds further complexity and potential risk in achieving sales values for certain elements of inventory in excess of their carrying values. The group's provisioning policy is primarily based on the net realisable value of inventory lines, with provisions being recognised against inventory that management expect to be discounted and sold below their average weighted cost. Specific provisions for slow moving and fragmented items of inventory are recognised where there is a view that the net sales price achievable will be lower than cost. The quantum of the total inventory balance, its increase year on year, along with the level of judgement involved to ensure that individual line items are stated at the lower of cost and net realisable value made this an area of focus. | We have reviewed and understood management's provisioning policy, compared it to the prior year and assessed its appropriateness given our knowledge of the group and the particular market dynamics in play as at the balance sheet date. In particular we challenged management over the rationale for the year on year fluctuations in the provision obtaining a granular breakdown of the constituent parts of the provision and assessing the appropriateness of all significant elements. As part of our work around this area we tested the inventory quantity and value inputs into various elements making up the overall inventory provision. For a sample of inventory items we performed a recalculation of the average weighted cost. No exceptions were noted. We tested an additional sample to supporting evidence that the net realisable value of inventory items was appropriate. We tested the appropriateness of the data used as the basis for management's inventory provision calculation, with no issues noted. We have obtained and reviewed the post year-end level of stock write offs and did not identify any significant unprovided amounts. |
| **Valuation of assets and liabilities acquired in a business combination (group)**<br>Refer to note 26 and 28 (Accounting Policies) on pages 119 and 120 respectively. The Group acquired from Arcadia a number of business assets relating to its Topshop, Topman, Miss Selfridge and HIIT brands (including the trademark rights, registered designs, domain names, social media handles and exclusive IP licenses) as well as its wholesale business and relevant employees. The transaction completed on 4th February 2021, for total consideration of £292.4m. This transaction falls under the scope of IFRS 3 Business Combinations which requires judgement in determining the fair value of assets acquired. Our key audit matter focuses on the valuation of assets acquired (including intangibles) and the completeness of liabilities associated with the acquisition. | We have performed the following procedures in response to the key audit matter identified: Assessed whether the transaction meets the definition of a business combination, in accordance with IFRS 3; Obtained and reviewed the Sale and Purchase Agreement; Obtained evidence for the consideration paid as part of the acquisition; Discussed with Management's expert and engaged our auditor's experts to determine the reasonableness of the fair values of the brands and other intangibles acquired in the transaction; Challenged management on the judgements and estimates applied in the valuation model; Obtained sufficient and appropriate audit evidence to determine the fair value of stock acquired; Assessed completeness and reasonableness of contingent liabilities arising from the transaction; Ensured financial statement disclosures in the Annual Report are complete and in accordance with the requirements of IFRS 3. |
| **Consideration of the impact of COVID-19 (group and parent)**<br>Refer to the Strategic Report and note 28 (accounting policies) on pages 6 to 8 and 120 respectively. As with all businesses ASOS has not been immune to the impact of the pandemic on its business. Given the significance of the impact of the virus on the global economy, customer behaviours and associated cash flows we considered this an important area to consider in terms of a wider range of judgments impacting the business, most notably the carrying amounts of assets and projected future cash flows in the context of going concern and impairment assessments. Management's assessment of the impact on the group going concern conclusion was made by modelling severe but plausible downside scenarios, utilising the knowledge obtained through trading since the onset of the pandemic. Management has concluded that the group expects to trade solvently under these scenarios for at least twelve months from the date of this report. The directors have therefore prepared the group financial statements on a going concern basis, with no material uncertainty. Management also considered the impact of COVID-19 on the group's financial statements and concluded that there was no material impact on the financial statements, including in respect of the impairment of certain assets, or on provisions or estimates made. | Regarding going concern, we evaluated management's forecasts, which included the consideration of the potential impact of the pandemic on the business, along with their severe but plausible downside scenario. We consider the scenarios run to be appropriate as a means to form a view over going concern. We challenged management on the key assumptions included within the scenarios modelled. We have considered the potential impact of COVID-19 on the balance sheet, specifically around the valuation of inventory, potential impairment of tangible and intangible assets, the provisioning for future returns and recoverability of receivables and concluded that there were no indicators of a material error on amounts included in the group financial statements. We reviewed management's disclosures in relation to the potential impact of COVID-19 and concluded they are appropriate given our audit work and knowledge. Our conclusions relating to going concern are set out in the 'Conclusions related to going concern' section below. |



## How we tailored the audit scope

We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the financial statements as a whole, taking into account the structure of the group and the company, the accounting processes and controls, and the industry in which they operate.

We determined there to be two entities in scope for our group audit. ASOS Plc being the parent entity holding investments throughout the group, and ASOS.com Limited which generates more than 99% of the group revenue through sales via the world-wide ASOS websites, and wholesale network. We performed additional procedures over intangibles assets and amortisation in the ASOS Holdings Limited entity, as well as the convertible debt, interest and intercompany balances in the Cornwall (Jersey) Limited entity.

## Materiality

The scope of our audit was influenced by our application of materiality. We set certain quantitative thresholds for materiality. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures on the individual financial statement line items and disclosures and in evaluating the effect of misstatements, both individually and in aggregate on the financial statements as a whole.

Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

| | Financial statements – group | Financial statements – company |
|---|---|---|
| **Overall materiality** | £11,500,000 (2020: £7,000,000). | £575,000 (2020: £350,000). |
| **How we determined it** | 1% of total revenue with regard to profit before tax | 1% of total assets, capped at an allocation of group materiality |
| **Rationale for benchmark applied** | Within the group there is a focus on driving sales given the group's focus on reinvesting profits into significant capital expansion to underpin future growth. At the same time, the business remains focussed on delivering an acceptable short term return as it expands sales. Having regard to both the size of the business, in particular recognising its increased scale post the acquisition of the Arcadia brands, and its profitability, £11.5m was viewed as an appropriate level to set materiality. | The company does not trade. As a result we believe that total assets is the most appropriate benchmark to use for the Company. |

For each component in the scope of our group audit, we allocated a materiality that is less than our overall group materiality. The range of materiality allocated across components was between £10,925,000 and £575,000. Certain components were audited to a local statutory audit materiality that was also less than our overall group materiality.

We use performance materiality to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds overall materiality. Specifically, we use performance materiality in determining the scope of our audit and the nature and extent of our testing of account balances, classes of transactions and disclosures, for example in determining sample sizes. Our performance materiality was 75% of overall materiality, amounting to £8,625,000 for the group financial statements and £431,250 for the company financial statements.

In determining the performance materiality, we considered a number of factors - the history of misstatements, risk assessment and aggregation risk and the effectiveness of controls - and concluded that an amount at the upper end of our normal range was appropriate.

We agreed with those charged with governance that we would report to them misstatements identified during our audit above £575,000 (group audit) (2020: £350,000) and £28,750 (company audit) (2020: £17,500) as well as misstatements below those amounts that, in our view, warranted reporting for qualitative reasons.

**Conclusions relating to going concern**

Our evaluation of the directors' assessment of the group's and the company's ability to continue to adopt the going concern basis of accounting included:

- We have obtained management's forecast budget. We have held discussions with management to understand the budgeting process and the key assumptions made in the forecasting process;
- Performed a comparison of the going concern assessment to Board-approved forecasts and, where applicable, compared these forecasts for consistency to those used elsewhere in the business, including for impairment assessments;
- Assessing whether the stress testing performed by management appropriately considered the principal risks facing the business, and were adequate;
- Evaluating the feasibility of management's mitigating actions in response to the severe stress testing scenarios; and
- We assessed the adequacy of disclosures in the Going Concern statement on page 84, the Audit Committee Report on page 57 and accounting policy in note 28 of the Financial Statements on page 120 and found these appropriately reflect our understanding of the process undertaken and the conclusion reached;and
- We assessed the level of actual and forecast liquidity within the Group, as well as the impact of sensitising a severe but plausible downside scenario on forecast available liquidity as well as available loan facilities.

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's and the company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

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.

However, because not all future events or conditions can be predicted, this conclusion is not a guarantee as to the group's and the company's ability to continue as a going concern.

In relation to the directors' reporting on how they have applied the UK Corporate Governance Code, we have nothing material to add or draw attention to in relation to the directors' statement in the financial statements about whether the directors considered it appropriate to adopt the going concern basis of accounting.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

**Reporting on other information**
The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

In connection with our audit of the financial statements, 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 audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

With respect to the Strategic report and Directors' Report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on our work undertaken in the course of the audit, the Companies Act 2006 requires us also to report certain opinions and matters as described below.

## Strategic report and Directors' Report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic report and Directors' Report for the year ended 31 August 2021 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the group and company and their environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic report and Directors' Report.

## Directors' Remuneration

In our opinion, the part of the Director's Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006.

**Corporate governance statement**
ISAs (UK) require us to review the directors' statements in relation to going concern, longer-term viability and that part of the corporate governance statement relating to the company's compliance with the provisions of the UK Corporate Governance Code, which the Listing Rules of the Financial Conduct Authority specify for review by auditors of premium listed companies. Our additional responsibilities with respect to the corporate governance statement as other information are described in the Reporting on other information section of this report.



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 and our knowledge obtained during the audit, and we have nothing material to add or draw attention to in relation to:

- The directors' confirmation that they have carried out a robust assessment of the emerging and principal risks;
- The disclosures in the Annual Report that describe those principal risks, what procedures are in place to identify emerging risks and an explanation of how these are being managed or mitigated;
- The directors' statement in the financial statements about whether they considered it appropriate to adopt the going concern basis of accounting in preparing them, and their identification of any material uncertainties to the group's and company's ability to continue to do so over a period of at least twelve months from the date of approval of the financial statements;
- The directors' explanation as to their assessment of the group's and company's prospects, the period this assessment covers and why the period is appropriate; and
- The directors' statement as to whether they have a reasonable expectation that the company will be able to continue in operation and meet its liabilities as they fall due over the period of its assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.

Our review of the directors' statement regarding the longer-term viability of the group was substantially less in scope than an audit and only consisted of making inquiries and considering the directors' process supporting their statement; checking that the statement is in alignment with the relevant provisions of the UK Corporate Governance Code; and considering whether the statement is consistent with the financial statements and our knowledge and understanding of the group and company and their environment obtained in the course of the audit.

In addition, 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 and our knowledge obtained during the audit:

- The directors' statement that they consider the Annual Report, taken as a whole, is fair, balanced and understandable, and provides the information necessary for the members to assess the group's and company's position, performance, business model and strategy;
- The section of the Annual Report that describes the review of effectiveness of risk management and internal control systems; and
- The section of the Annual Report describing the work of the audit committee

We have nothing to report in respect of our responsibility to report when the directors' statement relating to the company's compliance with the Code does not properly disclose a departure from a relevant provision of the Code specified under the Listing Rules for review by the auditors.

## Responsibilities for the financial statements and the audit

**Responsibilities of the directors for the financial statements**
As explained more fully in the Statement of Directors' Responsibilities, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they 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's and the 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 company or to cease operations, or have no realistic alternative but to do so.

## Auditors' 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 auditors' 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.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below.

Based on our understanding of the group and industry, we identified that the principal risks of non-compliance with laws and regulations related to corporate tax related matters and employee related tax matters, and we considered the extent to which non-compliance might have a material effect on the financial statements. We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls), and determined that the principal risks were related to posting inappropriate journal entries to increase revenue or profits and management bias in significant accounting estimates and judgements. Audit procedures performed by the engagement team included:

- Discussions with management, internal audit, internal legal counsel, head of tax and the Audit Committee, including consideration of known or suspected instances of non-compliance with laws and regulation or fraud;
- Identifying and testing journal entries based on our risk assessment, in particular any journal entries posted with unusual account combinations or posted by senior management, and evaluating whether there was evidence of management bias that represents a risk of misstatement due to fraud;
- Incorporating elements of unpredictability into the audit procedures performed;
- Reviewing the financial statement disclosures and testing these to supporting documentation to assess compliance with applicable laws and regulations; and
- Challenging assumptions and judgements made by management in their significant accounting estimates and judgements, in particular in relation to inventory provisioning, refund accruals and business combinations.

There are inherent limitations in the audit procedures described above. We are less likely to become aware of instances of non-compliance with laws and regulations that are not closely related to events and transactions reflected in the financial statements. Also, 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.

Our audit testing might include testing complete populations of certain transactions and balances, possibly using data auditing techniques. However, it typically involves selecting a limited number of items for testing, rather than testing complete populations. We will often seek to target particular items for testing based on their size or risk characteristics. In other cases, we will use audit sampling to enable us to draw a conclusion about the population from which the sample is selected.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditors' report.

## Use of this report

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

## Other required reporting

**Companies Act 2006 exception reporting**

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not obtained all the information and explanations we require for our audit; or
- adequate accounting records have not been kept by the company, or returns adequate for our audit have not been received from branches not visited by us; or
- certain disclosures of directors' remuneration specified by law are not made; or
- the company financial statements and the part of the Director's Remuneration Report to be audited are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.

Andrew Latham

Andrew Latham (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Watford
19 October 2021





# Consolidated Statement of Total Comprehensive Income

For the year to 31 August 2021

| | Note | Year to 31 August 2021 £m | Year to 31 August 2020 £m |
|---|---|---|---|
| **Revenue** | 3 | **3,910.5** | 3,263.5 |
| Cost of sales | | **(2,134.1)** | (1,716.1) |
| **Gross profit** | | **1,776.4** | 1,547.4 |
| Distribution expenses | | **(509.5)** | (444.6) |
| Administrative expenses | | **(1,076.8)** | (951.7) |
| **Operating profit** | 4 | **190.1** | 151.1 |
| Finance income | 6 | **0.2** | 0.5 |
| Finance expense | 7 | **(13.2)** | (9.5) |
| **Profit before tax** | | **177.1** | 142.1 |
| Income tax expense | 8 | **(48.7)** | (28.8) |
| **Profit for the year** | | **128.4** | 113.3 |
| | | | |
| **Profit for the year attributable to owners of the parent company** | | **128.4** | 113.3 |
| | | | |
| Net translation movements offset in reserves | | **(0.5)** | 0.1 |
| Net fair value gain/(loss) on derivative financial instruments | 19 | **38.4** | (13.9) |
| Income tax relating to these items | 8 | **(8.1)** | 2.9 |
| **Other comprehensive income/(loss) for the year[1]** | | **29.8** | (10.9) |
| **Total comprehensive income for the year attributable to owners of the parent company[2]** | | **158.2** | 102.4 |
| | | | |
| **Earnings per share attributable to the owners of the parent company during the year** | | | |
| Basic per share | 9 | **128.9p** | 126.3p |
| Diluted per share | 9 | **125.5p** | 125.6p |

1 All items of other comprehensive income/(loss) will subsequently be reclassified to profit or loss.
2 The results for the year shown are derived completely from continuing activities.

## Consolidated Statement of Changes in Equity

For the year to 31 August 2021

| | Note | Called up share capital £m | Share premium £m | Retained earnings[1] £m | Employee Benefit Trust reserve[2] £m | Hedging reserve £m | Equity portion of convertible debt £m | Translation reserve £m | Total equity £m |
|---|---|---|---|---|---|---|---|---|---|
| At 1 September 2020 | | 3.5 | 245.7 | 577.0 | 2.0 | (15.8) | – | (2.1) | 810.3 |
| Profit for the year | | – | – | **128.4** | – | – | – | – | **128.4** |
| Other comprehensive income/(loss) for the year | | – | – | – | – | **30.1** | – | **(0.3)** | **29.8** |
| Total comprehensive income/(loss) for the year | | – | – | **128.4** | – | **30.1** | – | **(0.3)** | **158.2** |
| Issue of convertible bond | 24 | – | – | – | – | – | **58.9** | – | **58.9** |
| Recognition of gross obligation to purchase own shares | 24 | – | – | **(2.8)** | – | – | – | – | **(2.8)** |
| Net cash received on exercise of shares from Employee Benefit Trust | 18 | – | – | – | **0.1** | – | – | – | **0.1** |
| Share-based payments charge | 20 | – | – | **9.4** | – | – | – | – | **9.4** |
| Tax relating to share option scheme | 8 | – | – | **(0.1)** | – | – | – | – | **(0.1)** |
| **Balance as at 31 August 2021** | | **3.5** | **245.7** | **711.9** | **2.1** | **14.3** | **58.9** | **(2.4)** | **1,034.0** |
| At 1 September 2019 | | 2.9 | 6.9 | 449.5 | 1.3 | (4.8) | | (2.2) | 453.6 |
| Profit for the year | | – | – | 113.3 | – | – | – | – | 113.3 |
| Other comprehensive income/(loss) for the year | | – | – | – | – | (11.0) | – | 0.1 | (10.9) |
| Total comprehensive income/(loss) for the year | | – | – | 113.3 | – | (11.0) | – | 0.1 | 102.4 |
| Proceeds from share issue, net of transaction costs | 18 | 0.6 | 238.8 | – | – | – | – | – | 239.4 |
| Net cash received on exercise of shares from Employee Benefit Trust | 18 | – | – | – | 0.7 | – | – | – | 0.7 |
| Share-based payments charge | 20 | – | – | 12.9 | – | – | – | – | 12.9 |
| Tax relating to share option scheme | 8 | – | – | 1.3 | – | – | – | – | 1.3 |
| Balance as at 31 August 2020 | | 3.5 | 245.7 | 577.0 | 2.0 | (15.8) | – | (2.1) | 810.3 |

1 Retained earnings includes the share-based payments reserve.
2 Employee Benefit Trust and Link Trust.





## Consolidated Statement of Financial Position

As at 31 August 2021

| | Note | At 31 August 2021 £m | At 31 August 2020 £m |
|---|---|---|---|
| **Non-current assets** | | | |
| Goodwill | 10 | **33.1** | 1.1 |
| Other intangible assets | 11 | **619.1** | 346.9 |
| Property, plant and equipment | 12 | **659.2** | 616.8 |
| Derivative financial asset | 19 | **13.4** | 4.8 |
| | | **1,324.8** | 969.6 |
| **Current assets** | | | |
| Inventories | | **807.1** | 532.4 |
| Trade and other receivables | 13 | **57.7** | 60.3 |
| Derivative financial asset | 19 | **23.5** | 19.6 |
| Cash and cash equivalents | 14 | **662.7** | 407.5 |
| Current tax asset | | **8.7** | – |
| | | **1,559.7** | 1,019.8 |
| **Current liabilities** | | | |
| Trade and other payables | 15 | **(956.1)** | (769.8) |
| Borrowings | 24 | **(3.8)** | – |
| Lease liabilities | 16 | **(23.9)** | (22.3) |
| Derivative financial liability | 19 | **(14.2)** | (25.4) |
| Current tax liability | | **–** | (0.3) |
| | | **(998.0)** | (817.8) |
| **Net current assets** | | **561.7** | 202.0 |
| **Non-current liabilities** | | | |
| Lease liabilities | 16 | **(305.0)** | (290.8) |
| Deferred tax liability | 17 | **(41.3)** | (11.4) |
| Provisions | 25 | **(43.2)** | (36.3) |
| Derivative financial liability | 19 | **(3.6)** | (22.8) |
| Borrowings | 24 | **(459.4)** | – |
| | | **(852.5)** | (361.3) |
| **Net assets** | | **1,034.0** | 810.3 |
| **Equity attributable to owners of the parent** | | | |
| Called up share capital | 18 | **3.5** | 3.5 |
| Share premium | | **245.7** | 245.7 |
| Employee Benefit Trust reserve | | **2.1** | 2.0 |
| Hedging reserve | | **14.3** | (15.8) |
| Translation reserve | | **(2.4)** | (2.1) |
| Equity portion of convertible debt | | **58.9** | – |
| Retained earnings | | **711.9** | 577.0 |
| **Total equity** | | **1,034.0** | 810.3 |

Notes 1 to 28 are an integral part of the financial statements.

The consolidated financial statements of ASOS Plc, registered number 4006623, on pages 95 to 125, were approved by the Board of Directors and authorised for issue on 19 October 2021 and were signed on its behalf by:

**Mat Dunn**
Chief Operating Officer & Chief Financial Officer

# Consolidated Statement of Cash Flows

For the year to 31 August 2021

| | Note | Year to 31 August 2021 £m | Year to 31 August 2020 £m |
|---|---|---|---|
| **Operating profit** | | **190.1** | 151.1 |
| Adjusted for: | | | |
| Depreciation of property, plant and equipment | 4 | **61.1** | 57.4 |
| Amortisation of other intangible assets | 4 | **74.4** | 60.0 |
| Impairment of assets | 4 | **0.1** | 4.1 |
| (Increase)/decrease in inventories | | **(226.7)** | 4.4 |
| Decrease in trade and other receivables | | **1.9** | 6.5 |
| Increase in trade and other payables | | **150.6** | 129.4 |
| Share-based payments charge | 20 | **7.6** | 10.9 |
| Other non-cash items | | **(7.0)** | – |
| Income tax paid | | **(37.0)** | (20.5) |
| **Net cash generated from operating activities** | | **215.1** | 403.3 |
| **Investing activities** | | | |
| Payments to acquire intangible assets | | **(102.0)** | (88.4) |
| Payments to acquire property, plant and equipment | | **(55.1)** | (28.2) |
| Payments to acquire assets in a business combination | 26 | **(286.4)** | – |
| Dividends from investments | | **0.1** | – |
| Finance income | | **0.2** | 0.5 |
| **Net cash used in investing activities** | | **(443.2)** | (116.1) |
| **Financing activities** | | | |
| Proceeds from share issue, net of transaction costs | | **–** | 239.4 |
| Proceeds from/(repayment of) borrowings | 24 | **21.9** | (75.0) |
| Proceeds from convertible bond issue, net of transaction costs | 24 | **491.0** | – |
| Principal portion of lease liabilities | 16 | **(23.9)** | (21.4) |
| Net cash inflow relating to Employee Benefit Trust | | **0.1** | 0.7 |
| Finance expense | | **(5.7)** | (8.0) |
| **Net cash generated from financing activities** | | **483.4** | 135.7 |
| **Net increase in cash and cash equivalents** | | **255.3** | 422.9 |
| **Opening cash and cash equivalents** | | **407.5** | (15.5) |
| Effect of exchange rates on cash and cash equivalents | | **(0.1)** | 0.1 |
| **Closing cash and cash equivalents** | 14 | **662.7** | 407.5 |





# Notes to the Financial Statements

For the year to 31 August 2021

**1 SIGNIFICANT ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY**

In the course of preparing the financial statements, management necessarily makes estimates and judgements that affect the application of policies and reported amounts. Estimates and judgements are continually reviewed and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the current circumstances. Actual results may differ from the initial estimate or judgement and any subsequent changes are accounted for with an effect on the financial statements at the time such updated information becomes available. The Audit Committee considers estimates and judgements made by management, as detailed in the Audit Committee Report on pages 55 to 61.

The estimates and judgements which have the most significant risk of resulting in a material adjustment to the carrying amount of assets and liabilities within the next 12 months are:

**Accounting estimates**

***Inventory valuation***

Inventory is carried at the lower of cost and net realisable value, on a weighted average cost basis, which requires an estimation of products' future selling prices. A provision is also made to write down any slow-moving or obsolete inventory to net realisable value. The provision is £40.4m at 31 August 2021 (2020: £36.5m), an overall charge to the consolidated statement of comprehensive income of £3.9m (2020: £25.2m) was recognised during the year. A difference of 1.9% in the provision as a percentage of gross inventory would give rise to a difference of +/- £15.2m in gross margin. The choice of a 1.9% change for the determination of sensitivity represents the change to the level of provisioning for the prior year.

***Refund accruals***

Accruals for sales returns are estimated on the basis of historical returns and are recorded so as to allocate them to the same period in which the original revenue is recorded. These accruals are reviewed regularly and updated to reflect management's latest best estimates. Despite the increased uncertainty associated with COVID-19, management do not believe that the difference between the accrual estimate and actual returns will be material. The accrual for net refunds totalled £58.7m at 31 August 2021 (2020: £62.5m). The expected returns rate would need to differ to actual returns by 4.0% to have an impact of +/- £24.6 million on reported revenue and +/- £11.0 million on operating profit. The choice of a 4.0% change for the determination of sensitivity represents a reasonable, but not extreme, variation in the return rate.

***Depreciation of property, plant and equipment and amortisation of other intangible assets***

Depreciation and amortisation are provided to write down assets to their residual values over their estimated useful lives. As Domains have indefinite useful lives they are not amortised. The determination of these residual values and estimated lives, and any change to the residual values or estimated lives, requires the exercise of management judgement. The average UEL (useful economic life) for intangible assets is 6.8 years with the average UEL for tangible assets being 4.6 years. UELs applied to non-indefinite lived assets range from 3-20 years. A difference of 1 year to the UELs of property, plant and equipment and other intangible assets gives rise to a +£14.1m/- £21.1m impact to operating profit. See Notes 11 and 12 on pages 106 and 107.

**Accounting judgements**

***Legal contingencies***

Where legal proceedings are brought against the Group and material future economic outflow is considered possible but not probable, or cannot be reliably measured, the Group discloses the nature of the contingent liability in the notes to the financial statements but does not recognise a liability in respect of the contingency.

A liability is recognised only when a future economic outflow is probable and the amount of that outflow can be reliably measured. Judgement is required in the determination of probability and as to whether the Group's exposure can be reliably estimated.

***Calculation of share-based payment charges***

The charge related to equity-settled transactions with employees is measured by reference to the fair value of the equity instruments at the date they are granted, using an appropriate valuation model selected according to the terms and conditions of the grant. Judgement is applied in determining the most appropriate valuation model and estimates are used in determining the inputs to the model. Third-party experts are engaged to advise in this area where necessary. Judgements are also applied in relation to estimations of the number of options which are expected to vest, by reference to historic leaver rates and expected outcomes under relevant performance conditions. See Note 20 on page 115.

## 2 CHANGES TO ACCOUNTING POLICIES

The following new standards, and amendments to standards have been adopted by the Group for the first time during the year commencing 1 September 2020:

- Amendments to References to the Conceptual Framework in IFRS Standards
- Amendments to IFRS 3: Business Combination
- Amendments to IAS 1 and IAS 8: Definition of Material

The following standards have been published and are mandatory for accounting periods beginning after 1 September 2020 but have not been early adopted by the Group or Company and could have an impact on the Group and Company financial statements:

- Amendments to IAS 1: Presentation of Financial Statements: Classification of Liabilities as Current or Non-current and Amendments to IAS 1: Classification of Liabilities as Current or Non-current – Deferral of Effective Date – effective 1 January 2023
- Amendments to IFRS 3: Business Combinations – Reference to the Conceptual Framework – effective 1 January 2022
- Amendments to IAS 16: Property, Plant and Equipment – effective 1 January 2022
- Amendments to IAS 37: Provisions, Contingent Liabilities and Contingent Assets – effective 1 January 2022
- Annual Improvements to IFRS Standards 2018-2020 Cycle – 1 January 2022

The impact of new accounting standards, which have been adopted for the first time during the year commencing 1 September 2020, have not had a material impact on the Group. The standards which have been published but not yet adopted are not expected to have a material impact on the Group.

## 3 SEGMENTAL ANALYSIS

IFRS 8 'Operating Segments' requires operating segments to be determined based on the Group's internal reporting to the Chief Operating Decision Maker. The Chief Operating Decision Maker has been determined to be the Executive Committee which receives information on the basis of the Group's operations in key geographical territories, based on the Group's management and internal reporting structure. Based on this assessment the Group consider there to be 4 operating segments. The ASOS Plc Board assesses the performance of each segment based on revenue and KPIs reflecting territory and customer performance.

See Note 28 for the Group's accounting policy on revenue recognition.

| | Year to 31 August 2021 | | | | |
|---|---|---|---|---|---|
| | UK £m | EU £m | US £m | RoW[1] £m | Total £m |
| Retail sales | 1,595.7 | 1,156.5 | 442.0 | 589.6 | 3,783.8 |
| Income from other services[2] | 56.3 | 28.8 | 24.2 | 17.4 | 126.7 |
| Total revenues | 1,652.0 | 1,185.3 | 466.2 | 607.0 | 3,910.5 |
| Cost of sales | | | | | (2,134.1) |
| Gross profit | | | | | 1,776.4 |
| Distribution expenses | | | | | (509.5) |
| Administrative expenses | | | | | (1,076.8) |
| Operating profit | | | | | 190.1 |
| Finance income | | | | | 0.2 |
| Finance expense | | | | | (13.2) |
| Profit before tax | | | | | 177.1 |

1 Rest of World.
2 Income from other services comprises delivery receipt payments, wholesale sales and marketing services.



## 3 SEGMENTAL ANALYSIS – CONTINUED

| | Year to 31 August 2020 | | | | |
|---|---|---|---|---|---|
| | UK £m | EU £m | US £m | RoW[1] £m | Total £m |
| Retail sales | 1,175.9 | 1,005.3 | 401.9 | 587.9 | 3,171.0 |
| Income from other services[2] | 38.2 | 24.9 | 13.4 | 16.0 | 92.5 |
| Total revenues | 1,214.1 | 1,030.2 | 415.3 | 603.9 | 3,263.5 |
| Cost of sales | | | | | (1,716.1) |
| Gross profit | | | | | 1,547.4 |
| Distribution expenses | | | | | (444.6) |
| Administrative expenses | | | | | (951.7) |
| Operating profit | | | | | 151.1 |
| Finance income | | | | | 0.5 |
| Finance expense | | | | | (9.5) |
| Profit before tax | | | | | 142.1 |

1 Rest of World.
2 Income from other services comprises delivery receipt payments and marketing services.

Due to the nature of its activities, the Group is not reliant on any individual major customers.

No analysis of the assets and liabilities of each operating segment is provided to the Chief Operating Decision Maker in the monthly management accounts.

The total amount of non-current assets (excluding derivatives and goodwill) located in the UK is £994.1m (2020: £679.6m), EU (Germany): £193.6m (2020: £204.0m), US: £90.6m (2020: £80.1m), and RoW: £nil (2020: £nil).

## 4 OPERATING PROFIT

| | Year to 31 August 2021 £m | Year to 31 August 2020 £m |
|---|---|---|
| **a) Operating profit is stated after charging** | | |
| Depreciation of property, plant and equipment | 61.1 | 57.4 |
| Amortisation of other intangible assets | 74.4 | 60.0 |
| Impairment of assets | 0.1 | 4.1 |
| Cost of inventory recognised as an expense | 2,136.5 | 1,677.8 |
| Adjustment of inventories to net realisable value | 2.3 | 23.3 |
| Net foreign exchange losses | 1.4 | 5.5 |
| Short-term/low value leases | 0.6 | 2.5 |
| **b) Auditors' remuneration:** | | |
| Audit and audit-related services: | | |
| Statutory audit of parent company and consolidated financial statements | 0.3 | 0.3 |
| Statutory audit of the Company's subsidiaries pursuant to legislation | 0.1 | 0.1 |
| | 0.4 | 0.4 |

Costs relating to the audit of the parent company are borne by ASOS.com Limited. The policy for the approval of non-audit fees is set out in the Audit Committee Report on pages 55 to 61. Costs related to non-audit services provided by the Group's auditors were less than £0.1m (2020: less than £0.1m).

## 5 STAFF COSTS INCLUDING DIRECTORS' REMUNERATION

The Group's monthly average number of employees during the year was as follows:

| | Year to 31 August 2021 | Year to 31 August 2020 |
|---|---|---|
| By activity: | | |
| Fashion | 1,145 | 1,063 |
| Operations | 1,130 | 1,969 |
| Technology | 742 | 792 |
| | 3,017 | 3,824 |

The Group's costs for employees, including Directors, during the year were as follows:

| | Year to 31 August 2021 £m | Year to 31 August 2020 £m |
|---|---|---|
| Wages and salaries | 177.6 | 189.0 |
| Social security costs | 20.6 | 18.5 |
| Other pension costs | 7.3 | 7.3 |
| Share-based payments charge (Note 20) | 9.4 | 12.9 |
| Gross total | 214.9 | 227.7 |
| Less: staff costs capitalised in relation to capital projects | (53.0) | (44.5) |
| | 161.9 | 183.2 |

The Group contributes to the personal pension plans of certain employees under a defined contribution scheme. The costs of these contributions are charged to the Statement of Total Comprehensive Income on an accruals basis as they become payable under the scheme rules.

The aggregate compensation to key management personnel, being the Directors of ASOS Plc (Executive and Non-executive) plus the members of the Executive Committee of ASOS.com Limited, was as follows:

| | Year to 31 August 2021 £m | Year to 31 August 2020 £m |
|---|---|---|
| Short-term employee benefits | 8.9 | 7.0 |
| Post-employment benefits | 0.2 | 0.3 |
| Share-based payments charge | 2.5 | 3.5 |
| | 11.6 | 10.8 |

The highest-paid Director exercised 5,903 share options during the year (2020: 5,736); all other components of the highest-paid Director's remuneration are detailed in the Directors' remuneration table on page 75.

Directors' aggregate emoluments and pension payments are detailed in the Directors' Remuneration Report on pages 64 to 82, along with Directors' interests in issued shares and share options on page 79.

## 6 FINANCE INCOME

Finance income receivable on cash and cash equivalents is recognised in the Consolidated Statement of Total Comprehensive Income as it is earned.

| | Year to 31 August 2021 £m | Year to 31 August 2020 £m |
|---|---|---|
| Interest receivable on cash and cash equivalents | 0.2 | 0.5 |

## 7 FINANCE EXPENSE

Finance expense payable on cash and cash equivalents and borrowings is recognised in the Consolidated Statement of Total Comprehensive Income in the period to which it relates. Finance expense on amortisation of lease liabilities and the liability portion of convertible bonds is recognised in the period to which it relates.

| | Year to 31 August 2021 £m | Year to 31 August 2020 £m |
|---|---|---|
| Interest payable on cash and cash equivalents | 2.0 | 4.5 |
| Interest on convertible bond | 6.1 | – |
| IFRS 16 lease interest | 5.1 | 5.0 |
| | 13.2 | 9.5 |

## 8 INCOME TAX EXPENSE

See Note 28 for the Group's accounting policy on taxation.

| | Year to 31 August 2021 £m | Year to 31 August 2020 £m |
|---|---|---|
| Tax on profit | 32.0 | 25.5 |
| Adjustment in respect of prior year corporation tax | (0.3) | 0.2 |
| **Total current tax charge** | 31.7 | 25.7 |
| Deferred tax | | |
| – Origination and reversal of temporary differences | 5.0 | 3.1 |
| – Effect of changes in tax rates | 9.7 | – |
| – Adjustments in respect of prior years | 2.3 | – |
| Total deferred tax charge | 17.0 | 3.1 |
| **Tax on profit** | 48.7 | 28.8 |
| ***Effective tax rate*** | *27.5%* | *20.3%* |

## 8 INCOME TAX EXPENSE – CONTINUED

**Reconciliation of tax charge**

The tax on the Group's profit before tax differs from the income tax expense as follows:

| | Year to 31 August 2021 £m | Year to 31 August 2020 £m |
|---|---|---|
| Profit before tax | 177.1 | 142.1 |
| Tax on profit at standard rate of UK corporation tax of 19% (2020: 19%) | 33.7 | 27.0 |
| Effects of: | | |
| Expenses not deductible for taxation purposes | 2.1 | (0.6) |
| Rate differences: overseas tax | 0.1 | 0.1 |
| Remeasurement of deferred tax – changes in the UK tax rate | 9.7 | 1.9 |
| Tax adjustments on share-based payments | 1.1 | 0.2 |
| Adjustment in respect of prior years | 2.0 | 0.2 |
| Tax on profit | 48.7 | 28.8 |

**Tax recognised in other comprehensive income**

| | Year to 31 August 2021 £m | Year to 31 August 2020 £m |
|---|---|---|
| Deferred tax credit on net translation movements offset in reserves | 0.2 | 0.1 |
| Deferred tax (charge)/credit on movement of derivative financial instruments | (8.3) | 2.8 |
| | (8.1) | 2.9 |

**Tax recognised in the statement of changes in equity**

| | Year to 31 August 2021 £m | Year to 31 August 2020 £m |
|---|---|---|
| Deferred tax (charge)/credit on movement in tax base of share options | (0.1) | 1.3 |

Amounts which have been recognised in equity are included in the Consolidated Statement of Changes in Equity on page 96.

As at the 31 August 2021, the Group are working with several tax authorities on export VAT audits and are providing evidence for zero rating for VAT purposes. Management expect to resolve all outstanding queries with the relevant authorities and believes all sales treated as zero-rated have had the correct VAT rate applied in line with relevant laws.



## 9 EARNINGS PER SHARE

Basic earnings per share is calculated by dividing the profit attributable to the owners of the parent company by the weighted average number of ordinary shares in issue during the year. Own shares held by the Employee Benefit Trust and Link Trust are eliminated from the weighted average number of ordinary shares.

Diluted earnings per share is calculated by dividing the earnings by the weighted average number of ordinary shares in issue during the year, adjusted for the effects of potentially dilutive ordinary shares.

| | Year to 31 August 2021 | Year to 31 August 2020 |
|---|---|---|
| **Weighted average share capital** | | |
| Weighted average shares in issue for basic earnings per share (no. of shares) | 99,590,828 | 89,697,034 |
| Weighted average effect of dilutive options (no. of shares) | 341,014 | 443,417 |
| Weighted average effect of convertible bond (no. of shares) | 6,277,464 | – |
| Weighted average shares in issue for diluted earnings per share (no. of shares) | 106,209,306 | 90,140,451 |
| **Earnings (£m)** | | |
| Earnings attributable to owners of the parent company for basic earnings per share | 128.4 | 113.3 |
| Interest expense on convertible bonds | 4.9 | – |
| Diluted earnings attributable to owners of the parent company for diluted earnings per share | 133.3 | 113.3 |
| **Basic earnings per share** | 128.9p | 126.3p |
| **Diluted earnings per share** | 125.5p | 125.6p |

## 10 GOODWILL

See Note 28 and details below for the Group's accounting policy on goodwill.

| | Total £m |
|---|---|
| **Cost** | |
| At 1 September 2020 | 1.4 |
| **Additions arising as a result of a business combination** | 32.0 |
| **At 31 August 2021** | 33.4 |
| **Accumulated impairment losses** | |
| **1 September 2020 and 31 August 2021** | (0.3) |
| **Carrying value** | |
| **At 31 August 2021** | 33.1 |
| At 31 August 2020 | 1.1 |

Goodwill is not amortised, but tested annually for impairment with the recoverable amount being determined from value-in-use calculations. The goodwill balance relates to the historic acquisition of ASOS.com Limited, a 100% subsidiary of the Group and the acquisition of the trade and assets from the Arcadia Group.

Goodwill has been allocated for impairment testing purposes to the Group's singular cash-generating unit (CGU), the ASOS.com CGU. The key assumptions for the value-in-use calculations are the long-term growth rate of 1.5% and the discount rate of 8.8%. Value-in-use was calculated from cash flow projections for three years using data from the Group's latest results and financial forecasts approved by the Board thereafter a terminal value is calculated. The budgeted cash flow assumes a growth rate which is higher than the long-term growth rate of the UK economy, based on the Group's recent performance and current performance expectations. No reasonably possible change in the assumptions used in the value-in-use calculations could result in a material impairment of goodwill.

## 11 OTHER INTANGIBLE ASSETS

See Note 28 for the Group's accounting policy on intangible assets.

| | Brands £m | Customer relationships £m | Domain names £m | Software £m | Assets under construction £m | Total £m |
|---|---|---|---|---|---|---|
| **Cost** | | | | | | |
| At 1 September 2019 | – | – | 0.2 | 375.1 | 84.6 | 459.9 |
| Additions | – | – | – | 62.1 | 23.3 | 85.4 |
| Transfers | – | – | – | 14.6 | (14.6) | – |
| Disposals | – | – | – | (4.1) | – | (4.1) |
| Impairments | – | – | – | (4.5) | – | (4.5) |
| At 31 August 2020 | – | – | 0.2 | 443.2 | 93.3 | 536.7 |
| **Additions** | **219.4** | **24.4** | **–** | **90.3** | **12.8** | **346.9** |
| **Transfers** | **–** | **–** | **–** | **105.3** | **(105.3)** | **–** |
| **Disposals** | **–** | **–** | **–** | **(0.7)** | **–** | **(0.7)** |
| **Impairments** | **–** | **–** | **–** | **(1.3)** | **–** | **(1.3)** |
| **At 31 August 2021** | **219.4** | **24.4** | **0.2** | **636.8** | **0.8** | **881.6** |
| **Accumulated amortisation** | | | | | | |
| At 1 September 2019 | – | – | – | 134.8 | – | 134.8 |
| Charge for the year | – | – | – | 60.0 | – | 60.0 |
| Disposals | – | – | – | (4.1) | – | (4.1) |
| Impairments | – | – | – | (0.9) | – | (0.9) |
| At 31 August 2020 | – | – | – | 189.8 | – | 189.8 |
| **Charge for the year** | **4.3** | **1.7** | **–** | **68.4** | **–** | **74.4** |
| **Disposals** | **–** | **–** | **–** | **(0.5)** | **–** | **(0.5)** |
| **Impairments** | **–** | **–** | **–** | **(1.2)** | **–** | **(1.2)** |
| **At 31 August 2021** | **4.3** | **1.7** | **–** | **256.5** | **–** | **262.5** |
| **Net book amount** | | | | | | |
| **At 31 August 2021** | **215.1** | **22.7** | **0.2** | **380.3** | **0.8** | **619.1** |
| At 31 August 2020 | – | – | 0.2 | 253.4 | 93.3 | 346.9 |

All domain names have been determined to have an indefinite useful life as they are integral to the ongoing functions of the Group, and are assessed for impairment annually based on their value-in-use. Domain names have been allocated for impairment testing to the ASOS.com CGU. No impairment charge in respect of domain names has been recognised during the year (2020: £nil).

As at 31 August 2021 there were no significant assets under construction.

Acquired brands and customer relationships relate to brand names and wholesale customer relationships acquired from the Arcadia Group. These assets are amortised over their expected useful lives of between 8 and 30 years.

Total additions arising from internal development projects were £83.7m (2020: £69.0m).



## 12 PROPERTY, PLANT AND EQUIPMENT

See Note 28 for the Group's accounting policy on property, plant and equipment.

| | Right of use assets[1] £m | Fixtures, fittings, plant and machinery £m | Computer equipment £m | Assets under construction £m | Total £m |
|---|---|---|---|---|---|
| **Cost** | | | | | |
| At 1 September 2019 | – | 308.3 | 25.7 | 32.5 | 366.5 |
| Transition on adoption of IFRS 16 | 352.1 | – | – | – | 352.1 |
| FX | (4.0) | – | – | – | (4.0) |
| Additions | – | 25.6 | 3.8 | 0.8 | 30.2 |
| Transfers | – | 30.1 | 2.9 | (33.0) | – |
| Disposals | – | (2.3) | (2.0) | – | (4.3) |
| Impairments | – | (0.5) | – | – | (0.5) |
| At 31 August 2020 | 348.1 | 361.2 | 30.4 | 0.3 | 740.0 |
| **FX** | **(1.2)** | **–** | **–** | **–** | **(1.2)** |
| **Additions** | **49.1** | **15.2** | **3.6** | **37.0** | **104.9** |
| **Transfers** | **–** | **20.8** | **0.4** | **(21.2)** | **–** |
| **Disposals** | **–** | **(11.0)** | **–** | **–** | **(11.0)** |
| **At 31 August 2021** | **396.0** | **386.2** | **34.4** | **16.1** | **832.7** |
| **Accumulated depreciation** | | | | | |
| At 1 September 2019 | – | 59.9 | 10.6 | – | 70.5 |
| Charge for the year | 25.0 | 26.2 | 6.2 | – | 57.4 |
| FX | (0.4) | – | – | – | (0.4) |
| Disposals | – | (2.3) | (2.0) | – | (4.3) |
| At 31 August 2020 | 24.6 | 83.8 | 14.8 | – | 123.2 |
| **Charge for the year** | **26.0** | **29.1** | **6.0** | **–** | **61.1** |
| **FX** | **0.2** | **–** | **–** | **–** | **0.2** |
| **Disposals** | **–** | **(11.0)** | **–** | **–** | **(11.0)** |
| **At 31 August 2021** | **50.8** | **101.9** | **20.8** | **–** | **173.5** |
| **Net book amount** | | | | | |
| **At 31 August 2021** | **345.2** | **284.3** | **13.6** | **16.1** | **659.2** |
| At 31 August 2020 | 323.5 | 277.4 | 15.6 | 0.3 | 616.8 |

1 Right of use assets include leases for land and buildings with a net book value of £341.8m (2020: £323.5m) and equipment with a net book value of £3.4m (2020:nil).

Significant assets under construction as at 31 August 2021 related to amounts spent to automate the Atlanta fulfilment centre (2020: none).

## 13 TRADE AND OTHER RECEIVABLES

Trade receivables are non-interest bearing and are initially recognised at fair value and subsequently measured at amortised cost less an allowance for expected credit losses. Such allowances are based on an individual assessment of each receivable, which is informed by past experience, and are recognised at amounts equal to the losses expected to result from all possible default events over the life of each financial asset. The Group also performs analysis on a case by case basis for particular trade receivables with irregular payment patterns or history.

| | 31 August 2021 £m | 31 August 2020 £m |
|---|---|---|
| Trade receivables | **41.7** | 21.2 |
| Provision for doubtful debts | **(0.1)** | (0.1) |
| Trade receivables net of provision for doubtful debts | **41.6** | 21.1 |
| Prepayments | **8.5** | 10.1 |
| Other receivables | **7.6** | 29.1 |
| | **57.7** | 60.3 |

The other receivables balance includes £4.8m of UK VAT receivables (2020: £13.0m). The fair value of trade and other receivables is not materially different from their carrying value.

At 31 August 2021, the provision for impairment was £0.1m (2020: £0.1m).

Movements in the provision for impairment of trade receivables are as follows:

| | Year to 31 August 2021 £m | Year to 31 August 2020 £m |
|---|---|---|
| At start of year | **(0.1)** | (0.1) |
| Provided during the year | **–** | – |
| At end of year | **(0.1)** | (0.1) |

As at 31 August 2021, trade receivables of £6.8m (2020: £2.1m) were past due but not impaired.

The maximum exposure to credit risk at the reporting date is the carrying value of each class of receivables mentioned above. The Group does not hold any collateral as security.

## 14 CASH AND CASH EQUIVALENTS

| | 31 August 2021 £m | 31 August 2020 £m |
|---|---|---|
| Net movement in cash and cash equivalents | **255.3** | 422.9 |
| Opening cash and cash equivalents | **407.5** | (15.5) |
| Effect of exchange rates on cash and cash equivalents | **(0.1)** | 0.1 |
| Closing cash and cash equivalents | **662.7** | 407.5 |

Cash and cash equivalents includes short-term deposits with banks and other financial institutions, with an initial maturity of three months or less and credit card payments received within 72 hours. Bank transactions are recorded on their settlement date.

## 15 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 rate method.

| | 31 August 2021 £m | 31 August 2020 £m |
|---|---|---|
| Trade payables and accruals | **394.4** | 353.2 |
| Taxation and social security | **8.7** | 11.7 |
| Non-trade accruals | **314.0** | 267.8 |
| Other payables | **239.0** | 137.1 |
| | **956.1** | 769.8 |

Trade payables and accruals includes trade payables and goods received not invoiced, freight and duty accruals. Non-trade accruals consist of refund and refund related accruals, warehouse and distribution accruals, payroll, marketing and occupancy accruals. Other payables includes VAT payables, non-stock creditors and deferred income. The fair value of trade, other payables and accruals is not materially different from their carrying value.

Provisions associated with dilapidations for leased assets are disclosed separately within Note 25.

## 16 LEASES

See Note 28 for the Group's accounting policy on lease liabilities. The following amounts are included in the Group's consolidated financial statements in respect of its leases:

| | Year to 31 August 2021 £m | Year to 31 August 2020 £m |
|---|---|---|
| Depreciation charge for right-of-use assets (excluding impairment) (see Note 12) | **(26.0)** | (25.0) |
| Interest expense on lease liabilities | **(5.1)** | (5.0) |
| Expense relating to short-term leases | **(0.4)** | (2.3) |
| Expense relating to leases of low value assets that are not shown above as short-term leases | **(0.1)** | (0.1) |
| Total cash outflow for leases comprising interest and capital payments | **(28.6)** | (26.4) |

| **Lease liabilities** | 31 August 2021 £m | 31 August 2020 £m |
|---|---|---|
| The minimum lease payments under finance leases fall due as follows: | | |
| Within one year | **(28.3)** | (26.1) |
| Within two to five years | **(120.0)** | (129.1) |
| Within five to ten years | **(132.5)** | (121.3) |
| In more than ten years | **(76.7)** | (67.3) |
| | **(357.5)** | (343.8) |
| Future finance charge on lease liabilities | **28.6** | 30.7 |
| Present value of future leases | **(328.9)** | (313.1) |
| **Balance sheet lease liabilities** | | |
| Current | **(23.9)** | (22.3) |
| Non-current | **(305.0)** | (290.8) |
| | **(328.9)** | (313.1) |

## 17 DEFERRED TAX (LIABILITY)/ASSET

| | Accelerated capital allowances £m | Share-based payments £m | Derivatives and FX £m | Other £m | Total £m |
|---|---|---|---|---|---|
| At 1 September 2019 | (8.0) | 0.4 | 1.4 | (6.4) | (12.6) |
| (Charge)/credit to the Statement of Total Comprehensive Income | (2.3) | 0.9 | 2.9 | (1.6) | (0.1) |
| Credit to equity (see Note 8) | – | 1.3 | – | – | 1.3 |
| At 31 August 2020 | (10.3) | 2.6 | 4.3 | (8.0) | (11.4) |
| Charge to the Statement of Total Comprehensive Income | **(9.6)** | **–** | **(8.1)** | **(7.5)** | **(25.2)** |
| (Charge) to goodwill | **–** | **–** | **–** | **(4.6)** | **(4.6)** |
| (Charge) to equity (see Note 8) | **–** | **(0.1)** | **–** | **–** | **(0.1)** |
| At 31 August 2021 | **(19.9)** | **2.5** | **(3.8)** | **(20.1)** | **(41.3)** |

The other deferred tax liability comprises:

| | 31 August 2021 £m | 31 August 2020 £m |
|---|---|---|
| Research and Development credits to be taken upfront | **(18.1)** | (10.7) |
| Research and Development credits to be deferred over the life of the associated assets | **2.4** | 1.4 |
| Unpaid provisions and accruals | **0.8** | 0.8 |
| Unpaid pension expenses | **0.4** | 0.4 |
| Disallowable dilapidations provision | **0.4** | 0.1 |
| Temporary differences arising on acquired customer relationships | **(5.7)** | – |
| Temporary deductions arising on the amortisation of acquired brands | **(0.2)** | |
| Temporary differences arising as a result of IFRS 16 | **(0.1)** | |
| | **(20.1)** | (8.0) |

The deferred tax assets and liabilities have been offset as they are due to reverse in the same jurisdiction.

On 3 March 2021 the Chancellor of the Exchequer announced the intention to increase the corporation tax rate from 19% to 25% effective from 1 April 2023. This has now been substantively enacted and as a result a rate change adjustment has arisen in respect of deferred tax which is expected to unwind at the higher rate of 25%.

## 18 CALLED UP SHARE CAPITAL

| | 31 August 2021 £m | 31 August 2020 £m |
|---|---|---|
| Authorised: | | |
| 100,000,000 (2020: 100,000,000) ordinary shares of 3.5p each | **3.5** | 3.5 |
| Allotted, issued and fully paid: | | |
| 99,837,096 (2020: 99,764,802) ordinary shares of 3.5p each | **3.5** | 3.5 |

| | No. of shares | No. of shares |
|---|---|---|
| **Ordinary shares (Issued)** | | |
| Beginning of year | **99,764,802** | 83,872,275 |
| New ordinary shares issued for cash – share placing | **–** | 15,805,943 |
| Employee share scheme issues | **72,294** | 86,584 |
| End of year | **99,837,096** | 99,764,802 |

During the year, 72,294 (2020: 86,584) ordinary shares of 3.5 pence each were issued as a result of the exercise of various employee share options. Total consideration received in respect of the exercise of the employee share options was £0.1m (2020: £nil). No shares were issued to the Chair (2020: nil), as part of his remuneration package.



## 18 CALLED UP SHARE CAPITAL – CONTINUED

**Employee Benefit Trust**

The provision of shares to satisfy some of the Group's share incentive plans is facilitated by purchases of own shares by the Group's Employee Benefit Trust and Link Trust (the 'Trusts'). Shares held by the Trusts are valued at the weighted average historical cost of the shares acquired and the carrying value is shown as a reduction within shareholders' equity. The costs of operating the Trusts are borne by the Group and are not material.

During the year to 31 August 2021, 8,866 shares (2020: 25,901 shares) were transferred from the Trusts to employees in settlement of share options and awards in exchange for cash consideration of £0.1m (2020: £0.7m). Nil shares (2020: nil) were purchased by the Trusts to satisfy future options and awards, at a cost of £nil (2020: £nil). The Trusts have waived the right to receive dividends on these shares.

At 31 August 2021, 236,701 shares were held by the Trusts (2020: 245,567 shares). The total value in reserves was a credit balance of £2.1m (2020: a credit balance of £2.0m).

## 19 FINANCIAL INSTRUMENTS

**Categories of financial instruments**

| | 31 August 2021 £m | 31 August 2020 £m |
|---|---|---|
| **Financial assets** | | |
| Derivative assets used for hedging at fair value | **36.9** | 24.4 |
| Amortised cost | **49.2** | 50.2 |
| Cash and cash equivalents | **662.7** | 407.5 |
| **Financial liabilities** | | |
| Derivative liabilities used for hedging at fair value | **(17.8)** | (48.2) |
| Lease liabilities | **(328.9)** | (313.1) |
| Amortised cost | **(1,462.3)** | (794.4) |

Financial assets at amortised cost include trade and other receivables but exclude prepayments.

Financial liabilities at amortised cost include trade payables, overdrafts, borrowings, accruals and other payables.

**Risk management**

The Group's Treasury function seeks to reduce exposures to capital risk, liquidity risk, credit risk, interest rate risk and foreign currency risk, to ensure liquidity is available to meet foreseeable needs and to invest cash assets safely and profitably. The Group does not engage in speculative trading in financial instruments and transacts only in relation to underlying business requirements. The Group's treasury policies and procedures are periodically reviewed and approved by the Audit Committee.

**Capital management**

The Group's objectives when managing capital 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 through an appropriate balance of debt and equity funding, while maintaining a strong credit rating and sufficient headroom. The Group makes adjustments to its capital structure in light of changes to economic conditions and the Group's strategic objectives.

***Liquidity risk***

The Group manages its exposure to liquidity risk by continuously monitoring short- and long-term forecasts and actual cash flows and ensuring it has the necessary banking and reserve borrowing facilities available to meet the requirements of the business. At 31 August 2021, the Group had a revolving credit facility of £350.0m that is available until July 2024, of which £350.0m was undrawn at the year end. Borrowings under the revolving credit facility bear interest at a rate linked to SONIA. Commitment interest is payable on the daily undrawn balance of the facility. The facility, which is unsecured, includes covenants related to the earnings before interest, tax, depreciation and amortisation cover of net financing costs, and net balance sheet debt.

In April 2021 the Group issued convertible bonds to fund future growth totalling £500m. The unsecured instruments pay a coupon of 0.75% until April 2026, or the conversion date, if earlier.

Surplus cash is invested on deposit with relationship banks and money market funds to balance return on cash balances with business liquidity requirements and counterparty risk. The Group's financial liabilities at amortised cost as at 31 August 2021 and 31 August 2020 all mature in less than one year.

## 19 FINANCIAL INSTRUMENTS – CONTINUED

***Credit risk***

Credit risk is the risk that a counterparty may default on its obligation to the Group in relation to lending, hedging, settlement and other financial activities. The Group's principal financial assets are trade and other receivables, financial derivatives, and cash and cash equivalents. The Group's credit risk is primarily attributable to its trade and other receivables and financial counterparties. The amounts included in the Statement of Financial Position are net of allowances for doubtful receivables. An allowance for impairment is made where there is an identified loss event which, based on previous experience, is evidence of a reduction in the recoverability of cash flows. The Group has a low retail credit risk due to transactions being principally of high volume, low value and short maturity. The Group's trade receivables are primarily with large advertising companies and wholesale partners with which the Group has long-standing relationships, and the risk of default and write-offs due to bad debts is considered to be low.

The Group has no significant concentration of credit risk, as exposure is spread over a large number of counterparties and customers.

The credit risk on liquid funds is considered to be low, as the Board-approved Group Treasury Policy limits the value that can be placed with each approved counterparty to minimise the risk of loss.

***Interest rate risk***

The Group is exposed to cash flow interest rate risk on its revolving credit facility to the extent that this is utilised. At 31 August 2021, £nil was drawn down from this facility (2020: £nil) and therefore the Group has not entered any interest rate derivatives to mitigate the interest rate risk.

***Foreign currency risk***

The Group operates internationally and is therefore exposed to foreign currency transaction risk, primarily on sales denominated in US dollars, Euros, Australian dollars and Russian rubles and on stock purchases denominated in US dollars. The Group's presentational currency is pound sterling, therefore the Group is also exposed to foreign currency translation risks due to movements in foreign exchange rates on the translation of non-sterling assets and liabilities.

The primary use of forward exchange contracts for sales per the Group's hedging policy is to layer hedges over a 36-month period, with a maximum of 100% coverage of the net unmatched exposure for the first 12 months. Coverage increases from a maximum of 30% in months 25-36 to 100% between months 13 and 24. Hedges are currently protecting foreign exchange risk on 12 currencies. These forward foreign exchange contracts are classified as Level 2 derivative financial instruments under IFRS 13 'Fair Value Measurement'.

Hedge effectiveness is determined at inception of the hedge relationship and through periodic prospective effectiveness assessments to ensure that an economic relationship exists between the hedged item and hedging instrument. The derivatives have been fair valued at 31 August 2021 with reference to forward exchange rates that are quoted in an active market, with the resulting value discounted back to present value. The Group's forward foreign exchange contracts are entered into under International Swaps and Derivatives Association (ISDA) master netting arrangements. In certain circumstances, such as when a default occurs, all outstanding transactions under the agreement are terminated, the termination value is assessed and in general only a single net amount is payable in settlement of all transactions. See Note 28 for further details on foreign exchange.

| | 31 August 2021 £m | 31 August 2020 £m |
|---|---|---|
| **Fair value of derivative financial instruments** | | |
| **Non-current assets** | | |
| Fair value of derivatives | **13.4** | 4.8 |
| **Current assets** | | |
| Fair value of derivatives | **23.5** | 19.6 |
| **Current liabilities** | | |
| Fair value of derivatives | **(14.2)** | (25.4) |
| **Non-current liabilities** | | |
| Fair value of derivatives | **(3.6)** | (22.8) |
| | **19.1** | (23.8) |





## 19 FINANCIAL INSTRUMENTS – CONTINUED

| | 31 August 2021 £m | 31 August 2020 £m |
|---|---|---|
| **Hedging risk strategy** | **Cash flow hedges** | Cash flow hedges |
| Carrying amount | **17.3** | (21.2) |
| Notional amount | **1,016.3** | 1,199 |
| Maturity date | **To Jul 2024** | To Jul 2023 |
| Hedge ratio | **1:1** | 1:1 |
| Change in fair value of outstanding hedging instruments since inception of the hedge | **17.3** | (21.2) |

The foreign currency forwards are denominated in the same currency as the highly probable forecast cash flows, therefore the hedge ratio is 1:1.

The Group's forward foreign exchange contracts were assessed to be highly effective at 31 August 2021, and the net fair value of outstanding contracts was a £17.3m asset (2020: £21.2m liability). Cash flows related to these contracts will occur in the periods set out below, and will impact the Consolidated Statement of Total Comprehensive Income over the same periods:

| | 31 August 2021 £m | 31 August 2020 £m |
|---|---|---|
| **Cash flows relating to derivative contracts:** | | |
| Within six months | **(0.7)** | (3.8) |
| Between six months and one year | **8.2** | 0.6 |
| Between one and three years | **9.8** | (18.0) |
| | **17.3** | (21.2) |

Cash flow hedges included within Other Comprehensive Income during the year were as follows:

| | 31 August 2021 £m | 31 August 2020 £m |
|---|---|---|
| **(Losses)/gains arising during the year on currency derivative contracts:** | | |
| (Losses)/gains previously in OCI, reclassified to profit and loss | **(5.0)** | 1.7 |
| Fair value movement during the year | **43.4** | (15.6) |
| | **38.4** | (13.9) |

The hedged highly probable forecast transactions denominated in foreign currency are expected to occur at various dates during the next 36 months. Therefore, the fair value of a hedging derivative is classified as a non-current asset or liability when the remaining maturity of the hedged item is more than 12 months, and as a current asset or liability when the remaining maturity of the hedged item is less than 12 months. The maximum exposure to credit risk at the reporting date is the fair value of the derivative assets in the Statement of Financial Position.

## 19 FINANCIAL INSTRUMENTS – CONTINUED

***Maturity***

The table below analyses the Group's gross-settled derivative financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

| | 31 August 2021 £m | 31 August 2020 £m |
|---|---|---|
| **Forward foreign currency contracts – cash flow hedges** | | |
| Outflows within one year | **(13.4)** | (22.0) |
| Outflows between one and three years | **(3.6)** | (18.8) |
| | **(17.0)** | (40.8) |

**Financial instrument sensitivities**

***Foreign currency sensitivity***

The Group's principal financial instrument foreign currency exposures are to US dollars, Euros and Australian dollars. The following table illustrates the hypothetical sensitivity of the Group's reported profit before tax and closing equity to a 10% increase and decrease in the value of each of these currencies relative to pounds Sterling at the reporting date, assuming all other variables remain unchanged. The sensitivity rate of 10% is deemed to represent a reasonably possible change based on historic exchange rate volatility.

The following assumptions were made in calculating the sensitivity analysis:

- All sensitivities affecting the Statement of Total Comprehensive Income also impact equity.
- Exchange rate fluctuations on currency derivatives that form part of an effective cash flow hedge relationship affect the fair value reserve in equity and the fair value of the hedging derivatives, with no impact on the Statement of Total Comprehensive Income.
- All hedge relationships are fully effective.
- Translation of foreign subsidiaries and operations into the Group's presentation currency has been excluded from the sensitivity analysis.

Positive figures represent an increase in profit before tax or in equity.

| | Profit before tax | | Equity | |
|---|---|---|---|---|
| | 2021 £m | 2020 £m | 2021 £m | 2020 £m |
| Sterling strengthens by 10% against: | | | | |
| US dollar | **5.1** | 11.7 | **4.5** | 11.1 |
| Euro | **1.3** | 6.6 | **3.2** | 6.2 |
| Australian dollar | **0.3** | 0.3 | **0.6** | (0.5) |
| Sterling weakens by 10% against: | | | | |
| US dollar | **(5.1)** | (11.7) | **(4.5)** | (11.1) |
| Euro | **(1.3)** | (6.6) | **(3.2)** | (6.2) |
| Australian dollar | **(0.3)** | (0.3) | **(0.6)** | 0.5 |

The above sensitivities are calculated with reference to a single moment in time and are subject to change due to a number of factors including fluctuating trade payable and cash balances and changes in the currency mix. As the sensitivities are limited to financial instrument balances as at the reporting date due to ASOS' hedging policy, they do not take account of the Group's revenues and costs of sale, which are sensitive to changes in exchange rates. In addition, each of the sensitivities is calculated in isolation while, in reality, foreign currencies do not move independently.

**Interest rate sensitivity**

The Group has determined that at 31 August 2021 and 31 August 2020 there was no significant sensitivity to changes in market interest rates.



## 20 SHARE-BASED PAYMENTS

See Note 28 for the Group's accounting policy on share-based payments.

The Group incurred a cost of £9.4m (2020: £12.9m) and capitalised £1.8m (2020: £2.0m) related to share-based payments during the year to 31 August 2021, all of which relates to equity-settled schemes.

**Summary of movements in awards**

| | Save As You Earn scheme (no. of shares) | Share Incentive Plan (no. of shares) | ASOS Long-Term Incentive Scheme (no. of shares) | Total (no. of shares) | Weighted average exercise price (pence) |
|---|---|---|---|---|---|
| Outstanding at 1 September 2019 | 186,888 | 5,212 | 887,110 | 1,079,210 | 743 |
| Granted during the year | 195,798 | – | 313,773 | 509,571 | 1,105 |
| Lapsed during the year | (143,643) | – | (313,664) | (457,307) | 1,215 |
| Exercised during the year | (24,774) | (1,561) | (69,168) | (95,504) | 756 |
| Outstanding at 31 August 2020 | 214,269 | 3,651 | 818,051 | 1,035,971 | 712 |
| Exercisable at 31 August 2020 | 28,340 | 3,651 | – | 31,991 | 4,869 |
| Outstanding at 1 September 2020 | **214,269** | **3,651** | **818,051** | **1,035,971** | **712** |
| Granted during the year | **86,170** | **–** | **267,511** | **353,681** | **859** |
| Lapsed during the year | **(77,372)** | **–** | **(222,706)** | **(300,078)** | **979** |
| Exercised during the year | **(6,657)** | **(241)** | **(72,294)** | **(79,192)** | **354** |
| Outstanding at 31 August 2021 | **216,410** | **3,410** | **790,562** | **1,010,382** | **709** |
| Exercisable at 31 August 2021 | **22,070** | **3,410** | **–** | **25,480** | **5,026** |

The weighted average share price at date of exercise of shares exercised during the year was 4,441 pence (2020: 3,560 pence). The weighted average remaining contractual life of outstanding options at the end of the year was 1.3 years (2020: 1.4 years). The aggregate fair value of options granted in the year was £12.7m (2020: £11.4m).

**Save As You Earn (SAYE) scheme**

Under the terms of the current SAYE scheme, the Board grants options to purchase ordinary shares in the Company to employees who enter into an HMRC-approved SAYE scheme for a term of three years. Options are granted at up to a 20% discount to the market price of the shares on the day preceding the date of offer and are normally exercisable for a period of six months after completion of the SAYE contract. These option grants are settled on exercise through a transfer of shares from the Employee Benefit Trust.

| Date of grant | 1 September 2020 (no. of shares) | Granted during the year (no. of shares) | Lapsed during the year (no. of shares) | Exercised during the year (no. of shares) | 31 August 2021 (no. of shares) | Exercise price (pence) | Exercise period |
|---|---|---|---|---|---|---|---|
| 08.06.17 | 28,340 | **–** | **(24,349)** | **(3,770)** | **221** | 4,869 | 01.08.20-31.01.21 |
| 08.06.18 | 30,181 | **–** | **(7,688)** | **(644)** | **21,849** | 5,028 | 01.08.21-31.01.22 |
| 20.11.19 | 155,748 | | **(35,937)** | **(2,243)** | **117,568** | 2,876 | 01.01.23-30.06.23 |
| 27.11.20 | – | **86,170** | **(9,398)** | **–** | **76,772** | 3,527 | 01.01.24-30.06.24 |
| | 214,269 | **86,170** | **(77,372)** | **(6,657)** | **216,410** | | |

## 20 SHARE-BASED PAYMENTS – CONTINUED

The fair value of SAYE options granted during the current and prior year was calculated using the Black-Scholes model, assuming the following inputs:

| | Year to 30 August 2021 |
|---|---|
| Share price (pence) | 4,473 |
| Exercise price (pence) | 3,527 |
| Expected volatility (%) | 70.7 |
| Expected life (years) | 2.9 |
| Risk-free rate (%) | 0.04 |
| Dividend yield | – |
| Weighted average fair value of options (pence) | 23 |

Volatility has been estimated by taking the historical volatility in the Company's share price over a three-year period.

### Share Incentive Plan (SIP)

Under the terms of the SIP, the Board granted free shares to every employee under an HMRC-approved SIP. Awards must be held in trust for a period of at least three years after grant date and become exercisable at this date. These option grants are settled on exercise through a transfer of shares from the Link Trust.

| Date of grant | 1 September 2020 (no. of shares) | Granted during the year (no. of shares) | Lapsed during the year (no. of shares) | Exercised during the year (no. of shares) | 31 August 2021 (no. of shares) | Exercise price (pence) | Exercise period |
|---|---|---|---|---|---|---|---|
| 28.12.12 | 1,917 | – | – | (118) | 1,799 | Nil | Post 28.12.2015 |
| 15.11.13 | 1,734 | – | – | (123) | 1,611 | Nil | Post 15.11.2017 |
| | 3,651 | – | – | (241) | 3,410 | | |

### ASOS Long-Term Incentive Scheme (ALTIS)

Under the terms of the ALTIS, certain Executive Directors and members of management may be granted conditional awards, the base value of which is calculated as a fixed multiple of salary, and will only vest to the extent the related performance targets, as detailed in the Directors' Remuneration Report on page 70, are met. These options grants are settled on exercise through issue of new ordinary shares by the Company.

Options granted under the ALTIS are shown below.

| Date of grant | 1 September 2020 (no. of shares) | Granted during the year (no. of shares) | Lapsed during the year (no. of shares) | Exercised during the year (no. of shares) | 31 August 2021 (no. of shares) | Exercise price (pence) | Exercise period |
|---|---|---|---|---|---|---|---|
| 11.10.17 | 205,781 | – | (141,717) | (64,064) | – | Nil | 31.10.20 |
| 01.03.18 | 18,313 | – | (12,599) | (5,714) | – | Nil | 31.10.20 |
| 22.05.18 | 7,579 | – | (5,063) | (2,516) | – | Nil | 31.10.20 |
| 24.10.18 | 246,864 | – | (20,043) | – | 226,821 | Nil | 31.10.21 |
| 26.02.19 | 11,739 | – | (1,282) | – | 10,457 | Nil | 31.10.21 |
| 28.06.19 | 35,287 | – | (1,150) | – | 34,137 | Nil | 31.10.21 |
| 20.11.19 | 276,072 | – | (31,222) | – | 244,850 | Nil | 31.10.22 |
| 27.02.20 | 16,416 | – | – | – | 16,416 | Nil | 31.10.22 |
| 20.11.20 | | 244,572 | (9,630) | – | 234,942 | Nil | 31.10.23 |
| 16.02.21 | | 12,511 | – | – | 12,511 | Nil | 31.10.23 |
| 31.04.21 | | 10,428 | – | – | 10,428 | Nil | 31.10.23 |
| | 818,051 | 267,511 | (222,706) | (72,294) | 790,562 | – | – |





## 20 SHARE-BASED PAYMENTS – CONTINUED

The fair value of options granted during the current and prior year under the ALTIS EPS performance conditions were calculated using the Black-Scholes model and the fair value of options granted under the ALTIS TSR performance conditions were calculated using the Monte Carlo model. Both sets of inputs are shown below:

| | 2021 | | | 2020 | |
|---|---|---|---|---|---|
| | Grant 1 | Grant 2 | Grant 3 | Grant 1 | Grant 2 |
| Share price (pence) | 4,500 | 5,496 | 5,154 | 3,120 | 3,073 |
| Exercise price (pence) | – | – | – | – | – |
| Expected volatility (%) | 71 | 74 | 75 | 52.2 | 55.2 |
| Expected life (years) | 3 | 3 | 3 | 2.9 | 2.7 |
| Risk-free rate (%) | -0.03 | 0.01 | 0.17 | 0.51 | 0.38 |
| Dividend yield | – | – | – | – | – |
| Weighted average fair value of options for EPS performance condition (pence) | 4,500 | 5,496 | 5,154 | 3,120 | 3,073 |
| Weighted average fair value of options for TSR performance condition (pence)[1,2] | 2,691 | 3,287 | 3,082 | 2,368 | 2,332 |

1 Inputs to the Monte Carlo model for both grants from 2021 were as follows: share price of 4,500 pence, exercise price of nil, expected volatility of 52%, expected life of 3.0 years, risk-free rate of -0.06% and dividend yield of nil.

2 Inputs to the Monte Carlo model for both grants from 2020 were as follows: share price of 3,120 pence, exercise price of nil, expected volatility of 30.0%, expected life of 3.0 years, risk-free rate of 0.517% and dividend yield of nil.

## 21 CAPITAL COMMITMENTS

Capital expenditure committed at the reporting date but not yet incurred is as follows:

| | 31 August 2021 £m | 31 August 2020 £m |
|---|---|---|
| Fixtures and fittings | 66.2 | 12.1 |
| Intangible assets | 12.3 | 24.7 |
| | 78.5 | 36.8 |

## 22 CONTINGENT LIABILITIES

From time to time, the Group is subject to various legal proceedings and claims that arise in the ordinary course of business, which due to the fast-growing nature of the Group and its e-commerce base, may concern the Group's brand and trading name or its product designs. All such cases brought against the Group are robustly defended and a liability is recorded only when it is probable that the case will result in a future economic outflow which can be reliably measured.

At 31 August 2021, the Group had contingent liabilities of £6.4m (31 August 2020 restated: £nil) arising as a result of the business combination, further detail has been disclosed in Note 26.

The Group had previously reported contingent liabilities of £21.6m as at 31 August 2020. Upon further assessment, the Group identified that these arrangements did not meet the definition of a contingent liability and therefore contingent liabilities of £nil should have been reported at 31 August 2020.

## 23 RELATED PARTY TRANSACTIONS

### Transactions with key management personnel

There were no material transactions or balances between the Group and its key management personnel or their close family members during the year to 31 August 2020 and the year to 31 August 2021 other than remuneration disclosed in Note 5.

### Transactions with ASOS.com Limited Employee Benefit Trust and Link Trust (the 'Trusts')

During the year, £0.1m (2020: £0.7m) was received by the Trusts on exercise of employee share options.

### Transactions with other related parties

During the year, the Group made purchases of inventory, net of VAT, totalling £80.0m (2020: £55.6m) from Aktieselskabet af 5.5.2010, a company which has a significant shareholding in the Group. At 31 August 2021, the amount due to Aktieselskabet af 5.5.2010 was £12.2m (2020: £15.8m) in addition to an accrued income balance relating to rebates of £3.2m (2020: £nil) with Aktieselskabet af 5.5.2010.

## 24 BORROWINGS

| Borrowings | 31 August 2021 £m | 31 August 2020 £m |
|---|---|---|
| Current | (3.8) | – |
| Non-current | (459.4) | – |
| | (463.2) | – |

On 16 April 2021 the Group issued £500m of convertible bonds. The unsecured instruments pay a coupon of 0.75% until April 2026, or the conversion date, if earlier. The initial conversion price was set at £79.65 per share. In accordance with IAS 32, the equity and debt components of the bonds are accounted for separately and the fair value of the debt component has been determined using the market interest rate for an equivalent non-convertible bond, deemed to be 3.4%. As a result, £440.1m was recognised as a liability in the balance sheet on issue and the remainder of the proceeds, £59.9m, which represents the equity component, was credited to reserves. The difference between the fair value of the liability and the principal value is being amortised through the income statement from the date of issue. Issue costs of £9.0m were allocated between equity and debt and the element relating to the debt component is being amortised over the life of the bonds. The issue costs apportioned to equity of £1.0m have not been amortised. The carrying value of the liability portion at 31 August 2021 is £438.2m, with £3.8m being the annual coupon payable within 12 months.

On 12 July 2021 the Group announced a strategic partnership with Nordstrom, a US-based multi-channel retailer, to drive growth in North America. As part of this venture, Nordstrom purchased a minority interest in ASOS Holdings which holds the Topshop, Topman, Miss Selfridge and HIIT brands in exchange for £10 as well as providing a £21.9m loan. The loan attracts interest at a market rate of 6.5% per annum. The carrying value of the debt at 31 August 2021 is £22.2m. As part of this agreement a written put option was provided to Nordstrom over their shares in ASOS Holdings. As a result of this a liability of £2.8m has been recognised.

The Group has in place a £350m Revolving Credit Facility (RCF) available until July 2024. At 31 August 2021 the Group had drawn down £nil (2020: £nil) of the RCF.

The table below analyses the Group's borrowings into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted amounts.

| | <1 year £m | 1 to 2 years £m | 2 to 3 years £m | 3 to 4 years £m | 4 to 5 years £m | >5 years £m |
|---|---|---|---|---|---|---|
| Convertible bond | 3.8 | 3.8 | 3.8 | 3.8 | 503.8 | – |
| Nordstrom loan | – | – | – | – | – | 21.9 |
| Gross obligation | – | – | 4.9 | – | – | – |
| | 3.8 | 3.8 | 8.7 | 3.8 | 503.8 | 21.9 |

## 25 PROVISIONS

| | Dilapidations £m |
|---|---|
| Net book value 1 September 2020 | 36.3 |
| Provisions recognised in the year | 7.2 |
| Unwinding of discount | 0.5 |
| Exchange differences | (0.8) |
| Net book value 31 August 2021 | 43.2 |
| | |
| Current | – |
| Non-current | 43.2 |
| | 43.2 |

The dilapidations provision relates to potential rectification costs expected should the Group vacate its fulfilment centres or office space.

Provisions for dilapidations are inherently uncertain in terms of quantum and timing, not least because they involve negotiations with landlords at future dates. The figures provided in the financial statements represents management's best estimate of the likely outflows from the Group.



## 26 BUSINESS COMBINATION

On 4 February 2021, the Group acquired the trade and assets of a number of businesses from the administrators of Arcadia Group Limited. The businesses were purchased out of administration for total consideration of £292.4m.

| Purchase consideration | Restated £m | Adjustments to provisional figures £m | As previously reported £m |
|---|---|---|---|
| Cash paid | 264.8 | – | 264.8 |
| Contingent consideration | 27.6 | (1.4) | 29.0 |
| Total purchase consideration | 292.4 | (1.4) | 293.8 |

The fair value of assets and liabilities acquired was £260.4m. This includes £219.4m in relation to the Topshop, Topman, Miss Selfridge and HIIT brands and £41.0m of other net assets. The fair value of assets acquired was less than the fair value of the consideration by £32.0m, which has been recognised as goodwill. The goodwill is attributable to the workforce, the high profitability of the acquired business and expected synergies. It will not be deductible for tax purposes.

The provisional assets and liabilities recognised as a result of the acquisition at 4 February 2021 are as follows:

| Fair value of net assets acquired | Restated £m | Adjustment to provisional figures £m | As previously reported £m |
|---|---|---|---|
| Intangible assets[1] | 243.8 | – | 243.8 |
| Inventories – provisional | 27.6 | (11.1) | 38.7 |
| **Total assets acquired** | 271.4 | (11.1) | 282.5 |
| Contingent liability – provisional | (6.4) | – | (6.4) |
| Deferred tax liability | (4.6) | – | (4.6) |
| **Total liabilities acquired** | (11.0) | – | (11.0) |
| **Net identifiable assets acquired at fair value** | 260.4 | (11.1) | 271.5 |
| Goodwill arising on acquisition | 32.0 | 9.7 | 22.3 |
| **Purchase consideration transferred** | 292.4 | (1.4) | 293.8 |

1 Intangible assets include brands of £219.4m relating to Topshop, Topman, Miss Selfridge and HIIT and reflects their fair value at the acquisition date. They are estimated to have a useful economic life of between 10 and 30 years. Also acquired were wholesale customer relationships with a fair value of £24.4m which are estimated to have a useful economic life of 8 years.

Separately to the acquisition of the trade and assets outlined above, the Group also agreed to assume a number of purchase orders that were placed with suppliers by the Arcadia Group prior to the acquisition. Inventory amounts have been recorded in line with the requirements of IAS 2 upon receipt, when control transfers.

At the time the financial statements were authorised for issue, the Group had not yet completed the acquisition accounting in relation to the fair values of the inventory collected and the contingent liability . In accordance with IFRS 3 'Business Combinations', the acquisition accounting will be finalised within 12 months of the acquisition date of 4 February 2021.

**a) Acquisition-related costs**
Acquisition-related costs of £2.0m were incurred and have been included in administrative expenses in the statement of profit or loss and in operating cash flows in the statement of cash flows.

**b) Contingent consideration**
The contingent consideration arrangements primarily relate to amounts ASOS.com will pay to the Arcadia administrators in relation to qualifying inventory totalling £21.6m upon collection. Following the acquisition, a £1.4m reduction to inventory consideration was agreed in relation to inventory sourced from Arcadia Sourcing Regions not in line with ASOS.com's sourcing strategy, or where ethical concerns existed. As at 31 August 2021, £21.6m of the total £27.6m of contingent consideration had been paid, the total cap on the remaining consideration is £7.2m.

**c) Contingent liability**
A contingent liability of £6.4m has been recognised in relation to employee and other liabilities. The Group's assessment of the fair value of these liabilities represents the probability adjusted possible outcome and the timing of any payment is expected to be within the 12-month remeasurement period.

## 27 NET DEBT RECONCILIATION

| | Current debt £m | Non-current debt £m | Cash and cash equivalents £m | Net debt £m |
|---|---|---|---|---|
| At 1 September 2020 | | | | 94.4 |
| Current lease liabilities | (22.3) | – | – | (22.3) |
| Non-current lease liabilities | – | (290.8) | – | (290.8) |
| Cash and cash equivalents | – | – | 407.5 | 407.5 |
| **Cash flow movements** | | (489.0) | 255.3 | (233.7) |
| Net cash movement | – | – | 255.3 | 255.3 |
| Proceeds from convertible bond | – | (491.0) | – | (491.0) |
| Movement in loan payables | – | (21.9) | – | (21.9) |
| Lease liability payments | – | 23.9 | – | 23.9 |
| **Non-cash movements** | (5.4) | 15.4 | (0.1) | 9.9 |
| Lease liability additions | – | (42.0) | – | (42.0) |
| FX on lease liabilities | – | 3.9 | – | 3.9 |
| Amount allocated to equity on convertible bond issue | – | 58.9 | – | 58.9 |
| Unwind of discount on convertible bond | – | (6.1) | – | (6.1) |
| Gross obligations accounting | – | (2.8) | – | (2.8) |
| Other movements | (5.4) | 3.5 | (0.1) | (2.0) |
| **At 31 August 2021** | **(27.7)** | **(764.4)** | **662.7** | **(129.4)** |
| Current borrowings | **(3.8)** | **–** | **–** | **(3.8)** |
| Current lease liabilities | **(23.9)** | **–** | **–** | **(23.9)** |
| Non-current borrowings | **–** | **(459.4)** | **–** | **(459.4)** |
| Non-current lease liabilities | **–** | **(305.0)** | **–** | **(305.0)** |
| Cash and cash equivalents | **–** | **–** | **662.7** | **662.7** |

## 28 ACCOUNTING POLICIES

### General information

ASOS Plc (the 'Company') and its subsidiaries (together, the 'Group') is a global fashion retailer. The Group sells products across the world and has websites targeting the UK, US, Australia, France, Germany, Spain, Italy, Sweden, the Netherlands, Denmark, Poland and Russia. The Company is a public limited company which is listed on the Alternative Investment Market (AIM) and is incorporated and domiciled in the UK. The address of its registered office is Greater London House, Hampstead Road, London NW1 7FB.

### Going concern and viability assessment

The Directors have, at the time of approving the financial statements, a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future. The going concern basis of accounting has therefore been adopted in preparing the financial statements. Further details are contained in the Directors' Report on page 84. The Directors have also assessed the prospects of the Company and the Group over a three-year period to 31 August 2024, and have a reasonable expectation that the Company and the Group will be able to continue in operation and meet its liabilities as they fall due over the three-year period under review.

The Group has conducted extensive stress-testing given the impacts of COVID-19 on customer demand and behaviours, none of which have resulted in a change to the assessment of the Group as a going concern. The Directors have therefore continued to adopt the going concern basis in preparing the Group's financial statements.



## 28 ACCOUNTING POLICIES – CONTINUED

### Basis of preparation

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) and IFRS Interpretations Committee (IFRS IC) in conformity with the requirements of the Companies Act 2006 and the AIM rules for companies. As at the reporting date, these are the standards, subsequent amendments and related interpretations issued and adopted by the International Accounting Standards Board (IASB).

***a) Accounting convention***

The financial statements are drawn up on the historical cost basis of accounting, excluding derivative financial instruments held at fair value. The financial statements are presented in sterling and all values are rounded to the nearest hundred thousand pounds except where otherwise indicated.

***b) Basis of consolidation***

The consolidated Group financial statements include the financial statements of ASOS Plc, all its subsidiaries, and the Employee Benefit Trust and Link Trust up to the reporting date. All intercompany transactions and balances between Group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies have been applied consistently across the group.

*(i) Subsidiaries*

Subsidiary undertakings are all entities over which the Group has control. The Group controls an entity where the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group and are deconsolidated from the date on which control ceases. Subsidiary undertakings acquired during the period are recorded under the acquisition method of accounting. A list of all the subsidiaries of the Group is included in Note 8 of the parent company financial statements on page 130. All apply accounting policies which are consistent with those of the rest of the Group.

Any non-controlling interest acquired on acquisition of a subsidiary is recognised at the proportionate share of the acquired net assets. Subsequent to acquisition, the carrying amount of non-controlling interest equals the amount of those interests at initial recognition plus the non-controlling share of changes in equity since acquisition. Transactions with non-controlling interests that do not result in loss of control are accounted for as equity transactions. Total comprehensive income is attributed to a non-controlling interest even if this results in the non-controlling interest having a deficit balance.

*(ii) Employee Benefit Trust and Link Trust*

The Employee Benefit Trust and Link Trust (the Trusts) are considered to be controlled by the Group. The activities of the Trusts are conducted on behalf of the Group according to its specific business needs in order to obtain benefits from its operation and, on this basis, the assets held by the Trusts are consolidated into the Group's financial statements.

### Additional accounting policy information

***a) Revenue recognition***

Revenue consists primarily of internet sales, in addition to postage and packaging receipts, advertising revenues and wholesale sales.

The Group acts as the Principal in all material revenue arrangements. Revenues are recorded net of an appropriate deduction for actual and expected returns, relevant vouchers and sales taxes. Revenues for goods and services are recognised on despatch to the customer instead of delivery to the customer for practical reasons. The impact of this is assessed and is immaterial to group revenue and profits.

Income from other services relates to advertising income earned from the website, delivery receipt payments and revenue recognised in relation to wholesale sales and is measured at the transaction price which is the value of the consideration received or receivable that the entity expects to be entitled to, net of value added tax, and is recognised at which date the service is completed.

The amount of revenue arising from the sale of goods and provision of services has been disclosed in Note 3 to the financial statements.

***b) Foreign currency translation***

The trading results and cash flows of overseas subsidiaries are translated at the average monthly exchange rates during the year. The Statement of Financial Position of each overseas subsidiary is translated at year-end exchange rates. The resulting exchange differences are recognised in the Translation Reserve within equity and are reported in Other Comprehensive Income.

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 year-end exchange rates. Exchange differences on monetary items are recognised in the Statement of Total Comprehensive Income.

## 28 ACCOUNTING POLICIES – CONTINUED

***c) Derivative financial instruments and hedging activities***

The Group operates internationally and is therefore exposed to foreign currency transaction risk, primarily on sales denominated in Euros, US dollars, Australian dollars and Russian rubles as well as on US dollar denominated purchases. To manage this exposure the Group hedge a proportion of sales based on the assessed net currency exposure. The Group's presentational currency is pound sterling, therefore the Group is also exposed to foreign currency translation risks due to movements in foreign exchange rates on the translation of non-sterling assets and liabilities.

The Group's policy is to match up to 100% of foreign currency transactions in the same currency, taking into account a proportion of sales approach. For capital expenditure, the Group's policy is to hedge pre-approved foreign currency expenditure. Where appropriate, the Group uses financial instruments in the form of forward foreign exchange contracts and options contracts to hedge future highly probable forecast foreign currency cash flows. Derivatives are initially recognised at fair value at the trade date and subsequently remeasured at fair value. The Group designates certain derivatives as hedges of highly probable forecast transactions (cash flow hedges). At inception of the designated hedging relationships, the risk management objective and strategy for undertaking the hedge is documented alongside the economic relationship between the item being hedged and the hedging instrument.

For hedges of sales, the effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in the hedging reserve within equity. The gain or loss relating to the ineffective portion is recognised immediately in Statement of Comprehensive Income, within other gains/(losses). Amounts accumulated in equity are reclassified in the periods when the hedged item affects the Consolidated Statement of Comprehensive Income. The foreign currency forwards are denominated in the same currency as the highly probable forecast foreign cash flows, therefore the hedge ratio is assumed to be 1:1 based on the risk management strategy. The primary use of forward exchange contracts for sales per the Group's hedging policy is to layer hedges over a 36-month period, with a maximum of 100% coverage of the net unmatched exposure for the first 12 months. Coverage increases from a maximum of 30% in months 25-36 to 100% between months 13 and 24. Hedges are currently protecting foreign exchange risk on 12 currencies. These forward foreign exchange contracts are classified as Level 2 derivative financial instruments under IFRS 13, 'Fair Value Measurement'.

These forward foreign exchange contracts are classified as Level 2 derivative financial instruments under IFRS 13 'Fair Value Measurement'. Hedge effectiveness is determined at inception of the hedge relationship and through periodic prospective effectiveness assessments to ensure that an economic relationship exists between the hedged item and hedging instrument. In these hedge relationships ineffectiveness may arise if the timing of the forecast transaction changes from what was originally estimated, change in quantity or if there are changes in the credit risk of the Group or the derivative counterparty. There was no ineffectiveness in the year ending 31 August 2021 (2020: no ineffectiveness). The derivatives have been fair valued at 31 August 2021 with reference to forward exchange rates that are quoted in an active market, with the resulting value discounted back to present value.

Derivatives are initially recognised at fair value on the date a derivative contract is entered and subsequent changes in the fair value of foreign currency derivatives, which are designated and effective as hedges of future cash flows, are recognised in equity in the Hedging Reserve and in Other Comprehensive Income, and are recycled when cash flows from the hedged items impact the accounts. Changes in the fair value of foreign currency derivatives which are ineffective or do not meet the criteria for hedge accounting in accordance with IFRS 9 are recognised immediately in the Consolidated Statement of Total Comprehensive Income.

The Group documents, at the inception of the transaction, the relationship between hedging instruments and hedged items, as well as its risk management objectives and strategy for undertaking various hedging transactions. The Group also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in fair values or cash flows of hedged items.

***d) Inventories***

Inventories are valued at the lower of cost and net realisable value, on a weighted average cost basis. Net realisable value is the estimated selling price in the ordinary course of business less applicable variable selling expenses. 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 and rebates.

The carrying value of inventory shown in the Statement of Financial Position includes a £70.6m (2020: £56.7m) right to recover asset in relation to the inventory expected to be received back from customers as returns.

A provision is made to write down any slow-moving or obsolete inventory to net realisable value.



## 28 ACCOUNTING POLICIES – CONTINUED

***e) Adjusted Performance Measures***

Items of expenditure or income that are material and out of the ordinary course of business are separately identified and labelled as 'adjusted measures' so the reader of the financial statements can understand the underlying business performance as well as the adjusting items.

***f) Taxation***

The tax expense included in the Consolidated Statement of Total Comprehensive Income and Consolidated 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 on the basis of amounts expected to be paid to the tax authorities.

Current and deferred tax is charged or credited in the Consolidated Statement of Total 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 in accordance with laws that are expected to apply in the period/jurisdiction when/where the liability is settled or the asset is realised.

Deferred 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.

***g) Share-based payments***

The Group issues equity-settled share-based payments to certain employees, whereby employees render services in exchange for shares or rights over shares of the parent company.

Equity-settled awards are measured at fair value at the date of grant. The fair value is calculated using an appropriate option pricing model and is expensed to the Statement of Total Comprehensive Income on a straight-line basis over the vesting period after allowing for an estimate of shares that will eventually vest. The level of vesting is reviewed annually and the charge adjusted to reflect actual and estimated levels of vesting.

Where an equity-settled share-based payment scheme is modified during the vesting period, an additional charge is recognised over the remainder of that vesting period to the extent that the fair value of the revised scheme at the modification date exceeds the fair value of the original scheme at the modification date. Where the fair value of the revised scheme does not exceed the fair value of the original scheme, the Group continues to recognise the charge required under the conditions of the original scheme.

In accordance with IFRS 2, ASOS.com Limited is required to recognise share-based payment arrangements involving equity instruments where ASOS.com Limited has remunerated those providing services to the entity in this way. ASOS Plc makes contributions to ASOS.com Limited equal to the charge for the share-based payment arrangement which is reflected as an increase in ASOS Plc's investment in ASOS.com Limited.

### 28 ACCOUNTING POLICIES – CONTINUED

***h) Leases***

The Group currently hold leases for their fulfilment centres, equipment and office space. Leases typically run for terms of between 7 and 20 years and may include break clauses or options to renew beyond the non-cancellable period. The majority of the Group's leases are subject to market review, usually every 5-6 years.

In accordance with IFRS 16, lease liabilities are initially measured as the present value of the lease payments at the commencement date, discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases in the group the incremental borrowing rate is used. Contracts may contain both lease and non-lease components. The Group allocates the consideration in the contract to the different components based on their relative stand-alone prices. The lease liability is measured at amortised cost using the effective interest method and a subsequent finance charge recognised on the finance lease liability. The finance lease liability is re-measured when there is a change in future lease payments arising from a change in an index or a rate or a change in the Group's assessment of whether it will exercise an extension or termination option. When the lease liability is re-measured, a corresponding adjustment is made to the right-of-use asset.

Payments associated with short-term leases and leases of a low value are recognised on a straight-line basis as an expense in the profit or loss. Short-term leases are leases with a term of 12 months or less. Low-value leases mainly comprise IT equipment.

***i) Business combinations and goodwill arising thereon***

The Group applies the acquisition method of accounting to account for business combinations in accordance with IFRS 3, 'Business Combinations'.

The cost of an acquisition is measured as the aggregate of the fair values, at the date of exchange, of assets given, equity instruments issued and liabilities incurred or assumed in exchange for control of the acquiree. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any non-controlling interest. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in the Statement of Total Comprehensive Income. Acquisition expenses are recognised in the Consolidated Statement of Total Comprehensive Income as incurred.

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 impairment at least annually. Any impairment is recognised immediately in the Statement of Total Comprehensive Income. For the purposes of impairment testing, goodwill is allocated to the CGU that has benefited from the acquisition. If the recoverable amount of the CGU is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of the goodwill allocated to the unit and then to the other assets of the unit on a pro rata basis. On disposal of a subsidiary, the attributable amount of goodwill is included in the determination of the profit and loss on disposal.

***j) Other intangible assets***

The cost of acquiring and developing software that is not integral to the related hardware is capitalised separately as an intangible asset. This does not include internal website development and maintenance costs, which are expensed as incurred unless representing a technological advance leading to future economic benefit. Capitalised software costs include external direct costs of material and services and the payroll and payroll-related costs for employees who are directly associated with the project.

Capitalised software development costs are stated at historic cost less accumulated amortisation. Amortisation is calculated on a straight-line basis over the assets' expected economic lives, normally between three and seven years, except for major technical infrastructure projects which have an expected economic life of ten years. Amortisation is included within administrative expenses in the Consolidated Statement of Total Comprehensive Income. Software under development is held at cost less any recognised impairment loss.

Acquired domain names are recognised initially at cost. Those deemed to have a definite useful life are amortised on a straight-line basis according to the estimated life of the asset. Those deemed to have an indefinite useful life are tested for impairment annually or as triggering events occur. Any impairment in value is charged to the Consolidated Statement of Total Comprehensive Income in the period in which it occurs.

Acquired brands and customer relationships are initially recognised at fair value as part of a business combination. These are subsequently amortised based on their expected useful lives of between 8 and 30 years on a straight-line basis. These assets are assessed for impairment if there is a triggering event. Any impairment in value is charged to the Consolidated Statement of Total Comprehensive Income in the period in which it occurs.



### 28 ACCOUNTING POLICIES – CONTINUED

***k) Property, plant and equipment***

Property, plant and equipment are stated at cost less accumulated depreciation and any provision for impairment in value. Cost includes the original purchase price of the asset and the costs attributable in bringing the asset to its working condition for its intended use. Residual values and useful lives are assessed at each reporting date.

Right-of-use assets are initially measured at cost, which is an amount equal to the corresponding lease liabilities (present value of future lease payments) adjusted for any lease payment made at or before the commencement date, less any lease incentives received. See section (h) for the lease liabilities accounting policy.

Depreciation is recognised to write-off the cost of items of property, plant and equipment to their estimated residual values, on a straight-line basis as follows:

- **Right of use assets:** depreciated over remaining lease term which is typically between seven and twenty years
- **Fixtures, fittings, plant and machinery:** depreciated over five years or over the remaining lease term where applicable
- **Computer equipment:** depreciated over three to five years according to the estimated life of the asset

Depreciation is included in administrative expenses in the Statement of Total Comprehensive Income. Assets under construction are not depreciated.

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 CGU or fair value less costs to sell if higher. Any impairment in value is charged to the Consolidated Statement of Total Comprehensive Income in the period in which it occurs.

***l) Convertible debt***

Convertible bonds are classified as compound instruments, consisting of a liability and an equity component. At the date of issue, the fair value of the liability component is estimated using the prevailing market interest rate for similar non-convertible debt, and is subsequently recorded at an amortised cost basis using the effective interest method until extinguished on conversion or maturity of the bonds, and is recognised within borrowings. The difference between the proceeds of issue of the convertible bond and the fair value assigned to the liability component, representing the embedded option to convert the liability into equity of the Group, is included in equity as a separate category.

Issue costs are apportioned between the liability and equity components of the convertible bonds where appropriate based on their relative carrying values at the date of issue. The portion relating to the equity component is charged directly against equity.

The interest expense on the liability component is calculated by applying the effective interest rate for similar non-convertible debt to the liability component after taking into account the impact of the capitalised issue costs.

# Company Statement of Changes in Equity

For the year to 31 August 2021

| | Called up share capital £m | Share premium £m | Equity portion of compound financial instrument £m | Retained earnings[1] £m | Total equity £m |
|---|---|---|---|---|---|
| At 1 September 2020 | 3.5 | 245.7 | – | 37.2 | 286.4 |
| Loss for the year and total comprehensive loss | – | – | – | **(0.8)** | **(0.8)** |
| Issue of compound financial instrument | – | – | **58.8** | – | **58.8** |
| Share-based payments contribution | – | – | – | **9.4** | **9.4** |
| **At 31 August 2021** | **3.5** | **245.7** | **58.8** | **45.8** | **353.8** |
| At 1 September 2019 | 2.9 | 6.9 | – | 25.8 | 35.6 |
| Shares allotted | 0.6 | 238.8 | – | – | 239.4 |
| Loss for the year and total comprehensive loss | – | – | – | (1.5) | (1.5) |
| Share-based payments contribution | – | – | – | 12.9 | 12.9 |
| At 31 August 2020 | 3.5 | 245.7 | – | 37.2 | 286.4 |

1 Retained earnings includes the share-based payments reserve.





# Company Statement of Financial Position

As at 31 August 2021

| | Note | 31 August 2021 £m | 31 August 2020 £m |
|---|---|---|---|
| **Non-current assets** | | | |
| Investments | 8 | **58.7** | 49.3 |
| **Current assets** | | | |
| Amounts due from subsidiary undertakings | 3 | **840.6** | 237.1 |
| **Current liabilities** | | | |
| Current payable to subsidiary undertaking | 4 | **(117.2)** | – |
| **Non-current liabilities** | | | |
| Non-current payable to subsidiary undertaking | 4 | **(428.3)** | – |
| **Net current assets** | | **723.4** | 237.1 |
| **Net assets** | | **353.8** | 286.4 |
| **Equity** | | | |
| Called up share capital | 6 | **3.5** | 3.5 |
| Share premium | | **245.7** | 245.7 |
| Equity on compound financial instrument | | **58.8** | – |
| Retained earnings | | **45.8** | 37.2 |
| **Total equity** | | **353.8** | 286.4 |

Notes 1 to 8 are an integral part of the financial statements.

As shown in Note 2, the Company incurred a loss for the year of £0.8m (2020: loss of £1.5m).

The financial statements of ASOS Plc, registered number 4006623, on pages 126 to 132, were approved by the Board of Directors and authorised for issue on 19 October 2021 and were signed on its behalf by:

**Mat Dunn**
Chief Operating Officer & Chief Financial Officer

# Company Statement of Cash Flows

For the year to 31 August 2021

| | Year to 31 August 2021 £m | Year to 31 August 2020 £m |
|---|---|---|
| **Operating loss** | **(0.8)** | (1.2) |
| Adjusted for: | | |
| Increase in other receivables | **(544.7)** | (236.2) |
| Increase/(decrease) in payables | **545.5** | (1.7) |
| **Net cash used in operating activities** | **–** | (239.1) |
| | | |
| **Financing activities** | | |
| Proceeds from issue of ordinary shares | **–** | 239.4 |
| Finance expense | **–** | (0.3) |
| **Net movement in cash and cash equivalents** | **–** | – |
| **Opening cash and cash equivalents** | **–** | – |
| **Closing cash and cash equivalents** | **–** | – |





# Notes to the Company Financial Statements

For the year to 31 August 2021

**1 ACCOUNTING POLICIES**

**Basis of preparation**

The separate financial statements of the Company are drawn up in accordance with International Financial Reporting Standards (IFRS), as issued by the IASB and the AIM Rules for Companies, and with those parts of the Companies Act 2006 applicable to companies reporting under IFRS.

The Company's principal accounting policies are the same as those set out in Note 28 of the Group financial statements, with the addition of those included within the relevant notes below. Unless otherwise stated, these policies have been consistently applied to all the periods presented.

**2 LOSS FOR THE YEAR**

The Company has not presented its own Statement of Total Comprehensive Income as permitted by section 408 of the Companies Act 2006.

The loss for the year and total comprehensive loss attributable to shareholders was £0.8m (2020: loss of £1.5m).

**3 AMOUNTS DUE FROM SUBSIDIARY UNDERTAKINGS**

Amounts due from subsidiary undertakings are repayable on demand and are non-interest bearing. Amounts are initially recognised at fair value and are subsequently measured at amortised cost using the effective interest rate method less any provision for impairment. A provision for impairment of receivables due from subsidiary undertakings is established only if there is objective evidence that amounts will not be recovered. There has been no history of default. The fair value of other receivables is not materially different to their carrying value.

As at 31 August 2021, receivables from subsidiary undertakings of £840.6m (2020: £237.1m) were unimpaired and considered by management to be fully recoverable.

**4 AMOUNTS DUE TO SUBSIDIARY UNDERTAKINGS**

| | 31 August 2021 £m | 31 August 2020 £m |
|---|---|---|
| Current | **117.2** | – |
| Non-current | **428.3** | – |

Current amounts due to subsidiary undertakings relate to repayable on-demand loans between the Company and group companies. Non-current amounts due to subsidiary undertakings relate to a term loan with Cornwall (Jersey) Limited relating to the convertible bond. The terms of the loan mirror those of the convertible bond which are described in Note 24.

**5 FINANCIAL INSTRUMENTS**

| | 31 August 2021 £m | 31 August 2020 £m |
|---|---|---|
| **Financial assets** | | |
| Amortised cost | **840.6** | 237.1 |
| **Financial liabilities** | | |
| Amortised cost | **545.5** | – |

The Company is exposed to credit risk through the above loans due from subsidiary companies. Management consider the credit risk as a result of the above to be low given the financial performance of the subsidiaries and the lack of historical defaults by Group companies.

## 6 CALLED UP SHARE CAPITAL

| | 31 August 2021 £m | 31 August 2020 £m |
|---|---|---|
| Authorised: | | |
| 100,000,000 (2020: 100,000,000) ordinary shares of 3.5p each | **3.5** | 3.5 |
| Allotted, issued and fully paid: | | |
| 99,837,096 (2020: 99,764,802) ordinary shares of 3.5p each | **3.5** | 3.5 |

| Ordinary Shares (Issued) | No. of shares | No. of shares |
|---|---|---|
| Beginning of year | **99,764,802** | 83,872,275 |
| New ordinary shares issued for cash – share placing | **–** | 15,805,943 |
| Employee share scheme issues | **72,294** | 86,584 |
| End of year | **99,837,096** | 99,764,802 |

During the year, 72,294 (2020: 86,584) ordinary shares of 3.5 pence each were issued as a result of the exercise of various employee share options. Total consideration received in respect of the exercise of the employee share options was £nil (2020: £nil). No shares were issued to the Chair (2020: nil), as part of his remuneration package.

## 7 RELATED PARTY TRANSACTIONS

During the year, the Company entered into transactions in the ordinary course of business with related parties as follows:

| | Year to 31 August 2021 £m | Year to 31 August 2020 £m |
|---|---|---|
| Costs recharged by subsidiary undertakings | **0.8** | 1.2 |

For transactions with Directors and key management of ASOS Plc, see Note 23 to the consolidated financial statements on page 117.

## 8 INVESTMENTS

Investments in subsidiary companies are stated at cost and are subject to review for impairment if an impairment indicator is identified.

In accordance with IFRS 2, ASOS.com Limited is required to recognise share-based payment arrangements involving equity instruments where ASOS.com Limited has remunerated those providing services to the entity in this way. ASOS Plc makes contributions to ASOS.com Limited equal to the charge for the share-based payment arrangement which is reflected as an increase in ASOS Plc's capital contribution to ASOS.com Limited. For the year to 31 August 2021, ASOS.com Limited recognised a charge of £9.4m (2020: £12.9m) in respect of share-based payment arrangements. Accordingly, this is shown as an increase (2020: increase) in the capital contribution balance in the table below.

| | Investment £m | Capital contribution £m | Total £m |
|---|---|---|---|
| **Cost and net book amount** | | | |
| At 1 September 2019 | 1.7 | 34.7 | 36.4 |
| Additions | – | 12.9 | 12.9 |
| At 31 August 2020 | 1.7 | 47.6 | 49.3 |
| Additions | **–** | **9.4** | **9.4** |
| At 31 August 2021 | **1.7** | **57.0** | **58.7** |

The Directors believe the carrying value of investments is supported by their underlying net assets.





## 8 INVESTMENTS – CONTINUED

At 31 August 2021, the Company's subsidiaries were as follows:

| Name of company | Country of incorporation | Proportion of ordinary shares held | Nature of business |
|---|---|---|---|
| ASOS Intermediate Holdings Limited | UK | 100% | Holding company |
| Mornington & Co (No. 1) Limited | UK | 100% | Vehicle for implementation of ALTIP |
| Mornington & Co (No. 2) Limited | UK | 100% | Vehicle for implementation of ALTIP |
| ASOS.com Limited[1] | UK | 100% | Internet retailer |
| Crooked Tongues Limited | UK | 95% | Internet retailer |
| Covetique Limited | UK | 100% | Discontinued internet marketplace |
| ASOS Marketplace Limited | UK | 100% | Internet marketplace |
| ASOS Global Limited | UK | 100% | Holding company |
| Eight Paw Projects Limited | UK | 100% | Brand management company |
| ASOS US, Inc | US | 100% | Employer of marketing staff based in the US |
| ASOS Germany GmbH | Germany | 100% | Employer of supply chain staff based in Germany |
| ASOS France SAS | France | 100% | Non-trading company |
| ASOS Transaction Services France SAS | France | 100% | Payment processing company |
| ASOS Australia Pty Limited | Australia | 100% | Non-trading company |
| ASOS Canada Services Limited | Canada | 100% | Non-trading company |
| ASOS Transaction Services Limited | UK | 100% | Holding company |
| ASOS Transaction Services Australia Pty Limited | Australia | 100% | Payment processing company |
| ASOS US Sales LLC | US | 100% | Payment processing company |
| ASOS Projects Limited | UK | 100% | Holding company |
| ASOS Ventures Limited | UK | 100% | Non-trading company |
| ASOS (Shanghai) Commerce Co. Limited | China | 100% | Discontinued internet retailer |
| ASOS Payments UK Limited | UK | 100% | Payment processing company |
| ASOS Payments Holdings Limited | UK | 100% | Holding company |
| Cornwall (Jersey) Limited | Jersey | 100% | Vehicle for issue of convertible bond |
| ASOS Holdings Limited | UK | 90% | Brand management company |

1 ASOS.com Limited has a 7.2% interest in Needle and Thread Design Holdings Limited.
2 ASOS Projects Limited has a 3.4% interest in Action Artificial Intelligence Limited.

ASOS Intermediate Holdings Limited, Mornington & Co (No. 1) Limited and Mornington & Co (No. 2) Limited are direct subsidiaries of the Company. All others are indirect subsidiaries of ASOS Plc.

All operating subsidiaries' results are included in the consolidated financial statements, based on percentage of voting rights held. No subsidiaries have non-controlling interests that are material to the consolidated financial statements of ASOS Plc.

The accounting reference date of all subsidiaries of ASOS Plc is 31 August, except for ASOS (Shanghai) Commerce Co. Limited which has an accounting reference date of 31 December due to Chinese statutory requirements.

**8 INVESTMENTS – CONTINUED**

All UK incorporated entities share the same registered office as ASOS Plc and non-UK entities' registered offices are detailed below:

| Entity | Registered office |
|---|---|
| ASOS US Inc | 12 Timber Creek Lane, Newark, DE 19711, US |
| ASOS Germany GmbH | An der Anhalter Bahn 6, 14979 Grossbeeren, Germany |
| ASOS France SAS | TMF France SAS, 3-5 Rue Saint Georges, 75009 Paris, France |
| ASOS Transaction Services France SAS | TMF France SAS, 3-5 Rue Saint Georges, 75009 Paris, France |
| ASOS Australia Pty Limited | Company Matters Pty Limited, Level 12, 680 George Street, Sydney NSW 2000, Australia |
| ASOS Canada Services Limited | 777 Dunsmuir Street, Suite 1700, Vancouver, BC V7Y 1K4, Canada |
| ASOS Transaction Service Australia Pty Limited | c/o Company Matters Pty Limited, Tower 4, 727 Collins Street, Docklands, VIC 3008, Australia |
| ASOS US Sales LLC | 12 Timber Creek Lane, Newark, DE 19711, US |
| ASOS (Shanghai) Commerce Co. Limited | Unit 506A Level 5, No. 2911 North Zhongshan Road, Putuo District, Shanghai, PRC. |





# Adjusted Performance Measures (APMs)

ASOS defines the below non-IFRS performance measures to allow shareholders to better understand underlying financial performance and position, both in comparison to prior periods and within the online retail sector.

Retail sales is a measure of the Group's trading performance and the metric is used by management to monitor performance across segments. It relates to internet sales recorded net of an appropriate deduction for actual and expected returns, relevant vouchers and sales taxes. Reported PBT, EBIT, and EBITDA have been adjusted for items that as a result of their nature, frequency and materiality, are not considered underlying. A full list of the adjusting items and the measures they impact can be seen in the table and definitions below. Net cash/(debt) is a measure of the Group's liquidity.

Adjusting items have been isolated as a result of their nature, frequency and materiality and for FY21 were as follows;

- Amortisation associated with the acquired intangibles
- One-off costs associated with the Topshop brands acquisition and integration
- Non-cash share-based payment charge

A reconciliation of the Group's alternative performance measures can be found in the Financial Review section in the front half of the Annual Report on page 9.

| Performance measure | Definition | How ASOS use this measure |
|---|---|---|
| Retail sales | Internet sales recorded net of an appropriate deduction for actual and expected returns, relevant vouchers and sales taxes. | A measure of the Group's trading performance focused on the sale of products to end customers. Used by management to monitor overall and basket metric performance across markets. |
| Adjusted EBITDA | Profit before tax, interest, depreciation, amortisation, share-based payment charges and Topshop brands acquisition and integration one-off costs.<br>Adjusted EBITDA margin is the Adjusted EBITDA divided by total sales. | A measure of the Group's underlying cash generation for the period by removing one-off costs and non-cash expenditure recognised in operating profit. |
| Adjusted EBIT | Profit before tax, interest, Topshop brands acquisition and integration one-off costs and amortisation of acquired intangible assets.<br>Adjusted EBIT margin is the Adjusted EBIT divided by total sales. | A measure of the Group's underlying profitability for the period by removing one-off costs and amortisation of acquired intangible assets. |
| Adjusted PBT | Profit before tax, Topshop brands acquisition and integration one-off costs and amortisation of acquired intangible assets.<br>Adjusted PBT margin is the Adjusted PBT divided by total sales. | A measure of the Group's underlying profitability for the period by removing one-off costs and amortisation of acquired intangible assets. |
| Net cash/(debt) | Cash and cash equivalents less any borrowings drawn down at year-end, but excluding outstanding lease liabilities. | A measure of the Group's liquidity. |

# Five-Year Financial Summary (unaudited)

**Consolidated Statement of Comprehensive Income**

| | Year to 31 August 2017 £m | Year to 31 August 2018 £m | Year to 31 August 2019 £m | Year to 31 August 2020 £m | **Year to 31 August 2021 £m** |
|---|---|---|---|---|---|
| **Revenue** | 1,923.6 | 2,417.3 | 2,733.5 | 3,263.5 | **3,910.5** |
| Cost of sales | (965.3) | (1,180.2) | (1,399.2) | (1,716.1) | **(2,134.1)** |
| **Gross profit** | 958.3 | 1,237.1 | 1,334.3 | 1,547.4 | **1,776.4** |
| Distribution costs | (299.2) | (380.8) | (415.6) | (444.6) | **(509.5)** |
| Administrative expenses | (579.5) | (754.4) | (883.6) | (951.7) | **(1,076.8)** |
| **Operating profit** | 79.6 | 101.9 | 35.1 | 151.1 | **190.1** |
| Finance income | 0.4 | 0.3 | – | 0.5 | **0.2** |
| Finance expense | – | (0.2) | (2.0) | (9.5) | **(13.2)** |
| **Profit before tax** | 80.0 | 102.0 | 33.1 | 142.1 | **177.1** |
| Income tax expense | (15.9) | (19.6) | (8.5) | (28.8) | **(48.7)** |
| **Profit from continuing operations** | 64.1 | 82.4 | 24.6 | 113.3 | **128.4** |
| Profit for the year attributable to owners of the parent company | 64.1 | 82.4 | 24.6 | 113.3 | **128.4** |
| Net translation movements offset in reserves | (0.3) | 0.3 | (0.8) | 0.1 | **(0.5)** |
| Net fair value gains/(losses) on derivative financial instruments | 15.8 | 67.7 | (14.9) | (13.9) | **38.4** |
| Income tax relating to these items | (3.3) | (12.8) | 2.8 | 2.9 | **(8.1)** |
| **Other comprehensive income/(loss) for the year** | 12.2 | 55.2 | (12.9) | (10.9) | **29.8** |
| **Profit/(loss) attributable to:** | | | | | |
| Owners of the parent company | 64.1 | 82.4 | 24.6 | 113.3 | **128.4** |
| Non-controlling interest | – | – | – | – | **–** |
| | 64.1 | 82.4 | 24.6 | 113.3 | **128.4** |
| **Total comprehensive income/(loss) attributable to:** | | | | | |
| Owners of the parent company | 76.3 | 137.6 | 11.7 | 102.4 | **158.2** |
| Non-controlling interest | – | – | – | – | **–** |
| | 76.3 | 137.6 | 11.7 | 102.4 | **158.2** |
| **Underlying earnings per share**[1] | | | | | |
| Basic | 77.2p | 98.9p | 29.4p | 126.3p | **128.9p** |
| Diluted | 76.6p | 98.0p | 29.4p | 125.6p | **125.5p** |
| **Earnings per share** | | | | | |
| Basic | 77.2p | 98.9p | 29.4p | 126.3p | **128.9p** |
| Diluted | 76.6p | 98.0p | 29.4p | 125.6p | **125.5p** |

1 Underlying EPS is calculated using profit after tax before exceptional items and discontinued operations.



**Consolidated Statement of Financial Position**

| | As at 31 August 2017 £m | As at 31 August 2018 £m | As at 31 August 2019 £m | As at 31 August 2020 £m | **As at 31 August 2021 £m** |
|---|---|---|---|---|---|
| Non-current assets | 325.9 | 503.4 | 622.3 | 969.6 | **1,324.8** |
| Current assets | 514.5 | 503.6 | 623.2 | 1,019.8 | **1,559.7** |
| **Total assets** | 840.4 | 1,007.0 | 1,245.5 | 1,989.4 | **2,884.5** |
| Equity attributable to owners of the parent company | 287.1 | 438.8 | 453.6 | 810.3 | **1,034.0** |
| Current liabilities | 544.2 | 558.0 | 772.2 | 854.1 | **998.0** |
| Long-term liabilities | 9.1 | 10.2 | 19.7 | 325.0 | **852.5** |
| **Total liabilities, capital and reserves** | 840.4 | 1,007.0 | 1,245.5 | 1,989.4 | **2,884.5** |

**Consolidated Statement of Cash Flows**

| | Year to 31 August 2017 £m | Year to 31 August 2018 £m | Year to 31 August 2019 £m | Year to 31 August 2020 £m | **Year to 31 August 2021 £m** |
|---|---|---|---|---|---|
| Net cash generated from operating activities after exceptional items | 145.9 | 93.9 | 89.7 | 403.3 | **215.1** |
| Net cash used in investing activities | (161.0) | (212.7) | (221.6) | (116.1) | **(443.2)** |
| Net cash generated from financing activities | 1.8 | 1.5 | 73.9 | 135.7 | **483.4** |
| Net movement in cash and cash equivalents | (13.3) | (117.3) | (58.0) | 422.9 | **255.3** |
| Opening cash and cash equivalents | 173.3 | 160.3 | 42.7 | (15.5) | **407.5** |
| Effect of exchange rates on cash and cash equivalents | 0.3 | (0.3) | (0.2) | 0.1 | **(0.1)** |
| **Closing cash and cash equivalents** | 160.3 | 42.7 | (15.5) | 407.5 | **662.7** |

# Company Information

**Annual General Meeting**
The AGM will be held at 12.00 noon on Tuesday 7 December 2021 at:

Greater London House,
Hampstead Road,
London NW1 7FB

The Notice of Meeting is available on our website setting out the business to be transacted.

**Directors as at the date of this report**
Adam Crozier (Chair)
Mat Dunn
Ian Dyson
Mai Fyfield
Karen Geary
Luke Jensen
Nick Robertson
Eugenia Ulasewicz

**Company Secretary**
Anna Suchopar

**Registered office**
Greater London House
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**Registered in England**
Company Number 4006623

**Shareholder helpline**
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**Independent auditors**
PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
40 Clarendon Road
Watford
Hertfordshire WD17 1JJ

**Lawyers**
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1 Bunhill Row
London EC1Y 8YY

**Financial adviser, nominated adviser and joint broker**
J.P. Morgan Cazenove
25 Bank Street
London E14 5JP

**Joint brokers**
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45 Gresham Street
London, EC2V 7BF

Berenberg
60 Threadneedle Street
London EC2R 8HP

**Financial PR**
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Cannon Green
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