

Governance

Directors' Report

The Directors present their annual report on the affairs of the Group, together with the audited financial statements and auditor's report for the year ended 31 March 2021. The Report on Corporate Governance on pages 79 to 84 forms part of this report.

Details of significant events since the balance sheet date are included in note 25 to the financial statements. An indication of likely future developments in the business of the Company is included in the strategic report.

Information about the use of financial instruments by the Company and its subsidiaries is given in note 18 to the financial statements.

Dividends

The Directors are recommending the payment of a final dividend of 17.0 pence per share for the year (2020: 16.7 pence per ordinary share). An interim dividend of 17.0 pence per share was paid in the year (2020: 17.1 pence per share).

A property income distribution of 32.0 pence is payable for the year, of which 17.0 pence per share was paid with the interim dividend, and 15.0 pence per share is proposed for the final dividend.

Subject to approval by shareholders at the Annual General Meeting to be held on 22 July 2021, the final dividend will be paid on 30 July 2021. The Ex-div date is 8 July 2021 and the Record date is 9 July 2021.

From April 2018 dividend tax credits have been replaced by an annual £2,000 tax-free allowance on dividend income across an individual's entire share portfolio. Above this amount, individuals will pay tax on their dividend income at a rate dependent on their income tax bracket and personal circumstances. The Company will continue to provide registered shareholders with a confirmation of the dividends paid by Big Yellow Group PLC, and this should be included with any other dividend income received when calculating and reporting total dividend income received. It is the shareholder's responsibility to include all dividend income when calculating any tax liability. This change was announced by the Chancellor, as part of the UK government Budget, in July 2015.

SECR and Mandatory GHG Reporting

The Companies (Directors' Report) and Limited Liability Partnerships (Energy and Carbon Report) Regulations 2018 ('SECR') came into force on 1 April 2019 and applies to companies with financial years starting on or after 1 April 2019.

The 2018 Regulations define what must be included in the Directors' Report, namely:

- Annual GHG emissions from activities for which the Company is responsible including combustion of fuel and operation of any facility, such as such as our flexi-office gas heating, air conditioner coolant replacement, one Company van diesel fuel use emissions and fit-out 'diesel' use emissions (assuming qualifying fit-out activities have taken place during the year);
- Annual emissions from the purchase of electricity, heat, steam or cooling by the Company for its own use, such as electricity for our stores and fit-out activities;
- Underlying global energy use;
- Previous year's figures for energy use and GHG;
- At least one intensity ratio;
- Energy efficiency action taken; and
- Methodology used.

We will also continue to report on our Scope 3 emissions: Electricity supplier 'transmission and distribution' emissions – currently, voluntary GHG emissions, from our waste and water supply chains are assessed as 'not material' – we are now including 'employee business travel' (from car mileage claims only). We will also retain the practice of reporting our previous few years to show longer term trends.

We have introduced 'Market-based emission' reporting for this financial year. The emissions reported here reflect the emissions associated with the electricity tariff we have purchased; whereas 'Location-based emissions' are emissions associated with the UK grid and applies the required DEFRA conversion factors. Where we have not indicated market-based or location-based figures, location-based can be assumed.

Please note, our operations are solely based in the UK and we therefore will be reporting a single geographical scope – UK and offshore area only.

a) Data

Year ending 31 March	UK and offshore area	2019	2019 restated	2020	2020 restated	2021
GHG Scope 1 total tonnes CO ₂ e	Total Scope 1 Emissions location-based	133.5	no change	131.7	no change	166.6
GHG Scope 2 total tonnes CO ₂ e	Total Scope 2 Emissions location-based	2,665.1	2,515.0	2,439.7	2,237.6	2,049.9
GHG Scope 2 total tonnes CO ₂ e	Total Scope 2 Emissions market-based		New for 2019/20	1,142.0	1,072.6	0.0
Total GHG Scope 1 & 2 Total tonnes CO ₂ e	Total Scope 1& 2 Emissions location-based	2,798.8	2,648.5	2,571.4	2,369.3	2,216.5
Total GHG Scope 1 & 2 Total tonnes CO ₂ e	Total Scope 1& 2 Emissions market-based		New for 2019/20	1,273.7	1,204.3	166.6
Scope 3 total tonnes CO ₂ e	Electricity Transmission Losses and Employee Business travel	366	366	315	303	250
tCO ₂ e/ revenue (£000s) – location-based	Greenhouse Gas (GHG) emissions intensity from building energy consumption	22.3	21.1	20.6	18.3	16.4
tCO ₂ e/ revenue (£000s) – market-based	Greenhouse Gas (GHG) emissions intensity from building energy consumption		New for 2019/20	9.9	9.3	1.2
tCO ₂ e/ Occupied space (000s m ²)	Greenhouse Gas (GHG) emissions intensity from building energy consumption (scope 1 and 2)	7.9	7.4	7.2	6.6	5.9
tCO ₂ e/ CLA (000s m ²)	Greenhouse Gas (GHG) emissions intensity from building energy consumption (scope 1 and 2)	6.5	6.1	5.9	5.5	4.9
Energy data	Underlying Scope 1 and 2 emissions energy data (kWhs)		New for 2019/20	10,214,794	9,626,987	9,627,876

Notes to the data table: Regarding restating, each year, the last 3 months of our emissions data is reported using prior year's conversion factors, due to an emission factor publication lag – we operate on a 'best available data' principle and will therefore restate each year – see the Basis of Reporting document for specifics.

We also restate if there were material changes during the year. This year we became aware of electricity consumption being reported as part of our total energy rather than the 3rd party who rents space on some of our stores. The 3rd party installs and manages telecoms masts and uses electricity from our stores. This electricity consumption has been removed from our figures and we have restated back to 2018/19 when the amount became material. Regarding Market-based emissions, as of 1 October 2019 we purchase Rego backed 100% renewable energy from Opus Energy, so are able to provide both location-based and market-based CO₂e emissions.

The three location-based intensity metrics are calculated from the location-based Scope 1 & 2 totals. The one market-based intensity metric is calculated from the market-based Scope 1 & 2 totals.

b) Methodology for Calculating Emissions

Please note that we produce a yearly Basis of Reporting document which sets out the methodology we use for all of our KPIs, including GHG emissions. We have included a special section for the Companies (Directors' Report) and Limited Liability Partnerships (Energy and Carbon Report) Regulations 2018.

Please access the Basis of Reporting document at corporate.bigyellow.co.uk/sustainability.

c) Energy Efficiency Measures

Background

We have a long-standing strategy of pro-actively managing our energy consumption and becoming an ever more efficient business. We have reported progress over the years both in our Annual Reports as well as our standalone annual CSR Reports, all available online in our Investor and Sustainability sections respectively.

Between 2012 and 2017 we undertook a company-wide upgrade of our lighting to LED and to installing motion sensor controls to ensure lights are only turned on when customers need them; plus a small amount of permanent emergency lighting was improved to LED.

Although the majority of that work has been done, a small number of 'mop up' activities continue to take place, especially where we have not been able to gain access to customers' units to execute the changeover.

All of our electricity and gas meters are fitted with HH automatic meter readers; the data is available to us via an externally hosted platform and used by the internal Environmental Committee (formally the CSR Steering Committee) to review our performance on a quarterly basis.

During the year, we created a more formalised board level governance structure, which can be accessed here. We appointed Heather Savory as Non-Executive Director to the Board; Heather chairs the Sustainability Committee.

Governance

Directors' Report (continued)

Most recent ESOS assessment findings & resulting actions

Our ESOS Phase 2 assessment has emphasised the fact that – due to the non-complex nature of our stores – we are limited by the amount of energy saving measures we are able to undertake.

Our independent ESOS assessor's recommendations therefore focussed on increasing our existing Solar PV estate. This recommendation is in alignment with our broader Sustainability Strategy and during the year we added six more solar installations, making it a total of 28 stores.

During the year, we have opened three new stores:

- in Ellesfield Avenue, Bracknell, which was fitted out with a 50kWp solar installation;
- in Southampton Way, Camberwell, which was fitted out with a 50kWp solar installation; and
- in Lombard Road, Battersea which was fitted out with a 50kWp solar installation.

In July 2020, we retrofitted Norwich, Watford, and Tunbridge Wells with 50kWp Solar PV installations each.

During the year, we have generated 665,118 kWh of solar energy (an increase of 15% from the previous year), thereby a) reducing our energy demand from the grid by the kWh we are using on site and b) increasing the grid's renewable mix by exporting part of our energy as the size of our solar installations exceed our demand.

During the year, we have set an ambitious 100% renewable energy and zero carbon emission strategy to 2030; delivered via a combination of on-site solar and off-site renewable energy installations.

For our full Environmental reporting against EPRA KPIs, please see our annual CSR report 2020/21 and our Basis of Reporting document 2020/21. Questions can be directed to csr@bigyellow.co.uk.

Capital structure

Details of the authorised and issued share capital, together with details of the movements in the Company's issued share capital during the year are shown in note 22. The Company has one class of ordinary shares which carry no right to fixed income. Each share carries the right to one vote at general meetings of the Company.

There are no specific restrictions on the size of a holding nor on the transfer of shares, which are both governed by the general provisions of the Articles of Association and prevailing legislation. The Directors are not aware of any agreements between holders of the Company's shares that may result in restrictions on the transfer of securities or on voting rights.

Details of employee share schemes are set out in note 23, and details of shares held by the Company's Employee Benefit Trust are set out in note 22.

No person has any special rights of control over the Company's share capital and all issued shares are fully paid.

With regard to the appointment and replacement of Directors, the Company is governed by its Articles of Association, the Corporate Governance Code, the Companies Acts and related legislation. The Articles themselves may be amended by special resolution of the shareholders. The powers of Directors are described in the Report on Corporate Governance on page 79.

There are a number of agreements that take effect, alter, or terminate upon a change of control of the Company such as commercial contracts, bank loan agreements, property lease arrangements and employee share plans. The Directors are not aware of any agreements between the Company and its Directors or employees that provide for compensation for loss of office or employment that occurs because of a takeover bid.

During the year the Company issued 406,900 shares to satisfy the exercise of share options (2020: 473,369).

Directors

The Directors of the Company who served throughout the year and to the date of approval of the financial statements, except as noted below, were as follows:

Richard Cotton	Senior Independent Director
Jim Gibson	Chief Executive Officer
Julia Hailes	Non-Executive Director (resigned 14 January 2021)
Georgina Harvey	Non-Executive Director (resigned 5 August 2020)
Steve Johnson	Non-Executive Director (resigned 5 August 2020)
Anna Keay	Non-Executive Director
Adrian Lee	Operations Director
Vince Niblett	Non-Executive Director
Heather Savory	Non-Executive Director (appointed 1 March 2021)
Laela Pakpour Tabrizi	Non-Executive Director (appointed 1 July 2020)
John Trotman	Chief Financial Officer
Nicholas Vetch	Executive Chairman

Biographical details of the Executive and Non-Executive Directors standing for re-election are set out on pages 76 to 78.

Directors' indemnities

The Company purchases liability insurance covering the Directors and officers of the Company and its subsidiaries.

Political contributions

No political donations were made by the Company in either the current or preceding financial year.

Substantial shareholdings

The Company had been notified, in accordance with Chapter 5 of the Disclosure and Transparency rules, of the following voting rights as a shareholder of the Company at 31 March 2021 and 24 May 2021.

	No. of ordinary shares 31 March 2021	Percentage of voting rights and issued share capital 31 March 2021	No. of ordinary shares 21 May 2021	Percentage of voting rights and issued share capital 21 May 2021
Blackrock Inc	14,754,971	8.4%	15,225,781	8.7%
Ameriprise Financial Inc	8,472,728	4.8%	8,297,780	4.7%
The Vanguard Group Inc	8,404,499	4.8%	8,630,002	4.9%
Jupiter Asset Management Limited	8,192,446	4.7%	8,176,220	4.7%
Resolution Capital	8,171,661	4.7%	8,703,115	5.0%
FMR LLC	8,042,548	4.6%	8,019,274	4.6%
MFS Investment Management	6,247,276	3.6%	6,406,040	3.6%

The interest of the Directors in the share capital of the Company is shown on page 106 of the Remuneration Report.

Purchase of own shares

The Company was granted authority at the AGM in 2020 to purchase its own shares up to a total aggregate value of 10% of the issued nominal capital. That authority expires at this year's AGM and a resolution will be proposed for its renewal. During the year the Company made no purchases of its own shares.

Employee consultation

The Group seeks to ensure employee commitment to its objectives in a number of ways. Strategic changes are communicated directly to all staff who are encouraged to address queries to the Executive Directors. The Directors' executive meetings are frequently held in stores and in addition Directors and senior management visit the stores on a regular basis. Furthermore, there are regular team briefings at store level to provide employees with information about the performance of and initiatives in their store. A wide range of information is also communicated across the Group's Intranet, including the e-publication of the Group's financial results and all press releases, the publication of a quarterly newsletter, and the publication of a weekly operations bulletin.

Governance

Directors' Report (continued)

As discussed in the Corporate Governance Report, the Board has appointed a designated Non-Executive Director, Anna Keay, to act as the primary method of workforce engagement for Big Yellow in accordance with the new Corporate Governance Code.

Employees are encouraged to participate in the Group's performance through Employee Share Schemes and performance related bonuses. 52% of eligible employees participate in the Group's Sharesave Scheme.

The Group's recruitment policy is committed to promote equality, judging neither by race, nationality, religion, age, gender, disability, sexual orientation, nor political opinion and to treat all stakeholders fairly.

Disabled employees

Applications for employment by disabled persons are always fully considered, bearing in mind the aptitudes of the applicant concerned. In the event of members of staff becoming disabled every effort is made to ensure that their employment with the Group continues and that appropriate training is arranged. It is the policy of the Group that the training, career development and promotion of disabled persons should, as far as possible, be identical to that of other employees.

Human Rights

Big Yellow respects Human Rights and aims to provide assurance to internal and external stakeholders that we are committed to human rights and the principles of the Universal Declaration of Human Rights.

We are committed to creating and maintaining a positive and professional work environment that reflects and respects the basic rights of freedom to lead a dignified life, free from fear or want, and where stakeholders are free to express their independent beliefs. Our employment policies and practices reflect a culture where decisions are made solely on the basis of individual capability and potential in relation to the needs of the business.

Modern Slavery Act

The Group is committed to ensuring that there is no modern slavery or human trafficking in our supply chains or in any part of our business. Our Anti-slavery Policy reflects our commitment to acting ethically and with integrity in all our business relationships and to implementing and enforcing effective systems and controls to ensure slavery and human trafficking is not taking place anywhere in our supply chains. Our policy is published in full on our website.

Auditor

In accordance with Section 489 of the Companies Act 2006, a resolution for the re-appointment of KPMG LLP as auditor of the Company is to be proposed at the forthcoming Annual General Meeting.

Disclosure of information to auditor

The Directors who held office at the date of approval of this Directors' Report confirm that, so far as they are each aware, there is no relevant audit information of which the Company's auditor is unaware; and each Director has taken all the steps that he/ she ought to have taken as a Director to make himself/ herself aware of any relevant audit information and to establish that the Company's auditors is aware of that information.

This confirmation is given and should be interpreted in accordance with s418 of the Companies Act 2006.

Approved by the Board of Directors and signed on behalf of the Board

Shauna Beavis
Company Secretary

24 May 2021

Statement of Directors' Responsibilities

Statement of Directors' responsibilities in respect of the Annual Report and the financial statements

The Directors are responsible for preparing the Annual Report and the Group and parent Company financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare Group and parent Company financial statements for each financial year. Under that law they are required to prepare the Group financial statements in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006 and applicable law and have elected to prepare the parent Company financial statements in accordance with UK accounting standards and applicable law, including FRS 101 Reduced Disclosure Framework. In addition the Group financial statements are required under the UK Disclosure and Transparency Rules to be prepared in accordance with International Financial Reporting Standards adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union ("IFRSs as adopted by the EU").

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

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable, relevant, and reliable;
- for the Group financial statements, state whether they have been prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006 and International Financial Reporting Standards adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union ("IFRSs as adopted by the EU");
- for the parent Company financial statements, state whether applicable UK accounting standards have been followed, subject to any material departures disclosed and explained in the parent Company financial statements;
- assess the Group and parent Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the Group or the parent Company or to cease operations or have no realistic alternative but to do so.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the parent Company's transactions and disclose with reasonable accuracy at any time the financial position of the parent Company and enable them to ensure that its financial statements comply with the Companies Act 2006. They are 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, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

Under applicable law and regulations, the Directors are also responsible for preparing a Strategic Report, Directors' Report, Directors' Remuneration Report and Corporate Governance Statement that complies with that law and those regulations.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Responsibility statement of the Directors in respect of the annual financial report

We confirm that to the best of our knowledge:

- the financial statements, prepared in accordance with the applicable set of accounting standards, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company and the undertakings included in the consolidation taken as a whole; and
- the Strategic Report includes a fair review of the development and performance of the business and the position of the issuer and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face.

We consider 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's position and performance, business model and strategy.

This responsibility statement was approved by the Board of Directors on 24 May 2021 and is signed on its behalf by:

Jim Gibson	John Trotman
Chief Executive Officer	Chief Financial Officer