

## Governance Report

### 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 2022. The Report on Corporate Governance on pages 83 to 88 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 21.4 pence per share for the year (2021: 17.0 pence per ordinary share). An interim dividend of 20.6 pence per share was paid in the year (2021: 17.0 pence per share).

All of the 42.0 pence per share payable for the year is a Property Income Distribution.

Subject to approval by shareholders at the Annual General Meeting to be held on 21 July 2022, the final dividend will be paid on 29 July 2022. The Ex-div date is 7 July 2022 and the Record date is 8 July 2022.

From April 2018 dividend tax credits have been replaced by an annual £2,000 tax-free allowance on dividend income across an individual's entire share portfolio.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.

#### 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 and 'employee business travel (from car mileage claims only)'. This year for the first time we have included grid bought electricity used and measured by third party telecoms masts. Consumption is reported bi-annually and deducted from Big Yellow's Scope 2 data. The standard grid bought electricity conversion factors are applied. Voluntary GHG emissions, from our waste and water supply chains are assessed as 'not material'. We will also retain the practice of reporting our previous few years to show longer term trends.

With the acquisition of the remaining 80% of Armadillo that we did not previously own, we have included the full year data for both Armadillo and Big Yellow and restated two years' worth of data for the combined portfolio.

The 'Market based emission' 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.

## α) Data

| Year ended 31 March                                  |   | 2020 TOTAL<br>Restated to<br>include Armadillo | 2021 TOTAL<br>Restated to<br>include Armadillo | 2022 TOTAL          |
|--|---|--|--|---------------------|
| GHG Scope 1 total tonnes CO <sub>2</sub> e           | Total Scope 1 Emissions (location-based)  | 248.4  | 279.8  | <b>294.9</b>        |
| GHG Scope 2 total tonnes CO <sub>2</sub> e           | Total Scope 2 Emissions (location-based)  | 2,911.5  | 2,563.8  | <b>2,368.3</b>      |
| GHG Scope 2 total tonnes CO <sub>2</sub> e           | Total Scope 2 Emissions market-based  | 1,411.1  | 0.0  | <b>0.0</b>          |
| Total GHG Scope 1 & 2                                |   |  |  |                     |
| Total tonnes CO <sub>2</sub> e                       | Total Scope 1&2 Emissions (location-based)  | 3,159.9  | 2,843.6  | <b>2,663.2</b>      |
| Total GHG Scope 1 & 2                                |   |  |  |                     |
| Total tonnes CO <sub>2</sub> e                       | Total Scope 1&2 Emissions (market-based)  | 1,659.5  | 279.8  | <b>294.9</b>        |
| Scope 3  |   |  |  |                     |
| total tonnes CO <sub>2</sub> e                       | Electricity Transmission Losses   | 251.1  | 224.0  | <b>208.6</b>        |
|  | Telecoms emissions on our sites   | 144.0  | 174.0  | <b>178.1</b>        |
|  | Employee Business travel  | 72.3   | 76.1   | <b>92.8</b>         |
| TOTAL Scope 3  |   |  |  |                     |
| total tonnes CO <sub>2</sub> e                       | Electricity Transmission Losses, Telecom emissions,<br>Employee Bus Travel                                  | 467.4  | 474.1  | <b>479.5</b>        |
| tCO <sub>2</sub> e/ revenue (£000s) – location-based | Greenhouse Gas (GHG) emissions intensity<br>from building energy consumption                                | 21.6   | 18.6   | <b>15.1</b>         |
| tCO <sub>2</sub> e/ revenue (£000s) – market-based   | Greenhouse Gas (GHG) emissions intensity<br>from building energy consumption                                | 11.4   | 1.8  | <b>1.7</b>          |
| tCO <sub>2</sub> e/ Occupied space                   | Greenhouse Gas (GHG) emissions intensity from building<br>energy consumption (Scope 1 and 2 location-based) | 7.3  | 6.3  | <b>5.4</b>          |
| tCO <sub>2</sub> e/ CLA (1,000m <sup>2</sup> )       | Greenhouse Gas (GHG) emissions intensity from building<br>energy consumption (Scope 1 and 2 location-based) | 6.0  | 5.1  | <b>4.7</b>          |
| Energy data  | underpinning Scope 1 and 2 emissions data (kWh)   | not restated                                   | 12,777,915.1                                   | <b>12,750,155.2</b> |

Notes to the data table: Regarding restating, in addition to restating to include Armadillo data, 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.

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 CO<sub>2</sub>e 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

## Scope 1, Gas

Data collection: Big Yellow and some of our Armadillo gas data is metered and automatically transmitted into our energy and emission reporting platform, Envizi. Gas for the remaining stores with gas is obtained from supplier invoices and manually uploaded onto Envizi. This process is part of the assurance work undertaken by SGS. Any gaps are accrued.

Calculations: Our software platform, Envizi, contains our consumption data as well as the current BEIS emission factors. These are used to calculate emissions automatically when reports are produced. Our annual data straddles two emission factor years; as soon as the latest factors are released, our partners ensure Envizi contains the most up to date set and this is applied against the relevant data set.

## Scope 1, Van

Data collection: our maintenance person records miles driven to service our stores. The data is collected quarterly and sent to our partners for uploading into Envizi. Envizi commutes the mileage data into emissions.

Calculations: km travelled x emission conversion factor for a diesel average van (up to 3.5 tonnes) in km/kgCO<sub>2</sub>e / 1000 to convert to tCO<sub>2</sub>e.

## Scope 1, Fit-out diesel

Data collection: diesel consumption is collected manually by the construction team and reported weekly in the Construction Fit-Out report. The final report for the financial year is used to assess the overall diesel consumption during the year.

Calculation: the total diesel consumption in litres converted to kWh using the gross CV kWh/litre for Diesel (average biofuel blend) x emission conversion factor in kWh (Gross CV)/kgCO<sub>2</sub>e for a Diesel (average biofuel blend) / 1000 to convert to tCO<sub>2</sub>e.

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### Directors' Report (continued)

#### Scope 2, Location-based, electricity

Data collection: Big Yellow and some of our Armadillo electricity data is metered and automatically transmitted into our energy and emission reporting platform, Envizi. Electricity for the remaining stores is obtained from supplier invoices and manually uploaded onto Envizi. This process is part of the assurance work undertaken by SGS. Any gaps are accrued.

Calculations: Our software platform, Envizi, contains our consumption data as well as the current DEFRA emission factors. These are used to calculate emissions automatically when reports are produced. Our annual data straddles two emission factor years; as soon as the latest factors are released, our partners ensure Envizi contains the most up to date set and this is applied against the relevant data set.

#### Scope 2, Market-based, electricity

Data collection: the same as for location-based electricity

Calculations: instead of applying the location-based emission factors, we manually set electricity emissions at 0 as we have been purchasing 100% Rego backed electricity since 1st October 2019. For total Scope 1 & 2 emissions, market-based, we set Scope 2 at 0 and Scope 1 the same as per above.

#### Scope 3, Electricity Transmission and Distribution losses

Data collection: we use data collected for the location-based grid bought electricity data.

Calculation: the total grid supplied electrical consumption in kWh x T&D emission conversion factor in kWh/kgCO<sub>2</sub>e / 1000 to convert to tCO<sub>2</sub>e.

#### Scope 3, Telecoms masts

Data collection: we use the data collected by the company who installs and operates 3rd party telecoms masts on 12 of our stores. The consumption for these masts is reported bi-annually via spreadsheet and manually uploaded into our software platform, Envizi.

Calculations: The standard grid bought electricity conversion factors are applied.

Please note, when the consumption data is uploaded into Envizi it is posted as a negative amount to ensure it is deducted from our own, grid bought electricity consumption.

#### Scope 3, Employee business travel

Data collection: we use employee expenses reimbursement data held in our Finance system to calculate miles travelled.

Calculation: using 'cars (by size) Average car' conversion factors, we multiply the miles travelled reimbursed with the BEIS/DEFRA factor to arrive at the emissions, for business travel.

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.

### 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 install 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 most of that work has been completed, 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.

With the acquisition of the remaining 80% of Armadillo, we have identified several Armadillo stores for upgrading to HH automatic meter reading. This work has been commissioned during the year and is ongoing.

All other stores' 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 commenced on a programme to remove gas boilers at a number of our Armadillo stores with the aim of decarbonising our business by 2030.

We also prepared 12 stores for solar panel retrofitting; the actual retro-fit work is due to commence in May 2022 and completed in September 2022.

The three new stores that were opened during the year (Hove, Hayes, and Uxbridge) were all fitted with 50.3kWp solar installations.

### 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.

During the year, we have opened 3 new stores:

- in Old Shoreham Road, Hove, which was fitted out with a 50kWh solar installation;
- in Hayes Road, Hayes, which was fitted out with a 50kWh solar installation; and
- in Oxford Road, Denham, Uxbridge which was fitted out with a 50kWh solar installation.

During the year, we have generated 864,748.4kWh of solar energy (an increase of 27% 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 science-based targets. We aim to have these verified by the SBTi during 2022.

### 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 83.

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 334,970 shares to satisfy the exercise of share options [2021: 406,900].

### 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        | Non-Executive Director                              |
| Jim Gibson            | Chief Executive Officer                             |
| Anna Keay             | Non-Executive Director                              |
| Adrian Lee            | Operations Director                                 |
| Vince Niblett         | Senior Independent Director                         |
| Michael O'Donnell     | Non-Executive Director (appointed 1 September 2021) |
| Heather Savory        | Non-Executive Director                              |
| Laela Pakpour Tabrizi | Non-Executive Director                              |
| 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 page 80.

## Governance Report

### Directors' Report (continued)

#### 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 2022 and 23 May 2022.

|                                  | No. of ordinary shares<br>31 March 2022 | Percentage of voting rights and issued share capital<br>31 March 2022 | No. of ordinary shares<br>23 May 2022 | Percentage of voting rights and issued share capital<br>23 May 2022 |
|----------------------------------|---|---|---------------------------------------|---|
| BlackRock Inc                    | 17,841,855                              | 9.7%  | 17,467,096                            | 9.5%  |
| Resolution Capital               | 8,673,210                               | 4.7%  | 8,698,670                             | 4.7%  |
| The Vanguard Group Inc           | 8,582,729                               | 4.7%  | 8,618,232                             | 4.7%  |
| FMR LLC                          | 7,318,056                               | 4.0%  | 6,905,938                             | 3.8%  |
| MFS Investment Management        | 6,462,256                               | 3.5%  | 6,630,055                             | 3.6%  |
| Jupiter Asset Management Limited | 5,653,482                               | 3.1%  | n/d                                   | n/d   |

n/d – interest not disclosable at the applicable date.

The interest of the Directors in the share capital of the Company is shown on page 112 of the Remuneration Report.

#### Purchase of own shares

The Company was granted authority at the AGM in 2021 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.

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. 47% 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

23 May 2022