

# Corporate Governance Report

The Company is committed to the principles of corporate governance contained in the UK Corporate Governance Code issued by the Financial Reporting Council in 2018.

## Introduction

The Board takes account of the Corporate Governance guidelines of institutional shareholders and their representative bodies.

At Big Yellow, we aim to create a culture in which integrity, openness and fairness are rewarded.

We continue to review the composition of the Board to ensure that it has the appropriate skills, knowledge, and balance for the effective stewardship of the Company. The Board has overall responsibility for the manner in which the Company runs its affairs.

## Statement of compliance with the Code

Throughout the year ended 31 March 2023, the Company has been in compliance with the Code provisions set out in section 1 of the 2018 UK Corporate Governance Code, with the exception of Provision 19 in that the Executive Chairman of the Company has served in position for longer than the recommended period of nine years.

## Chairman's position

During the year ended 31 March 2020, which was the Company's first operating under the principals of the new UK Corporate Governance Code, Richard Cotton (then Senior Independent Non-Executive Director) and Vince Niblett consulted with a number of the Company's largest shareholders about the length of Nicholas Vetch's tenure as Executive Chairman (20 years), which is in contravention of the UK Corporate Governance Code. It is advised as governance best practice that the Chairman should serve for a maximum of 9 years. It is the view of the Board that it is in the Company's best interest for Nicholas Vetch to continue as Executive Chairman for the foreseeable future.

In arriving at this conclusion, the Non-Executive Directors have carefully considered the leadership position that Nicholas Vetch fulfils in the Company and also his leadership of the property team. Moreover, they looked at the governance checks and balances, which are, in their opinion, strong and effective. It is recognised that having a founder Director in post as Chairman for considerably longer than advised, needs justification and the reasons detailed below should inform shareholders that this has been given very thorough scrutiny.

1. The Company under Nicholas Vetch's leadership has an outstanding track record for delivering consistently strong returns and share price outperformance. In the twenty three years since flotation in May 2000, Big Yellow has delivered a Total Shareholder Return ("TSR"), including dividends reinvested, of 13.9% per annum, in aggregate 1,871.5% at the closing price of £11.69 on 31 March 2023. This compares to 4.4% per annum for the FTSE Real Estate Index and 5.0% per annum for the FTSE All Share index over the same period. He has been an integral part of the business since inception.
2. Big Yellow has a strong culture, which has benefited from stable and consistent leadership of the business.
3. The Board has five independent NEDs, three of whom have been appointed within the past three years, providing fresh perspective and challenge. The NEDs have a wide range of corporate experience and provide effective challenge to the Chairman and the other Executive Directors, which was endorsed by the external appraisal undertaken by Simon Robertson Associates in the year.
4. The Board has separate committees for Audit, Nomination, Remuneration and Sustainability, each of which are chaired by a Non-Executive Director, and we have a Senior Independent Director who is considered important in sharing the role of Chairman's duties. Specific examples of the board discussion include examination and engagement in the acquisition of new sites, funding decisions, and the Group's net zero carbon plan.
5. As a Board, we have contingency plans in place in the event one of the Executive Directors cannot fulfil their responsibilities, with a matrix of who would step in to cover their roles. Considerable thought has been given by the Board to succession, which has been approached in the context of a very successful senior team of whom the majority have been in post since the Company was listed in 2000. More detail is provided in the Nominations Committee Report.

The Board has been encouraged by the support of its major independent shareholders as it chooses to explain rather than comply with the Code on this issue.

## Statement about applying the principles of the Code

The Company has applied the principles set out in the Code, including both the main principles and the supporting principles, by complying with the Code as reported above. Further explanation of how the principles and supporting principles have been applied is set out below and in the Nominations Committee Report, the Remuneration Report, and the Audit Committee Report.

# Corporate Governance Report continued

## Leadership

The Board's role is to provide entrepreneurial leadership of the Company within a framework of prudent and effective controls which enables risk to be assessed and managed.

### Chairman and Chief Executive

The division of responsibilities between the Chairman and the Chief Executive has been agreed by the Board and encompasses the following parameters:

- the Chairman's role is to provide continuity, experience, governance, and strategic advice, while the Chief Executive provides leadership, drives the day-to-day operations of the business, and works with the Chairman on overall strategy;
- the Chairman, working with the Senior Independent Non-Executive Director, is viewed by investors as the ultimate steward of the business and the guardian of the interests of all the shareholders;
- the Board believes that the Chairman and the Chief Executive work together to provide effective and complementary stewardship;
- the Chairman:
  - takes overall responsibility for the composition and capability of the Board;
  - takes overall executive responsibility for the property development team; and
  - consults regularly with the Chief Executive and is available on a flexible basis for providing advice, counsel, and support to the Chief Executive.
- the Chief Executive:
  - manages the CFO and Operations Director and the Group's day-to-day activities;
  - prepares and presents to the Board strategic options for growth in shareholder value;
  - sets the operating plans and budgets required to deliver agreed strategy; and
  - ensures that the Group has in place appropriate risk management and control mechanisms.

The Directors believe it is essential for the Group to be led and controlled by an effective Board that provides entrepreneurial leadership within a framework of sound controls which enables risk to be assessed and managed. The Board is responsible for setting the Group's strategic aims, its values and standards and ensuring the necessary financial and human resources are in place to achieve its goals. The Board ensures that its obligations to shareholders and other stakeholders are understood and met. The Board also regularly reviews the performance of management.

## Effectiveness

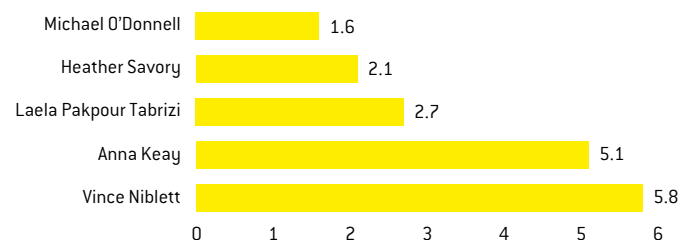
### Composition of the Board

The Nominations Committee is responsible for reviewing the Board Composition and makes recommendations to the Board on the appointment of Directors. There are presently five independent Non-Executive Directors on the Board, with Vince Niblett being the Senior Independent Director. The Company complies with the UK Corporate Governance Code in that at least half of the Board, excluding the Chair, is comprised of independent Non-Executive Directors.

All of the Non-Executive Directors bring considerable knowledge, judgement, and experience to Board deliberations. Non-Executive Directors do not participate in any of the Company's share option or bonus schemes and their service is non-pensionable. The Non-Executive Directors are encouraged to communicate directly with Executive Board Directors between formal Board meetings. The Non-Executive Directors meet at least once a year without the Executive Board Directors being present.

The Non-Executive Directors scrutinise the performance of management in meeting agreed goals and objectives and monitor the reporting of performance. They are required to satisfy themselves on the integrity of the financial information and that financial controls and systems of risk management are robust and defensible. They are responsible for determining appropriate levels of remuneration for Executive Board Directors and have a prime role in appointing and, where necessary, removing Executive Board Directors, and in succession planning.

The tenure of the independent Non-Executive Directors at 31 March 2023 is set out below:



### Changes to the Board and its Committees

At the 2022 Annual General Meeting, Richard Cotton retired from the Board. Richard was considered an independent Non-Executive, even though he had served on the Board for ten years, exceeding the Code recommended limit. This was concluded after considering his integrity and the effectiveness with which he carries out his responsibilities to the Company. Michael O'Donnell succeeded Richard Cotton as the Chair of the Remuneration Committee with effect from the 2022 Annual General Meeting. Adrian Lee stepped down from the Board at the 2022 Annual General Meeting but continues in his role as Operations Director.

## The board and its committees

### Standing committees of the Board

The Board has Audit, Remuneration, Nominations and Sustainability Committees, each of which has written terms of reference. They deal clearly with the authorities and duties of each Committee and are formally reviewed annually. Copies of these terms of reference are available on the Company's website. Each of these Committees is comprised of Independent Non-Executive Directors of the Company who are appointed by the Board on the recommendation of the Nominations Committee.

All the Committees are authorised to obtain legal or other professional advice as necessary; to secure, where appropriate, the attendance of external advisers at its meetings and to seek information required from any employee of the Company in order to perform its duties.

The Chair of each Committee reports the outcome of the meetings to the Board. The Company Secretary is secretary to each Committee.

Attendance at meetings of the individual Directors at the Board Meetings that they were eligible to attend is shown in the table below:

Director	Position	Number of meetings attended
Richard Cotton	Non-Executive Director	●●●●●●
Jim Gibson	Chief Executive Officer	●●●●●●
Anna Keay	Non-Executive Director	●●●●●●
Adrian Lee	Operations Director	●●●●●●
Vince Niblett	Non-Executive Director	●●●●●●
Michael O'Donnell	Non-Executive Director	●●●●●●
Laela Pakpour Tabrizi	Non-Executive Director	●●●●●●
Heather Savory	Non-Executive Director	●●●●●●
John Trotman	Chief Financial Officer	●●●●●●
Nicholas Vetch	Executive Chairman	●●●●●●

● attended   ● absent   ● not applicable

Other members of the senior leadership team attend Board meetings on invitation.

The Board meets approximately once every two months to discuss a whole range of significant matters including strategic decisions, major asset acquisitions and performance. A procedure to enable Directors to take independent professional advice if required has been agreed by the Board and formally confirmed by all Directors.

There is a formal schedule of matters reserved for the Board's attention including the approval of Group strategy and policies; major acquisitions and disposals, major capital projects and financing, Group budgets and material contracts other than in the normal course of business. The Board also considers matters such as cyber security, reputational risks, and other non-financial risks as part of its review of the Group's risk register.

At each Board meeting, the latest available financial information is produced which consists of detailed management accounts with the relevant comparisons to budget. A current trading appraisal is given by the Executive Board Directors.

### Information and professional development

All Directors are provided with detailed financial information throughout the year. On a weekly basis they receive a detailed occupancy report showing the performance of each of the Group's open stores. Management accounts are circulated to the Executive monthly and a detailed Board pack is distributed a week prior to each Board meeting.

All Directors are kept informed of changes in relevant legislation and changing commercial risks with the assistance of the Company's legal advisers and auditor where appropriate. All Directors have access to the advice of the Company Secretary on governance matters.

The professional development requirements of Executive Board Directors are identified and progressed as part of each individual's annual appraisal. All new Directors are provided with a full induction programme on joining the Board.

Non-Executive Directors are encouraged to attend seminars and undertake external training at the Company's expense in areas they consider to be appropriate for their own professional development. Each year, the programme of senior management meetings is tailored to enable meetings to be held at the Company's stores. During the year, the Executive Board Directors made visits to all of the Group's stores.

## Corporate Governance Report continued

### Accountability

#### Risk management and internal control

The Group operates a rigorous system of risk management and internal control, which is designed to ensure that the possibility of misstatement or loss is kept to a minimum. There is a comprehensive system in place for financial reporting and the Board receives a number of reports to enable it to carry out these functions in the most efficient manner. These procedures include the preparation of management accounts, forecast variance analysis and other ad hoc reports. There are clearly defined authority limits throughout the Group, including those matters which are reserved specifically for the Board.

The Board has established a continuous process for identifying, evaluating, and managing the significant risks the Group faces and for determining the nature and extent of the significant risks it is willing to take in achieving its strategic objectives. The Board regularly reviews the process, which has been in place from the start of the year to the date of approval of this report and which is in accordance with the FRC's guidance on risk management, internal control and related reporting that was issued in September 2014. The Board is also responsible for the Group's system of internal control and for reviewing its effectiveness. Such a system is designed to manage rather than eliminate the risk of failure to achieve business objectives and can only provide reasonable and not absolute assurance against material misstatement or loss.

The Board regularly reviews the effectiveness of the Group's risk management and internal control systems. The Board's monitoring covers all controls, including financial, operational and compliance controls and risk management. It is based principally on reviewing reports from management to consider whether significant risks are identified, evaluated, managed, and controlled and whether any significant weaknesses are promptly remedied and indicate a need for more extensive monitoring. The Board has also performed a specific assessment for the purpose of this annual report. This assessment considers all significant aspects of risk management and internal control arising during the period covered by the report, including the work carried out by the Group's Store Compliance team. The Audit Committee assists the Board in discharging its review responsibilities.

A formal risk identification and assessment exercise has been carried out resulting in a risk framework document summarising the key risks, potential impact and the mitigating factors or controls in place. The key risks the Group faces are detailed on pages 44 to 48 in the Operating and Financial Review. The Board has a stated policy of reviewing this risk framework at least once a year or in the event of a material change. The risk identification process also considered significant non-financial risks.

During the reviews in the year, the Directors:

- challenged the framework to ensure that the list of significant risks to business objectives is still valid and complete;
- considered new and emerging risks to business objectives and included them in the framework if significant;

- ensured that any changes in the impact or likelihood of the risks are reflected in the risk framework; and
- ensured that there are appropriate action plans in place to address unacceptable risks.

The results of this exercise have been communicated to the Board and the Audit Committee. This was in the form of a summary report which included:

- a prioritised summary of the key risks and their significance;
- any changes in the list of significant risks or their impact and likelihood since the last assessment;
- new or emerging risks that may become significant to business objectives in the future;
- progress on action plans to address significant risks; and
- any actual or potential control failures or weaknesses during the period (including "near misses").

During the course of its review of the risk management and internal control systems, the Board has not identified, nor been advised of any failings or weaknesses which it has determined to be significant, consistent with the prior year. Therefore, a confirmation in respect of necessary actions has not been considered appropriate.

All management are encouraged to stay abreast of all technical and other competitive advances that could impact the business.

### Going concern

The Group's activities, and a fair review of the business, are included in the Strategic Report on pages 16 to 31. The financial position of the Group, including its cash flow, liquidity, and committed debt facilities are discussed in the Financial Review on pages 38 to 43.

The Directors have a reasonable expectation that the Group and Company have adequate resources to continue operations for the foreseeable future. They have therefore continued to adopt the going concern basis in preparing the financial statements.

### Engagement with stakeholders

The long-term success of our business is dependent on the way we work with our various stakeholders. The table below shows our key stakeholder groups, how we engage with them, and how the results of this engagement are reported up to the Board and influence the decision making with the business. Not all the information is reported directly to the Board, however it informs business-level decisions with an overview of developments being reported on a regular basis to the Board.

The Board has identified a number of key stakeholders which it seeks to engage with on a regular basis. The key stakeholders are our employees, our shareholders, our customers, our suppliers, and our communities.

Stakeholder Group	Form of engagement	How this influenced the Board during the year
Our employees	<p>Over the past year, we have continued to act on the feedback that we obtained from our 2021 bi-annual employee engagement survey.</p> <p>Our next engagement survey will take place in May 2023 and further improvements will be introduced, based upon the feedback that we receive.</p> <p>The Directors have continued to visit every store in the portfolio over the course of the year.</p> <p>Further detail is provided below on how Anna Keay, the designated Workforce Engagement Director has carried out her role during the year.</p>	<p>The changes implemented in the year have included Area Managers, Operations Managers and Head Office Customer Support team members working regularly in our stores. They have also included reviewing our Bright Ideas Suggestion Scheme, improving recognition across the business and launching a new Intranet and an Electric Vehicles Salary Sacrifice Scheme.</p> <p>There is further detail on how the Board engage with our people on pages 86 to 87.</p>
Our shareholders	<p>The Company has an active dialogue with its shareholders through a programme of investor meetings which include formal presentation of the full and half year results. The Executive Board Directors have participated in a number of investor conferences and meetings during the year. During the year ended 31 March 2023, the Chief Executive and other Executive Board Directors carried out 209 meetings with UK and overseas institutional shareholders and potential investors. These meetings comprised group and individual presentations.</p> <p>The Board also welcomes the interest of private investors and believes that, in addition to the Annual Report and the Company's website, the Annual General Meeting is an ideal forum at which to communicate with investors and the Board encourages their participation.</p>	<p>The Board receives regular feedback on investor perceptions about the Company. After each set of results, key investors are interviewed on their perceptions of the performance of the business and management. The findings are reviewed by the Board. At each Board Meeting, the Board is updated on any shareholder meetings that have taken place, and any views expressed, or issues raised by the shareholders in these meetings.</p>
Our customers	<p>The Group sends surveys to all customers who have moved in and moved out of the business. A high response rate is received to these surveys, which show a net promoter score of 78.9.</p>	<p>The net promoter scores are reported to the Board at each Board meeting and any recurring themes highlighted to allow discussion around the approach to our customers.</p> <p>The Directors discuss net promoter scores and customer feedback with store teams on their regular visits to the Group's stores.</p> <p>The net promoter scores achieved from our customers are used as one of the metrics in the bonus plan of the Executive Board Directors.</p>
Our suppliers	<p>Regular meetings are held between suppliers and their Big Yellow contact. Appropriate external tendering is carried out for any new suppliers.</p> <p>On anti-corruption and anti-bribery matters, we expect all our suppliers to be compliant with the Modern Slavery Act and we work closely with our suppliers to promote best practice. During the year this included engaging with suppliers we had identified as being within potentially high-risk categories and carrying out audits of their compliance with these regulations and providing support to them.</p>	<p>The Board annually approves the Group's Modern Slavery statement.</p> <p>The Group is a member of the Prompt Payment Code, supporting our smaller suppliers with on time payments.</p> <p>During the prior year the Group appointed a specialist consultancy to carry out a review of our supply chain ethics. During the current year we worked with 27 of our suppliers, representing 80% of our supply chain value, on this. No material issues were noted, albeit we will be working with them to improve standards further.</p>

## Corporate Governance Report continued

Stakeholder Group	Form of engagement	How this influenced the Board during the year
Our communities	<p>We demonstrate Big Yellow's culture and commitment to our communities through the work of the Big Yellow Foundation which aims to help vulnerable people lead better lives, working in partnership with several charities.</p> <p>Big Yellow matches any donations from our customers at move-in and move-out. We also match any funds raised by our employees and allow each member of our team one paid day per year for volunteering.</p> <p>We also support approximately 200 local charities with free or discounted space throughout our network.</p>	<p>The Board receives regular updates regarding the Foundation's activities. The Board endorses the culture of giving back time to support these charities and the financial commitment made by Big Yellow.</p> <p>Jim Gibson, CEO, is the Chair of the Trustees of the Big Yellow Foundation.</p>
Our Environment	<p>We engage relevant subject matter experts to assess the impact our business has in the first instance as part of the planning and construction process. Our partners perform detailed assessment on likely impacts on land, water, biodiversity, air quality and other key aspects. It is our aim to not just minimize any negative aspects, but also 'listen' carefully and enhance where possible, through the installation of green roofs or bird or bat nesting boxes for example. We extensively report on our Operational impacts, such as energy consumption, carbon emissions, waste we create and water we use as part of our Full ESG Report and have systems and processes in place to manage material aspects, such as energy.</p>	<p>The Board receives regular updates on our environmental performance and activities.</p> <p>The Board endorses the Group's commitment to investing at all stages of our stores' lifespan to ensure our impact on the Environment is minimised. It signs off on the budgets to deliver solar installations and electric vehicle charging pods for example.</p> <p>The Board established a formal Sustainability Committee in 2020 chaired by Non-Executive Director Heather Savory.</p>

## Employee relations and company culture

Our teams are a key resource of the business. From the start we have always aimed to create a culture which is accessible, apolitical, inclusive, non-hierarchical, socially responsible, and very importantly, an enjoyable place to work. We believe in the employees benefiting from the success of the business. All staff are eligible for an annual bonus; a Sharesave scheme is open to all employees; and the Company's Long Term Incentive Plan is provided to a significant number of employees.

The Executive Board Directors spend a considerable amount of time meeting with the Group's employees and visit every store at least once a year. We recognise the value of the culture of the business and these visits create an opportunity for it to be cascaded from the boardroom. The Group's Non-Executive Directors also participate in some of these visits, allowing them to develop and maintain a greater insight into the business, producing an informed and higher quality Board discussion on employee matters.

The Group carries out regular engagement surveys of its staff, and is carrying out the next survey in May 2023. These surveys tell us what our staff value about the business and the importance of continued personal development. Detailed action plans are created following these engagement surveys and a number of changes to the way we operate have been made as a result of these surveys. The level of employee engagement evidenced by these surveys remained very high.

Regular training is provided to the Group's employees, and detailed courses are provided to allow employees to further their careers and seek promotion opportunities within the business.

The Board has, in conjunction with the work of the Audit Committee, reviewed the whistleblowing policies that are in place for the Group's employees. There have been no significant issues raised under the Group's whistleblowing arrangements during the course of the financial year.

## Workforce Engagement Director

The Code requires that the Board should understand the views of its key stakeholders, with a particular reference to engagement with the workforce. Specifically, it states that for engagement with the workforce, one or a combination of the following methods should be used:

- A Director to the main Board should be appointed from the workforce;
- A formal workforce advisory panel should report to the Board; and / or
- A designated Non-Executive Director should sit on the workforce advisory panel.

A designated Non-Executive Director, Anna Keay, has been chosen as the primary method of workforce engagement for Big Yellow.

She oversees and is responsible for the following:

- Involvement in the Workforce Engagement Group discussions and occasional attendance at Workforce Engagement Group meetings;
- Involvement in key employee project groups where for example employee views are sought on the business or policy and procedural changes;
- Maintaining an awareness of the suggestions made under the Company's Bright Ideas Scheme to include key trends and awards made;
- Along with all the Company's Non-Executive Directors, participation on store tours (pre-planned visits to individual stores);
- Along with all the Company's Non-Executive Directors attending the Annual Sales Conference;
- Provision of feedback to the Board on the bi-annual employee engagement survey, with assistance from the Human Resources team and our survey partner;
- Receiving detailed feedback from the Executive Board Directors on their interaction with employees;
- Regular meetings with the Head of HR to discuss employee relations and issues;
- Annual face-to-face sessions with groups of employees in different areas of the business to hear views and concerns;
- Acting as an alternative contact to whom employees can report confidential matters and raise concerns under the Company's Whistleblowing Policy; and
- Reporting back to the Board and Non-Executive Directors on the above.