

The Directors have prepared cash flow forecasts for a period of 18 months from the date of approval of these financial statements, taking into account the Group's operating plan and budget for the year ending 31 March 2024 and projections contained in the longer-term business plan which cover the 18 month period. After reviewing these projected cash flows together with the Group's and Company's cash balances, borrowing facilities and covenant requirements, and potential property valuation movements over that period, the Directors believe that, taking account of severe but plausible downsides, the Group and Company will have sufficient funds to meet their liabilities as they fall due for that period.

The Group's revolving credit facility of £240 million with Lloyds, HSBC and Bank of Ireland expires in October 2024. The Group intends to refinance this loan with the banks this year, but does not rely on the refinancing of the loan to reach its conclusion on going concern.

In making their assessment, the Directors have carefully considered the outlook for the Group's trading performance and cash flows as a result of the current economic environment, taking into account the trading performance of the Group over the recent dislocations in the global economy from Covid-19 and the Russian invasion of Ukraine. The Directors have also considered the performance of the business during the Global Financial Crisis. The Directors modelled several different scenarios, including material reductions in the Group's occupancy rates and property valuations, and assessed the impact of these scenarios against the Group's liquidity and the Group's banking covenants. The scenarios considered did not lead to breaching any of the banking covenants, and the Group retained sufficient liquidity to meet its financial obligations as they fall due.

Consequently, the Directors continue to adopt the going concern basis in preparing the Group and Company financial statements.

Viability statement

The Directors have assessed the Group's viability over a four-year period to March 2027. This period is selected based on the Group's long-term strategic plan to give greater certainty over the forecasting assumptions used. As in the assessment of going concern, the Directors have modelled a number of different scenarios on the Group's future prospects.

In making their assessment, the Directors took account of the Group's current financial position, including committed capital expenditure. The Directors carried out a robust assessment of the emerging and principal risks and uncertainties facing the business, their potential financial impact on the Group's cash flows, REIT compliance and financial covenants and the likely effectiveness of the mitigating options detailed. The Directors have assumed that funding for the business in the form of equity, bank and insurance company debt will be available in all reasonably plausible market conditions. Whilst the eventual impact of the current economic environment on the Group is uncertain, and may not be known for some time, the Group has a highly cash generative business, good liquidity and has proved resilient in its trading since the onset of the pandemic.

Based on this assessment the Directors have a reasonable expectation that the Company and the Group will be able to continue operating and meeting all their liabilities as they fall due to March 2027.

Managing Environmental and Climate Change Risks and Opportunities

TCFD compliance statement

The Board is pleased to confirm that for the year ended 31 March 2023, Big Yellow's climate related risks and opportunities disclosures are reported under the TCFD framework. We have continued the journey to Net Zero this year with the delivery of our Net Renewable Energy Positive ("NREP") and Net Zero Strategy. With the support of our external partner, EcoAct we have published science-based mid-term targets, which have been verified by the Science Based Target initiative.

We have made good progress on our strategy to decarbonise our business by continuing to remove gas boilers and we have extended our three-year retrofit solar programme from the original 36 stores to the whole of the estate, where it is reasonably practicable to install solar PVs.

We conducted an assessment of risks and opportunities and their potential financial impacts; the output of this assessment informed our NREP and Net Zero strategies.

With the acquisition of the remaining interest in Armadillo on 1 July 2021 we refreshed our flood risk assessment for our combined estate. This year, we have refreshed the temperature projections for our Armadillo stores to deliver a holistic view of the risks to our whole business. We have started to work with our suppliers to better quantify and jointly tackle embodied emissions in our buildings. For our specific actions on Scope 1 and Scope 2 initiatives, please refer to our strategy document <https://corporate.bigyellow.co.uk/sustainability/strategy> (see page 13).

On pages 49 to 54 of this report we summarise material climate related disclosures consistent with the four pillars and 11 disclosures proposed by the TCFD, including the "Implementing the Recommendations of the Task Force on Climate-related Financial Disclosures" released in October 2021. We also reference links to further information which can be found in our Annual Report, ESG Report and online factsheets to support compliance. We cross refer to other documents and reports in this TCFD section as it offers us additional space to explain our strategic climate commitments, illustrate this through case studies and explain our targets, metrics and progress in more detail.

We are not currently in full compliance with TCFD in the following two areas; our Scope 3 construction emissions are currently calculated by spend rather than more granular data sets, using best practice estimation and we are still assessing the likely cost implication of transition risks. We anticipate being in compliance with TCFD on these area within three years. Moving forward, we intend to evolve our reporting under the TCFD recommendations and recommended disclosures, as we journey towards net zero.

Managing Environmental and Climate Change Risks and Opportunities *continued*

Task Force on Climate-Related Financial Disclosure (“TCFD”) – Risks and Opportunities

During the year the Sustainability Committee met twice to review the Group’s sustainability framework and strategy; to monitor its sustainability performance; and to provide guidance on emerging environmental issues, including environmental risks, and their impact on the Group’s business.

Our Net Renewable Energy Positive Strategy and Net Zero Emissions Strategy aim to deliver the opportunities we have identified through the TCFD assessments and mitigate the risks, in particular our Transition Risks, as we believe these to be potentially significant in the future.

After the acquisition of Armadillo Self Storage in 2021, we have now integrated the Armadillo stores into the Big Yellow risk management framework and the NREP and Net Zero Emissions Strategy. The Armadillo portfolio has been brought under the umbrella strategy, which resulted in a re-baselining activity of 2019-20 that we now report against.

Governance

Our Chief Executive has overall responsibility for climate-related risks and opportunities.

Ongoing oversight of climate-related issues is carried out by our Sustainability Committee, chaired by our Non-Executive Director for Sustainability, and attended by our Head of Sustainability and the Executive Directors. The Sustainability Committee meets twice yearly.

The Board is updated on relevant aspects of our sustainability strategy at each meeting. In addition, climate-related risk has been defined as a ‘principal risk’ and managed as part of our standard business risk process.

In order to condense information in our sustainability statement we have a separate document detailing our internal process and risk management ‘Our ‘Managing Climate Related Risks and Opportunities’.

This can be found on the following link: https://corporate.bigyellow.co.uk/download_file/view/1043/236 (see pages 1 to 5).

For more detail on our governance structure and management’s role in assessing and managing climate-related risks and opportunities, please follow the link: https://corporate.bigyellow.co.uk/download_file/view/996/236 (see pages 1 to 4).

This is kept as an independent document as this is of interest to some of our stakeholders separately from our annual report and accounts.

Strategy

Worth noting

- We are already at 1.0 degree warming
- To minimise global warming to 1.5/2.0 degrees we are likely to require policy and technical changes
- Physical risks and transition risks are inversely related, meaning physical risks increase in significance if a transition to a low carbon economy does not occur and vice versa
- Companies who have already undertaken scenario analyses have found it helpful to produce scenarios for (a) physical changes and (b) transition risks

As a UK real estate company our business is exposed to both physical and transitional risks – and opportunities from climate change. We’re committed to assessing and mitigating physical and financial climate change adaptation risks that are material to our portfolio.

The Company considered the various potential impacts a changing climate has on our Business within the TCFD framework. The discussion was guided by a range of scenarios published by external agencies, such as the UK Met Office, the IPCC, International Energy Agency and others – and looked at both physical and transitional risks under two climate warming scenarios; one within 1.5 to 2.0 degrees centigrade; and one up to 4.0 degrees centigrade.

A scenario allows a company to plan for what it considers to be the material impacts of global warming and likely outcomes, which varies from business to business. Big Yellow chose a scenario that related most strongly to our business.

Broadly, the Company agrees that we should expect some physical risks from global warming to have an impact on our business. The impacts from localised flooding and from a rising UK temperature are deemed material.

We also agree that the transition to a low carbon economy might pose a risk; however, if we are able to position ourselves well, this may also pose an opportunity.

During the year, we have publicly committed to the ‘Race to Zero’ campaign, which commits to Science-Based Targets that aim to limit global warming to 1.5°C.

We have established our science-based targets and have had these externally verified by the SBTi. The science-based targets are published here (see pages 1 and 2).

https://corporate.bigyellow.co.uk/download_file/view/1140/234

Materiality

We undertake materiality reviews of ESG risks, and our approach to materiality is documented at https://corporate.bigyellow.co.uk/application/files/6916/2188/3747/Materiality_Assessment_May_2021.pdf (see page 1 for definition of materiality and page 5 for our internal process on assessing materiality).

Climate related risks

Big Yellow has assessed the 10 main risk themes defined by the TCFD framework in our 'Managing Climate Risk and Opportunities' document. Using CDP terminology, seven of the TCFD climate-related risk themes are assessed as 'relevant, always included'; two are assessed as 'relevant, sometimes included'; and one is assessed as 'not relevant, included'.

Climate-related risks are broken down into Physical and Transitional Risks and are prioritised based on the potential severity of their impact on the business. The below table illustrates time periods and the importance of the risks identified by the ESG department and Environmental Committee.

Risk Type	Risk Theme	Potential Materiality		
		Short-Term ⁽¹⁾	Medium-Term	Long-Term
Physical Risks				
Heat Stress	Chronic physical		●	●
Flooding ⁽²⁾	Acute physical		●	●
Transition Risks				
Stranded Assets	Market		●	●
Reputational Risk	Reputation		●	●
An increase in carbon/emission taxation and fines (unlikely that there will be significant incentives)	Current regulation		●	
An increase in standards, especially for buildings	Emerging regulation	●	●	
A significantly higher financial reporting burden including Scope 3	Emerging regulation	●		
Introduction of a carbon price	Market		●	

Importance: ● Low ● Medium ● High

Physical risks

Impacts from both flooding and increased heat stress will be likely have some financial impact on us. It may also have a reputational impact if stored goods are affected and an indirect financial impact through rising insurance costs.

Heat stress

Assuming a +2°C scenario, 42 of our 108 stores may experience heat stress, both as an increase in 'hottest summer day temperature' of 5% points or more and from at least a doubling in the number of summer days per month that exceed 25°C.

The financial impact for longer periods of hot weather could come from a range of impacts, such as heat damage to goods being stored, increase in use of ventilation / cooling, potentially retrofitting of air conditioning units, detrimental impact on immediate neighbourhoods through urban island heat effects and community pressure to address heat issues.

Flooding

This year this work has been extended to include the Armadillo stores we acquired in July 2021. We have three stores that are in Flood Zone 3 and that have an at least medium to high risk of surface water flooding from rivers or the sea – all three stores contain measures to minimise impacts, such as flood defences. We anticipate that we will be monitoring the adequacies of these measures going forward.

Assuming a +2°C scenario, 87 of our stores may experience both a reduction in the number of rainy summer days per month and an increase in mm of rainfall on the wettest summer day.

The financial impact of flooding could come from a range of impacts, such as damage to goods stored on the ground and basement floors, unblocking drains, clearing up large scale flooding, more frequent maintenance of the building infrastructure that is exposed to a large amount of rain falling over shorter time frames, such as roofs, gutters, signage, etc.

⁽¹⁾ Short-term is determined to be less than five years, Medium-term between five to ten years and Long-term above ten years.

⁽²⁾ A +2°C scenario was used for identifying Physical risk and has been determined to have a medium-long-term timeline, using IPCC report (SPP3-7.0).

Managing Environmental and Climate Change Risks and Opportunities *continued*

Transition risks

There are a number of consequences of changing climate that the Sustainability Committee deem likely to occur:

- A focus on electrification and decarbonisation.
- An increase in carbon / emission taxation & fines (unlikely that there will be significant incentives).
- An increase in standards, especially for buildings.
- A significantly higher financial reporting burden including Scope 3.
- The introduction of a price of carbon.

These are likely to have a financial impact on the Group, however, we are still assessing the likely cost implication. The Environmental Committee has proposed, and the Sustainability Committee agrees, that decarbonising our business is important to allow us to:

- a. avoid the risk of “stranded assets”;
- b. maximise the opportunity to invest at the right time, optimising costs;
- c. minimise carbon / emission taxation; and
- d. become an even stronger consumer preference / offering real customer solutions, such as only using renewable energy at our stores and providing EV charging pods for our staff and customers.

The risk of ‘stranded assets’ is a focus for investors, and so becomes a material concern to us.

Our Net Zero Emission strategy sets out how we intend to deliver a decarbonised business. Please note that the work to move away from gas boilers is currently being undertaken for Armadillo and Big Yellow, with eight stores having had their gas boilers removed this year; and the remaining 11 stores having their heating swapped to electric over the next two financial years.

We assess that our business will remain resilient to the climate-related risks identified despite the scale of adjustment needed to transition to a low-carbon economy, across a range of warming scenarios, including one where warming is limited to 1.5°C.

Climate-related opportunities

Opportunities, arising from risks explored above, are also identified where possible and how these will be integrated within the Company’s strategy and financial planning. Our internal processes and scenario analysis also identify possible climate-related opportunities, these are listed in the table below:

Climate-related Opportunity	Company Response	Potential Materiality		
		Short-Term ⁽³⁾	Medium-Term	Long-Term
Growth in demand for renewable energy	Investment into retrofitting existing stores with PV systems	●		
	Aim for all new stores to be fitted with optimal solar capacity in the range of 50kWp-200kWp subject to suitability of store roofs	●	●	●
	Purchasing 100% renewable energy	●		
Growth in solar and battery markets driven by decarbonisation	Investing in solar battery pilot projects to combat export limitations	●	●	
Transition away from fossil fuelled heating and Natural Gas	Investing into retrofitting existing gas boilers with Heat pumps.	●		
Growth of EV transport market	Deploying electric vehicle charges for all new stores	●	●	●

Importance: ● Low ● Medium ● High

⁽³⁾ Short-term is defined as up to 5yrs, Medium-term is between 5yrs to 10yrs and Long-term is above 10yrs.

Internal processes

Both physical and transition risks are expected to materialise to a lesser or greater extents over the coming years and costs may go up gradually, hidden within what may be perceived as 'natural variations'.

The initial view was to establish a 'trigger' metric that will prompt the Company to review current measures taken and therefore allow for strategic decision-making if thresholds are exceeded.

On discussing how this may work on an operational level, we felt that our current processes in place are sufficient to maintain a close watch on increasing costs driven by climate change.

We deem our current understanding of the inherent physical risks to our assets and the unique features of each of our stores to be more than enough to manage future changes.

Process 1 – identifying emerging issues through visual inspection and half yearly budget reviews

The Executive Directors visually inspect each of our stores at least once per annum; they are usually accompanied by the Head of Estates and Facilities and planned – and unplanned – work is discussed immediately.

The budgeting process then allows the Operations Director and the Head of Estates and Facilities to prioritise both planned and unplanned maintenance. The budget review by the CFO and Financial Controller looks at planned costs vs historic years and where costs are changing year on year. This is the point at which trends may be identified and proposals are made to raise climate change related issues to the Board, who may request a more holistic solution and who may charge the Environmental Committee to identify such a solution. The Group's long-term forecast incorporates the currently expected costs to the Group of the solar PV installations, changes to energy usage and cost, and other planned sustainability measures. In the budgeting process for new-build stores, we consider the financial impact of the mitigation costs for future heat stress and flooding potential.

This is particularly useful for physical risks.

Process 2 – identifying issues via our internal and external Sustainability community

The Head of Sustainability or the Environmental Committee or the Non-Executive Director for Sustainability may identify aspects that could pose a risk to the Group and they may raise these either at the Environmental Committee or at the Sustainability Committee. Specific risks, such as those connected to Planning for our future store opening program, may be integrated into the standard Business Risk process.

Where we identify that a larger scale change needs to be considered, such as replacing gas heating with electric or renewable energy heating, depending on the budget implications this will be assessed either by the Environmental Committee or if significant extra budget is required, at the Board level Sustainability Committee.

This is particularly useful for transition risks.

Work done to date

- Flood Risk assessments for each store; now including the Armadillo stores.
- Localised climate change projections – using the Met Office climate projection modelling; +2°C and a +4°C scenario for every store.
- Scope 3 footprint for combined Armadillo and Big Yellow.
- Setting science-based targets for the entire business. Published within our Benchmarking and Standards section of the Full ESG Report 2023.

Work going forward

The following next steps are in place:

- Having identified the number of stores that may experience an increase in total number of "hot days" and a temperature increase of the hottest day, to then model potential increase in energy costs for cooling.
- Understand better the suitability of external tools, such as CRREM tool methodology. Please note the CRREM tool at present only covers offices.
- External reporting – we agree that reporting transparently will help our investors to feel assured that we are taking appropriate steps to ensure our Company's ability to thrive in a changing environment.

Managing Environmental and Climate Change Risks and Opportunities *continued*

Metrics

We have been taking part in voluntary 'Resilience' modules as part of GRESB and have submitted more details to the CDP risk questions; the GRESB Resilience module has now been integrated into the overall list of questions, and for the first year (2023) the physical and transition risks are scored.

We aim to achieve a good balance between disclosing our risks and any mitigating actions we are taking and protecting commercially sensitive information. We trust this section achieves this balance; for any further questions, please contact csr@bigyellow.co.uk.

Climate-related risk metrics

Aspect	KPI	19-20	20-21	21-22	22-23	Target
Regulation	No of EPCs rated F or G	0	0	2 ⁽⁴⁾	0	maintain
Extreme Weather	% of current lettable area (sq ft) located in Planning flood Zone 3 & at least medium to high risk of surface water flooding ⁽⁵⁾	New for 2020/21	0.87	0.87 ⁽⁶⁾	0.56	n/a
	% of at risk current lettable area protected by adaptive measures, such as raised floors or SUDs ⁽⁷⁾	100%	100%	100%	100%	100%

Climate-related opportunities metrics

Aspect	KPI	19-20	20-21	21-22	22-23	Target
Transitioning to a low carbon economy	% of electricity from renewable energy generation	6.1%	7.1%	7.8%	15.4%	100% + by 2030
	Investment in retrofitting activities to drive decarbonisation (approx.) ⁽⁸⁾	£0.1m	£0.6m	£15k	£5.5m	£5.5m planned spend over the next two years
	% of electricity purchased from renewable sources ('market based')	n/a	100%	100%	100%	100%
	Greenhouse Gas (GHG) emissions intensity from building energy consumption (Scope 1 & 2) – tCO ₂ e/CLAM ²	5.5	4.8	4.7	4.0	As per our NREP & Net Zero Strategy

Targets

We have set out our full pathway for all Scope 1, 2 and 3 Emissions by 2032 in our Net Renewable Energy Positive ("NREP") Strategy and Net Zero Emissions Strategy. https://corporate.bigyellow.co.uk/application/files/5616/5579/7452/Sustainability_strategy_2022.pdf

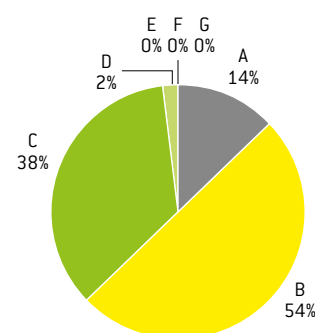
In order to achieve our main Net Zero commitments, detailed in the 'building a responsible business' part of this document on page 9 we have set a number of sub targets that need to be achieved along our pathways. These are summarised in our annual ESG report, as well as in the Directors' report and in more detail in our full ESG report.

In order to set out our science-based targets, that have been verified by the SBTi; we have had to conduct wider scope 3 foot-printing work. For more information on this please refer to our Benchmarks and Standards section in the Full ESG Report.

Energy Performance Certificates ("EPCs")

98% of EPCs for our store portfolio are in the 'Green' range, i.e. an A, B or C rating. The final 2 Armadillo stores with an EPC rating of D are due for renovation before the end of 2024-25; once those works are completed we hope to be able to say the whole estate is rated C or above. 100% of our stores are covered by an Energy Performance Certificate.

EPC % by No. of Stores



⁽⁴⁾ Two of the acquired armadillo stores had 'F' ratings in the prior year.

⁽⁵⁾ Sq ft from ground and below ground level floors.

⁽⁶⁾ Unchanged from the prior year.

⁽⁷⁾ SUDs stands for Sustainable Urban Drainage.

⁽⁸⁾ Figure includes removal of gas boilers, retrofitting of solar installations all energy efficiency related projects.