

# Principal Risks and Uncertainties

The Directors have carried out a robust assessment of the emerging and principal risks facing the Group, including those that would threaten its business model, future performance, solvency, or liquidity.

The Group maintains a low appetite to risk, in line with our strategic objectives of providing a low volatility, high distribution business.

The section below details the emerging and principal risks and uncertainties that are considered to have the most material impact on the Group's strategy and objectives. These key risks are monitored on an ongoing basis by the Executive Directors and considered fully by the Board in its annual risk review.

Risk and impact	Mitigation	Change during the year and outlook
<p><b>Self storage market risk</b></p> <p>There is a risk to the business that the self storage market does not grow in line with our projections, and that economic growth in the UK is below expectations, which could result in falling demand and a loss of income.</p>	<p>Self storage is a relatively immature market in the UK compared to other self storage markets such as the United States and Australia, and we believe has further opportunity for growth. Awareness of self storage and how it can be used by domestic and business customers is relatively low throughout the UK, although higher in London; awareness increased during the pandemic.</p> <p>The rate of growth of branded self storage on main roads in good locations has historically been limited by the difficulty of acquiring sites at affordable prices and obtaining planning consent. New store openings in London and other large urban conurbations within the sector have slowed significantly over the past few years.</p> <p>Our performance during the past four years has been strong with revenue growing by 54% from £129.3 million in the year ended 31 March 2020 to £199.6 million for this year. We believe that this performance is due to a combination of factors including:</p> <ul style="list-style-type: none"> <li>– a high quality and growing portfolio of freehold properties delivering higher operating margins;</li> <li>– a focus on London and the South East and other large urban conurbations, where the drivers in the self storage market are at their strongest and the barriers to competition are at their highest;</li> <li>– continuing innovation and automation;</li> <li>– an inclusive and non-hierarchical culture with a highly engaged team;</li> <li>– a focus on delivering the highest levels of customer service;</li> <li>– delivering on our strong ESG commitments;</li> <li>– the UK's leading self storage brand, with high and growing public awareness and online strength; and</li> <li>– strong cash flow generation from a secure capital structure.</li> </ul> <p>We have a large current storage customer base occupying approximately 73,000 rooms spread across the portfolio of stores and hundreds of thousands more who have used our stores over the years. In any month, customers move in and out at the margin resulting in changes in occupancy. This is a seasonal business and typically we see growth over the spring and the summer months, with the seasonally weaker period being the winter months.</p>	<p>The past two financial years have seen a challenging geopolitical and macroeconomic backdrop, with the Russian invasion of Ukraine in February 2022, the US regional banking crisis and the collapse of Credit Suisse, the conflict in the Middle East, and the impact of rising inflation and interest rates. The latter has impacted the cost of living in the UK, and the level of housing transactions has fallen as the cost of mortgages has increased. The UK economy briefly entered a recession in the second half of 2023.</p> <p>The Group's move-in activity levels were impacted by this backdrop during the year and were down 6% compared to the prior year. However, since the year end, activity levels have improved and move-ins are up 5% compared to the same period last year.</p> <p>Inflation has moderated over recent months, and most commentators consider that interest rates have peaked and will start to fall towards the end of the year, subject to inflation remaining on its current trajectory.</p>

Risk and impact	Mitigation	Change during the year and outlook
<p><b>Property risk</b></p> <p>There is a risk that we will be unable to acquire new development sites which meet management's criteria. This would impact on our ability to grow the overall store platform.</p> <p>Changing climate and resulting likely changes to planning restrictions will narrow choice of available sites further.</p> <p>The Group is also subject to the risk of failing to obtain planning consents on its development sites, and the risk of a rising cost of development.</p> <p>Planning approval is increasingly dependent on Social or Environmental enhanced features (e.g. social enterprise at Battersea, BREEAM standards, local planners demands for green spaces) – adding cost and complexity.</p>	<p>Our management has significant experience in the property industry generated over many years and in particular acquiring property on main roads in high profile locations and obtaining planning consents. We do take planning risk where necessary, although the availability of land, and competition for it makes acquiring new sites challenging.</p> <p>Our in-house development team and our professional advisers have significant experience in obtaining planning consents for self storage centres.</p> <p>We manage the construction of our properties very tightly. The building of each site is handled through a design and build contract, with the fit-out project managed in-house using an established professional team of external advisers and sub-contractors who have worked with us for many years to our Big Yellow specification.</p> <p>We carried out an external benchmarking of our construction costs and tendering programme during the prior year, which reinforced our current approach, but also gave some areas where further efficiencies and cost savings can be achieved, which we have been implementing this year.</p>	<p>The Group has acquired thirteen sites over the past five years, taking its total pipeline to 14 sites which, when opened, would expand the Group's current MLA by 15%.</p> <p>The planning process remains difficult and to achieve a planning consent can take anything from eighteen months to three years. Local planning policy is favouring residential development over other uses, and we don't expect this to change given the shortage of housing in the UK.</p> <p>We currently have planning consent on eight of the 14 development sites.</p> <p>In May 2022, we suspended construction on all projects that were not already on site because conditions in the construction market were unfavourable. Those conditions have improved considerably with steelwork and cladding prices falling, and other material prices stabilising. In addition, we are seeing on recent tenders that main contractors and specialist sub-contractors are pricing new projects more competitively. We are therefore proceeding with the build-out of our sites with planning and vacant possession.</p>
<p><b>Valuation risk</b></p> <p>The valuation of the Group's investment properties may fall due to external pressures or the impact of performance.</p> <p>Lack of transactional evidence in the self storage sector leads to more subjective valuations.</p>	<p>The portfolio is diverse with approximately 73,000 rooms currently occupied in our stores for a wide variety of reasons.</p> <p>The valuations are carried out by independent, qualified external valuers who have significant experience in the UK self storage industry.</p>	<p>The revaluation surplus on the Group's open store investment properties was £145.4 million in the year (an uplift of 5%), due to an improvement in cap rates following recent transactions in the sector and growth in underlying cash flows used in the valuations.</p> <p>There have been a number of larger portfolio transactions across Europe over the past four years, notably including the proposed acquisition of Lok 'n Store by Shurgard, and there is a weight of institutional money looking to invest in self storage.</p> <p>There is significant headroom on our loan to value banking covenants.</p>

# Principal Risks and Uncertainties continued

Risk and impact	Mitigation	Change during the year and outlook
<p><b>Treasury risk</b></p> <p>The Group may face increased costs from adverse interest rate movements.</p>	<p>Our financing policy is to fund our current needs through a mix of debt, equity, and cash flow to allow us to selectively build out the remaining development pipeline and achieve our strategic growth objectives, which we believe improve returns for shareholders. We have made it clear that we believe optimal leverage for a business such as ours should be a debt to EBITDA ratio in the range of 3 to 4 times and this informs our management of treasury risk.</p> <p>We aim to ensure that there are sufficient medium-term facilities in place to finance our committed development programme, secured against the freehold portfolio, with debt serviced by our strong operational cash flows.</p> <p>We have a fixed rate loan in place from Aviva Commercial Finance Limited, with 4 and half years remaining. The Group has a £120 million loan from M&amp;G Investments, which is repayable in 2029. For our revolving credit facility, we borrow at floating rates of interest.</p> <p>The Group has a \$225 million credit approved shelf facility with Pricoa Private Capital ("Pricoa"), to be drawn in fixed sterling notes. The Group can draw the debt in minimum tranches of £10 million over the next two and a half years with terms of between 7 and 15 years at short notice, typically 10 days.</p> <p>Our policy is to maintain a flexible borrowing structure, with a long-term average of approximately 50% of our total borrowings fixed, with the balance floating. At 31 March 2024 48% of the Group's total drawn borrowings were fixed or subject to interest rate derivatives. The Group reviews its current and forecast projections of cash flow, borrowing and interest cover as part of its monthly management accounts. In addition, an analysis of the impact of significant transactions is carried out regularly, as well as a sensitivity analysis assuming movements in interest rates and store occupancy on gearing and interest cover. This sensitivity testing underpins the viability statement below.</p> <p>The Group regularly monitors its counterparty risk. The Group monitors compliance with its banking covenants closely. During the year it complied with all its covenants and is forecast to do so for the foreseeable future.</p>	<p>The Bank of England base rate has been increased further during the year, with it currently at 5.25%, up from 4.25% at the start of our financial year, and 0.75% the year before.</p> <p>52% of the Group's drawn debt is floating, and hence the Group will benefit from any reductions in the base rate.</p> <p>Debt providers currently remain supportive to companies with a strong capital structure, as evidenced by the Group refinancing the RCF during the year at an unchanged margin.</p> <p>The Group's interest cover ratio for the year ended 31 March 2024 was 5.6 times, comfortably ahead of our banking covenants, as disclosed in note 19.</p> <p>We keep our hedging arrangements under review and if the long term cost of borrowing for durations of ten to twelve year falls, we will consider taking out more longer term debt, which would increase the weighting of the fixed element.</p>
<p><b>Tax and regulatory risk</b></p> <p>The Group is exposed to changes in the tax regime affecting the cost of corporation tax, property rates, VAT, Stamp Duty and Stamp Duty Land Tax ("SDLT"), for example the imposition of VAT on self storage from 1 October 2012.</p> <p>The Group is exposed to potential tax penalties or loss of its REIT status by failing to comply with the REIT legislation.</p>	<p>We regularly monitor proposed and actual changes in legislation with the help of our professional advisers, through direct liaison with HMRC, and through trade bodies to understand and, if possible, mitigate or benefit from their impact.</p> <p>HMRC have designated the Group as having a low-risk tax status, and we hold regular meetings with them. We carry out detailed planning ahead of any future regulatory and tax changes using our expert advisers.</p> <p>The Group has internal monitoring procedures in place to ensure that the appropriate REIT rules and legislation are complied with. To date all REIT regulations have been complied with, including projected tests.</p>	<p>The Group's property rates bill for the year ended 31 March 2024 has increased by 17% from the prior year, with the 2023 rating list reflecting the rise in industrial rents over the past few years.</p> <p>The corporation tax rate increased with effect from April 2023, and there is a risk that tax rates will rise further in the medium-term to fund the increased government deficits that have arisen from the policy response to the pandemic.</p>

Risk and impact	Mitigation	Change during the year and outlook
<p><b>Human resources risk</b></p> <p>Our people are key to our success and as such we are exposed to a risk of high staff turnover, and a risk of the loss of key personnel.</p>	<p>We have developed a professional, lively, and enjoyable working environment and believe our success stems from attracting and retaining the right people. We encourage all our staff to build on their skills through appropriate training and regular performance reviews. We believe in an accessible and open culture and everyone at all levels is encouraged to review, and challenge accepted norms, to contribute to the performance of the Group.</p>	<p>The Group carried out an engagement survey of its employees during the prior year, which showed very pleasing results of the level of engagement of our teams.</p> <p>We have listened to the feedback from our employees raised during our engagement survey and made a number of changes to the Group's operations, included reviewing and relaunching our Bright Ideas Suggestion Scheme, reviewing our salary bands for Store employees, and personal safety training having been provided for all team members within our stores. We also introduced a new Employee Assistance Programme, re-trained our Wellbeing Experts and set up a specific Wellbeing sub-site on our Intranet.</p>
<p><b>Brand and reputation risk</b></p> <p>The Group is exposed to the risk of a single serious incident materially affecting our customers, people, financial performance and hence our brand and reputation, including the risk of a data breach.</p>	<p>We have always aimed to run this business in a professional way, which has involved strict adherence with all regulations that affect our business, such as health and safety legislation, building regulations in relation to the construction of our buildings, anti-slavery, anti-bribery, and data regulations.</p> <p>We also invest in cyber security (discussed below), and make an ongoing investment in staff training, facilities management, and the maintenance of our stores.</p> <p>We work closely with our key suppliers to ensure a consistency of service from them.</p> <p>To ensure consistency of service and to understand the needs of our customers, we send surveys to every customer who moves in and moves out of the business. The results of the surveys and mystery shops are reviewed to continuously improve and deliver consistent performance throughout the business.</p> <p>We maintain regular communication with our key stakeholders, customers, employees, shareholders, and debt providers.</p>	<p>The Group has a crisis response plan which was developed in conjunction with external consultants to ensure the Group is well placed to effectively deal with a major incident.</p> <p>We experienced a fire caused by arson at our Armadillo Cheadle store a couple of years ago. Our crisis response team worked effectively in managing the incident.</p>
<p><b>Security risk</b></p> <p>The Group is exposed to the risk of the damage or loss of a store due to vandalism, fire, or natural incidents such as flooding. This may also cause reputational damage.</p>	<p>The safety and security of our customers, their belongings, stores, and our staff remains a key priority. To achieve this, we invest in state-of-the-art access control systems, individual room alarms, digital CCTV systems, intruder and fire alarm systems and the remote monitoring of all our stores outside of our trading hours. We are the only major operator in the UK self storage industry that has every room in every Big Yellow store individually alarmed.</p> <p>We have implemented customer security procedures in line with advice from the Police and continue to work with the regulatory authorities on issues of security, reviewing our operational procedures regularly. The importance of security and the need for vigilance is communicated to all store staff and reinforced through training and routine operational procedures.</p>	<p>We have continued to run courses for all our staff to enhance the awareness and effectiveness of our procedures in relation to security.</p> <p>We have further invested in security improvements in our stores during the year. We have also invested in additional automated reports and alerts which notify our overnight monitoring station and the operating team of suspicious customer activity.</p> <p>We regularly review and implement improvements to our security processes and procedures.</p>

# Principal Risks and Uncertainties continued

Risk and impact	Mitigation	Change during the year and outlook
<p><b>Cyber risk</b></p> <p>High profile cyber-attacks and data breaches are a regular staple in today's news. The results of any breach may result in reputational damage, fines, or customer compensation, causing a loss of market share and income.</p>	<p>The Group receives specialist advice and consultancy in respect of cyber security, and we have dedicated in-house monitoring and regular review of our security systems. We also limit the retention of customer data to the minimum requirement.</p> <p>Policies and procedures are under regular review and benchmarked against industry best practice by our consultants. These policies also include defend, detect and response policies.</p>	<p>We don't consider the risk to have increased more for the Group than any other business; however, we consider that the threats in the entire digital landscape do continue to increase and evolve. As such we have continued to invest in cyber security upgrading or replacing components as required.</p>
<p><b>Climate change related risk</b></p> <p>The Group is exposed to climate-change related transition and physical risks. Physical risks may affect the Group's stores and may result in higher maintenance and repair costs. Failing to transition to a low carbon economy may cause an increase in taxation, decrease in access to loan facilities and reputational damage.</p>	<p>The good working order of our stores is of critical importance to our business model.</p> <p>We visually inspect each of our stores at least once per annum and planned and unplanned work is discussed immediately.</p> <p>Maintenance requirements are discussed at budget reviews; proposals are made to raise climate change related issues to the Board, who may request more holistic adaptation work to be carried out.</p> <p>The key mitigation strategy to address transitional risks is the delivery of our Net Renewable Energy Positive Strategy and the Net Zero Scope 1 and Scope 2 Emissions Strategy. Our investment to decarbonise our business over the next eight years is expected to mitigate fully against taxation (carbon tax) risk and reputational risks (both investors and customers).</p>	<p>Our Sustainability Committee, chaired by a Non-Executive Director, has delivered an ambitious strategic plan to 2032.</p> <p>We appreciate that both physical and transition risks are expected to materialise to lesser or greater extents over the coming years and costs may go up gradually, hidden within what may be perceived as 'natural variations'. Our focus and strong governance will allow us to continue to mitigate the effects.</p>

## Internal audit

The Group employs a Head of Store Compliance responsible for reviewing store operational and financial controls. He reports to the Chief Financial Officer, and also meets with the Audit Committee at least once a year. This role is supported by three other team members, enabling additional work and support to be carried out across the Group's store portfolio. The Store Compliance team visits each operational store twice per year to carry out a detailed store audit. These audits are unannounced, and the Store Compliance team carry out detailed tests on financial management, administrative standards, and operational standards within the stores. Part of the store staff's bonus is based on the scores they achieve in these audits. The results of each audit are reviewed by the Chief Financial Officer, the Financial Controller, and the Regional Operations Managers. This is the equivalent of an internal audit function for the Group's store operations.

For the key business cycles conducted at the Group's head office, external consultants are used to review the Group's controls on a rotational basis. The consultants produce a report with recommendations which is discussed with management and reviewed by the Audit Committee. The cycles covered by this activity include construction expenditure, treasury, taxation, and facilities management.

During the year, the Group implemented new software to enable us to better capture risks and controls and implement a formal testing cycle ahead of the new Corporate Governance Code. With the assistance of external consultants, we performed a detailed walk through of key processes. We have developed a detailed Risk and Controls Matrix in these areas and documented the workflows. These are being embedded in the software, and with reference to best practice will highlight any risks we can further develop controls around, or any controls that could be improved.

With the combination of the store internal audit process and the external assessment of the key business cycles, the Audit Committee considers that this provides a robust internal audit assessment for the Group.

## Going concern

A review of the Group's business activities, together with the factors likely to affect its future development, performance and position are set out in the Strategic Report. The financial position of the Group, its cash flows, liquidity position and borrowing facilities are shown in the balance sheet, cash flow statement and accompanying notes to the financial statements. Further information concerning the Group's objectives, policies, and processes for managing its capital; its financial risk management objectives; details of its financial instruments and hedging activities; and its exposures to credit risk and liquidity risk can be found in this Report and in the notes to the financial statements.

At 31 March 2024 the Group had available liquidity of approximately £190 million, from a combination of cash and undrawn bank debt facilities. The Group additionally has a \$225 million credit approved shelf facility with Pricoa Private Capital to be drawn in fixed sterling notes. The Group can draw the debt in minimum tranches of £10 million over the next two and half years with terms of between 7 and 15 years at short notice, typically 10 days. The Group is cash generative and for the year ended 31 March 2024, had operational cash flow of £110.1 million, with capital commitments at the balance sheet date of £3.9 million.

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 2025 and projections contained in the longer-term business plan which cover the 18 month going concern assessment 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.

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, the Russian invasion of Ukraine and the cost of living crisis. 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 2028. 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 in recent years.

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 2028.

## Climate-Related Risks and Opportunities

### TCFD compliance statement

Big Yellow recognises the importance of addressing climate-related risks and opportunities in our business operations and decision-making processes. As such, we are committed to transparently disclosing our approach to managing climate-related risks and opportunities in alignment with the recommendations of the Task Force on Climate-related Financial Disclosures ("TCFD"). Our disclosures are consistent with the TCFD recommendations and recommended disclosures set out in the report entitled 'Recommendations of the Task Force on Climate-related Financial Disclosures' published in 2017 and updated in 2021 by the TCFD. Our disclosures encompass all four pillars outlined by the TCFD framework in line with the UK's Financial Conduct Authority Listing Rules. These are detailed below:

Pillar	Disclosure	Location
Governance	Describe the <b>Board's oversight</b> of climate-related risks and opportunities	Governance I <b>page 50</b>
	Describe <b>management's role</b> in assessing and managing climate-related risks and opportunities	Governance II <b>page 50</b>
Strategy	Describe the <b>climate-related risks and opportunities</b> the organisation has <b>identified</b> over the short, medium, and long-term	Strategy I <b>page 50</b>
	Describe the impact of <b>climate-related risks and opportunities</b> have had on the organisation's <b>businesses, strategy and financial planning</b>	Strategy II <b>page 53</b>
	Describe the <b>resilience of the strategy</b> , taking into consideration different climate-related scenarios, including a 2°C or lower scenario	Strategy III <b>page 51</b>
Risk Management	Describe the organisation's processes for <b>identifying and assessing</b> climate-related risks	Risk Management I <b>page 53</b>
	Describe the organisation's process for <b>managing</b> climate-related risks	Risk Management II <b>page 53</b>
	Describe how processes for identifying, assessing, and managing climate-related risks are <b>integrated</b> into the <b>organization's overall risk management</b>	Risk Management III <b>page 53</b>
Metrics & Targets	Disclose the <b>metrics</b> used by the organization to assess climate-related risks and opportunities in line with its strategy and risk management process	Metrics & Targets I <b>page 54</b>
	Disclose <b>Scope 1, Scope 2</b> , and, if appropriate, <b>Scope 3</b> greenhouse gas (GHG) emissions, and the related risks	Metrics & Targets II <b>page 54</b>
	Describe the <b>targets</b> used by the organization to <b>manage climate-related risks and opportunities and performance</b> against targets	Metrics & Targets III <b>page 54</b>

# Principal Risks and Uncertainties continued

## Governance

### Board Oversight

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 Leadership Team. 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.

### Management's role

The Quarterly Environmental Committee has been tasked by the CEO with assessing climate change risk exposure and to feed that back into the Business Risk Process, the Sustainability Committee where it intersects with the Sustainability Strategy, and to the CEO. It will then be available to the CFO, CEO and the Board for discussion. Outputs of the work will be used to submit to external benchmarks and enhance ESG reporting. The progress of the work on the TCFD is guided and monitored by the Head of Sustainability who manages the Quarterly Environmental Committee. As part of the existing business risk process, the Company assesses, amongst other things, the impact the (temporary) loss of a store has on the business. That loss could occur through any number of reasons; the Environmental Committee will provide input into the business risk process with climate-related specific risks and opportunities.

For more detail on our governance structure and management's role in assessing and managing climate-related risks and opportunities, please see the link below. This is kept as an independent document as this is of interest to some of our stakeholders separately from our annual report and accounts.

[https://corporate.bigyellow.co.uk/download\\_file/view/996/236](https://corporate.bigyellow.co.uk/download_file/view/996/236)

## Strategy

In order to address this pillar, we have identified the material climate-related risks and opportunities, the impact they have on our business and our response to them. We have considered various future scenarios over three different time frames. Finally, we have described how we have incorporated climate change resilience holistically into our organisation.

### Identifying climate-related risks and opportunities over our short, medium and long term time horizons.

Big Yellow has assessed the 10 main risk themes defined by the TCFD framework in our 'Managing Climate Risk and Opportunities' document **Managing Climate Related Risks and Opportunities 2022.pdf** ([https://corporate.bigyellow.co.uk/application/files/9616/5235/3338/Managing\\_Climate\\_Related\\_Risks\\_and\\_Opportunities\\_2022.pdf](https://corporate.bigyellow.co.uk/application/files/9616/5235/3338/Managing_Climate_Related_Risks_and_Opportunities_2022.pdf)).

The 10 topics are: Current regulation; **Emerging Regulation**; Technology; Legal; **Market**; **Reputation**; **Acute physical**; **Chronic physical**; Upstream and **Downstream**. Using CDP terminology, seven of the TCFD climate-related risk themes are assessed as 'relevant, always included' (**in bold**); 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 CSR department and Environmental Committee.

Risk Type	Risk Theme	Potential Materiality <sup>(1)</sup>		
		Short-Term	Medium-Term	Long-Term
<b>Physical Risks</b>				
Heat Stress	Chronic physical		●	●
Flooding <sup>(2)</sup>	Acute physical		●	●
<b>Transition Risks</b>				
Stranded Assets	Market		●	
Reputational Risk	Reputation		●	
An increase in carbon/emission taxation & 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	●		

Importance: ● Low ● Medium ● High

## Climate-related risks: Physical Risks

Impacts from both flooding and increased heat stress will likely have some financial impact on Big Yellow. It may also have a reputational impact if stored goods are affected and an indirect financial impact through rising insurance costs. Store locations have been identified using either postcodes or 6-digit ONS coordinates. The coordinates are listed in the Appendix of the full ESG report.

### Heat stress

**To determine heat stress we have used average daytime summer temperatures at +2°C scenario data set as well as current climate in order to test the resilience of the strategies at different temperature points. We have considered the likelihood of stores experiencing more than 5% temp increase on hottest day temp from base year and where there is an increase in days that will experience temperatures of more than 25°C.**

Assuming a +2°C scenario, 42 of our stores may experience heat stress, both as an increase in 'hottest summer day temperature' of 5 percentage 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

**To determine flood risk we have used three sources of information: planning flood zones; flood risk from rivers and sea; and flood risk from surface water (across 3 websites depending on store location: .gov SEPA and .Wales). We have looked at the current climate as well as +2°C scenario to test the resilience of the strategy.**

We have three Big Yellow stores that are in Flood Zone 3 and that have at least medium to high risk of surface water flooding – 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, 89 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.

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

<sup>(2)</sup> 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).

# Principal Risks and Uncertainties continued

## Climate-related risks: 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 and 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.

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;
- d. provide EV charging pods for our staff and customers in all new stores.

## Stranded assets

The risk of ‘stranded assets’ is a focus for investors, and so becomes a material concern to us. This has been part of our risk process, considered throughout the year by the Environmental committee as well as by the Board and during the risk management review. We have a clear plan to improve the efficiency of our buildings working on the continual upgrade of all EPCs across the estate. 99.6% of the estate is currently at a C or above with plans to have all stores at a B or above by 2028.

## Reputational risk

We believe that not tackling these physical and transitional risks head on has a real potential of damaging our reputation. In the process of undergoing a double materiality assessment this year we have had this reinforced with climate-related topics featuring in four of the nine material topics.

## Increase in carbon/emission taxation

An increase in carbon/emission taxation and fines is likely to occur across the longer timeframes of the period. We are continuously horizon scanning for changes in regulation.

## Financial reporting burden

There has been a substantial change in the reporting regulations in the EU over the past 12 months. We have made the decision to align ourselves with the reporting requirements. Although they are not mandatory for Big Yellow, we have made the decision to align with the CSRD so that our reporting is comparable to our European REIT peers.

## 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 <sup>(3)</sup>	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 minimum 100kWp PV system	●	●	●
	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 chargers for all new stores	●	●	●

Importance: ● Low    ● Medium    ● High

<sup>(3)</sup> Short-term is defined as up to five years, medium-term is between five years to ten years and Long-term is above ten years.

### Growth in demand for renewable energy

Big Yellow are investing heavily into the retrofit of renewable energy across our estate with solar being installed on all roofs that can feasibly hold the weight of panels. All new stores will have at least 100kWp of solar installed with the roof space being maximised with solar where possible.

### Growth in solar and battery markets driven by decarbonisation

The continuation of our battery pilot is allowing us to learn from the issues that have arisen in the first round of the pilot. By the end of the second pilot, we hope to have a project plan that will allow us to couple batteries with solar generation across the estate, reducing our reliance on the national grid further still at the same time as continuing to decarbonise our activities.

### Transition away from fossil fuelled heating and Natural Gas

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 with a further seven boilers being removed this year. The remaining stores will have their heating swapped to electric over the next two financial years.

### Growth of EV transport market

We believe this is becoming 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.

### Impact of climate-related risks and opportunities have on the organisation's businesses, strategy and financial planning

Both physical and transition risks are expected to materialise to a lesser or greater extent 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.

### Physical risk planning process – identifying emerging issues through visual inspection and half yearly budget reviews

The CEO, CFO and COO visually inspect each of our stores at least once per annum; they are usually accompanied by the Head of Estates and Facilities where planned and unplanned work is discussed immediately.

The budgeting process then allows the CFO as well as Head of Estates and Facilities to prioritise both planned and unplanned maintenance. The budget review by the Financial Controller looks at planned costs versus 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.

### Transitional risk planning process – 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.

## Risk Management

### Identification, assessment and management of climate-related risks

Big Yellow has a rigorous system of risk management and internal control which includes the identification and assessment of climate-related risks. As detailed earlier in this document we have mapped out our seven risk themes and categorised them as transitional or physical. Next understanding and quantifying the impact these could have on our business, strategy and financial planning has been considered.

For more detail on our governance structure and management's role in assessing and managing climate-related risks and opportunities, please see the link below. This is kept as an independent document as this is of interest to some of our stakeholders separately from our annual report and accounts.

[https://corporate.bigyellow.co.uk/download\\_file/view/996/236](https://corporate.bigyellow.co.uk/download_file/view/996/236)

## Metrics and Targets

### Disclosure of metrics to assess climate-related risks and opportunities

We have created a broad range of environmental metrics and targets with the intention of enabling our stakeholders to make informed decisions. The full comprehensive list has been compiled in response to the full Double Materiality Assessment that has been conducted this year.

For full information and detail about our targets, metrics including Scope 1, 2 and 3 GHG emissions please see our full ESG report.

# Principal Risks and Uncertainties continued

## Metrics

The metrics found below are taken from the Double Materiality Assessment results and are those that are relevant to the main risk themes defined by the TCFD framework detailed at the beginning of the report.

### Climate-related risk metrics

Aspect	KPI	22-23	23-24	Target
Regulation	No of EPCs rated F or G	0	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 <sup>4</sup>	0.68 <sup>5</sup>	0.67	n/a
	% of at risk current lettable area protected by adaptive measures, such as raised floors or SUDs <sup>6</sup>	100%	100%	100%

### Climate-related opportunities metrics

Aspect	KPI	22-23	23-24	Target
Transitioning to a low carbon economy	% of electricity from renewable energy generation <sup>7</sup>	16% <sup>8</sup>	33%	100% + by 2030
	Investment in retrofitting activities to drive decarbonisation (approx.) <sup>9</sup>	£5.2m <sup>10,11</sup>	£6.0m <sup>12</sup>	£5.5m per annum to 2025
	% of electricity purchased from renewable sources ('market-based') <sup>7</sup>	100%	100%	100%
	Greenhouse Gas (GHG) emissions intensity from building energy consumption (Scope 1 & 2) – tCO <sub>2</sub> e/CLA(m <sup>2</sup> )	4.1 <sup>13</sup>	3.8	As per our NREP & Net Zero Strategy
	Greenhouse Gas (GHG) emissions intensity from Scope 3 – tCO <sub>2</sub> e/CLA (sq ft)	0.0022	0.0021	As per our Science Based Targets

## Targets to manage climate-related risks and opportunities

### Emissions

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.

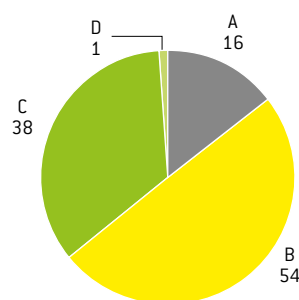
In order to achieve our main Net Zero commitments, we have set a number of sub targets that need to be achieved along our pathways. These are summarised in our annual ESG report, as well as in the Directors' Report.

To track progress against our science-based targets, we have our Scope 3 footprint calculated annually starting with the calculation for the year ended 31 March 2023. For more information on this please refer to our Benchmarks and Standards section in the Full ESG Report.

### EPCs

99.6% of EPCs for our store portfolio are in the 'Green' range, i.e. an A, B or C rating. The final store with an EPC rating of D is due for renovation in 2024-5; 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 Number of Stores



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](mailto:csr@bigyellow.co.uk).

<sup>(4)</sup> Sq ft from ground and below ground level floors.

<sup>(5)</sup> Restated as 2022/23 reporting error made, resulting in Hull being reporting not Barking.

<sup>(6)</sup> SUDs stands for Sustainable Urban Drainage.

<sup>(7)</sup> Import grid use only.

<sup>(8)</sup> Restated due to estimated figures being replaced with actuals post year end.

<sup>(9)</sup> Figure includes removal of gas boilers, retrofitting of solar installations, all energy efficiency related projects.

<sup>(10)</sup> Restated to include reclassified project spend.

<sup>(11)</sup> Projects included solar retrofit, gas boiler removal, EV charger installations and solar films.

<sup>(12)</sup> Projects included solar retrofit, gas boiler removal and LED light conversions.

<sup>(13)</sup> Restated with most up to date emissions factors.