

Directors' Report

The Directors present their annual report on the affairs of the Group, together with the audited financial statements and auditor's report for the year ended 31 March 2020. The Report on Corporate Governance on pages 62 to 67 forms part of this report.

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

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

Dividends

The Directors are recommending the payment of a final dividend of 16.7 pence per share for the year (2019: 16.5 pence per ordinary share). An interim dividend of 17.1 pence per share was paid in the year (2019: 16.7 pence per share).

A property income distribution of 30.6 pence is payable for the year, of which 17.1 pence per share was paid with the interim dividend, and 13.5 pence per share is proposed for the final dividend.

Subject to approval by shareholders at the Annual General Meeting to be held on 5 August 2020, the final dividend will be paid on 10 August 2020. The Ex-div date is 18 June 2020 and the Record date is 19 June 2020.

From April 2018 dividend tax credits have been replaced by an annual £2,000 tax-free allowance on dividend income across an individual's entire share portfolio.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

Disclosure of Greenhouse Gas ("GHG") Emissions

The Companies (Directors' Report) and Limited Liability Partnerships (Energy and Carbon Report) Regulations 2018 ('SECR')

These regulations came into force on 1 April 2019 and apply to financial years starting on or after 1 April 2019.

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

- annual GHG emissions from activities for which the Company is responsible including combustion of fuel and operation of any facility, such as our flexi-office gas heating, air conditioner coolant replacement, one Company van diesel fuel use emissions and fit-out 'diesel' use emissions;
- annual emissions from the purchase of electricity, heat, steam or cooling by the Company for its own use, such as electricity for our stores and fit-out activities;
- underlying global energy use;
- previous year's figures for energy use and GHG;
- at least one intensity ratio;
- energy efficiency action taken; and
- methodology used.

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

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

Directors' Report (continued)

The Companies (Directors' Report) and Limited Liability Partnerships (Energy and Carbon Report) Regulations 2018 ('SECR') (continued)

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

Year ended 31 March	UK and offshore area	2017	2018	2019	2019 (restated)	2020
GHG scope 1 total tonnes CO ₂ e	Total Scope 1 Emissions location based	n/a	n/a	n/a	133.6	131.7
GHG scope 2 total tonnes CO ₂ e	Total Scope 2 Emissions location based	4,126.9	3,340.0	2,853.9	2,665.2	2,439.7
GHG scope 2 total tonnes CO ₂ e	Total Scope 2 Emissions market based	n/a	n/a	n/a	New for 2019/20	1,142
Total GHG scope 1 & 2 Total tonnes CO ₂ e	Total Scope 1 & 2 Emissions location based	4,126.9	3,340.0	2,853.9	2,798.8	2,571.4
Total GHG scope 1 & 2 Total tonnes CO ₂ e	Total Scope 1 & 2 Emissions market based	n/a	n/a	n/a	New for 2019/20	1,273.7
Scope 3 total tonnes CO ₂ e	Electricity Transmission Losses and Employee Business travel	357	312	134	366	315
tCO ₂ e / revenue (£000s) – location based	Greenhouse Gas (GHG) emissions intensity from building energy consumption	37.8	28.6	22.8	22.3	19.9
tCO ₂ e / revenue (£000s) – market based	Greenhouse Gas (GHG) emissions intensity from building energy consumption	n/a	n/a	n/a	New for 2019/20	9.9
tCO ₂ e / Occupied space	Greenhouse Gas (GHG) emissions intensity from building energy consumption (scope 1 and 2)	12.7	9.7	8.0	7.9	7.2
tCO ₂ e / CLA (m ²)	Greenhouse Gas (GHG) emissions intensity from building energy consumption(scope 1 and 2)	New for 2017/18	7.8	6.6	6.5	5.9
Energy data	underpinning Scope 1 and 2 emissions data (kWhs)	n/a	n/a	n/a	New for 2019/20	10,214,794

Each year the last 3 months of our emissions data is reporting using prior year's conversion factors, due to an emission factor publication lag – we operate on a 'best available data' principle and will therefore restate each year – see basis of reporting for specifics.

Regarding Market based emissions, as of 1 October 2019 we purchase Rego backed 100% renewable energy from Opus Energy, so are able to provide both location-based and market-based CO₂e emissions for this financial year.

Methodology for calculating emissions

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

Please access the Basis of Reporting document here <https://corporate.bigyellow.co.uk/sustainability/reports-and-case-studies>.

Energy efficiency measures

Background

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

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

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

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

Most recent ESOS assessment findings & resulting actions

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

Our independent ESOS assessor's recommendations therefore focussed on increasing our existing Solar PV estate (currently 22 of our 75 stores have solar pv installations).

During the year, we have opened one new store, in Water Street, Manchester, which was fitted out with a 50kWhs solar installation. In October 2018, we retrofitted Bristol Central and Bristol Ashton Gate with 50kWhs Solar PV installations each. During the year, we have generated 578,394 kWh of solar energy, thereby a) reducing our energy demand from the grid by the kWh we are using on site and b) increasing the grid's renewable mix by exporting part of our energy as the size of our solar installations exceed our demand.

For our full Environmental reporting against EPRA KPIs, please see our annual CSR report 2019/20 and our Basis of Reporting document 2019/20. Questions can be directed to csr@bigyellow.co.uk.

Capital structure

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

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

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

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

With regard to the appointment and replacement of Directors, the Company is governed by its Articles of Association, the Corporate Governance Code, the Companies Acts and related legislation. The Articles themselves may be amended by special resolution of the shareholders. The powers of Directors are described in the Report on Corporate Governance on page 63.

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

During the year the Company issued 473,369 shares to satisfy the exercise of share options (2019: 890,283).

Directors' Report (continued)

Directors

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

Richard Cotton	Senior Independent Director
James Gibson	Chief Executive Officer
Julia Hailes	Non-Executive Director [appointed 1 March 2020]
Georgina Harvey	Non-Executive Director
Steve Johnson	Non-Executive Director
Anna Keay	Non-Executive Director
Adrian Lee	Operations Director
Vince Niblett	Non-Executive Director
John Trotman	Chief Financial Officer
Nicholas Vetch	Executive Chairman

Biographical details of the Executive and Non-Executive Directors standing for re-election are set out on page 60 to 61.

Directors' indemnities

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

Political contributions

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

Substantial shareholdings

The Company has been notified, in accordance with Chapter 5 of the Disclosure and Transparency rules, of the following voting rights as a shareholder of the Company at 31 March 2020 and 8 June 2020.

	No. of ordinary shares 31 March 2020	Percentage of voting rights and issued share capital 31 March 2020	No. of ordinary shares 8 June 2020	Percentage of voting rights and issued share capital 8 June 2020
Blackrock Inc	12,998,657	7.8%	14,795,529	8.4%
Standard Life Aberdeen	9,027,225	5.4%	8,698,074	4.9%
Merian Global Investors Limited	8,806,001	5.3%	9,408,778	5.4%
The Vanguard Group Inc	7,601,936	4.6%	7,423,019	4.3%
FMR LLC	6,667,919	4.0%	7,491,059	4.3%
Ameriprise Financial Inc	5,520,225	3.3%	6,008,087	3.4%
MFS Investment Management	n/d	n/d	6,328,967	3.6%

n/d – MFS Investment Management's holding at 31 March 2020 was below the reporting threshold.

The interest of the Directors in the share capital of the Company is shown on page 88 of the Remuneration Report.

Purchase of own shares

The Company was granted authority at the AGM in 2019 to purchase its own shares up to a total aggregate value of 10% of the issued nominal capital. That authority expires at this year's AGM and a resolution will be proposed for its renewal. During the year the Company made no purchases of its own shares.

Employee consultation

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

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

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

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

Disabled employees

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

Human Rights

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

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

Modern Slavery Act

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

Auditor

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

Disclosure of information to auditor

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

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

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

Shauna Beavis
Company Secretary

8 June 2020