Report on Corporate Governance

Introduction

The Company is committed to the principles of corporate governance contained in the UK Corporate Governance Code that was issued in 2010 by the Financial Reporting Council ('the Code') for which the Board is accountable to shareholders. The Board also takes account of the corporate governance guidelines of institutional shareholders and their representative bodies.

Statement of compliance with the Code

Throughout the year ended 31 March 2012, the Company has been in compliance with the Code provisions set out in section 1 of the 2010 UK Corporate Governance Code.

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 Directors' Remuneration Report and Audit Committee Report.

The Board of Directors

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.

The Board currently consists of nine Directors: four Executives and five Non-Executives. The Board considers Tim Clark, Mark Richardson, Steve Johnson and Jonathan Short to be wholly independent and free from any business or other relationship which could materially interfere with the exercise of their judgement throughout the year.

Jonathan Short is considered an independent Non-Executive, even though he has served on the Board for twelve 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. Jonathan Short is retiring as a Director at the Company's AGM in July.

The Board does not consider that Philip Burks is an independent Non-Executive, given that he is a co-founder of the Group and was an Executive Director from September 1998 until March 2007.

Tim Clark is the Senior Independent Non-Executive Director.

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. Philip Burks has legacy LTIPs from his time as an Executive Director. The Non-Executive Directors are encouraged to communicate directly with Executive Directors between formal Board meetings. The Non-Executive Directors meet at least once a year without the Executive Directors being present.

Details of the Board and its principal committees are set out below. All of 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.

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

Director	Position	Board	Audit	Remuneration	Nominations
Philip Burks	Non-Executive Director	6/6	–	–	–
Tim Clark	Non-Executive Director	6/6	3/3	4/4	1/1
James Gibson	Chief Executive Officer	6/6	–	–	–
Steve Johnson	Non-Executive Director	6/6	3/3	4/4	1/1
Adrian Lee	Operations Director	6/6	–	–	–
Mark Richardson	Non-Executive Director	6/6	3/3	4/4	1/1
Jonathan Short	Non-Executive Director	6/6	3/3	4/4	1/1
John Trotman	Chief Financial Officer	6/6	–	–	–
Nicholas Vetch	Executive Chairman	6/6	–	–	–

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 entered into other than in the normal course of business. The Board also considers matters of non-financial risk 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 Directors.

Re-election of Directors

In accordance with the UK Corporate Governance Code, all Directors are submitting themselves for re-election at the 2012 Annual General Meeting, with the exception of Jonathan Short who is retiring at the Annual General Meeting. The biographical details of the Directors of the Group are set out on page 57. In the event of a proposal to appoint a new Director, this would be discussed at a full Board meeting, with each member being given the opportunity to meet the individual concerned prior to any formal decision being taken.

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 must:
  - take overall responsibility for the composition and capability of the Board; and
  - consult regularly with the Chief Executive and be available on a flexible basis for providing advice, counsel and support to the Chief Executive.
- the Chief Executive must:
  - manage the Executive Directors and the Group's day-to-day activities;
  - prepare and present to the Board strategic options for growth in shareholder value;
  - set the operating plans and budgets required to deliver agreed strategy; and
  - ensure that the Group has in place appropriate risk management and control mechanisms.

Non-Executive Directors

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 Directors and have a prime role in appointing and, where necessary, removing Executive Directors, and in succession planning.

Performance evaluation

Each year the Board undertakes a formal evaluation of its own performance and that of its Committee and its individual members. During the year, the Chairman evaluated the performance of the Executive Directors, and the performance of the Chairman was evaluated by the Senior Independent Non-Executive Director. It was considered that the individuals, the Committees and the Board as a whole were operating effectively, with appropriate procedures put in place for minor areas identified for improvement.

The Board has noted the recommendations of the new Code, and intends to appoint a facilitator during the year ending 31 March 2013 to perform an external evaluation of the Board's effectiveness and procedures, and those of its Committees. Given Jonathan Short is retiring from the Board in July 2012, and will be replaced by Richard Cotton as an independent Non-Executive Director, the Board decided to delay the external evaluation until these changes had occurred.

With the exception of Jonathan Short, all of the Non-Executive Directors are being proposed for election at the Annual General Meeting. Following the performance evaluation above, the Committee has determined that their performance is effective, and that they demonstrated commitment to the role.

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 Board 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 auditors where appropriate. During the year under review, this has included consideration of Directors' responsibilities and an update on developments in the Code. The professional development requirements of Executive 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 properties. During the year, the senior management team made visits to all of the Group's open stores.

Standing committees of the Board

The Board has Audit, Remuneration and Nomination 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.

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

Remuneration Committee
Tim Clark (Chairman)
Steve Johnson
Mark Richardson
Jonathan Short

Richard Cotton will join the Committee upon his appointment to the Board, replacing Jonathan Short.

The Committee is responsible for determining broad policy for the remuneration of the Executive Directors and the Company Secretary. Within the terms of the agreed policy the Committee will determine the total individual remuneration package of each Executive Director, including, where appropriate, bonuses, incentive payments, pension arrangements and share options. The Committee will select, appoint and set the terms of reference for any remuneration consultants who advise the Committee. The Committee will ensure that the contractual terms on termination, and any payments made, are fair to the individual and the Company, that failure is not rewarded and that the duty to mitigate loss is, where appropriate, fully recognised.

The fees of the Non-Executive Directors are reviewed by the Board at regular intervals. The statement of remuneration policy and details of each Director's remuneration is set out in the Directors' Remuneration Report.

Nominations Committee
Tim Clark (Chairman)
Steve Johnson
Mark Richardson
Jonathan Short

Richard Cotton will join the Committee upon his appointment to the Board, replacing Jonathan Short.

The Nominations Committee is responsible for regularly reviewing the structure, size and composition required of the Board and giving consideration to succession planning for Directors and other senior Executives. Where changes are required, it is also responsible for the identification, selection and proposal to the Board for approval of persons suitable for appointment or reappointment to the Board, whether as Executive or Non-Executive Directors and to seek approval from the Remuneration Committee to the remuneration and terms and conditions of service of any proposed Executive Director appointment. The Chairman of the Committee presents reports to the Board as appropriate to enable the Board as a whole to agree the appointments of new Directors. The Committee meets at least once a year and otherwise as required and as determined by its members.

The terms and conditions of appointment for the Non-Executive Directors is available for inspection at the Company's Head Office during normal working hours. They are also available for inspection at the Company's AGM.

Appointment to the Board
During the year the Nominations Committee considered the skill sets of the existing Non-Executive Directors. The Committee also considered the overall make-up of the Board following Jonathan Short's decision to retire at the forthcoming AGM, and decided that it was appropriate to appoint a new Non-Executive Director to replace Jonathan Short.

The Nominations Committee appointed an external recruitment consultant to provide a shortlist of candidates to the Committee. Following a rigorous interview process, the Committee recommended to the Board that Richard Cotton be appointed to the Board. Richard Cotton will join the Board as an independent Non-Executive Director in July 2012. The Nominations Committee believes the Board benefits from this appointment.

Shareholder relations
The Board aims to achieve clear reporting of financial performance to all shareholders and acknowledges the importance of an open dialogue by both Executive and Non-Executive Directors with its institutional shareholders. The Board believes that the Annual Report and Accounts play an important part in presenting all shareholders with an assessment of the Group's position and prospects.

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 Directors have participated in investor conferences and meetings during the year, throughout the United Kingdom, and also in the United States and the Netherlands.

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. At each Board Meeting, the Board is updated on any shareholding meetings that have taken place, and any views expressed or issues raised by the shareholders in these meetings.

Any queries raised by a shareholder, either verbally or in writing, are answered immediately by whoever is best placed on the Board to do so. Directors are introduced to shareholders at the AGM, including the identification of Non-Executive Directors and Committee Chairmen. The number of proxy votes cast in the resolution is announced at the AGM.

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 applied principle C.2 of the UK Corporate Governance Code by establishing 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 revised guidance on internal control published in October 2005 (the Turnbull Guidance). 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.

In compliance with provision C.2.1 of the Code, 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 Board have 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, the Directors:

> challenged the framework to ensure that the list of significant risks to business objectives were 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 were reflected in the risk framework; and
> ensured that there were appropriate action plans in place to address unacceptable risks.

The results of the 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 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. Therefore, a confirmation in respect of necessary actions has not been considered appropriate.

The principal areas of risk that the Group faces are considered below.

Self storage market risk

The UK economy has continued its slow recovery from the recession. The demand for self storage has slowed since the liquidity crisis began in August 2007, however we believe that the structural need for self storage remains. We saw an increase in demand in the financial year, with move-ins in our wholly owned portfolio up 9% on the prior year.

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. 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. The lack of availability of credit within the economy has further reduced this rate of growth since the start of the downturn, and over the last couple of years new store openings within the sector have slowed to a trickle.

Our performance during the downturn has been relatively resilient, although not immune. We believe that the resilience of our performance is due to a combination of factors including:

> a prime portfolio of freehold self storage properties;
> a focus on London and the South East, which has proved more resilient during the downturn and where the drivers in the self storage market are at their strongest and the barriers to competition are at their highest;
> the strength of operational and sales management;
> continuing innovation to deliver the highest levels of customer service;
> the UK's leading self storage brand, with high public awareness and online strength; and
> strong cash flow generation and high operating margins.

We have a large current storage customer base of over 36,000 spread across the portfolio of open stores and many thousands more who have used Big Yellow over the years. In any month, customers move in and out at the margin resulting in changes in occupancy. Despite the current economic environment, this has remained a seasonal business and typically we see growth over the spring and the summer months, with the seasonally weaker periods being the winter months.

The performance in terms of occupancy, revenue and EBITDA of our stores can be seen from the Portfolio Summary on page 22.

Property risk

Our management has significant experience in the property industry generated over many years and in particular in acquiring property on main roads in high profile locations and obtaining planning consents. We do take planning risk where necessary, although the current property market will in our view provide more opportunities to buy sites on a conditional basis. The planning process remains difficult with some planning consents taking in excess of twelve months to achieve, although given we have planning consent on all bar one site, the risk to the Group has reduced significantly from prior years.

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 advisors and sub-contractors who have worked with us for many years to our Big Yellow specification.

Treasury risk

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 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.

We have a 15 year fixed rate loan in place from Aviva Commercial Finance Limited. For our bank debt, we borrow at floating rates of interest and use swaps to hedge our interest rate exposure. Our policy is to have at least 60% of our total borrowings fixed, with the balance floating paying margin over LIBOR. At the date of this report we have fixed rate swaps in place over 47% of our outstanding bank borrowings, coupled with the £100 million fixed rate loan from Aviva, resulting in 66% of the Group's total borrowings being fixed.

The Group does not hedge account its interest rate derivatives, all movements in fair value are taken through the statement of comprehensive income. 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.

Interest cover and balance sheet risk

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 occupancy in the stores on gearing and interest cover.

Credit risk

Our customers are required to pay a deposit when they start to rent a self storage room and are also required to pay in advance for their four-weekly storage charges. The Group is therefore not exposed to a significant credit risk. 79% of our current customers pay by direct debit; however of new customers moving into the business in the last year 85% have paid by direct debit. Businesses often prefer to pay by cheque or BACS. Since the start of the downturn in economic activity, we have not seen an increase in the level of bad debts and arrears. Indeed, we have seen an improvement in the current year, with our bad debt expense representing 0.06% of revenue in the year (2011: 0.12%).

Taxation risk

The Group is exposed to changes in the tax regime affecting the cost of corporation tax, VAT and Stamp Duty Land Tax ("SDLT"). We regularly monitor proposed and actual changes in legislation with the help of our professional advisors, through direct liaison with HMRC, and through trade bodies to understand and, if possible, mitigate or benefit from their impact. We are currently in consultation with HMRC over the proposed change to the VAT status of self storage.

Real Estate Investment Trust ("REIT") risk

The Group converted to a REIT in January 2007. The Group is therefore exposed to potential tax penalties or loss of its REIT status by failing to comply with the REIT legislation. The Group has internal monitoring procedures in place to ensure that the appropriate rules and legislation are complied with. To date all REIT regulations have been complied with.

Human resources risk

Our staff are key to our success and we are exposed to a risk of high staff turnover, and a risk of the loss of key personnel. 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, so as to contribute to the performance of the Group.

Reputational risk

Big Yellow's reputation with all its stakeholders is something we value highly and will always look to protect and enhance. We aim to communicate clearly with our customers, suppliers, local authorities and communities, employees and shareholders and to listen to and take account of their views. Big Yellow's intranet and website are important avenues of communication for both employees and shareholders.

Security risk

The safety and security of our customers and stores 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 out of our trading hours. We are the only major operator in the UK self storage industry that has every room in every store individually alarmed.

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. We have continued to run courses for all our staff to enhance the awareness and effectiveness of our procedures in relation to security.

Internal audit

The Group does not have a formal internal audit function because the Board has concluded that the internal controls systems discussed above are sufficient for the Group at this time. However, the Group employs a Store Compliance Manager responsible for reviewing store operational and financial controls. He reports to the Chief Financial Officer. The Store Compliance Manager visits each operational store twice a year to carry out a detailed store audit. These audits are unannounced and the Store Compliance Manager carries out detailed tests on financial management within the stores, administrative standards, and operational standards. This role is supported by an Assistant Store Compliance Manager, enabling additional work and support to be carried out across the Group's store portfolio. 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 and the Head of Store Operations.

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 on pages 9 to 21 of the Business and Financial Reviews. 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 in 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 Directors' Report.

After reviewing Group and Company cash balances, borrowing facilities, forecast valuation movements and projected cash flows, the Directors believe that the Group and Company have adequate resources to continue operations for the foreseeable future. In reaching this conclusion the Directors have had regard to the Group's operating plan and budget for the year ending 31 March 2013 and projections contained in the longer term business plan which covers the period to March 2016. The Directors have considered carefully the Group's trading performance and cash flows as a result of the uncertain global economic environment and the other principal risks to the Group's performance and are satisfied with the Group's positioning. For this reason, they continue to adopt the going concern basis in preparing the financial statements.

Directors' responsibilities

The Directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable laws and regulations.

Company law requires the Directors to prepare such financial statements for each financial year. Under that law the Directors are required to prepare the Group financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union and Article 4 of the IAS Regulation and have also chosen to prepare the parent Company financial statements under IFRSs as adopted by the European Union. Under company law the Directors must not approve the accounts unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing these financial statements, International Accounting Standard 1 requires that the Directors:

- properly select and apply accounting policies;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- provide additional disclosures when compliance with the specific requirements in IFRSs are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance; and
- make an assessment of the Company's ability to continue as a going concern.

The Directors are responsible for keeping proper accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Directors' responsibility statement

We confirm that to the best of our knowledge:

1. the financial statements, prepared in accordance with International Financial Reporting Standards give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company and the undertakings included in the consolidation taken as a whole; and
2. the Business Review, which is incorporated into the Directors' report, includes a fair review of the development and performance of the business and the position of the Company and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face.

By order of the Board

Shauna Beavis
Secretary
21 May 2012