

## 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 2014. The Report on Corporate Governance on pages 50 to 53 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 8.4 pence per share for the year (2013: 6 pence per ordinary share). An interim dividend of 8 pence per share was paid in the year (2013: 4.5 pence per share).

A property income dividend of 13 pence is payable for the year, of which 8 pence per share was paid with the interim dividend, and 5 pence per share was proposed for the final dividend.

Subject to approval by shareholders at the Annual General Meeting to be held on 16 July 2014, the final dividend will be paid on 24 July 2014. The Ex-div date is 11 June 2014 and the Record date is 13 June 2014.

### Disclosure of Greenhouse Gas ("GHG") Emissions

#### Companies Act 2006; Climate Change, the GHG Emissions Director's Reports Regulations 2013

From October 2013, all listed companies are required to report annual quantities of GHG emissions (measured as Carbon Dioxide Equivalent (CO<sub>2</sub>e)) as follows:

- > **Scope 1** – significant direct emission sources, such as our flexi-office gas heating and air conditioner coolant replacement – currently fit out 'gas oil' use emissions and one Company van diesel fuel use emissions are assessed as 'not material';
- > **Scope 2** – significant indirect or off-site power station electricity supply emissions to our stores; and
- > **Scope 3** – Electricity supplier 'transmission and distribution' emissions – currently, voluntary GHG emissions, from our waste and water supply chains are not assessed as material.

#### Summary of Scope 1 and 2 Total Carbon Footprint (GHG carbon equivalent emissions (tCO<sub>2</sub>e))

Including store electricity, gas, coolant, generator gas oil and van diesel	2011**	2012	2013	2014
Total Scope 1 and 2 GHG Emissions (tCO <sub>2</sub> e)	6,879.5	6,283.6	6,470.0	<b>5,681.8</b>
Scope 3 Electricity Supplier Losses	544	525	501	<b>445</b>
Scope 1, 2 and 3 GHG Emissions Total	7,424	6,809	6,971	<b>6,127</b>
Kg CO <sub>2</sub> e/Annual Revenue (£)	0.11	0.10	0.09	<b>0.08</b>
Kg CO <sub>2</sub> e/Customer Occupancy (m <sup>2</sup> )	32.0	26.0	26.5	<b>22.0</b>

\* Our materiality threshold for carbon emissions is > 1%

\*\* Reductions of GHG emissions following the Peak Energy Use/Baseline year (2011) have been restated using the more accurate DEFRA/DECC conversion factors, revised from 5 year, to 1 year, rolling averages.

Further information on GHG emissions and on other sustainability initiatives at Big Yellow is provided in our Corporate Social Responsibility Report.

### 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 in treasury and 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 50.

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 employees' share plans. Furthermore, 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 421,500 shares to satisfy the exercise of share options (2013: 369,935).

## Directors' Report (continued)

### Directors

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

Philip Burks, Non-Executive Director (resigned 19 July 2013)  
Tim Clark, Senior Independent Director  
Richard Cotton, Non-Executive Director  
James Gibson, Chief Executive Officer  
Georgina Harvey, Non-Executive Director (appointed 1 July 2013)  
Steve Johnson, Non-Executive Director  
Adrian Lee, Operations Director  
Mark Richardson, 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 46

### 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 had 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 2014 and 19 May 2014.

	No. of ordinary shares 31 March 2014	Percentage of voting rights and issued share capital 31 March 2014	No. of ordinary shares 19 May 2014	Percentage of voting rights and issued share capital 19 May 2014
Blackrock inc	15,597,512	11.01%	15,630,434	11.04%
Cohen & Steers Inc	11,139,992	7.87%	12,446,270	8.78%
Nicholas Vetch	9,166,219	6.47%	9,166,219	6.47%
Old Mutual PLC	8,789,612	6.21%	8,448,344	5.96%
Standard Life Investments Limited	4,755,696	3.36%	6,068,064	4.28%
State Street Global Advisors Limited	*	*	4,637,535	3.27%
PGGM Investments	*	*	4,371,121	3.08%

\* interest below notifiable level

### Purchase of own shares

The Company was granted authority at the AGM in 2013 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.

Employees are encouraged to participate in the Group's performance through Employee Share Schemes and performance related bonuses. 34% 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.

**Auditor**

In respect of each Director of the Company, at the date when this report was approved, to the best of their knowledge and belief:

- > so far as each Director is 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 might have reasonably been expected to take as a Director in order to make himself aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

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

The auditor, Deloitte LLP has expressed their willingness to continue in office as auditor and a resolution to reappoint them will be proposed at the forthcoming Annual General Meeting.

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

**Shauna Beavis**

Secretary

19 May 2014