

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 2016. The Report on Corporate Governance on pages 60 to 63 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 12.8 pence per share for the year (2015: 11.3 pence per ordinary share). An interim dividend of 12.1 pence per share was paid in the year (2015: 10.4 pence per share).

A property income dividend of 18.1 pence is payable for the year, of which 12.1 pence per share was paid with the interim dividend, and 6.0 pence per share was proposed for the final dividend.

Subject to approval by shareholders at the Annual General Meeting to be held on 22 July 2016, the final dividend will be paid on 28 July 2016. The Ex-div date is 16 June 2016 and the Record date is 17 June 2016.

From April 2016 dividend tax credits will be replaced by an annual £5,000 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

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 (CO₂e)) 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 offsite 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 (tCO₂e))

Including store electricity, gas, coolant, generator gas oil and van diesel

Year	2011	2012	2013	2014	2015	2016
Total Scope 1 and 2 GHG Emissions (tCO ₂ e)	6,879.5	6,283.6	6,470.0	5,681.8	4,908.0	4,456.2
Scope 3 Electricity Transmission Losses	544	525	501	445	417	355
Kg CO ₂ e / Annual Revenue (£)	0.11	0.10	0.09	0.08	0.06	0.04
Kg CO ₂ e / Customer Occupancy (m ²)	32.0	26.0	26.5	22.6	17.3	14.6
Kg CO ₂ e/GIFA m ²	12.6	11.0	11.1	9.8	7.7	7.2

Note: Our materiality threshold for carbon emissions is > 1%

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 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 60.

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 732,302 shares to satisfy the exercise of share options (2015: 641,877).

Directors' Report (continued)

Directors

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

Tim Clark Senior Independent Director

Richard Cotton	Non-Executive Director
James Gibson	Chief Executive Officer
Georgina Harvey	Non-Executive Director
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 56.

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 2016 and 23 May 2016.

	No. of ordinary shares 31 March 2016	Percentage of voting rights and issued share capital 31 March 2016	No. of ordinary shares 23 May 2016	Percentage of voting rights and issued share capital 23 May 2016
Cohen & Steers Inc	15,363,236	9.8%	14,812,547	9.4%
Old Mutual Plc	9,922,701	6.3%	9,873,313	6.3%
Blackrock Inc	9,220,257	5.9%	9,055,671	5.8%
Wellington Management Company	4,667,674	3.0%	7,317,607	4.7%
Standard Life Investments	5,983,778	3.8%	5,983,778	3.8%
PGGM Investments	5,380,776	3.4%	5,380,776	3.4%
State Street Global Advisors Limited	4,990,101	3.2%	4,774,575	3.0%

The interest of the Directors in the share capital of the Company is shown on page 77 of the Remuneration Report.

Purchase of own shares

The Company was granted authority at the AGM in 2015 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. 39% 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 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

Company Secretary

23 May 2016