

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 2017. The Report on Corporate Governance on pages 64 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 14.1 pence per share for the year (2016: 12.8 pence per ordinary share). An interim dividend of 13.5 pence per share was paid in the year (2016: 12.1 pence per share).

A property income dividend of 24.0 pence is payable for the year, of which 13.5 pence per share was paid with the interim dividend, and 10.5 pence per share was proposed for the final dividend.

Subject to approval by shareholders at the Annual General Meeting to be held on 20 July 2017, the final dividend will be paid on 27 July 2017. The Ex-div date is 22 June 2017 and the Record date is 23 June 2017.

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 assessed as 'not 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	2012	2013	2014	2015	2016	2017
Total Scope 1 and 2 GHG Emissions (tCO ₂ e)	6,283.6	6,470.0	5,681.8	4,908.0	4,456.2	4,126.9
Scope 3 Electricity Transmission Losses	525	501	445	417	355	147
Kg CO ₂ e / Annual Revenue (£)	0.10	0.09	0.08	0.06	0.04	0.04
Kg CO ₂ e / Customer Occupancy (m ²)	26.0	26.5	22.6	17.3	14.6	12.7
Kg CO ₂ e / GIFA m ²	11.0	11.1	9.8	7.7	7.2	6.6

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 from page 64.

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. 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 513,580 shares to satisfy the exercise of share options (2016: 732,302).

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 60.

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 2017 and 22 May 2017.

	No. of ordinary shares 31 March 2017	Percentage of voting rights and issued share capital 31 March 2017	No. of ordinary shares 22 May 2017	Percentage of voting rights and issued share capital 22 May 2017
Cohen & Steers Inc	13,659,535	8.7%	12,651,583	8.0%
Blackrock Inc	11,271,724	7.1%	12,785,828	8.1%
Old Mutual Plc	8,983,009	5.7%	8,921,666	5.7%
Ameriprise Financial Inc	6,169,744	3.9%	6,667,121	4.2%
PGGM Investments	5,380,776	3.4%	5,435,069	3.4%
LaSalle Investment Management	5,055,933	3.2%	4,890,538	3.1%
State Street Global Advisors Limited	4,811,518	3.0%	n/a	n/a

State Street Global Advisors Limited holding at 22 May 2017 was below 3%, The interest of the Directors in the share capital of the Company is shown on page 82 of the Remuneration Report.

Purchase of own shares

The Company was granted authority at the AGM in 2016 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. 46% 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/she might have reasonably been expected to take as a Director in order to make himself/herself 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.

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

Shauna Beavis

Company Secretary
22 May 2017