

# Big Yellow Group PLC

## Corporate Social Responsibility Report

### 2007



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### Front Cover

Big Yellow Self Storage Kingston-upon-Thames is unique within our portfolio. It provides residential accommodation while some stores have integrated flexi-offices and other types of work or retail spaces.

## CORPORATE SOCIAL RESPONSIBILITY

As a Board we are committed to ensuring that our development activities do not place an unnecessary burden on future generations. Big Yellow is well aware of its corporate social responsibility and recognises the positive contribution it can make to address environmental concerns and sustainability issues.



*Big Yellow Self Storage East Finchley is constructed from materials with a high recycled content including: steel; aluminium window frames; particle board flooring and walls; breeze blocks and solid insulation.*

A more detailed explanation of our approach to managing and minimising the impact of our development on the environment is set out below. Big Yellow develops stores in environments in which people live and work. We build storage centres for our customers who live or work within a three to five mile radius providing a storage solution for businesses and households.

## STORE PORTFOLIO

The Big Yellow store model is now well established. The “typical” store contains 60,000 sq ft of net lettable space, and takes some 2.5 years to achieve 85% occupancy. The average room size is some 60 sq ft and the average rental achieved last year across the 43 stores was £23.79 per sq ft per annum. The store is initially run by three staff – adding a part timer once the store occupancy justifies the need for the extra administrative and sales workload.

During the year we opened six stores, three in London (at East Finchley, Kingston & Edmon-ton), one at Tunbridge Wells, a second store at Bristol Ashton Gate, and one at Gloucester. These store openings bring the number now trading to 43. The available net lettable space increased by 360,000 sq ft over the year to 2.6 million sq ft with the opening of these six stores. The maturity profile across the 43 stores open at the end of the year shows portfolio of 71% (1.84 million sq ft occupied), with the 30 stores more than two years old at an average occupancy of 85%.



*Big Yellow Self Storage, Tunbridge Wells like other store in the portfolio has materials with a high recycled content including aluminium window frames, particle board flooring (recycled bark and sawdust), blocks (recycled pulverized fuel ash) and Rockwool solid insulation (recycled slag)*

The Group manages the planning, construction and fit-out of its stores in-house as we believe it provides better control and we have an excellent record of building stores on time and within budget. The total construction spend in the year was £30 million and is expected to be approximately £45 million in 2007/8. We currently have seven new stores all of which are under construction. We believe that as a customer facing real estate business it is sustainable to maintain the quality of our estate and customer services. We therefore continue to invest in a rolling programme of store makeovers, preventative maintenance, store cleaning and the repair and replacement of essential equipment, such as internal and external gates.



## SUSTAINABLE DEVELOPMENT

Maintaining and improving the quality of the built environment in which we live is an important concern for the Group, its staff, customers, suppliers and the communities in which we operate. Big Yellow endeavours to balance the triple bottom line of financial, social and environmental.

### Responsibility

The Directors of Big Yellow are committed to ensuring its development and operational activities do not place an unnecessary burden on future generations. Big Yellow is well aware of its corporate social responsibility and the company recognises the positive contribution it can make to address environmental concerns and sustainability issues. James Gibson, CEO, has responsibility to the Board on all matters of environmental policy.

### Commitment

To demonstrate our commitment to the environment we are recruiting a full time environmental manager to increase the pace of change within the company. In recognition of the UK regulatory objectives and growing environmental awareness of consumers, Big Yellow has initiated simple, straightforward alterations to its behaviour to reduce its carbon footprint. Furthermore the Group are investing over £1.0 million in renewable energy technologies in new developments at Barking, Balham, Fulham and Kennington. This investment forms a key part of a detailed study into the building design to quantify the energy, material and waste usage and benefits of the new technologies in use and to consider where improvements could be introduced within the existing and new stores portfolio.

Big Yellow stores are in the main part constructed of steel (structural, mezzanine, cladding, partitioning, roof, roller shutter doors, fences and gates) a material with a high recycled content which is usually reused or recycled in the future. The mezzanine floors offers flexibility such that the building can be re-used for different purposes in the future.



## ENVIRONMENTAL STRATEGY

There are many ways in which Big Yellow currently achieves its “environmental” objectives, the main examples of which are set out below.

### Climate Change, Flood Risk and Water Conservation

We conserve water resources by minimising the number of sanitary fittings and include flow control systems within the staff kitchen and store facilities. Sustainable Urban Drainage Systems (SUDS) and rainwater harvesting are being installed at stores under construction to meet Environment Agency requirements for surface water attenuation and irrigation.

### Sustainable Materials

We are designing new stores with products that are more sustainable. We select building materials responsibly, with low embodied energy, which are easily reusable and which are procured from sustainable sources. The buildings are in the main part constructed of steel, a material with a high recycled content which could also be reused or recycled in the future. The mezzanine floors offers flexibility such that the building can be re-used for different purposes in the future.

### Passive Buildings

Big Yellow storage has a low carbon foot-print and we always meet or exceed building regulations which require high insulation standards to the building envelope. We only heat or cool our reception areas which on standard stores occupy only 3% of the gross floor area.



*Big Yellow Self Storage Edmonton, like other more recent stores in the portfolio, has energy efficient cladding with solid insulation that reduces daily and seasonal temperature variations within the storage area. No heating and cooling is required in about 97% of the store area.*

## Energy Efficiency

We now install energy efficient motion sensor lighting throughout our newer stores and plan to upgrade existing stores over a period of time. On our recent stores we have moved from hydraulic lifts to more energy efficient “traction” lifts where there are more than four floors.



*Swipe card entry activates lighting only in the area where customer storage is located and more energy efficient lifts are installed where there are four floors or more.*

Big Yellow also obtains its electricity supplies from a service provider with a green energy policy which generates some electricity from renewable sources and researches additional renewable energy capacity.

## Renewable Energy

We are planning and investing in renewable energy sources where practicable and financially viable at our stores in Barking, Balham, Fulham and Kennington. The social, economic and environmental benefits will be monitored and form the basis of a future eco-store strategy.

## Accessibility and Travel

Customer access for all stores is a key criterion for development location planning. Therefore each store has a sustainable location in close proximity to the road network and public transport. Our stores also benefit from good pedestrian and cycle routes. We are now providing facilities in our new stores to encourage the use of public transport and cycling by store staff, a requirement of planning.

## Brownfield Development

We clean up previously contaminated “Brownfield” sites as part of the redevelopment and we do not build on green field sites or previously undeveloped land.

## Considerate Constructors

Big Yellow are respectful of local communities and all new Construction Sites are to be registered with the Considerate Contractors Scheme.

## Waste Management

We reuse and recycle demolition materials and endeavour to minimise construction waste. Store Operations generate minimum quantities of waste although facilities are provided for recycling.

## Biodiversity

We are improving bio-diversity by replacing previously lost habitat with green walls and roofs, and the reintroduction of improved landscaping on Brownfield sites.



*"Green" roof consisting of a border of sedum with alternating rows of wildflower-grass mix and areas available for natural colonisation*

## Communication

We are raising environmental awareness and encouraging suppliers, staff and customers to change their behaviour and encourage sustainable solutions.



## STAKEHOLDERS

### Customers

During the year we moved in over 42,000 customers taking 2.5 million sq ft compared to 38,400 customers taking 2.3 million sq ft last year. We provide a service to our customers as follows:

> **85%** of our customers are householders renting storage rooms primarily for household contents;

Home moves and university student relocations are key customers

> **15%** of our customers occupying 30% of the net lettable space are businesses requiring flexible storage space to operate and expand, thus contributing to job creation and generating wealth for the local economy.

Businesses need space to grow, transportation and archiving facilities

Big Yellow Self Storage is also for businesses such as accountants, lawyers, retail and builders, that are outgrowing their existing premises and archiving.

### Consultation

We survey all customers at move-out to assess their views on a number of issues and seek to respond to all feedback in order to improve our performance and meet our customers' changing needs. Excellent customer service is at the heart of our business objectives, as a satisfied customer is our best marketing tool. From our surveys 97% of customers would recommend Big Yellow to a friend. We measure customer service standards through a programme of mystery shoppers and ex-customer surveys.

We aim to raise our customer's awareness of the environmental credentials of our supply chain merchandise.



*Big Yellow Self Storage corrugated cardboard packaging has a 100% recycled content. Our cardboard boxes recycled content ranges from 70-100% depending upon size and strength.*

## Safety and Security

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 our stores out of hours.



*We have implemented customer security procedures in line with advice from the Metropolitan Police and continue to work with the regulatory authorities on issues of security, reviewing our operational procedures regularly*

Big Yellow Self storage 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 our stores out of hours.

## Suppliers

We work closely with our suppliers to ensure they understand our aims and objectives and can share in the Big Yellow vision of reinforcing our position as the leading brand in the UK self storage market and sustainability.



*Our Really Useful Eurobox (yellow), Medium Storage Crate (white), Tuff Crate (grey lid) and Folding Crate can all be recycled into other forms of plastic*



*Our plastic bubble wrap is made from low density polyethylene LDPE (4) and nylon (polyamide)*

*It is manufactured by a CFC and HCFC (non-ozone depleting substances that can cause global warming) free process.*

## Shareholders

Our shareholders and bankers are our providers of capital and we aim through our ethical reporting, our Investor Relations website and announcements to keep them informed about the progress of the successful performance and growth of the business to provide our shareholders with an attractive total return on their investment through dividends and share price growth.

## Local Communities

The success of Big Yellow has allowed us to put something back into the local communities in which we operate through the support of local causes and into society generally through donations to charities.



For the first time, Big Yellow has appointed a Charity of the Year, which in 2007 is Cancer Research

Employees have carried out a number of events to raise money for the charity, and the Group has matched all amounts raised by staff. Additionally, we are liaising with representatives from Cancer Research with regards to the collection of household items which could be donated at stores by customers and then sold at their charity shops. Charitable donations totalling £20,000 (2006: £24,000) were made to UK residents in the year.

## Employees

Big Yellow has a committed and skilled staff of 208 people. We have a responsibility to provide an attractive and safe working environment, equal opportunities, training to improve skills and, where practicable for a business of this size, career progression.



### **Remuneration is linked to performance and assessed against relevant markets at all levels**

The store bonus structure rewards sales growth and cost control through setting quarterly targets based on store profitability, including the contribution from ancillary sales of insurance and packing materials. The Big Yellow team has remained largely stable, both at Head Office and within the stores.





We are constantly investing in our people, which we believe is reflected in the very high customer satisfaction response that we receive.

> **97%** of our customers would recommend using Big Yellow to a friend. At Big Yellow we aim to provide a lively, fun and enjoyable work environment, without losing our commitment to the best customer service and standards of performance.

## Consultation

As the business has grown it has been necessary to formalise the means by which ideas and policy changes are communicated and discussed with employees. We hold regular consultation meetings with employees, both formally and informally, and our directors and senior management spend significant time in the stores and are accessible to employees at all levels. An annual Employee Attitude Survey provides the management with key feedback and guidance as to where to focus its resources in each year.

## Share Incentives

We encourage a partnership culture within the business and believe in staff participating in corporate performance through share incentives. Many employees have benefited, or continue to benefit, from share options granted in previous years and an Inland Revenue approved Sharesave Scheme. This provides an opportunity to invest in the future success of Big Yellow at a discount to the prevailing share price at the date of each invitation.

## Pensions

In addition, a stakeholder pension scheme managed by Friends Provident provides pension provision within the Group and is available to all employees after six months.

## Training

We had 226 full, part time and casual employees in the business at the year-end (2006: 185 employees), and recruiting and retaining the right calibre people remains critical to the continued success of Big Yellow. We promote the individual development of staff through training and regular performance appraisals and delivered over 500 days training to 8 employees in the last year, equating to an average of approximately 3 days training per employee.

## Security



The importance of security and the need for vigilance is communicated to all store staff and reinforced through training.

We have continued to run courses to enhance the awareness and effectiveness of our procedures in relation to security, entitled "You and your customer".

## Flexible Working

We have a policy on flexible working to meet individual needs where possible, without compromising corporate objectives.

## HEALTH AND SAFETY

The Board recognises the importance of maintaining high standards of health and safety for everyone who may be affected by our business.

### Policy

The Group's Health and Safety policy is reviewed on an ongoing basis. It is applied in two distinct areas – construction and operations. The policy states that all employees have a responsibility for health and safety but that managers have special responsibilities.

### Structure and Responsibility

Additional duties are placed on Adrian Lee (Operations Director) to keep the Board advised on health and safety issues, compliance with the policy in respect of construction activity and store operations respectively. The Group has a Health and Safety Committee, which meets quarterly and comprises Adrian Lee and appointed managers. They meet to discuss any issues that have been reported from meetings held at head office and the stores, and any construction sites.

### Compliance Auditing

In addition, the Group has appointed an external consultant to review policy and perform audits of stores on a rolling programme to ensure the implementation of the Group's Health and Safety policies. Health and Safety audits are also carried out by external consultants on each construction site prior to the opening of a store.

## RISK MANAGEMENT

The Directors are responsible for the Group's system of risk management and internal control and for reviewing their effectiveness. The system of internal control was in place throughout the financial year and to the date of this report. 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.

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 Executive have a stated policy of reviewing the 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 Executive Directors:**

- > Challenged the framework to ensure that the list of significant risks to business objectives is 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 are reflected in the risk framework; and
- > Ensured that there are 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/weaknesses during the period (including "near misses").

The Group does not have an 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 Control Manager responsible for reviewing store operational and financial controls. He reports to the Group Financial Controller.