safestore™

Annual Report 2022

Safestore Holdings plc

Annual report and financial statements 2022

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A strong trading performance in a year of significant strategic progress and geographic expansion

"I am pleased to report another excellent year in which we delivered significant strategic progress, having enhanced our funding capacity, doubled our development pipeline to c.1.4m sq ft of MLA and extended our geographical footprint. The strong trading performance for the year is especially pleasing as it follows a record year in 2021. Our 2022 result was achieved through strong revenue growth in the UK market, good performances in our Parisian and Spanish businesses, and seven months' contribution from our Benelux business, which was acquired in March 2022.

Early trading in the new financial year shows broadly stable levels of demand compared to last year (but significantly ahead of pre-pandemic levels) with rates paid by new customers continuing to grow.

Over the last seven years, the Group has developed or acquired 68 stores and expanded into four new countries (Netherlands, Belgium, Spain and now Germany). In addition, our development pipeline of 29 new stores, extensions, and projects represents a further c.18% of our existing portfolio's MLA. Throughout this period of expansion, the Group has maintained its disciplined approach to return on capital.

In March 2022, the Group completed the acquisition of our partner Carlyle's 80% stake in our Benelux JV. Over the last three years we have learnt much about the Netherlands and Belgian markets and feel confident about the ongoing development of our presence in these attractive geographies. It is our intention to gradually increase our footprint in these two markets and our development pipeline now includes five stores and c.283,000 sq ft of MLA in the Netherlands.

Following this successful JV with Carlyle, we established a new German JV which has acquired the seven-store myStorage business. Germany is one of Europe's most under-penetrated self storage markets and I look forward to growing our presence there.

Our strong and flexible balance sheet has been significantly enhanced by the agreement of a new unsecured four-year £400 million multi-currency RCF which increases funding capacity, allowing us to continue to consider strategic, value-accretive investments as and when they arise.

We have delivered a strong occupancy performance over recent years and, after a significant level of acquisition and development activity over the last six years, we still have 1.4m sq ft of fully invested currently unlet space in our UK, Paris, Spain, and Benelux markets in addition to 1.4m sq ft of pipeline space. Our most significant upside opportunity is from filling our existing unlet space and that remains our priority. The business has demonstrated its inherent resilience in recent times and, despite the challenging macro-economic environment, we are confident in the future of the business.

The underlying fundamentals of the European self storage industry with limited supply, strong barriers to entry and a steadily growing product awareness are as strong as ever. Over the last nine years, Safestore has delivered a market leading 18% CAGR of its EPRA group adjusted EPS. During that period, we have gradually expanded our geographical reach to six European countries leveraging and improving our platform and central functions while managing investment risk very carefully. I'm confident that Safestore will continue to play a leading role in the development of the self storage industry across Europe, delivering significant further value to its stakeholders.

None of this would be possible without the dedication and skills of our teams and I would like to thank all our colleagues in the UK, France, Spain, the Netherlands and Belgium for their performance in 2022 as well as their commitment and loyalty. We are appreciative of their efforts."

Frederic Vecchioli
Chief Executive Officer

Highlights

Strong financial performance

- Group revenue for the year up 13.8% (up 14.3% in CER[1])
- Like-for-like[8] Group revenue for the year in CER[1] up 10.7%
- Underlying EBITDA[2] up 15.1% in CER[1] which, combined with an increased gain on investment properties of £381.6 million (FY2021: £321.1 million), resulted in statutory operating profit[9] of £514.5 million (FY2021: £417.0 million)
- Adjusted Diluted EPRA Earnings per Share[6] up 17.3% at 47.5 pence (FY2021: 40.5 pence). Diluted Earnings per Share was 212.4 pence (FY2021: 176.4 pence) largely due to the higher property valuation gain in FY2022
- 15.9% increase in the final dividend to 20.4 pence (FY2021: 17.6 pence) giving a total 18.7% increase for the year to 29.8 pence (FY2021: 25.1 pence)

Continued operational delivery

- Continued balanced approach to revenue management together with an efficient marketing platform driving returns and record occupancy performance:
  - Like-for-like[8] average storage rate[5] for the year up 11.5% in CER[1]
  - Like-for-like[8] average occupancy for the year up 0.7%
  - Like-for-like[8] closing occupancy of 83.1% down 2.1ppts on 2021 (FY2021: 85.2%)
- New and recently opened stores trading well and in line with business plans
- Investment in our digital marketing platform continuing to deliver for the business:
  - Online enquiries in FY2022 rose to 90% of our total enquiries in the UK (FY2021: 89%) and 85% in France (FY2021: 84%)
  - Marketing cost as a percentage of revenue reduced to 3.6% (FY2021: 3.7%)

Strategic progress

- Store openings in London Bow, Barcelona, and Nijmegen in the Netherlands added c.126,000 sq ft of MLA[4] with a further two Madrid stores opened post year end in November 2022, adding a further 85,000 sq ft of MLA[4]
- Lease extensions signed in Exeter, London Crayford and Sunderland
- Five store extensions adding c.38,000 sq ft of MLA in London Paddington Marble Arch, Southend, London Edgware, London Wimbledon, and Winchester
- Acquired a 14,000 sq ft MLA freehold store in Christchurch[10], Dorset, from Your Room Self Storage
- Development pipeline expanded by c.0.7m sq ft of future MLA and eleven projects to c.1.4m sq ft and 29 projects (equivalent to c.18% of existing portfolio):
  - Eleven UK projects to add c.512,000 sq ft
  - Six developments in Barcelona and Madrid to add c.262,000 sq ft (an additional two developments opened since year end, adding a further 85,000 sq ft)
  - Seven Paris projects to add c.349,000 sq ft
  - Five Netherlands sites to add c.283,000 sq ft
- Completed EPS accretive acquisition of remaining 80% of equity owned by Carlyle in the Benelux Joint Venture[14] in March 2022 at an Enterprise Value of €146 million. The Benelux business now consists of 15 high quality stores with an MLA[4] of 600,000 sq ft in the Netherlands and Belgium
- Entry into German market via a new Joint Venture[15] ("JV") with Carlyle which has acquired the seven-store myStorage business with 326,000 sq ft of MLA[4]

ESG

- Continued development of Environmental, Social and Governance ("ESG") strategy:
  - Linkage of new £400 million refinancing to ESG targets
  - Group commitment to be operationally carbon neutral by 2035
- ESG progress illustrated by awards of:
  - GRESB 'A' rating for public disclosures
  - EPRA Silver rating for sustainability
  - MSCI 'AA' rating for ESG
  - Highest rating of five stars from Support The Goals

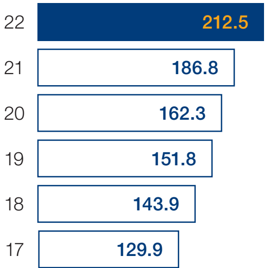
Strong and flexible balance sheet

- 30.9% increase in property valuation (including investment properties under construction) driven by improved trading performance, new stores, acquisitions, revisions to exit cap rates and stabilised occupancy assumptions
- Revolving Credit Facilities ("RCF's") refinanced with a new increased £400 million unsecured multi-currency four-year facility (with two one-year extension options). Margins remain at 1.25% in line with previous RCF's and all facilities, including private placement notes, are now unsecured
- Group loan-to-value ratio ("LTV"[11]) at 23.6%, calculated on net debt (31 October 2021: 22.7%) and interest cover ratio ("ICR"[12]) at 11.4x (31 October 2021: 10.5x)
- In addition to strong free cash flow, significant financing in place to fund pipeline including unutilised bank facilities of £208.4 million at 31 October 2022 and no borrowings to refinance before May 2024. In addition, a further uncommitted £100 million accordion facility incorporated into the new bank facilities
- 93% of drawn debt at fixed rates or hedged at 31 October 2022

Revenue (£'m)

£212.5m

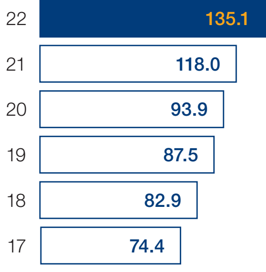
+13.8%



Underlying EBITDA[2] (£'m)

£135.1m

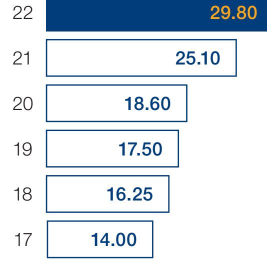
+14.5%



Dividend (pence per share)

29.80p

+18.7%



Learn more about our Sustainability from page 46

Learn more about our Corporate Governance from page 74

Financial highlights

Key measures

	Year ended 31 October 2022	Year ended 31 October 2021	Change	Change – CER[1]
Underlying and operating metrics – total				
Revenue	**£212.5m**	£186.8m	13.8%	14.3%
Underlying EBITDA[2]	**£135.1m**	£118.0m	14.5%	15.1%
Closing Occupancy (let sq ft- million)[3]	**6.317**	5.883	7.4%	n/a
Closing Occupancy (% of MLA)[4]	**82.1%**	84.5%	-2.4ppts	n/a
Average Storage Rate[5]	**£29.25**	£26.95	8.5%	9.2%
Adjusted Diluted EPRA Earnings per Share[6]	**47.5p**	40.5p	17.3%	n/a
Free Cash Flow[7]	**£101.4m**	£89.5m	13.3%	n/a
EPRA Basic NTA per Share[13]	**£9.08**	£6.97	30.3%	n/a
Underlying and operating metrics – like-for-like[8]				
Revenue	**£204.3m**	£185.5m	10.1%	10.7%
Underlying EBITDA[2]	**£131.6m**	£117.0m	12.5%	13.0%
Closing Occupancy (let sq ft- million)[3]	**5.725**	5.838	-1.9%	n/a
Closing Occupancy (% of MLA)[4]	**83.1%**	85.2%	-2.1ppts	n/a
Average Occupancy (let sq ft- million)[3]	**5.723**	5.685	0.7%	n/a
Average Storage Rate[5]	**£29.99**	£27.03	11.0%	11.5%
Statutory metrics				
Operating profit[9]	**£514.5m**	£417.0m	23.4%	n/a
Profit before tax[9]	**£498.8m**	£404.6m	23.3%	n/a
Diluted Earnings per Share	**212.4p**	176.4p	20.4%	n/a
Dividend per Share	**29.8p**	25.1p	18.7%	n/a
Cash inflow from operating activities	**£109.8m**	£97.0m	13.2%	n/a
Diluted net assets per share[13]	**£8.20**	£6.35	29.1%	n/a

Notes to Highlights, Financial highlights, Chairman's statement & Chief Executive's statement

We prepare our financial statements using IFRS. However, we also use a number of adjusted measures in assessing and managing the performance of the business. These measures are not defined under IFRS and they may not be directly comparable with other companies' adjusted measures and are not intended to be a substitute for, or superior to, any IFRS measures of performance. These include like-for-like figures to aid in the comparability of the underlying business as they exclude the impact on results of purchased, sold, opened or closed stores and constant exchange rate ("CER") figures are provided in order to present results on a more comparable basis, removing FX movements. These metrics have been disclosed because management reviews and monitors performance of the business on this basis. We have also included a number of measures defined by EPRA, which are designed to enhance transparency and comparability across the European Real Estate sector; see notes 6 and 13 below and "Non-GAAP financial information" in the notes to the financial statements.

1 CER is Constant Exchange Rates (Euro denominated results for the current period have been retranslated at the exchange rate effective for the comparative period. Euro denominated results for the comparative period are translated at the exchange rates effective in that period. This is performed in order to present the reported results for the current period on a more comparable basis).

2 Underlying EBITDA is defined as Operating Profit before exceptional items, share-based payments, corporate transaction costs, change in fair value of derivatives, gain/loss on investment properties, variable lease payments, depreciation and the share of associate's depreciation, interest and tax. Underlying EBITDA therefore excludes all leasehold rent charges. Underlying profit before tax is defined as Underlying EBITDA less leasehold rent, depreciation charged on property, plant and equipment and net finance charges relating to bank loans and cash.

3 Occupancy excludes offices but includes bulk tenancy. As at 31 October 2022, closing occupancy includes 24,000 sq ft of bulk tenancy (31 October 2021: 14,000 sq ft).

4 MLA is Maximum Lettable Area. At 31 October 2022, Group MLA was c.7.70m sq ft (FY2021: c.6.96m sq ft).

5 Average Storage Rate is calculated as the revenue generated from self storage revenues divided by the average square footage occupied during the period in question.

6 Adjusted Diluted EPRA EPS is based on the European Public Real Estate Association's definition of Earnings and is defined as profit or loss for the period after tax but excluding corporate transaction costs, change in fair value of derivatives, gain/loss on investment properties and the associated tax impacts. The Company then makes further adjustments for the impact of exceptional items, IFRS 2 share-based payment charges, exceptional tax items and deferred tax charges. This adjusted earnings is divided by the diluted number of shares. The IFRS 2 cost is excluded as it is written back to distributable reserves and is a non-cash item (with the exception of the associated National Insurance element). Therefore neither the Company's ability to distribute nor pay dividends is impacted (with the exception of the associated National Insurance element). The financial statements will disclose earnings on a statutory, EPRA and Adjusted Diluted EPRA basis and will provide a full reconciliation of the differences in the financial year in which any LTIP awards may vest.

7 Free cash flow is defined as cash flow before investing and financing activities but after leasehold rent payments.

8 Like-for-like adjustments remove the impact of the 2022 acquisition of the Netherlands and Belgium Joint Venture, the 2022 acquisition of Christchurch, the 2022 openings of Bow, Nijmegen (Netherlands), and Barcelona, the 2021 openings of Birmingham Middleway and Magenta in Paris and the 2021 closure of Birmingham South.

9 Operating profit increased by £97.5 million to £514.5 million (FY2021: £417.0 million) principally as a result of an increase in the gain on investment properties of £60.5 million to £381.6 million (FY2021: £321.1 million), as well as an increase of £17.1 million or 14.5% in Underlying EBITDA as a result of stronger trading performance. Profit before income tax additionally included exceptional items of £10.8 million, being other exceptional gains. This included £5.5 million relating to the valuation gain recognised of the 20% equity investment held in the Joint Venture with CERF, when the Group acquired the remaining 80% on 30 March 2022 and £5.1 million relating to the net gain on disposal of the Paris Nanterre site in November 2021.

10 The enterprise value paid for Your Room Self Storage in Christchurch, Dorset, on 7 December 2021 was £2.45 million.

11 LTV ratio is Loan-to-Value ratio, which is defined as gross debt (excluding lease liabilities) as a proportion of the valuation of investment properties and investment properties under construction (excluding lease liabilities). At 31 October 2022, the Group LTV ratio was 24.4%. Under the new revolving credit facility, signed 11 November 2022, LTV is to be calculated against net debt which equates to an LTV of 23.6%.

12 ICR is interest cover ratio, and is calculated as the ratio of Underlying EBITDA after leasehold rent to underlying finance charges.

13 EPRA basic NAV was superseded and transitioned to three new measures: EPRA Net Reinstatement Value ("NRV"), EPRA Net Tangible Assets ("NTA") and EPRA Net Disposal Value ("NDV") for periods commencing 1 January 2020 or thereafter. Safestore considers EPRA NTA to be the most consistent with the nature of the Group's business. The basis of calculation, including a reconciliation to reported net assets, is set out in note 15 of the Financial Statements.

14 On 30 March 2022, the Group acquired the remaining 80% of the Joint Venture with CERF. Prior to acquiring the 80%, the Joint Venture with CERF, which represented a 20% investment, was accounted for as an associate using the equity method of accounting, as described in the "Investment in associates" note to the financial statements.

15 On 1 December 2022, the Group made an initial investment into a new Joint Venture with Carlyle, to enter the German self storage market, of c.€2.2 million for a 10% share. The Group will also earn a fee for providing management services to the Joint Venture.

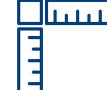
About us

Who we are, what we do

5 countries

179 stores

751 colleagues


7.7m sq ft maximum lettable area

● Wholly owned business
● Managed on behalf of Joint Venture

Our purpose

To add stakeholder value by developing profitable and sustainable spaces that allow individuals, businesses, and local communities to thrive

Read more on **page 78**

Our business model

We **acquire, develop,** and **operate** sustainable self storage assets in attractive European markets

Read more on **page 18**

Our strategy

Optimising trading performance of existing portfolio

Maintaining a **strong and flexible capital structure**

Selective **portfolio management and expansion opportunities**

Read more on **page 8**

How we ensure sustainability

Our people
Provide a great place to work

Our customers
Deliver a great customer experience and help customers live and grow sustainably

Our community
Benefit local communities

Our environment
Protect the planet from our activities; managing risks to our business from climate change

Read more on **page 46**

Our values

Our values, created by our store teams, are the foundation of everything we do

See **page 53** for more details

We love customers

We lead the way

We have great people

We dare to be different

We get it

Having strong relationships with our key stakeholders

We have a wide range of stakeholders. What matters to each, how we engage and how decision-making considers their expectations, are set out in our Section 172 statement

Read more on **pages 34 to 36**

Investment case

How we create value

Safestore has a proven track record in long term value creation. The business model remained resilient during the global financial crisis and the Covid-19 pandemic, with a leading presence in London, Paris, and key markets within the self storage sector. This is underpinned by developing profitable and sustainable spaces that allow individuals, businesses, and local communities to thrive.

1. Attractive market

- Under-supplied and growing industry
- Significant barriers to entry – constrained supply of attractive locations

2. Unique portfolio

- European leading platform
- Leading positions in key "space-constrained" European cities
- Unlet invested space equivalent to around 35 stores including pipeline with further development
- Growth potential in UK/France and further expansion in the Netherlands, Belgium, German, and Spanish markets

3. People

- A diverse community of well-trained, motivated and engaged colleagues
- Investors in People Platinum accreditation awarded

4. Strategic benefits of scale

- In-house expertise and scalable marketing technology
- Systems and pricing analytical capacities
- UK Leading National Accounts offering

5. Strong cash generation

- Scalable platform able to finance development and acquisition opportunities
- Intelligent use of working capital, positive operating cash flow, strong and flexible capital structure, and quality income-generating assets
- Strong dividend growth

6. Quality of earnings

- Diversified income stream from 90,000 customers
- Existing customers from prior years driving 70% to 80% of revenue
- High margins – low break-even
- Low maintenance CAPEX

Chairman's statement

Our purpose remains simple – to add stakeholder value by developing profitable and sustainable spaces that allow individuals, businesses, and local communities to thrive

David Hearn
Chairman

The last year has been one of considerable strategic and financial progress for the Group which is especially impressive on the back of an exceptionally strong year in 2021. After three years in the role, I continue to be impressed by the dedication and resilience of the store and Head Office teams which have been instrumental in delivering this progress.

Our purpose remains simple, to continue to add stakeholder value by developing profitable and sustainable spaces that allow individuals, businesses, and local communities to thrive. Our strategy is underpinned by our values, our behaviours and our governance structure which shape our culture and remain central to the way we conduct our business.

I would like to take this opportunity to congratulate all my colleagues throughout the Group for their exceptional contributions this year.

Financial and strategic progress

In the last year, the quality, resilience, and importantly, the scalability of the business model at Safestore have again been demonstrated and I am delighted to announce, on behalf of the Board of the Group, an excellent set of results for the financial year ended 31 October 2022.

Management's first priority remains to maximise the economic return on our existing store portfolio and its 1.4m sq ft of fully invested unlet space, building on the significant operational improvements made over the current management team's tenure.

In addition to improving returns from our existing portfolio, the Group has continued to make significant strategic progress in expanding its footprint through a combination of new store openings and acquisitions. The Group has now acquired 46 and opened 20 stores over the last six years and all are performing well. The acquisition of OhMyBox! in Barcelona in 2019 is now fully integrated into the business and has an exciting pipeline, with two stores opening in November 2022, and a further six stores over the next two financial years. Our EPS accretive acquisition of the 80% share in the Benelux Joint Venture owned by Carlyle means that the Group now fully owns the operations of 15 stores in the Netherlands and Belgium with a further five in the pipeline. Overall, we have a development property pipeline of an additional 1.4m sq ft of MLA, which provides significant future opportunity for the business and underpins our continued growth.

The recent establishment of a new £400 million unsecured multi-currency RCF at attractive margins offers us significantly greater strategic flexibility to support these growth plans.

Our new Joint Venture[15] with Carlyle in Germany and recent acquisitions in Spain, the Netherlands, and Belgium provide us with exciting platforms in new attractive geographies. I believe that Safestore's highly scalable platform will allow us to take advantage of further opportunities in due course.

Financial results

Revenue for the year was £212.5 million, 13.8% ahead of last year (FY2021: £186.8 million), or 14.3% ahead on a constant currency basis. Like-for-like[8] revenue was up 10.7% in constant currency. This result was driven by an exceptional performance in the UK which grew like-for-like[8] revenue by 12.2%, combined with another strong performance by Une Pièce en Plus, our Parisian business, which grew like-for-like[8] revenue by 5.3%.

Particularly encouragingly, this significant growth in revenue delivered a further improvement in margins. Underlying EBITDA[2] increased by 14.5% to £135.1 million (FY2021: £118.0 million) and on a constant currency basis by 15.1%.

Operating profit increased by £97.5 million from £417.0 million in 2021 to £514.5 million in 2022, reflecting a higher investment property gain in 2022 combined with the increase in Underlying EBITDA[2], a reduction in the share-based payments charge, as well as other exceptional gains.

Adjusted Diluted EPRA Earnings per Share[6] grew by 17.3% to 47.5 pence (FY2021: 40.5 pence). Adjusted Diluted EPRA Earnings per Share[6] has grown by 36.8 pence or 344% over the last nine years. Statutory diluted Earnings per Share increased to 212.4 pence (FY2021: 176.4 pence) as a result of the increase in Adjusted Diluted EPRA Earnings per Share[6] combined with an increased gain on valuation of investment properties.

Finally, the Group's balance sheet remains robust with a Group LTV[11] ratio of 24.4%, calculated on gross debt (FY2021: 24.9%) and an ICR[12] of 11.4x (FY2021: 10.5x). This represents a level of gearing we consider appropriate for the business to enable the Group to increase returns on equity, maintain financial flexibility and achieve our medium term strategic objectives.

This year's results continue a sustained period of excellent performance by the Group. Over the last nine years, the management and store teams have delivered a Total Shareholder Return of 779.4%, ranking at number one in the UK property sector. Since flotation in 2007, Safestore has also delivered the highest Total Shareholder Return of any UK listed self storage operator.

Chairman's statement *continued*

ESG

Away from the financial results, I am pleased with the progress the Group has made with its ESG strategy.

Even though Safestore already has one of the lowest environmental impact profiles of any company within the overall property sector, we have continued to focus on our environmental agenda, with year-on-year reductions in greenhouse gas emissions and enhanced disclosures in recognition of the recommendations of the TCFD. I am pleased to report that we have retained a Silver rating in the 2022 EPRA sustainability awards, an 'A' rating for public disclosures by GRESB, an 'AA' rating for ESG by MSCI, and the highest rating of five stars by Support the Goals.

In addition, we have demonstrated our commitment to our ESG agenda by linking the margin on our new £400 million bank facility to ESG related KPI's agreed with our lending group. Details of these achievements are covered more fully in the Chief Executive's report and the sustainability section of our Annual Report.

Non-Executive Board changes

During the financial year Claire Balmforth stepped down from the Board. Claire has served on the Safestore Board for six years and has chaired the Remuneration Committee for all of that time. As both a Director and Chair of the Remuneration Committee, Claire has served the business outstandingly throughout the last six years and both personally and on behalf of the Board, I would like to thank her for her contribution.

I am also delighted to welcome Jane Bentall to the Board. Jane has extensive experience and understanding of operating multi-site, consumer-led businesses. Most recently, Jane was Managing Director of Haven, the UK holiday parks chain and largest business division of Bourne Leisure. Prior to becoming Managing Director of Haven, she was the Group Chief Financial Officer for twelve years and previously spent six years as Operations Director. In her career she has also held senior financial roles at the Rank Group.

Dividend

Finally, reflecting the Group's strong trading performance and in line with our progressive dividend policy, the Board is pleased to recommend a 15.9% increase in the final dividend to 20.4 pence per share (FY2021: 17.6 pence) resulting in a full year dividend up 18.7% to 29.8 pence per share (FY2021: 25.1 pence).

Over the last nine years, the Group has grown the dividend by 418% or 24.1 pence per share, during which period the Group has returned to shareholders a total of 155.8 pence per share. The total dividend for the year is covered 1.59 times by Adjusted EPRA Diluted Earnings (1.61 times in 2021). Shareholders will be asked to approve the dividend at the Company's Annual General Meeting on 15 March 2023 and, if approved, the final dividend will be payable on 7 April 2023 to shareholders, on the register at close of business on 3 March 2023.

Summary

In conclusion, the Board remains confident in the future growth prospects for the Group and will continue its progressive dividend policy in 2023 and beyond. In the medium term it is anticipated that the Group's dividend will grow at least in line with Adjusted Diluted EPRA Earnings per Share[6].

David Hearn
Chairman
16 January 2023

Chief Executive's statement

The Group has delivered an excellent performance in 2022 building on a record 2021

Frederic Vecchioli
Chief Executive Officer

Summary

In 2022, the Group delivered 17.3% growth in Adjusted Diluted EPRA Earnings per Share largely driven by organic growth. Total Group revenue increased by 13.8% (14.3% CER[1]) with a particularly strong performance in the UK (+13.1%) and continued strength in Paris (+6.1%) and Spain (+9.1%). On a like-for-like[8] basis in CER[1], Group revenue increased by 10.7% with the UK up 12.2%, Paris up 5.3% and Spain up 8.5% reflecting the strategy to balance rate growth and occupancy performance to maximise revenue, the Group's like-for-like average storage rate[5] was up 11.5% at CER[1] and average occupancy was up 0.7%, whilst like-for-like[8] closing occupancy decreased by 2.1ppts to 83.1%.

The Group has traded well throughout the year despite a difficult comparable performance in the record 2021 financial year. Our digital marketing platform has driven good enquiry generation and conversion, and our ongoing commitment to investing in and supporting the development of our colleagues has resulted in like-for-like[8] revenue in the UK growing by 12.2%. The like-for-like average rate growth drove the UK revenue performance and increased by 13.9% in the year. After an exceptionally strong 2021, average occupancy grew by 0.6% and closing occupancy was down 2.6ppts at 83.0%.

In Paris, our performance has also been strong with like-for-like[8] revenue growing by 5.3% at CER[1] driven by a like-for-like growth in average occupancy of 1.4% and like-for-like average storage rate growing by 4.3% at CER[1]. Like-for-like[8] closing occupancy ended the year at a similar level to the prior year at 83.4% (FY2021: 83.6%). This is the 24th consecutive year of revenue growth in Paris with average growth over the last seven years of approximately 5%.

Our Spanish business saw a strong 8.5% growth in like-for-like revenue for the year driven by an increase in the like-for-like average rate of 5.8%. Ancillary sales were also strong. A fifth Spanish store opened in the year and total revenue growth was 9.1%.

The Group's current pipeline of new developments and store extensions has grown significantly over the last year and now constitutes c.1.4m sq ft of future MLA (equivalent to 18% of the existing portfolio) and associated outstanding capital expenditure of £146 million. The pipeline consists of eleven projects in the UK, seven in Paris, six in Spain, and five in the Netherlands.

The Group completed the EPS accretive acquisition of the remaining 80% of equity owned by Carlyle in the Benelux JV[14] in March 2022 at an Enterprise Value of €146 million. The Benelux business consists of 15 high quality stores with an MLA of 600,000 sq ft in the Netherlands and Belgium.

Group Underlying EBITDA[2] of £135.1 million increased by 15.1% at CER[1] on the prior year. The Group's EBITDA[2] performance, offset by a modest increase in leasehold rent and an increase in finance costs, resulted in a 17.3% increase in Adjusted Diluted EPRA EPS[6] in the period to 47.5 pence (FY2021: 40.5 pence). Statutory operating profit increased by £97.5 million to £514.5 million (FY2021: £417.0 million) principally as a result of an increase in the gain on investment properties of £60.5 million to £381.6 million (FY2021: £321.1 million), along with an increase of £17.1 million or 14.5% in Underlying EBITDA[2] as a result of stronger trading performance.

Our property portfolio valuation, including investment properties under construction, increased in the year by 30.9%, driven by the stronger underlying performance of the stores, modest revisions to exit cap rates and stabilised occupancy assumptions, new stores, acquisitions, and FX. After exchange rate movements, the portfolio valuation increased to £2,552.3 million with the UK portfolio up £340.7 million to a total UK value of £1,815.5 million and the French portfolio increasing by €104.3 million to €625.9 million.

Reflecting the Group's strong trading performance, the Board is pleased to recommend a 15.9% increase in the final dividend to 20.4 pence per share (FY2021: 17.6 pence) resulting in a full year dividend up 18.7% to 29.8 pence per share (FY2021: 25.1 pence). Over the last nine years, the Group has grown the annual dividend by 418% or 24.1 pence per share.

Chief Executive's statement *continued*

Outlook

In the last seven financial years, Safestore has strengthened its market-leading positions in the UK and Paris with the acquisitions of Space Maker, Alligator, Fort Box, and our stores at Heathrow and Christchurch[10], as well as opening 20 new stores, with a further two Madrid stores opening in November 2022, and establishing a pipeline of c.1.4m sq ft of MLA. In addition, the Group has entered new markets in Spain together with Belgium and the Netherlands, and more recently Germany through our new Joint Venture[15] with Carlyle. Excluding the Joint Venture and the development pipeline, there is 1.4m sq ft of fully invested unlet space available, offering significant operational upside within the existing portfolio.

We remain focused on further optimising the Group's operational performance and continuing to grow in all of our geographies. Our development pipeline represents 18% of our existing MLA and our balance sheet strength and flexibility provide us with the opportunity to consider further selective development and acquisition opportunities in all of our markets.

Whilst we are aware of the current macro-economic challenges, our business model has proven to be highly resilient with multiple drivers of demand and we believe the Group, whilst not entirely immune from any cost of living or inflationary issues, is strongly positioned to withstand any downturn.

In the first two months of the 2022/23 financial year we have seen broadly stable levels of demand compared to last year (but significantly ahead of pre-pandemic levels) with like-for-like Group revenue (at CER[1]) up 3.5% and total revenue (at CER[1]) up 8.7%.

Our strategy

The Group intends to continue to deliver on its proven strategy of leveraging its well-located asset base, management expertise, infrastructure, scale and balance sheet strength and further increase its Earnings per Share by:

- Optimising the trading performance of the existing portfolio;
- Maintaining a strong and flexible capital structure; and
- Taking advantage of selective portfolio management and expansion opportunities in our existing markets and, if appropriate, in attractive new geographies either through a Joint Venture or in our own right.

In addition, the Group's strategy is pursued whilst maintaining a strong focus on Environmental, Social and Governance ("ESG") matters, and a summary of our ESG strategy is provided further on.

Optimisation of existing portfolio

With the opening of 22 new stores since August 2016, and the acquisitions of 46 stores through the purchases of Space Maker in July 2016, Alligator in November 2017, our Heathrow store, Fort Box in London and OhMyBox! in Barcelona in 2019, Your Room in 2021 and the Benelux JV in 2022, we have established and strengthened our market-leading portfolio in the UK and Paris, and have entered the Spanish, Netherlands, and Belgium markets. We have a high quality, fully invested estate in all geographies and, of our 179 stores as at 31 October 2022, 101 are in London and the South East of England or in Paris, with 58 in the other major UK cities and 20 in Barcelona and the Benelux region. In the UK, we now operate 49 stores within the M25, which represents a higher number of stores than any other competitor.

Our MLA[4] has increased to 7.7m sq ft at 31 October 2022 (FY2021: 6.96m sq ft). At the current occupancy level of 82.1% we have 1.4m sq ft of fully invested unoccupied space (2.9m sq ft including the development pipeline), of which 1.0m sq ft is in our UK stores, 0.2m sq ft is in Paris and 0.2m sq ft is in Barcelona and Benelux. In total, unlet space at our existing stores is the equivalent of c.35 empty stores located across the estate and provides the Group with significant opportunity to grow further. We have a proven track record of filling our vacant space so we view this availability of space with considerable optimism. We will also benefit from the operational leverage from the fact that this available space is fully invested and the related operating costs are essentially fixed and already included in the Group cost base. Our continued focus will be on ensuring that we drive occupancy to utilise this capacity at carefully managed rates. Between the full financial years 2013 and 2022, occupancy of the stores in the portfolio in 2013 that remain in the Group today has increased from 63.1% to 84.2%, i.e. an average of 2.3ppts per year and equivalent to a total of 1.1m sq ft.

There are three elements that are critical to the optimisation of our existing portfolio:

- Enquiry generation through an effective and efficient marketing operation;
- Strong conversion of enquiries into new lets; and
- Disciplined central revenue management and cost control.

Digital Marketing expertise – UK Number 1 Self Storage Brand

Awareness of self storage remains relatively low with half of the UK population either knowing very little or nothing about self storage (source: SSA Annual Report). In the UK, many of our new customers are using self storage for the first time. It is largely a brand-blind purchase. Typically, customers requiring storage start their journey by conducting online research using generic keywords in their locality (e.g. "storage in Borehamwood", "self storage near me") which means that geographic coverage and search engine prominence remain key competitive advantages.

We believe there is a clear benefit of scale in the generation of customer enquiries. The Group has continued to invest in technology and in-house expertise which has resulted in the development of a leading digital marketing platform that has generated 54% enquiry growth for the Group over the last five years. Our in-house expertise and significant annual budget have enabled us to deliver strong results. Safestore is the UK number 1 self storage brand as it has more new lets per year than any other brand.

The Group's online strength came to the fore during the various Covid-19 lockdowns and has since continued to support customer acquisition growth. Online enquiries in FY2022 rose to 90% of our enquiries in the UK (FY2021: 89%) and 85% in France (FY2021: 84%). The majority of our online enquiries now originate from a mobile device (65% share in FY2022), highlighting the need for continual investment in our responsive web platform for a "mobile-first" world. We continue to invest in activities that promote a strong search engine presence to grow enquiry volume whilst managing efficiency in terms of overall cost per enquiry and cost per new let. Group marketing costs as a percentage of revenue were 3.6% for the full year (FY2021: 3.7%). This percentage has constantly reduced over the last eight years and is now at its lowest level in that period.

During the 2021/22 trading year, the Group demonstrated its ability to integrate newly developed and acquired stores into its marketing platform with successful new openings at Bow (London, UK), Christchurch (Dorset, UK), Nijmegen (Netherlands), and an additional store in Barcelona. We have now clearly demonstrated that our marketing platform is transferable into multiple overseas geographies.

In February 2022, Safestore UK won the Feefo Platinum Trusted Service award for the third time. The award is given to businesses which have achieved Gold standard for three consecutive years. It is an independent mark of excellence that recognises businesses for delivering exceptional experiences, as rated by real customers. In addition to using Feefo, Safestore invites customers to leave a review on a number of review platforms, including Google and Trustpilot. Our ratings for each of these three providers in the UK are between 4.6 and 4.8 out of 5. In France, Une Pièce en Plus uses Trustpilot to obtain independent customer reviews and in FY2022 achieved a TrustScore of 4.6 out of 5. In Spain, OhMyBox! collects customer feedback via Google reviews and has maintained a score of 4.6 out of 5.

Motivated and effective store teams benefiting from investment in training and development

In what is still a relatively immature and poorly understood product, customer service and selling skills at the point of sale remain essential in earning the trust of the customer and in driving the appropriate balance of volumes and unit price in order to optimise revenue growth in each store.

In the first half of our 2021/22 trading year, we moved away from Covid-19 based restrictions to a business-as-usual operating model in stores, removing all screens and signage, although we continue to display advisory mask and distancing messages along with safe working protocols for both our customers and colleagues.

Our enthusiastic, well-trained, and customer-centric sales team remains a key differentiator and a strength of our business. Understanding the needs of our customers and using this knowledge to develop in-store trusted advisers is a fundamental part of driving revenue growth and market share.

Safestore has been an Investors in People ("IIP") accredited organisation since 2003 and we passionately believe that our continued success is dependent on our highly motivated and well-trained colleagues. Following the award of a Bronze accreditation in 2015 and a Gold accreditation in 2018, we were delighted to be awarded the "we invest in people" Platinum accreditation in February 2021. This is the highest accolade in the Investors in People scale and positions us as an employer of choice. Shortly after our Platinum accreditation, we were shortlisted for the Platinum Employer of the Year (250+) category in the Investors in People Awards 2021. This further endorses the high standard of our teams and the people development programmes that drive our skill and talent retention.

IIP is the international standard for people management, defining what it takes to lead, support and engage people effectively to achieve sustainable results. Underpinning the standard is the Investors in People framework, reflecting the latest workplace trends, essential skills and effective structures required to outperform in any industry. Investors in People enables organisations to benchmark against the best in the business on an international scale. We are proud to have our colleagues recognised to such a high standard, not only in our industry, but also across over 50,000 organisations in 66 countries. This sustained people engagement focus is an essential component of our continuous improvement mentality.

We are committed to growing and rewarding our people and we tailor our development, reward and recognition programmes to reflect this. Our IIP recognised coaching programme, launched in 2018 and upgraded every year since, continues to be a driving force behind the continuous performance improvement demonstrated by our store colleagues.

The Covid-19 pandemic provided a challenging environment requiring us to operate in some new and innovative ways. Our online learning portal, combined with the energy and flexibility of our store colleagues, allowed us to not only continue to deliver our award-winning development programmes but also to capitalise on the strength of our IT platforms. As the restrictions in the UK relaxed through the second half of 2021, we were able to combine our newly created technology communication skills with our tried and tested face-to-face training sessions in a newly created "impact" sales refresher.

Following our late 2021 sales refreshers, we took the opportunity to review many of our training, coaching and compliance tools to take advantage of our higher performance levels and skilled colleagues. The integration of flexible contract types and enhanced digital contracts have all been included in our updated version of QUEST, our sales framework. This two-day programme has been delivered, face-to-face, to every colleague in our store and field teams in the first half of 2022.

We recognised the changing needs and demands of our customers, not only through the challenging times of 2020/21, but also through the newly emerging demands and requirements in late 2021. Combining new, along with tried and tested, solutions and systems, we are further able to support our store colleagues, allowing them to fulfil the needs of our customers over and above that of our competitors. Our flexible contract types and enhanced digital contract completion further enhance our customer offer and experience. These enhancements have combined to help us create our 2023 QUEST programme which commenced roll-out in late September 2022 focusing on the new contract types and technologies available to us.

All new recruits to the business benefit from enhanced induction and training tools that have been developed in-house and enable us to quickly identify high-potential individuals and increase their speed to competency. They receive individual performance targets within four weeks of joining the business and are placed on the 'pay-for-skills' programme that allows accelerated basic pay increases dependent on success in demonstrating specific and defined skills. The key target of our programme remains that we grow our talent through our Store Manager Development programme, and we are pleased with our progress to date.

Our internal Store Manager Development programme ("SMD") has been in place since 2016 and is a key part of succession planning for future Store Managers. In May 2022, we began our assessment process for the sixth intake of the SMD with a first-class group of candidates ready to learn the necessary skills and attributes they need to become a Safestore Store Manager. Funded by the Apprenticeship Levy this programme provides the opportunity to complete a Level 3 Management and Leadership apprenticeship, with the additional opportunity to complete an Institute of Leadership and Management ("ILM") qualification.

Our Store Manager Development programme demonstrates the effectiveness of our learning tools. In a spirit of constant improvement, our content and delivery process is dynamically enhanced through our 360-degree feedback process utilising the learnings from not only the candidates but also from our training Store Managers and senior business leaders. This allows our people to be trained with the knowledge and skills to sell effectively in today's marketplace.

Chief Executive's statement *continued*

Motivated and effective store teams benefiting from investment in training and development *continued*

Our Senior Manager Development programme ("LEAD") focuses on developing our high performing store managers, aimed at preparing them for more senior roles within the business. This programme is built on the foundations of our Store Manager Development programme and included delegates delivering performance-enhancing projects to our wider business. We are proud that all nine participants of our Senior Leadership Development programme 'LEAD Academy' successfully completed their Level 5 Management and Leadership apprenticeship; six of those participants were awarded Distinctions.

Furthermore, we have re-launched our Graduate Programme, with our first intake commencing in October 2022, providing an opportunity for newly qualified graduates to build their skillset and experience, resulting in a career with Safestore.

Our performance dashboard allows our store and field teams to focus on the key operating metrics of the business providing an appropriate level of management information to enable swift decision-making. Reporting performance down to individual colleague level enhances our competitive approach to team and individual performance. We continue to reward our people for their performance with bonuses of up to 50% of basic salary based on their achievements against individual targets for new lets, occupancy, and ancillary sales. In addition, our Values and Behaviours framework is overlaid on individuals' performance in order to assess performance and development needs on a quarterly basis.

Our 'Make the Difference' people forum, launched in 2018, enables frequent opportunities for us to hear and respond to our colleagues. Our network of 15 'People Champions' collect questions and feedback from their peers across the business and put them to members of the Executive Committee. We drive change and continuous improvement in responding to the feedback we receive for; 'Our Business, Our Customers, and Our Colleagues'.

People Champions:

- consult and collect the views and suggestions of all colleagues that they represent;
- engage in the bi-annual 'Make the Difference' people forum, raising and representing the views of their colleagues; and
- consult with and discuss feedback with management and the leadership team at Safestore.

Our values are authentic, having been created by our people. They are core to the employment life cycle and bring consistency to our culture. Our leaders have high values alignment enabling us to make the right decisions for our colleagues and our customers. Our customers continue to be at the heart of everything we do, whether it be in store, online or in their communities. In 2022 we maintained our industry-leading independent customer ratings, with a Feefo Platinum Trusted Service award and a 5-star Trustpilot rating, with over twice the reviews of our nearest competitor. Along with our strong Google ratings, these independent assessments further reflect our ongoing commitment to customer satisfaction as the number one storage provider in the UK.

Central revenue management and cost control

We continue to pursue a balanced approach to revenue management. We aim to optimise revenue by improving the utilisation of the available space in our portfolio at carefully managed rates. Our central pricing team is responsible for the management of our dynamic pricing policy, the implementation of promotional offers and the identification of additional ancillary revenue opportunities. Whilst price lists are managed centrally and are adjusted on a real-time basis, the store sales teams have, from time to time, the ability to offer a 'Lowest Price Guarantee' in the event that a local competitor is offering a lower price, or the ability to offer discretionary discounts. The Lowest Price Guarantee and discretionary discount are centrally controlled and activated on a store by store and unit by unit basis.

Average rates are predominantly influenced by:

- the store location and catchment area;
- the volume of enquiries generated online;
- the store team skills at converting these enquiries into new lets at the expected price; and
- the very granular pricing policy and the confidence provided by analytical capabilities and systems that smaller players might lack.

We believe that Safestore has a very strong proposition in each of these areas.

Costs are managed centrally with a lean structure maintained at Head Office. Enhancements to cost control are continually considered and the cost base is challenged on an ongoing basis.

Strong and flexible capital structure

Since 2014 we have refinanced the business on seven occasions, each time optimising our debt structure and improving terms, and believe we have maintained a capital structure that is appropriate for our business and which provides us with the flexibility to take advantage of carefully evaluated development and acquisition opportunities.

At 31 October 2022, based on the current level of borrowings and interest swap rates, the Group's weighted average cost of debt was 2.41% and 93% of our drawn debt was at fixed rate or hedged. The weighted average maturity of the Group's drawn debt is 5.1 years at the current period end and the Group's LTV ratio is 24.4% as at 31 October 2022.

Based on our current development pipeline and our internal assumptions on how SONIA and EURIBOR will grow over the coming months, we anticipate that our weighted average cost of debt will increase to c.2.6% to 2.8% by the end of 2023.

This LTV of 24.4% and interest cover ratio of 11.4x for the rolling twelve-month period ended 31 October 2022 provides us with significant headroom compared to our banking covenants. We had £208.4 million of undrawn bank facilities at 31 October 2022 before taking into consideration the additional £100 million uncommitted accordion facility.

Taking into account the improvements we have made in the performance of the business, the Group is capable of generating free cash after dividends sufficient to fund the building of three to four new stores per annum depending on location and availability of land.

The Group evaluates development and acquisition opportunities in a careful and disciplined manner against rigorous investment criteria. Our investment policy requires certain Board-approved hurdle rates to be considered achievable prior to progressing an investment opportunity. In addition, the Group aims to maintain a Group LTV[11] ratio below 40% which the Board considers to be appropriate for the Group.

New financing

In April 2022, Safestore drew its existing uncommitted $115 million Shelf Facility. The facility was drawn in Euros for a seven-year term at an interest rate of 2.45% in order to partially fund the acquisition of Carlyle's 80% share of the Benelux JV.

Since the end of the financial year, the Group has completed the refinancing of its Revolving Credit Facilities ("RCF's") which were due to expire in June 2023.

The previous £250 million Sterling and €70 million Euro secured RCF's have been replaced with a single multi-currency unsecured £400 million facility. In addition, a further £100 million uncommitted accordion facility is incorporated into the facility agreement.

The facility is for a four-year term with two one-year extension options exercisable after the first and second years of the agreement.

The Group will pay interest at a margin of 1.25% plus SONIA or EURIBOR depending on whether the borrowings are drawn in Sterling or Euros. The margin is at the same level as the previous facility agreements.

A commitment fee of 35% of the margin is payable on undrawn amounts under the facility. This has reduced from 40% under the previous facility agreements.

Reflecting the Group's improved credit profile, the banking group and existing US Private Placement Noteholders have agreed that all of the Group's previously secured borrowings move to an unsecured basis, thus reducing administrative and legal costs associated with the facilities.

The main covenants under all of the Group's borrowings are a Group loan-to-value ("LTV") covenant of 60% (replacing separate UK and French LTV covenants) which is based on net debt rather than gross debt and an Interest Cover Ratio covenant of 2.4x.

The hedging arrangements under the previous facility agreements have been continued under the new agreements. Therefore, the Group benefits from £55 million of Interest Rate Swaps until 30 June 2023 at a rate of 0.6885%.

Environmental, Social and Governance ("ESG") KPI's have been agreed with the Group's lenders. The margin under the facility is now linked to ESG targets, where met enable a reduction in the margin of up to 5bps.

ESG strategy

ESG: Sustainable Self Storage

Our purpose – to add stakeholder value by developing profitable and sustainable spaces that allow individuals, businesses, and local communities to thrive – is supported by the 'pillars' of our sustainability strategy: our people, our customers, our community, and our environment. In addition, the Group and its stakeholders recognise that its efforts are part of a broader movement and we have, therefore, aligned our objectives with the UN Sustainable Development Goals ("SDGs"). We reviewed the significance of each goal to our business and the importance of each goal to our stakeholders and assessed our ability to contribute to each goal. Following this materiality exercise, we have chosen to focus our efforts in the areas where we can have a meaningful impact. These are "Decent work and economic growth" (goal 8), "Sustainable cities and communities" (goal 11), "Responsible consumption and production" (goal 12), and "Climate action" (goal 13).

Sustainability is embedded into day-to-day responsibilities at Safestore and, accordingly, we have opted for a governance structure which reflects this. Two members of the Executive Management team co-chair a cross-functional sustainability group consisting of the functional leads responsible for each area of the business.

In 2018, the Group established medium term targets in each of the 'pillars' towards which the Group continued to progress in FY2022.

Our people: Safestore was awarded the prestigious Investors in People ("IIP") Platinum accreditation and was in the final top ten shortlist for Platinum Employer of the Year (250+) category in The Investors in People Awards 2021. The Group's response during the pandemic lockdowns and aftermath has had a profound impact on trust in leadership and colleague engagement and motivation.

Our customers: The Group's brands continue to deliver a high quality experience, from online enquiry to move-in. This is reflected in customer satisfaction scores on independent review platforms (Trustpilot, Feefo, Google) of over 90% in each market. The introduction of digital contracts during the pandemic offers both customer convenience and a reduction in printing, saving an estimated 44,000 pieces of paper each month.

Our community: Safestore remains committed to being a responsible business by making a positive contribution within the local communities wherever our stores are based. We continue to do this by developing brownfield sites and actively engaging with local communities when we establish a new store, identifying and implementing greener approaches in the way we build and operate our stores, helping charities and communities to make better use of limited space, and creating and sustaining local employment opportunities directly and indirectly through the many small and medium-sized enterprises which use our space. During FY2022, the space occupied by local charities in 222 units across 103 stores was 18,903 sq ft and worth £0.7 million.

Our environment: Safestore is committed to ensuring our buildings are constructed responsibly and their ongoing operation has a minimal impact on local communities and the environment. It should be noted that the self storage sector is not a significant consumer of energy when compared with other real estate subsectors. As a result, operational emissions intensity tends to be far lower. According to a 2021 report by KPMG and EPRA, self storage generates the lowest greenhouse gas emissions intensity (5.75 kg/m^2 for Scope 1 and 2) of all European real estate sub-sectors, with emissions per m^2 less than 30% of the European listed real estate average (19.5 kg/m^2) and notably 21% of the emissions intensity of the residential sub-sector (27.0 kg/m^2). Reflecting the considerable progress made on energy mix, efficiency measures and waste reduction to date, Safestore's emissions intensity (3.9 kg/m^2 in 2020) is considerably lower (-32%) than the self storage subsector average. In FY2022, the Group continued to progress with a further 2.7% decline in absolute emissions despite continued portfolio growth and greater utilisation of stores compared to 2021. Safestore's absolute (location-based) emissions are now 54% below, and emissions intensity 68% below the 2013 baseline level despite significant growth in portfolio floor space. Moving forward, the Group has a commitment to be operationally carbon neutral by 2035 with a medium term target to reduce operational emissions (market-based) by 50% compared to the level in FY2021 by 2025. The total investment to achieve carbon neutrality should be around £3 million.

In addition to the IIP award and the customer satisfaction ratings, the Group has received recognition for its sustainability progress and disclosures in the last twelve months. Safestore has been given a Silver rating in the 2022 EPRA Sustainability BPR awards. The Global ESG Benchmark for Real Assets ("GRESB") has once again awarded Safestore an "A" rating in its 2022 Public Disclosures assessment. MSCI has awarded Safestore its second-highest rating of 'AA' for ESG in 2022. The Group has also been awarded the highest rating of five stars by Support the Goals.

Finally, the Group has worked with its banking lenders to agree ESG related KPI's which are linked to the margin payable under its new £400 million facility. Two KPI's have been agreed, which, when achieved, result in a reduction in margin of up 5bps.

The total capital expenditure on stores opened in the 2022/23 financial year-to-date as well as the outstanding pipeline is estimated to be c.£245 million. At our usual Cash on Cash Return hurdles of c.10% we would estimate that these stores will add c. £24.5 million of EBITDA at stabilisation (c.four years after opening).

Chief Executive's statement *continued*

Portfolio management

Our approach to store development and acquisitions in the UK, Paris and Spain, and now the Netherlands and Belgium, continues to be pragmatic, flexible and focused on the return on capital.

Our property teams continue to seek investment opportunities in new sites to add to the store pipeline. However, investments will only be made if they comply with our disciplined and strict investment criteria. Our preference is to acquire sites that are capable of being fully operational within 18-24 months from completion.

Since 2016, the Group has opened 22 new stores: Chiswick, Wandsworth, Mitcham, Paddington Marble Arch, Carshalton, Bow (all in London), Birmingham Central, Birmingham Merry Hill, Birmingham Middleway, Altrincham, Peterborough, Gateshead and Sheffield in the UK, and Emerainville, Combs-la-Ville, Poissy, Pontoise and Magenta in Paris, Nijmegen in the Netherlands, and Pronvenca in Barcelona, with a further two stores opening in Madrid in November 2022 adding 1,093,000 sq ft of MLA.

In addition, the Group has acquired 46 existing stores through the acquisitions of Space Maker, Alligator, Fort Box, Salus and Your Room in the UK, OhMyBox! in Barcelona, and the Lokabox and M3 group from our Benelux JV acquisition. These acquisitions added a further 1,844,000 sq ft of MLA and revenue performance has been enhanced in all cases under the Group's ownership.

We have also completed the extensions and refurbishments of our Acton, Barking, Bedford, Chingford, Wimbledon, Edgware, Southend, Paddington Marble Arch, Winchester and Longpont (Paris) stores adding a net 122,000 sq ft of fully invested space to the estate. All of these stores are performing in line with or ahead of their business plans.

The Group's current pipeline of new developments and store extensions (see below) has grown significantly over the last year and now constitutes c.1,407,000 sq ft of future MLA. The pipeline and store openings since the end of the 2022 financial year is equivalent to c.19% of the existing portfolio. The outstanding capital expenditure of £146 million is expected to be funded from the Group's existing resources. The total capital expenditure on stores opened in the 2022/23 financial year-to-date as well as the outstanding pipeline, is estimated to be c.£245 million. At our usual Cash on Cash Return hurdles of c.10% we would estimate that these stores will add c.£24.5 million of EBITDA at stabilisation (c.four years after opening).

Property pipeline

Openings of new stores and extensions in the period

Open 2022	FH/LH	Opening Date	MLA	Other
Redevelopments and extensions				
London – Paddington Marble Arch	LH	Q1 2022	8,500	Extension
Southend	FH	Q1 2022	10,100	Extension
London – Edgware	FH	Q1 2022	22,900	Extension
London – Wimbledon	FH	Q1 2022	9,000	Extension
Winchester	FH	Q4 2022	11,000	Extension
New developments				
London – Bow	FH	Q1 2022	74,000	Conversion
Central Barcelona	FH	Q1 2022	12,500	Conversion
Nijmegen – Netherlands	FH	Q1 2022	40,000	Conversion
Open 2023				
New developments				
Northern Madrid	FH	Q1 2023	53,000	Conversion
Southern Madrid	FH	Q1 2023	32,000	Conversion

In September 2020 the Group received planning permission to extend its Southend store by 10,100 sq ft. The existing store has an MLA of 49,400 sq ft and was 86% occupied at the end of September 2020. The extension opened in December 2021.

In January 2021, the Group exchanged contracts on a freehold building in a densely populated area in Central Barcelona. The conversion of the existing building into a 12,500 sq ft MLA self storage facility is complete and the store is now open.

In March 2021 and April 2021, the Group exchanged contracts on two freehold buildings in Southern Madrid and Northern Madrid respectively. Both acquisitions have been completed with planning granted and the existing buildings have been converted into 32,000 and 53,000 sq ft MLA self storage facilities. Both sites opened post-year end in November 2022.

In April 2021, we exchanged contracts on the acquisition of a 0.5-acre site adjacent to our existing London Wimbledon store (MLA 58,800 sq ft). We completed this transaction in December 2021 and construction was completed just after the period end. The existing reception area has been relocated to a more prominent and visible roadside location and a further 9,000 sq ft of storage capacity and 1,000 sq ft of offices have been added. The Wimbledon store's peak occupancy, prior to the Covid-19 pandemic, was 92%.

In May 2021, the Group completed the freehold acquisition of an 0.8-acre site with a 108,000 sq ft warehouse to the east of London in a prominent position on the A12 in Bow. The building had existing consent for storage and we only required planning consents for some external modifications to the building. Otherwise, the building was suitable for immediate conversion to self storage. The 74,000 sq ft store opened in December 2021.

In addition, in May 2021, the Group exchanged contracts on a leasehold basement car park adjacent to our existing London Paddington Marble Arch store. The occupancy of the Paddington Marble Arch store on 31 March 2021 was 80%. The extension opened in December 2021, adding 8,500 sq ft of MLA.

The Group has also received planning permission to extend its Edgware store by a further 22,900 sq ft. The existing store has MLA of 24,000 sq ft and reached a peak occupancy of 91% prior to extension works commencing. The extension opened in December 2021.

An 11,000 sq ft extension to our existing Winchester store opened in the quarter. The existing store has an MLA of 42,000 sq ft and has peaked at more than 90% occupancy.

In January 2022, the Netherlands business opened a new store in Nijmegen. The store is freehold with an MLA of 40,000 sq ft and is a conversion of an existing building. Nijmegen has a population of 177,000 and the site is well located on a main road with good visibility and access.

Development sites

UK

In June 2018, Safestore opened its Paddington Marble Arch store. A separate satellite store at Paddington Park West Place, with MLA of 13,000 sq ft, will open during 2024.

In April 2021, the Group exchanged contracts on a freehold 1.3-acre site at Lea Bridge in Northeast London. The acquisition of the site has now been completed and we plan to open a 76,500 sq ft MLA store in 2024 as the leases for existing tenants on the site have up to two years to run. Rental income of approximately £170k per annum is currently received on this site.

In addition, in April 2021, the Group exchanged contracts on a freehold site in Woodford in Northeast London. Subject to planning, we will open a 76,000 sq ft MLA store in 2025.

In July 2021, the Group exchanged contracts on a freehold 0.8-acre site in Shoreham, West Sussex. Shoreham is situated between Brighton and Worthing on the south coast of England. Subject to planning, we will open a purpose built 54,000 sq ft MLA store in 2024.

In November 2021, the Group completed the acquisition of a 1.2-acre freehold site off Old Kent Road in the London Borough of Southwark in Southeast London. Subject to planning, we hope to open a c.76,500 sq ft MLA store in due course. Existing tenants on the site will provide a rental income in the meantime.

In May 2022, the Group completed the acquisition of a 2.1-acre freehold site including an existing warehouse in Wigan in Greater Manchester. Subject to minor planning approvals for elevations and signage, we plan to convert the existing building and open a c.42,700 sq ft MLA store in 2023.

The Group has also previously acquired two additional sites in London at Morden and Bermondsey. Morden is a freehold 0.9-acre site in an established industrial location. Planning permission for a 52,000 sq ft self storage facility has now been granted and construction on this site is underway with a view to opening in 2023. Bermondsey is a 0.5-acre freehold site with income from existing tenants and is adjacent to our existing leasehold store. Our medium term aim, subject to planning permission, is to extend our existing Bermondsey operations with the addition of a new self storage facility to complement our existing store.

In Romford in London, we have secured a freehold site with an existing warehouse which will be converted, subject to planning permission, to a 41,000 sq ft store, opening in 2024.

In Crayford, we have secured a leasehold site on which we will convert an existing warehouse to a 9,400 sq ft extension to our existing Crayford site. We hope to open the satellite store in 2023.

In Walton-on-Thames in London, we have secured a freehold site with an existing warehouse which will be converted, subject to planning permission, to a 20,700 sq ft store. We hope to open the store in 2025.

Our total UK development pipeline now amounts to c.511,800 sq ft of which c.415,100 sq ft is in London.

Paris

Safestore has for many years owned a vacant freehold site in the town of Nanterre on the edge of La Défense, Paris' main business district. This area of Paris is undergoing significant development and Safestore has invested a 24.9% stake in a Joint Venture development company, PBC Les Groues SAS, which is constructing a c.300,000 sq ft development of offices, retail, a school and residential properties.

Safestore has contributed its Nanterre site into the project, receiving cash of €1.0 million in addition to the delivery of an underground storage area and reception within the complex, ready to be fitted out into a 44,000 sq ft self storage facility. Planning for the project has been received and construction has commenced.

It is anticipated that the project will be completed in 2025 when the self storage facility will open.

In August 2021, the Group exchanged contracts on a freehold site in Southern Paris with a significant frontage onto the N104 motorway. The site includes an existing building which will be demolished and replaced by a 55,000 sq ft MLA store. We expect the store to open in 2023.

Over the first half of 2022 we exchanged contracts on three freehold development sites to the west of Paris. All sites required planning permission and newly built stores of 56,000 sq ft, 20,000 sq ft, and 58,000 sq ft were planned to be constructed by the end of 2023. Our Paris West 2 site (20,000 sq ft) did not receive planning permission and has been removed from the pipeline.

Paris East 1 and Paris North West 1 are freehold sites on which we will convert existing buildings, subject to planning, to 60,000 sq ft and 54,000 sq ft stores respectively. We expect the stores to open in 2023.

Our Paris pipeline now amounts to c.349,200 sq ft.

Chief Executive's statement *continued*

Development sites *continued*

Spain

In December 2019, the Group completed the acquisition of OMB Self Storage S.L.U. which operates three leasehold properties and one freehold property, all very well located in the centre of Barcelona. The four locations (Valencia, Calabria, Glories, and Marina) have an MLA totalling 108,000 sq ft. A fifth store, in Central Barcelona, was opened during 2022. The occupancy of the business at the end of October 2022 was 78.9% and 85.9% on a like-for-like basis.

The Group is continuing its expansion of the business in Barcelona and its entry into the Madrid market with the acquisition of the following sites.

In April 2021, the Group exchanged contracts on a freehold building in Northern Barcelona. Subject to planning, we will convert the existing building into a 42,000 sq ft MLA. It is anticipated that the site will open in the 2022/23 financial year.

In June 2021, the Group exchanged contracts on a freehold property in South Barcelona. The site includes an existing industrial building which will be converted into a 30,000 sq ft MLA self storage facility. Planning has been granted and we expect to open the site in the 2022/23 financial year.

In August 2021, the Group exchanged contracts on a leasehold site in Central Barcelona. The site is a former car dealership which will be converted to a 24,700 sq ft MLA store which, subject to planning, should open in 2024.

In December 2021, the Group exchanged contracts on a freehold building in a commercial and industrial area of Eastern Madrid. Subject to completion, we will convert the existing building into a 50,000 sq ft MLA self storage facility. It is anticipated that the site will open in 2023.

In August 2022, the Group exchanged contracts on a freehold building in a commercial and industrial area of South West Madrid. Subject to planning and completion, we will convert the existing building into a 46,800 sq ft MLA self storage facility. It is anticipated that the site will open in 2024.

A new freehold site has been secured in Southern Madrid (Southern Madrid 2) on which we will convert an existing building, subject to planning permission, into a 68,800 sq ft storage facility. It is anticipated that the site will open in 2024.

Our Spanish pipeline now amounts to c.262,300 sq ft including 165,600 sq ft across three stores in Madrid and 96,700 sq ft over three stores in Barcelona.

The Spanish business now has seven open stores and a pipeline consisting of a further six stores amounting to c.262,300 sq ft of MLA.

Netherlands

During the year we exchanged contracts on a freehold site at Amersfoort, 40 minutes east of Amsterdam. The acquisition is subject to planning permission and we anticipate that the new store, which will have an MLA of 58,000 sq ft, will be opened in 2023.

The Group completed the acquisition of a freehold site in Almere, a city with a population of 214,000 which is 20 minutes' drive from Amsterdam. Subject to planning, we will convert the two existing buildings on the site into a 44,500 sq ft MLA self storage facility. It is anticipated that the site will open in 2023.

New freehold sites have been secured in Amsterdam and Aalsmeer where we will build new stores, subject to planning, of 61,400 sq ft and 48,400 sq ft respectively. The two stores should open in 2024.

Since the year end, the Group has secured a freehold site in Rotterdam for construction of a 71,000 sq ft MLA store subject to planning. Rotterdam is one of the major cities in the Netherlands with a population of 588,000 and forms part of the larger Randstad area. The new site forms part of a larger re-development within the heart of an affluent district of the city.

In the Netherlands, our pipeline now consists of 283,300 sq ft of space in five stores.

Store extensions

The Group plans to redevelop and extend its Pyrénées store in Paris. The extension will add 22,200 sq ft and is planned to open in 2023. As of September 2022, the store occupancy was 94%.

Lease extensions and assignments

During the period we extended the lease on our Exeter store in the UK. The lease will now continue until February 2045 with tenant-only break clauses in 2035 and 2040. A six-month rent-free period was agreed as part of the renegotiation.

In Crayford, we have extended the lease on our existing store to 2042, with a tenant-only break option in 2032. A rent-free period of four months was agreed as part of this agreement. The lease on the new satellite store reported above also terminates in 2042.

In Sunderland, we have extended the lease on our store to 2047 with a tenant break option in 2037. A six-month rent-free period was agreed as part of this lease extension.

As part of our ongoing asset management programme, we have now extended the leases on 27 stores or 70% of our leased store portfolio in the UK since 2012. As a result, since 2012 the remaining lease length of our UK stores has remained at c.11-13 years.

Site disposal

In April 2021 we opened our Birmingham Middleway store (58,000 sq ft MLA) and closed our Digbeth store (44,500 sq ft MLA) shortly thereafter. Customers were relocated to the bigger, better located new store. At the time, we stated that we intended to sell the Digbeth site.

We are pleased to confirm that the Digbeth site sale was completed in August 2022. The proceeds received funded the entire acquisition and construction of the Middleway site. As of September 2022, the Middleway site was 83% occupied.

Property pipeline summary

Our pipeline of c.1.4m sq ft represents c.18% of our existing property portfolio.

Opening 2023	FH/LH	Status*	MLA	Other
Redevelopments and extensions				
London – Crayford	LH	C, UC	9,400	Extension
Paris – Pyrénées	LH	C, UC	22,200	Extension
New developments				
London – Morden	FH	C, PG, UC	52,000	New build
Wigan	FH	C, UC	42,700	Conversion
Paris – South Paris	FH	C, PG	55,000	New build
Paris – West 1	FH	CE, STP	56,000	New build
Paris – West 3	FH	CE, STP	58,000	New build
Paris – East 1	FH	CE, STP	60,000	Conversion
Paris – North West 1	FH	CE, STP	54,000	Conversion
Eastern Madrid	FH	C, PG	50,000	Conversion
Northern Barcelona	FH	C, PG	42,000	Conversion
South Barcelona	FH	C, PG	30,000	Conversion
Amersfoort – Netherlands	FH	CE, STP	58,000	New build
Almere – Netherlands	FH	C, STP	44,500	Conversion
Opening 2024				
Redevelopments and extensions				
New developments				
London – Paddington Park West	FH	C, PG	13,000	Conversion,Satellite
London – Lea Bridge	FH	C, PG	76,500	New build
London – Romford	FH	C, STP	41,000	New build
Shoreham	FH	CE, STP	54,000	New build
South West Madrid	FH	CE, STP	46,800	Conversion
Southern Madrid 2	FH	CE, STP	68,800	Conversion
Central Barcelona 2	LH	CE, STP	24,700	Conversion
Amsterdam – Netherlands	FH	CE, STP	61,400	New build
Aalsmeer – Netherlands	FH	CE, STP	48,400	New build
Rotterdam – Netherlands	FH	CE, PG	71,000	New build
Opening Beyond 2024				
New developments				
London – Old Kent Road	FH	C, STP	76,500	New build
London – Woodford	FH	CE, PG	76,000	New build
London – Bermondsey	FH	C, STP	50,000	New build
London – Walton	FH	C, STP	20,700	Conversion
Paris – La Défense	FH	C, PG	44,000	Mixed use facility
Total Pipeline MLA (let sq ft- million)			**c.1.407**	
Total Outstanding CAPEX (£'m)			**c.146.0**	

* C = completed, CE = contracts exchanged, STP = subject to planning, PG = planning granted, UC = under construction

Chief Executive's statement *continued*

Acquisitions

Acquisition of Your Room Self Storage, Christchurch[10]

In December 2021, Safestore acquired Your Room Self Storage in Christchurch, Dorset, for £2.45 million. The freehold Christchurch store has an MLA of 14,000 sq ft and the Group anticipates that the initial yield in the first year will be in excess of 6%.

The Group will rebrand the store and has taken over operation of the site with immediate effect. The store will operate as a satellite store to our two existing Bournemouth stores.

Acquisition of remaining 80% of Carlyle JV[14]

As announced on 31 March 2022, Safestore acquired the remaining 80% of the equity owned by Carlyle in the Joint Venture[14] formed in 2019 (the "Joint Venture"). The total consideration paid to Carlyle was €67 million. The total initial cash outflow was €135.3 million and included the share purchase (€53.6 million), debt purchase (€13.4 million), and refinancing of the existing borrowings (€68.3 million) and was funded from the Group's existing loan facilities. The Joint Venture was acquired based on an enterprise value of €146 million.

The Joint Venture[14] was set up in 2019 to acquire and develop assets in the Netherlands and Belgium in order to leverage Safestore's operating platform outside our core markets. Since then, the Joint Venture has grown to a portfolio of 55,000 sq m (600,000 sq ft) of MLA.

The portfolio is made up of 15 high quality properties (twelve freehold properties, two ground leases and one leasehold property). Nine properties are located in the Netherlands, six of which are concentrated in the Haarlem/Amsterdam area with additional properties in The Hague, Het Gooi and the recently opened Nijmegen store. In Belgium, two stores are located in the Brussels area, two in the city of Liege and further properties in Nivelles and Charleroi. Safestore has managed the properties since acquisition by the Joint Venture.

The Group's investment was marginally accretive to Group Earnings per Share in FY2021/22 and supports the Group's future dividend capacity. The expected initial yield based on total enterprise value was 3.9% which we expect to grow to Safestore's normal returns hurdles as the portfolio matures.

New Joint Venture with Carlyle and Investment in myStorage[15] in Germany

Safestore has entered the German self storage market via a new Joint Venture[15] with Carlyle, which has acquired the myStorage business.

Safestore has developed a multi-country highly scalable platform with leading marketing and operational expertise in self storage, with a proven track record for developing its platform in new markets.

The acquisition of myStorage represents an excellent opportunity to develop our platform into the attractive German self storage market. The Joint Venture builds upon our previous successful relationship with Carlyle having entered the Benelux market in 2019. Our common intention is to target development and acquisition opportunities through the Joint Venture, providing the opportunity to achieve operational scale and to develop local market knowledge, whilst also retaining the option for Safestore to develop its own wholly owned self storage sites in Germany. We look forward to continuing our working relationship with Carlyle, and to developing a long and mutually beneficial relationship.

The German market is one of Europe's more under-penetrated markets with just 0.09 sq ft of storage space per capita which compares to 0.76 sq ft in the UK, 0.24 sq ft in France, 0.24 sq ft in Spain, 0.60 sq ft in the Netherlands and 0.20 sq ft in Belgium. According to the 2022 FEDESSA report, there are just 320 facilities in Germany and 7.6m sq ft of lettable space.

myStorage has seven medium to long term leasehold stores and 326,000 sq ft of MLA in Berlin, Heidelburg, Mannheim, Fürth, Nuremburg, Neu-Ulm and Reutlingen.

The occupancy of the portfolio is 67% with two of the stores having opened in 2021.

Safestore's initial investment in the Joint Venture was a c.€2.2 million equity investment for a 10% share of the Joint Venture. Safestore will also earn a fee for providing management services to the Joint Venture. The Group expects to earn an initial return on investment of c.15% for the first full year before transaction related costs reflecting its share of expected Joint Venture profits and fees for management services.

Portfolio summary

The self storage market has been growing consistently for over 20 years across many European countries but few regions offer the unique characteristics of London and Paris, both of which consist of large, wealthy and densely populated markets. In the London region, the population is 13 million inhabitants with a density of 5,200 inhabitants per square mile, 11,000 per square mile in Central London and up to 32,000 per square mile in the densest boroughs.

The population of the Paris urban area is 10.7 million inhabitants with a density of 9,300 inhabitants per square mile in the urban area but 54,000 per square mile in the City of Paris and first belt, where 69% of our French stores are located and which has one of the highest population densities in the western world. 85% of the Paris region population live in central parts of the city versus the rest of the urban area, which compares with 60% in the London region. There are currently c.245 storage centres within the M25 as compared to only c.95 in the Paris urban area.

In addition, barriers to entry in these two important city markets are high, due to land values and limited availability of sites as well as planning regulation. This is the case for Paris and its first belt in particular, which inhibits new development possibilities.

Our combined operations in London and Paris, with 78 stores, contributed £113.2 million of revenue and £82.3 million of store EBITDA for the financial year and offer a unique exposure to the two most attractive European self storage markets.

Owned store portfolio by region

	London and South East	Rest of UK	UK Total	Paris	Spain	Benelux	**Group Total**
Number of stores	72	58	130	29	5	15	**179**
Let square feet (m sq ft)	2.42	2.22	4.64	1.11	0.10	0.47	**6.32**
Maximum lettable area (m sq ft)	2.92	2.70	5.62	1.36	0.12	0.60	**7.70**
Average let square feet per store (k sq ft)	34	38	36	38	19	32	**35**
Average store capacity (k sq ft)	41	47	43	47	24	40	**43**
Closing occupancy (%)	83.1%	82.0%	82.6%	81.7%	78.9%	78.8%	**82.1%**
Average rate (£ per sq ft)	34.76	22.38	28.79	34.36	28.92	16.61	**29.25**
Revenue (£'m)	101.1	61.9	163.0	41.4	3.0	5.1	**212.5**
Average revenue per store (£'m)	1.40	1.07	1.25	1.43	0.60	0.34	**1.19**

Note
The reported totals have not been adjusted for the impact of rounding.

We have a strong position in both the UK and Paris markets, operating 130 stores in the UK, 72 of which are in London and the South East, and 29 stores in Paris.

In the UK, 62% of our revenue is generated by our stores in London and the South East. On average, our stores in London and the South East are smaller than in the rest of the UK but the rental rates achieved are materially higher, enabling these stores to typically achieve similar or better margins than the larger stores. In London we operate 49 stores within the M25, more than any other competitor.

In France, we have a leading position in the heart of the affluent City of Paris market with ten stores branded as Une Pièce en Plus ("UPP") ("A spare room"). Over 60% of the UPP stores are located in a cluster within a five-mile radius of the city centre, which facilitates strong operational and marketing synergies as well as options to differentiate and channel customers to the right store subject to their preference for convenience or price affordability. The Parisian market has attractive socio-demographic characteristics for self storage and we believe that UPP enjoys unique strategic strength in such an attractive market.

As at 31 October 2022, 70% of our Group Revenue, 65% of our stores and 58% of our available capacity are in London, South East England, Paris, Amsterdam and the Randstad area, Brussels and Barcelona. These major population areas deliver 71% of the Group's store EBITDA from 62% of our MLA, highlighting the attractiveness of being present in these major cities and conurbations. The current pipeline includes 26 further developments in these areas which will increase the number of stores to 68% of our portfolio.

In addition, Safestore has the benefit of a leading national presence in the UK regions where the stores are predominantly located in the centre of key metropolitan areas such as Birmingham, Manchester, Liverpool, Bristol, Newcastle, Glasgow and Edinburgh. Our 2019 acquisition of OhMyBox! in Barcelona and our 2022 Benelux JV acquisition represents a platform into the Spanish, Netherlands and Belgium markets where we hope to take advantage of further development and acquisition opportunities.

Market

The Self Storage Association ("SSA") noted in its May 2022 report that, "despite two record years, inflationary pressures, escalating costs of construction and a war in Europe, operators remain optimistic about the future." Previous downturns have presented opportunities for self storage and the pandemic seems to have once again demonstrated the resilience of the self storage industry and the broad range of demand drivers.

The self storage market in the UK, France, Spain and Benelux remains relatively immature compared to geographies such as the USA and Australia. The SSA Annual Survey (May 2022) confirmed that self storage capacity stands at 0.76 sq ft per head of population in the UK. The most recent report relating to Europe (FEDESSA's 2022 report) showed that capacity in France is 0.24 sq ft per capita. Whilst the Paris market density is greater than France, we estimate it to be significantly lower than the UK at around 0.4 sq ft per inhabitant. This compares with closer to 10 sq ft per inhabitant in the USA and 2 sq ft in Australia. In the UK, in order to reach the US density of supply, it would require the addition of around another 17,000 stores as compared to c.1,400 currently. In the Paris region, it would require around 2,400 new facilities versus c.95 currently opened.

In Spain, the Netherlands and Belgium, geographies the Group has recently entered, penetration is similarly low. In Spain, capacity is around 0.24 sq ft per head of population and the consumer is serviced by just 580 stores. In the Netherlands, penetration is 0.6 sq ft per head of population (355 stores) and in Belgium 0.2 sq ft per head of population (101 stores).

The Group recently entered a JV with Carlyle in Germany. The German market is one of Europe's more under-penetrated markets with just 0.09 sq ft of storage space per capita and, according to the 2022 FEDESSA report, there are just 320 facilities in the country and 7.6m sq ft of lettable space.

Our interpretation of the most recent 2022 SSA report is that similar levels of capacity are likely to be developed in 2022 and 2023 at around 30-40 stores per annum. We do not consider this level of new supply growth to be of concern.

The 30-40 comparable sites represent between 2% and 3% of the traditional self storage industry in the UK. These figures represent gross openings and do not take into account storage facilities closing or being converted for alternative uses. We estimate that only a small proportion of these sites compete with existing Safestore stores.

New supply in London and Paris is likely to continue to be limited in the short and medium term as a result of planning restrictions, competition from a variety of other uses and the availability of suitable land.

The supply in the UK market, according to the SSA Survey, remains relatively fragmented despite a number of acquisitions in the sector in the last four years. The SSA's estimates of the scale of the UK industry are finessed each year and changes from one year to the next represent improved data rather than new supply. In the 2022 report the SSA estimates that 2,050 self storage facilities exist in the UK market including around 621 container-based operations. According to the 2022 survey, Safestore is the industry leader by number of stores with 130 wholly owned sites followed by Big Yellow with 105 stores (including Armadillo), Access with 60 stores, Shurgard with 40 stores, Lok'n Store with 39 stores, Storage King with 37 stores and Ready Steady Store with 27 stores. In aggregate, the top seven leading operators account for almost 21% of the UK store portfolio. The remaining c.1,613 self storage outlets (including 621 container-based operations) are independently owned in small chains or single units. In total there are 1,015 storage brands operating in the UK.

Safestore's French business, UPP, is mainly present in the core wealthier and more densely populated inner Paris and first belt areas, whereas our two main competitors, Shurgard and Homebox, have a greater presence in the outskirts and second belt of Paris.

Chief Executive's statement *continued*

Market *continued*

Our Spanish business operates in Barcelona and has a pipeline of future store openings in both Barcelona and Madrid. The metropolitan areas of Barcelona and Madrid have combined growing high-density populations of 12 million inhabitants and significant barriers to entry.

Consumer awareness of self storage is increasing but remains relatively low, providing an opportunity for future industry growth. The SSA survey consistently indicates that approximately half of consumers either knew nothing about the service offered by self storage operators or had not heard of self storage at all. Since 2016, this statistic has only fallen 10ppts from 59%. Therefore, the opportunity to grow awareness, combined with limited new industry supply, makes for an attractive industry backdrop.

Self storage is a brand-blind product. 64% of respondents were unable to name a self storage business in their local area (56% in 2021). The lack of relevance of brand in the process of purchasing a self storage product emphasises the need for operators to have a strong online presence. This requirement for a strong online presence was also reiterated by the SSA Survey where 73% of those surveyed (77% in 2021) confirmed that an internet search would be their chosen means of finding a self storage unit to contact, whilst knowledge of a physical location of a store as reason for enquiry was only c.26% of respondents (c.25% in 2021).

There are numerous drivers of self storage growth. Most private and business customers need storage either temporarily or permanently for different reasons at any point in the economic cycle, resulting in a market depth that is, in our view, the reason for its exceptional resilience. The growth of the market is driven both by the fluctuation of economic conditions, which has an impact on the mix of demand, and by growing awareness of the product.

Safestore's domestic customers' need for storage is often driven by life events such as births, marriages, bereavements, divorces or by the housing market including house moves and developments and moves between rental properties. Safestore has estimated that UK owner-occupied housing transactions drive around 8-13% of the Group's new lets.

The Group's business customer base includes a range of businesses, from start-up online retailers through to multi-national corporates, utilising our national coverage to store in multiple locations while maintaining flexibility in their cost base.

Business and personal customers

	UK	Paris	Spain	Benelux
Personal customers				
Numbers (% of total)	77%	82%	89%	85%
Square feet occupied (% of total)	58%	65%	83%	77%
Average length of stay (months)	17.4	28.7	23.2	28.4
Business customers				
Numbers (% of total)	23%	18%	11%	15%
Square feet occupied (% of total)	42%	35%	17%	23%
Average length of stay (months)	26.4	32.0	31.2	30.2

Safestore's customer base is resilient and diverse and consists of around 90,000 domestic, business and National Accounts customers across London, Paris, Spain, the UK regions, the Netherlands and Belgium.

Business model

The Group operates in a market with relatively low consumer awareness. It is anticipated that this will increase over time as the industry matures. To date, despite the financial crisis in 2007/08, the implementation of VAT in the UK on self storage in 2012, Brexit and the Covid-19 pandemic, the industry has been exceptionally resilient. In the context of uncertain economic conditions, driven by inflation and the war in Ukraine, the industry remains well positioned with limited new supply coming into the self storage market.

With more stores inside London's M25 than any other operator and a strong position in central Paris, Safestore has leading positions in the two most important and demographically favourable markets in Europe. In addition, our regional presence in the UK is unsurpassed and contributes to the success of our industry-leading National Accounts business. In the UK, Safestore is the leading operator by number of wholly owned stores. With 85% of customers travelling for less than 30 minutes to their storage facility (2022 SSA Survey) Safestore's national store footprint represents a competitive advantage.

The Group's capital-efficient portfolio of 179 wholly owned stores in the UK, Paris, Spain, the Netherlands and Belgium consists of a mix of freehold and leasehold stores. In order to grow the business and secure the best locations for our facilities we have maintained a flexible approach to leasehold and freehold developments as well as being comfortable with a range of building types, from new builds to conversions of warehouses and underground car parks.

Currently, around a quarter of our stores in the UK are leaseholds with an average remaining lease length at 31 October 2022 of 12.7 years (FY2021: 11.8 years). Although our property valuation for leaseholds is conservatively based on future cash flows until the next contractual lease renewal date, Safestore has a demonstrable track record of successfully re-gearing leases several years before renewal whilst at the same time achieving concessions from landlords.

In England, we benefit from the Landlord and Tenant Act that protects our rights for renewal except in case of redevelopment. The vast majority of our leasehold stores have building characteristics or locations in retail parks that make current usage either the optimal and best use of the property or the only one authorised by planning. We observe that our landlords, who are property investors, value the quality of Safestore as a tenant and typically prefer to extend the length of the leases that they have in their portfolio, enabling Safestore to maintain favourable terms.

In Paris, where 41% of stores are leaseholds, our leases typically benefit from the well-enshrined Commercial Lease statute that provides that tenants own the commercial property of the premises and that they are entitled to renew their lease at a rent that is indexed to the Indice des Loyers Commerciaux ("Commercial Rental Index") published by the state. Taking into account this context, the valuer values the French leaseholds based on an indefinite property tenure, similar to freeholds but at a significantly higher exit cap rate.

The Group believes there is an opportunity to leverage its highly scalable marketing and operational expertise in new geographies outside the UK and Paris. During 2019, a Joint Venture[14] was established with Carlyle, which acquired the M3 Self Storage business in the Netherlands which had six stores in Amsterdam and Haarlem. In June 2020, the Joint Venture[14] added the Lokabox business, a portfolio of six stores in Brussels (2), Liege (2), Charleroi and Nivelles. In December 2020, the Joint Venture[14] acquired the Opslag XL portfolio adding a further three stores in Amsterdam, The Hague and Hilversum and opened a store in Nijmegen in the Netherlands in January 2022. The Amsterdam store has subsequently been closed as planned following lease expiry. After three years of learning about and understanding these markets, the Group acquired the remaining 80% of equity in the Joint Venture[14] owned by Carlyle in March 2022.

In 2019 the Group entered the Spanish market with the acquisition of OhMyBox!. Our Spanish portfolio currently consists of five stores in Barcelona, and two recently opened Madrid stores. We have a further six stores in our development pipeline situated in both Madrid and Barcelona. We consider both of these cities to have attractive characteristics in relation to self storage and intend to continue to seek further expansion opportunities.

Our experience is that being flexible in its approach has enabled Safestore to operate from properties and in markets that would have been otherwise unavailable and to generate strong Cash on Cash Returns.

Safestore excels in the generation of customer enquiries which are received through a variety of channels including the internet, telephone and 'walk-ins'. In the early days of the industry, local directories and store visibility were key drivers of enquiries. However, the internet is now by far the dominant channel, accounting for 90% (2021: 89%) of our enquiries in the UK and 85% (2021: 84%) in France. This dynamic is a clear benefit to the leading national operators that possess the budget and the management skills necessary to generate a commanding presence in the major search engines. Safestore has developed and continues to invest in a leading digital marketing platform that has generated 54% enquiry growth over the last five years.

Although mostly generated online, our enquiries are predominantly handled directly by the stores and, in the UK, we have a Customer Support Centre ("CSC") which handles customer service issues in addition to enquiries, in particular when the store colleagues are busy handling calls or outside of normal store opening hours.

Our pricing platform provides the store and CSC colleagues with system-generated real-time prices managed by our centrally based yield-management team. Local colleagues have certain levels of discretion to flex the system-generated prices but this is continually monitored.

Customer service standards are high and customer satisfaction feedback is consistently very positive. Safestore invites customers to leave a review on a number of review platforms, including Feefo, Google and Trustpilot. Our ratings for each of these three providers in the UK are between 4.6 and 4.8 out of 5. In France, Une Pièce en Plus uses Trustpilot to obtain independent customer reviews and In HY2022, achieved a TrustScore of 4.6 out of 5. In Spain, OhMyBox! collects customer feedback via Google reviews and has maintained a score of 4.6 out of 5. The key drivers of sales success are the capacity to generate enquiries in a digital world, the capacity to provide storage locations that are conveniently located close to the customers' requirements and the ability to maintain a consistently high quality, motivated retail team that is able to secure customer sales at an appropriate storage rate, all of which can be better provided by larger, more efficient organisations.

We remain focused on business as well as domestic customers. Our national network means that we are uniquely placed to further grow the business customer market and in particular National Accounts. Business customers in the UK now constitute 42% of our total space let and have an average length of stay of 26 months. Within our business customer category, our National Accounts business represents around 623,000 sq ft of occupied space (around 13% of the UK's occupancy). Approximately two-thirds of the space occupied by National Accounts customers is outside London, demonstrating the importance and quality of our well invested national estate.

The business now has in excess of c.90,000 business and domestic customers with an average length of stay of 28 months and 22 months respectively.

The cost base of the business is relatively fixed. Each store typically employs three colleagues. Our Group Head Office comprises business support functions such as Yield Management, Property, Marketing, HR, IT, and Finance.

Since the completion of the rebalancing of our capital structure in early 2014, the subsequent amendment and extension of our banking facilities in summer 2015, the refinancing of all facilities in May 2017 and the issuances of a further £125 million of US Private Placement Notes in 2019, £150 million in 2021 and £89 million in 2022, as well as the recent establishment of a new £400 million unsecured multi-currency Revolving Credit Facility, Safestore has secure financing, a strong balance sheet and significant covenant headroom. This provides the Group with financial flexibility and the ability to grow organically and via carefully selected new development or acquisition opportunities.

At 31 October 2022 we had 1.0m sq ft of unoccupied space in the UK, 0.2m sq ft in France and 0.2m in Spain and Benelux, equivalent to c.35 full new stores. Our main focus is on filling the spare capacity in our stores at optimally yield-managed rates. The operational leverage of our business model will ensure that the bulk of the incremental revenue converts to profit given the relatively fixed nature of our cost base.

Trading performance

UK – an excellent year

	2022	2021	Change
UK operating performance – total			
Revenue (£'m)	**163.0**	144.1	13.1%
Underlying EBITDA (£'m)[2]	**103.6**	88.6	16.9%
Underlying EBITDA (after leasehold costs) (£'m)	**95.6**	80.9	18.2%
Closing occupancy (let sq ft – million)[3]	**4.637**	4.690	-1.1%
Maximum lettable area (MLA)[4]	**5.62**	5.49	2.4%
Closing occupancy (% of MLA)	**82.6%**	85.4%	-2.8ppts
Average storage rate (£)[5]	**28.79**	25.32	13.7%
UK operating performance – like-for-like[8]			
Revenue (£'m)	**160.2**	142.8	12.2%
Underlying EBITDA (£'m)[2]	**101.7**	87.9	15.7%
Closing occupancy (let sq ft – million)[3]	**4.538**	4.648	-2.4%
Closing occupancy (% of MLA)	**83.0%**	85.6%	-2.6ppts
Average occupancy (let sq ft – million)[3]	**4.537**	4.512	0.6%
Average storage rate (£)[5]	**28.94**	25.40	13.9%
UK statutory metrics			
Operating profit (£'m)	**393.1**	331.9	18.4%
Profit before tax (£'m)	**378.7**	321.4	17.8%

The UK's revenue performance was excellent in the year with the business growing total revenue by 13.1% and like-for-like[8] revenue by 12.2%. Performance was strong in both Regional UK as well as London and the South East where like-for-like[8] revenue was up 13.0% and 11.7% respectively.

The UK's performance was driven by strong rate growth in the year with like-for-like average rates up 13.9% for the year. Rate momentum was strong in the final quarter with like-for-like storage rates up 3.8% compared to the third quarter. Average like-for-like occupancy was up 0.6% over the course of the year.

Chief Executive's statement *continued*

Trading performance *continued*

UK – an excellent year *continued*

Like-for-like closing occupancy, at 83.0%, decreased by 2.6ppts compared to the prior year. The addition of extensions in four of the like-for-like stores had the impact of diluting MLA by 0.7ppts. In addition, the volume of like-for-like new lets was up 6% in the year but the average new let unit size was lower than in 2021 resulting in a lower new let sq ft.

Total revenue grew by 13.1% for the full year. This reflected like-for-like growth of 12.2%, the 2021 opening of our Birmingham Middleway and subsequent closure of our Birmingham South store and the 2022 opening of our London Bow store. All acquisitions and new store developments are performing in line with or ahead of their business cases.

We remain focused on our cost base. During the year, our UK cost base, on a like-for-like[8] basis, increased by 6.6% or £3.6 million. Inflationary pressures on utilities, staff costs and insurance contributed to this increase. Our total reported underlying UK cost base grew by £3.9 million or 7.0% reflecting the cost bases relating to newly and recently opened stores.

As a result, Underlying EBITDA[2] for the UK business was £103.6 million (FY2021: £88.6 million), an increase of £15.0 million or 16.9%. Despite the increase in costs, the excellent revenue performance resulted in a 2.1ppt increase in EBITDA margins from 61.5% to 63.6%.

For the two months to December 2022 trading continued to be robust and stable through the period. Like-for-like average rate was up 7.3%, offset by a reduction in closing occupancy which was down 3.6ppts at 78.6% (2021: 82.2%). Overall, like-for-like revenue increased by 3.7% and total revenue grew by 4.6%.

Operating profit for the UK business was £393.1 million (FY2021: £331.9 million), an increase of £61.2 million or 18.4%, largely driven by the increase in the gain on investment properties of £35.2 million to £295.7 million (FY2021: £260.5 million). Profit before tax was £378.7 million (FY2021: £321.4 million), an increase of £57.3 million or 17.8%.

Paris – another strong year

	2022	2021	Change
Paris operating performance – total			
Revenue (€'m)	**48.8**	46.0	6.1%
Underlying EBITDA (€'m)[2]	**33.0**	31.4	5.1%
Underlying EBITDA (after leasehold costs) (€'m)	**27.1**	25.7	5.4%
Closing occupancy (let sq ft – million)[3]	**1.112**	1.100	1.1%
Maximum lettable area (MLA)[4]	**1.36**	1.36	—
Closing occupancy (% of MLA)	**81.7%**	80.7%	+1.0ppts
Average storage rate (€)[5]	**40.47**	38.90	4.0%
Revenue (£'m)	**41.4**	39.9	3.8%
Paris operating performance – like-for-like[8]			
Revenue (€'m)	**48.37**	45.94	5.3%
Underlying EBITDA (€'m)[2]	**33.0**	31.3	5.4%
Closing occupancy (let sq ft – million)[3]	**1.094**	1.097	-0.3%
Closing occupancy (% of MLA)	**83.4%**	83.6%	-0.2ppts
Average occupancy (let sq ft – million)[3]	**1.092**	1.077	1.4%
Average storage rate (€)[5]	**40.56**	38.90	4.3%
Paris statutory metrics			
Operating profit (£'m)	**110.4**	78.8	40.1%
Operating profit (€'m)	**130.0**	90.7	43.3%
Profit before tax (£'m)	**108.8**	77.0	41.3%
Profit before tax (€'m)	**128.2**	88.7	44.5%

On a like-for-like[8] basis, the business grew revenue by 5.3% for the full year. This was driven by average occupancy growth of 1.4% for the year and an average rate improvement of 4.3%.

Like-for-like[8] closing occupancy was 83.4%, down 0.2ppts compared to the prior year.

The average Sterling-Euro exchange rate for the year was 1.1778, 2.3% stronger than the prior year (FY2021: 1.1516). As a result, there was a small foreign exchange impact on the translation of Paris revenues which were up 3.8% for the year in Sterling.

After cost reductions in 2021, like-for-like[8] costs grew by 5.5% or €0.8 million compared to the prior year in local currency as a result of increases in employee costs and utilities. As a result, like-for-like[8] underlying EBITDA[2] in Paris grew by €1.7 million and Underlying EBITDA[2] grew by €1.6 million to €33.0 million (FY2021: €31.4 million).

For the two months to December 2022 trading has been robust and improving as the period progressed. Like-for-like closing occupancy was up 2.0ppts at 80.8% (2021: 78.8%) and like-for-like average rate was up 1.0%, which resulted in a 2.5% increase in like-for-like revenue.

Operating profit for the Paris business was €130.0 million (FY2021: €90.7 million), an increase of €39.3 million or 43.3%, largely driven by the increase in the gain on investment properties of €28.0 million to €92.5 million (FY2021: €64.5 million). Profit before tax was €128.2 million (FY2021: €88.7 million), an increase of €39.5 million or 44.5%.

Spain trading performance

	2022	2021	Change
Spain operating performance – total			
Revenue (€'m)	**3.59**	3.29	9.1%
Underlying EBITDA (€'m)[2]	**1.8**	2.0	(10.0%)
Underlying EBITDA (after leasehold costs) (€'m)	**1.3**	1.5	(13.3%)
Closing occupancy (let sq ft – million)[3]	**0.095**	0.093	2.2%
Maximum lettable area (MLA)[4]	**0.12**	0.11	9.1%
Closing occupancy (% of MLA)	**78.9%**	86.0%	-7.1ppts
Average storage rate (€)[5]	**34.07**	32.25	5.6%
Revenue (£'m)	**3.0**	2.8	7.1%
Spain operating performance – like-for-like[8]			
Revenue (€'m)	**3.57**	3.29	8.5%
Underlying EBITDA (€'m)[2]	**2.1**	2.0	5.0%
Closing occupancy (let sq ft – million)[3]	**0.093**	0.093	—
Closing occupancy (% of MLA)	**85.9%**	86.0%	-0.1ppts
Average occupancy (let sq ft – million)[3]	**0.094**	0.096	-2.1%
Average storage rate (€)[5]	**34.11**	32.25	5.8%
Spain statutory metrics			
Operating profit (£'m)	**2.8**	6.3	(55.6%)
Operating profit (€'m)	**3.3**	7.2	(54.2%)
Profit before tax (£'m)	**2.7**	6.2	(56.5%)
Profit before tax (€'m)	**3.2**	7.1	(54.9%)

Our Spanish business was acquired in December 2019. The original four stores are, therefore, now considered like-for-like and grew like-for-like revenue by 8.5% in the year to €3.57 million (FY2021: €3.29 million). A deliberate strategy of improving average rate and ancillary revenues has continued to be pursued in the period. Closing occupancy in sq ft was consequently flat compared to 2021 whilst like-for-like average rate in the year grew by 5.8% to €34.11 (FY2021: €32.25) with ancillary revenues improving strongly.

Like-for-like underlying EBITDA grew by 5.0% in the period after investment in additional Head Office resource dedicated to growing the development pipeline.

The Spanish business opened an additional store in Barcelona in the period. As a result, total revenue increased by 9.1%.

For the two months to December 2022 trading continued to be robust and stable through the period. Like-for-like occupancy was down 3.0ppts at 81.8% (2021: 84.8%) but like-for-like average rate was up 7.6%, which, combined with strong ancillary revenues, resulted in a 7.4% increase in like-for-like revenue. Total revenue was up 11.5% for the period.

Operating profit for the Spanish business was €3.3 million (FY2021: €7.2 million). 2021 included an increase in the gain on investment properties of €5.3 million, against an increase in 2022 of €2.0 million. Accordingly, profit before tax was €3.2 million (FY2021: €7.1 million).

Benelux trading performance

Our Netherlands and Belgium businesses were acquired on 30 March 2022 and, therefore, contributed seven months' revenue (€5.9 million) in the period.

The Benelux businesses grew revenue by 5.3% compared to the third quarter of 2022 and the businesses ended the period with a combined closing occupancy of 78.8%.

The business was originally established in 2019 with the acquisition of six stores and it has been subsequently developed into a fifteen-store portfolio with a pipeline of five additional stores.

Frederic Vecchioli
Chief Executive Officer
16 January 2023

Financial review

EPS[1] has grown by 344% over the last nine years

Andy Jones
Chief Financial Officer

Underlying income statement

The table below sets out the Group's underlying results of operations for the year ended 31 October 2022 and the year ended 31 October 2021. To calculate the underlying performance metrics, adjustments are made for the impact of exceptional items, share-based payments, corporate transaction costs, change in fair value of derivatives, gain or loss on investment properties and the associated tax impacts, as well as exceptional tax items and deferred tax. Management considers this presentation of earnings to be representative of the underlying performance of the business, as it removes the income statement impact of items not fully controllable by management, such as the revaluation of derivatives and investment properties, and the impact of exceptional credits, costs and finance charges.

	2022 £'m	2021 £'m	Movement %
Revenue	212.5	186.8	13.8%
Underlying costs	(77.5)	(69.3)	11.8%
Share of associate's Underlying EBITDA	0.1	0.5	(80.0%)
Underlying EBITDA	135.1	118.0	14.5%
Leasehold costs	(13.6)	(13.0)	4.6%
Underlying EBITDA after leasehold costs	121.5	105.0	15.7%
Depreciation	(1.0)	(1.0)	—
Finance charges	(10.9)	(9.5)	14.7%
Share of associate's finance charges	(0.4)	(0.5)	(20.0%)
Underlying profit before tax	109.2	94.0	16.2%
Current tax	(5.2)	(5.5)	(5.5%)
Adjusted EPRA earnings	104.0	88.5	17.5%
Share-based payments charge	(11.2)	(18.3)	(38.8%)
EPRA basic earnings	92.8	70.2	32.2%
Average shares in issue (m)	210.9	210.8	
Diluted shares (for ADE EPS) (m)	218.9	218.3	
Adjusted Diluted EPRA EPS[1] (pro forma) (p)	47.5	40.5	17.3%

Note

1 Adjusted EPRA earnings excludes share-based payment charges and, accordingly, the Underlying EBITDA, Underlying EBITDA after leasehold rent, and Underlying profit before tax measures have been restated to exclude share-based payment charges for consistency.

The table below reconciles statutory profit before tax in the income statement to underlying profit before tax in the previous table.

	2022 £'m	2021 £'m
Statutory profit before tax	498.8	404.6
Adjusted for:		
– Gain on investment properties and investment properties under construction	(389.9)	(328.5)
– Change in fair value of derivatives	0.3	(2.9)
– Net exchange losses	—	0.6
– Share-based payments	11.2	18.3
– Exceptional items and other exceptional gains	(10.7)	1.9
– Exceptional finance income	(0.5)	—
Underlying profit before tax	109.2	94.0

Management considers the above presentation of earnings to be representative of the underlying performance of the business.

Underlying EBITDA increased by 14.5% to £135.1 million (FY2021: £118.0 million), reflecting a 13.8% increase in revenue and a 11.8% increase to the underlying cost base. This performance reflects the strong growth in average rate of 8.5% to £29.25 in 2022 from £26.95 in 2021 offset by a slight reduction in occupancy of 2.4ppts to 82.1% in 2022 from 84.5% in 2021, whilst maintaining control over costs.

Leasehold costs increased by 4.6% from £13.0 million to £13.6 million, principally due to reflecting the impact of rent reviews across the portfolio in addition to the Netherlands leaseholds now forming part of the Group.

Underlying finance charges increased by 14.7% from £9.5 million to £10.9 million. This principally reflects interest charges which increased from £9.7 million in 2021 to £11.9 million in 2022 driven by higher USPP borrowing to fund the Group's acquisition and development activity, offset by the gains made on financial instruments of £1.3 million in 2022 (FY2021: £0.5 million).

As a result, we achieved a 16.2% increase in underlying profit before tax of £109.2 million (FY2021: £94.0 million). The main contributing factor in the increase in statutory profit before tax in the year is the £61.4 million increase in the gain on investment and development property, primarily due to the stronger underlying performance of the stores, as mentioned above, as well as a reduction in the share-based payment charge by £7.1 million to £11.2 million (FY2021: £18.3 million).

Included within statutory profit before tax are other exceptional gains of £10.7 million. £5.5 million relates to the valuation gain of Safestore's 20% investment in the Joint Venture formed in 2019 with Carlyle that arose on acquisition of the remaining 80%, with £5.1 million relating to the profit on the sale of the Nanterre land in Paris in November 2021. The exceptional finance income relates to the profit made on the termination of interest rate swaps associated with the Joint Venture.

Given the Group's REIT status in the UK, tax is normally only payable in France, Spain, the Netherlands and Belgium. The underlying tax charge for the year was £5.2 million (FY2021: £5.5 million), calculated by applying the effective underlying tax rate of 20.9% to the respective underlying profits earned by the non-UK businesses.

As explained in note 2 to the financial statements, management considers that the most representative Earnings per Share ("EPS") measure is Adjusted Diluted EPRA EPS which has increased by 17.3% to 47.5 pence (FY2021: 40.5 pence).

Reconciliation of Underlying EBITDA

The table below reconciles the operating profit included in the income statement to Underlying EBITDA.

	2022 £'m	2021 £'m
Statutory operating profit	**514.5**	417.0
Adjusted for:		
– Gain on investment properties	**(381.6)**	(321.1)
– Share of associate's Underlying EBITDA	**0.4**	0.5
– Depreciation	**1.0**	1.0
– Variable lease payments	**0.3**	0.4
– Share-based payments	**11.2**	18.3
Exceptional items:		
– Costs incurred relating to corporate restructuring and exceptional taxation costs	**0.1**	1.9
Other exceptional gains:		
– Profit on sale of land	**(5.1)**	—
– Profit on disposal of investment property	**(0.2)**	—
– Valuation gain on associate buy-out	**(5.5)**	—
Underlying EBITDA	**135.1**	118.0

The main reconciling items between statutory operating profit and Underlying EBITDA are the gain on investment properties as well as adjustments for depreciation, variable lease payments, share-based payment charges, exceptional gains and the share of associate's Underlying EBITDA. The gain on investment properties was £381.6 million, as compared to £321.1 million in 2021 primarily due to the stronger underlying performance of the stores. The Group's approach to the valuation of its investment property portfolio at 31 October 2022 is discussed further on.

Financial review *continued*

Underlying profit by geographical region

The Group is organised and managed in four operating segments based on geographical region. The table below details the underlying profitability of each region.

	2022					2021			
	UK £'m	**Paris €'m**	**Spain €'m**	**Benelux €'m**	**Total (CER) £'m**	UK £'m	Paris €'m	Spain €'m	Total (CER) £'m
Revenue	**163.0**	**48.8**	**3.6**	**5.9**	**213.5**	144.1	46.0	3.3	186.8
Underlying cost of sales	**(48.2)**	**(12.2)**	**(1.2)**	**(2.5)**	**(61.9)**	(45.2)	(11.2)	(0.7)	(55.5)
Store EBITDA	**114.8**	**36.6**	**2.4**	**3.4**	**151.6**	98.9	34.8	2.6	131.3
Store EBITDA margin	***70.4%***	***75.0%***	***66.7%***	***57.6%***	***71.0%***	*68.6%*	*75.7%*	*78.8%*	*70.3%*
LFL Store EBITDA margin	***70.5%***	***75.6%***	***75.0%***	***n/a***	***71.6%***	*68.8%*	*75.8%*	*78.8%*	*70.5%*
Underlying administrative expenses	**(11.2)**	**(3.6)**	**(0.6)**	**(1.2)**	**(15.9)**	(10.3)	(3.4)	(0.6)	(13.8)
Underlying EBITDA	**103.6**	**33.0**	**1.8**	**2.2**	**135.7**	88.6	31.4	2.0	117.5
EBITDA margin	***63.6%***	***67.6%***	***50.0%***	***37.3%***	***63.6%***	*61.5%*	*68.3%*	*60.6%*	*62.9%*
LFL EBITDA margin	***63.5%***	***68.2%***	***58.3%***	***n/a***	***64.4%***	*61.6%*	*68.2%*	*60.6%*	*63.1%*
Leasehold costs	**(8.0)**	**(5.9)**	**(0.5)**	**(0.1)**	**(13.7)**	(7.7)	(5.7)	(0.5)	(13.0)
Underlying EBITDA after leasehold costs	**95.6**	**27.1**	**1.3**	**2.1**	**122.0**	80.9	25.7	1.5	104.5
EBITDA after leasehold costs margin	***58.7%***	***55.5%***	***36.1%***	***35.6%***	***57.1%***	*56.1%*	*55.9%*	*45.5%*	*55.9%*
	UK £'m	**Paris £'m**	**Spain £'m**	**Benelux £'m**	**Total £'m**	UK £'m	Paris £'m	Spain £'m	Total £'m
Underlying EBITDA after leasehold costs (CER)	**95.6**	**23.4**	**1.2**	**1.8**	**122.0**	80.9	22.3	1.3	104.5
Adjustment to actual exchange rate	**—**	**(0.5)**	**(0.1)**	**—**	**(0.6)**	—	—	—	—
Reported Underlying EBITDA after leasehold costs	**95.6**	**22.9**	**1.1**	**1.8**	**121.4**	80.9	22.3	1.3	104.5

Note

CER is Constant Exchange Rates (Euro denominated results for the current period have been retranslated at the exchange rate effective for the comparative period in order to present the reported results on a more comparable basis).

Underlying EBITDA in the UK increased by £15.0 million, or 16.9%, to £103.6 million (FY2021: £88.6 million), underpinned by a 13.1% or £18.9 million increase in revenue, which was driven by an increase in average occupancy levels and rate improvements in the like-for-like portfolio as well as the impact of the 2021 store opening in Birmingham Middleway (offset by the closure of Birmingham Digbeth), the December 2021 acquisition of Christchurch, and the December 2021 opening of our London Bow store. Underlying UK EBITDA after leasehold costs increased by 18.2% to £95.6 million (FY2021: £80.9 million).

In Paris, Underlying EBITDA increased by €1.6 million, or 5.1%, to €33.0 million (FY2021: €31.4 million), primarily driven by a €2.8 million increase in revenue. Underlying EBITDA after leasehold costs in Paris increased by 5.4% to €27.1 million (FY2021: €25.7 million).

In Spain, Underlying EBITDA decreased slightly by €0.2 million, from €2.0 million in 2021 to €1.8 million in 2022. This directly translated into a decrease in Underlying EBITDA after leasehold costs from €1.5 million in 2021 to €1.3 million in 2022.

Our Netherlands and Belgium businesses were acquired on 30 March 2022 and, therefore, contributed seven months' revenue (€5.9 million) in the period.

The combined results of the UK, Paris, Spain and Benelux delivered a 16.3% increase in Underlying EBITDA after leasehold costs at constant exchange rates at Group level. Adjusting for an unfavourable exchange impact of £0.6 million, the combined results of the UK, Paris and Spain reported an Underlying EBITDA after leasehold costs increase of 16.2% or £16.9 million to £121.4 million (FY2021: £104.5 million).

Revenue

Revenue for the Group is primarily derived from the rental of self storage space and the sale of ancillary products such as insurance and merchandise (e.g. packing materials and padlocks).

The split of the Group's revenues by geographical segment is set out below for 2022 and 2021.

		2022	% of total	2021	% of total	% change
UK	£'m	**163.0**	**76%**	144.1	77%	**13.1%**
Paris						
Local currency	€'m	**48.8**		46.0		**6.1%**
Paris in Sterling	£'m	**41.4**	**19%**	39.9	21%	**3.8%**
Spain						
Local currency	€'m	**3.6**		3.3		**9.1%**
Spain in Sterling	£'m	**3.0**	**2%**	2.8	2%	**7.1%**
Benelux						
Local currency	€'m	**5.9**		—	—	**—**
Benelux in Sterling	£'m	**5.1**	**3%**	—	—	**—**
Average exchange rate		**1.178**		1.152		**(2.3%)**
Total revenue	£'m	**212.5**	**100%**	186.8	100%	**13.8%**

The Group's revenue increased by 13.8% or £25.7 million in the year. The Group's occupied space was 434,000 sq ft higher at 31 October 2022 (6.317m sq ft) than at 31 October 2021 (5.883m sq ft), and the average storage rate per sq ft for the Group was, at £29.25, 8.5% higher than in 2021 (£26.95).

Adjusting the Group's revenue to a like-for-like basis (adjusting for the Benelux acquisition in 2022, adjusting the UK for the 2021 opening of our Birmingham Middleway store and the sale of Birmingham Digbeth, the December 2021 acquisition of Christchurch, and the December 2021 opening of our London Bow store, and in Paris for the opening of our Magenta store), revenue has increased by 10.1%. There was minimal exchange rate movement in the year so Group like-for-like revenue at constant exchange rates has increased by 10.7%.

In the UK, revenue grew by £18.9 million or 13.1%, and on a like-for-like basis it increased by 12.2%. Occupancy was 53,000 sq ft lower at 31 October 2022 than at 31 October 2021, at 4.637m sq ft (FY2021: 4.690m sq ft). The average storage rate for the year grew 13.7%, from £25.32 in 2021 to £28.79 in 2022. On a like-for-like basis, the average storage rate in the UK also increased by 13.9% to £28.94 (FY2021: £25.40).

In Paris, revenue grew by €2.8 million or 6.1% and on a like-for-like basis it increased by 5.3% to €48.37 million (FY2021: €45.94 million). This was driven by an increase in the average storage rate of 4.0% to €40.47 for the year (FY2021: €38.90), and an increase in average occupancy growth of 2.3%, with closing occupancy growing to 1.112m sq ft (FY2021: 1.100m sq ft).

For Spain, revenue was €3.6 million, reflecting the growth in average rate of 5.6% to €34.07 (FY2021: €32.25), with a closing occupancy of 0.095m sq ft (78.9%).

Our Netherlands and Belgium businesses, acquired on 30 March 2022 from the buyout of the remaining 80% of the equity owned by Carlyle in the Joint Venture formed in 2019, contributed seven months' revenue, €5.9 million in the period. Collectively, the businesses saw 6,000 sq ft of occupancy inflows in the fourth quarter and our Netherlands and Belgium businesses ended the period with a closing occupancy of 78.8%. The average rate for the seven-month period was €19.18 and €18.79 for the Netherlands and Belgium respectively.

Financial review *continued*

Analysis of cost base

Cost of sales

The table below details the key movements in cost of sales between 2021 and 2022.

	2022 £'m	2021 £'m
Statutory cost of sales	**(63.0)**	(56.9)
Adjusted for:		
– Depreciation	**1.0**	1.0
– Variable lease payments	**0.3**	0.4
Underlying cost of sales	**(61.7)**	(55.5)
Underlying cost of sales for FY2021		(55.5)
– New developments cost of sales		0.7
Underlying cost of sales for FY2021 (like-for-like)		(54.8)
– Volume related cost of sales		(1.0)
– Employee remuneration, recruitment and training		(0.2)
– Facilities and rates		(2.0)
– Enquiry generation		(0.3)
Underlying cost of sales for FY2022 (like-for-like; CER)		(58.3)
– New developments cost of sales		(3.6)
Underlying cost of sales for FY2022 (CER)		(61.9)
– Foreign exchange		0.2
Underlying cost of sales for FY2022		(61.7)

In order to arrive at underlying cost of sales, adjustments are made to remove the impact of depreciation, which does not form part of Underlying EBITDA, and variable lease payments, which forms part of our leasehold costs in the presentation of our underlying income statement.

Underlying cost of sales increased by £6.2 million in the year, from £55.5 million in 2021 to £61.7 million in 2022. On a like-for-like basis and at constant exchange rates, cost of sales increased by £3.5 million or 6.4%, with a £2.0 million increase in facilities and business rates due to business rates reviews, and increases in utilities and store maintenance charges as well as a £1.0 million increase in volume related costs of sales attributed to the stronger store performance. The investment in marketing during the year represented 3.6% of revenue (FY2021: 3.7%).

Administrative expenses

The table below reconciles reported administrative expenses to underlying administrative expenses and details the key movements in underlying administrative expenses between 2021 and 2022.

	2022 £'m	2021 £'m
Statutory administrative expenses	**(27.1)**	(34.0)
Adjusted for:		
– Share-based payments	**11.2**	18.3
– Exceptional items	**0.1**	1.9
Underlying administrative expenses	**(15.8)**	(13.8)
Underlying administrative expenses for FY2021		(13.8)
– New developments administration costs		0.1
Underlying administrative expenses for FY2021 (like-for-like)		(13.7)
– Employee remuneration		(0.7)
– Other employee related costs		(0.4)
Underlying administrative expenses for FY2022 (like-for-like; CER)		(14.8)
– New developments administration costs		(1.1)
Underlying administrative expenses for FY2022 (CER)		(15.9)
– Foreign exchange		0.1
Underlying administrative expenses for FY2022		(15.8)

In order to arrive at underlying administrative expenses, adjustments are made to remove the impact of exceptional items, share-based payments and other non-underlying items. The decrease in share-based payments relates to the prior year recognising full performance of the Earnings per Share criteria of the five-year scheme, which was measured over a five-year period from 1 November 2016 to 31 October 2021. As the performance period completed in 2021, measurement of this performance criteria and the associated National Insurance charge was able to be measured accurately and in full. The current year charge reflects the charge associated with the remaining schemes.

Underlying administrative expenses increased by £2.0 million in the year, from £13.8 million in 2021 to £15.8 million in 2022. Like-for-like administrative expenses at constant exchange rates grew by 8.0% to £14.8 million. This is the result of year-on-year increases in employee remuneration and other employee related costs, which are associated with the strong business performance.

Therefore, total underlying costs (cost of sales plus administrative expenses) on a like-for-like basis and at constant exchange rates have increased by £4.6 million to £73.1 million (FY2021: £68.5 million).

Exceptional items and other exceptional gains

Included within exceptional items and other exceptional gains of £10.7 million are £5.5 million relating to the valuation gain of Safestore's 20% investment in the Joint Venture and £5.1 million relating to the profit on the sale of the Nanterre land in Paris in November 2021.

In France, the basis on which property taxes have been assessed has been challenged by the tax authority for financial years 2011 onwards. In March 2021 the French Court of Appeal delivered a judgement, which resulted in a partial success for the Group; however, a further appeal has been lodged with the French Supreme Court against those decisions on which the Group was unsuccessful. A provision is included in the consolidated financial accounts of £2.4 million at 31 October 2022 (31 October 2021: £2.1 million), to reflect the increased uncertainty surrounding the likelihood of a successful outcome. Of the total provided, £0.3 million has been charged in relation to the year ended 31 October 2022 within cost of sales (Underlying EBITDA) (31 October 2021: £0.2 million within cost of sales (Underlying EBITDA) and £1.9 million recorded as an exceptional charge in respect of financial years 2012 to 2020).

It is possible that the French tax authority may appeal the decisions of the French Court of Appeal on which the Group was successful to the French Supreme Court. The maximum potential exposure in relation to these issues at 31 October 2022 is £3.0 million (31 October 2021: £2.7 million). No provision for any further potential exposure has been recorded in the consolidated financial statements since the Group believes it is more likely than not that a successful outcome will be achieved, resulting in no additional liabilities.

Gain on investment properties

The gain on investment properties consists of the revaluation gains and losses with respect to investment properties under IAS 40 and the fair value re-measurement of lease liabilities add-back and other items as detailed below.

	2022 **£'m**	2021 £'m
Revaluation of investment properties	**394.1**	329.0
Revaluation of investment properties under construction	**(4.2)**	(0.5)
Fair value re-measurement of lease liabilities add-back	**(8.3)**	(7.4)
Statutory gain on investment properties	**381.6**	321.1

In the current financial year, the UK business contributed £299.8 million to the positive valuation movement, the Paris business contributed £82.3 million, Spain contributing £1.6 million, with the remaining £6.2 million in Benelux. The gain on investment properties principally reflects the continuing progress in the performance of the businesses, which has driven further positive changes in the cash flow metrics that are used to assess the value of the store portfolio which are predominantly based on trading potential, underpinned by average rate, which has increased by 8.5% to £29.25 in 2022 from £26.95 in 2021, capitalisation rates and stabilised occupancy.

Operating profit

Operating profit increased by £97.5 million from £417.0 million in 2021 to £514.5 million in 2022, comprising a £17.1 million increase in Underlying EBITDA, a £61.4 million higher investment properties and investment properties under construction gain primarily due to significant improvement in store performance and a reduction in the share-based payments charge of £7.1 million as well as other exceptional gains and exceptional items of £10.7 million, of which £5.5 million relates to the valuation gain of Safestore's 20% investment in the Joint Venture formed in 2019 with Carlyle that arose on acquisition of the remaining 80%, with £5.1 million relating to the profit on the sale of the Nanterre land in Paris in November 2021.

Financial review *continued*

Net finance costs

Net finance costs include interest payable, interest on lease liabilities, fair value movements on derivatives, exchange gains or losses, unwinding of discounts and exceptional refinancing costs. Net finance costs increased by £3.3 million in 2022 to £15.7 million from £12.4 million in 2021, principally due to the increased interest charges associated with the USPP's to fund the Group's acquisition and development activity, offset by the gains made on financial instruments.

	2022 £'m	2021 £'m
Net bank interest payable	**(11.9)**	(9.7)
Amortisation of debt issuance costs on bank loans	**(0.5)**	(0.4)
Interest from loan to associates	**0.1**	0.1
Financial instruments income	**1.3**	0.5
Other interest received	**0.1**	—
Underlying finance charges	**(10.9)**	(9.5)
Interest on lease liabilities	**(5.0)**	(5.2)
Fair value movement on derivatives	**(0.3)**	2.9
Net exchange losses	**—**	(0.6)
Exceptional finance income	**0.5**	—
Net finance costs	**(15.7)**	(12.4)

Underlying finance charge

The underlying finance charge (net bank interest payable reflecting term loan, swap and USPP interest costs) increased by £1.4 million to £10.9 million, principally reflecting the increased interest charge associated with the Group's additional borrowings in the year, drawn to fund the Group's acquisition and development activity. The underlying finance charge represents the finance expense before exceptional items and changes in fair value of derivatives, amortisation of debt issuance costs and interest on lease liabilities and is disclosed because management reviews and monitors performance of the business on this basis.

Financial instruments income in the year of £1.3 million (FY2021: £0.5 million) related to the gains made on the expiration of average rate forwards which matured in April 2022 and October 2022.

Based on the year-end drawn debt position the effective interest rate is analysed as follows:

	Facility £/€'m	Drawn £'m	Hedged £'m	Hedged %	Bank margin %	Hedged rate %	Floating rate %	Total rate %
UK Revolver	£250.0	£76.0	£55.0	72%	1.25%	0.69%	2.19%	2.35%
UK Revolver – non-utilisation	£174.0	—	—	—	0.50%	—	—	0.50%
Euro Revolver	€70.0	£25.8	—	—	1.25%	—	1.38%	2.63%
Euro Revolver – non-utilisation	€40.0	—	—	—	0.50%	—	—	0.50%
US Private Placement 2024	€50.9	£43.8	£43.8	100%	1.59%	—	—	1.59%
US Private Placement 2026	€70.0	£60.2	£60.2	100%	1.26%	—	—	1.26%
US Private Placement 2026	£35.0	£35.0	£35.0	100%	2.59%	—	—	2.59%
US Private Placement 2027	€74.1	£63.7	£63.7	100%	2.00%	—	—	2.00%
US Private Placement 2028	£20.0	£20.0	£20.0	100%	1.96%	—	—	1.96%
US Private Placement 2028	€29.0	£24.9	£24.9	100%	0.93%	—	—	0.93%
US Private Placement 2029	£50.5	£50.5	£50.5	100%	2.92%	—	—	2.92%
US Private Placement 2029	£30.0	£30.0	£30.0	100%	2.69%	—	—	2.69%
US Private Placement 2029	€105.0	£90.3	£90.3	100%	2.45%	—	—	2.45%
US Private Placement 2031	£80.0	£80.0	£80.0	100%	2.39%	—	—	2.39%
US Private Placement 2033	€29.0	£24.9	£24.9	100%	1.42%	—	—	1.42%
Unamortised finance costs	—	(£1.3)	—	—	—	—	—	—
Total	**£833.5**	**£623.8**	**£578.3**	**93%**				**2.41%**

As at 31 October 2022, £76.0 million of the £250.0 million UK Revolver and €30.0 million (£25.8 million) of the €70.0 million Euro Revolver were drawn. The drawn amounts attract a bank margin of 1.25%, and the Group pays a non-utilisation fee of 0.50% on the undrawn balances of £174.0 million and €40.0 million.

The Group has £55.0 million of interest rate swaps in place to June 2023, swapping SONIA at a weighted average effective rate of 0.69%. These interest rate swaps are in place to hedge the UK Revolver floating SONIA rate.

On 21 April 2022, Safestore extended its borrowing facilities with the issuance of €105.0 million denominated US Private Placement ("USPP").

Notes with the following coupon and tenor:

- €105.0 million seven-year notes at a coupon of 2.45% (credit spread of 120 bps)

The funds were received in April 2022 and were used to pay down Revolving Credit Facilities ("RCF's") utilised to acquire the remaining 80% owned by Carlyle in the Joint Venture formed in 2019. The Joint Venture was set up in 2019 to acquire and develop assets in the Netherlands and Belgium in order to leverage Safestore's operating platform outside our core markets. Since then, the Joint Venture has grown to a portfolio of 600,000 sq ft of MLA which is currently 78.8% occupied.

The 2024, 2026, 2027, 2028, 2029 and 2033 US Private Placement Notes are denominated in Euros and attract fixed interest rates of 1.59% (on €50.9 million), 1.26% (on €70.0 million), 2.00% (on €74.1 million), 0.93% (on €29.0 million), 2.45% (on €105.0 million) and 1.42% (on €29.0 million) respectively. The Euro denominated borrowings provide a natural hedge against the Group's investment in the Paris and Spain businesses.

The 2026 (£35.0 million), 2028 (£20.0 million), 2029 (£50.5 million), 2029 (£30.0 million) and 2031 (£80.0 million) US Private Placement Notes are denominated in Sterling and attract a fixed interest rate of 2.59%, 1.96%, 2.92%, 2.69% and 2.39% respectively.

As a result of the hedging arrangements and fixed interest loan notes, effectively 93% of the Group's drawn debt is at fixed rates of interest. Overall, the Group has an effective interest rate on its borrowings of 2.41% as at 31 October 2022, consistent with 2.36% at the previous year end.

On 11 November 2022, the Group completed the refinancing of its RCF's which were due to expire in June 2023.

The previous £250.0 million Sterling and €70.0 million Euro RCF's have been replaced with a single multi-currency £400 million facility. In addition, a further £100 million uncommitted accordion facility is incorporated in the facility agreement. The facility is for a four-year term with two one-year extension options exercisable after the first and second years of the agreement.

The Group will pay interest at a margin of 1.25% plus SONIA or EURIBOR depending on whether the borrowings are drawn in Sterling or Euros. The margin is at the same level as the previous facility agreements.

Non-underlying finance charge

Interest on lease liabilities was £5.0 million (FY2021: £5.2 million) and reflects part of the leasehold rent costs. The balance of the leasehold payment is charged through the gain or loss on investment properties line and variable lease payments in the income statement. Overall, the leasehold rent costs charge increased from £13.0 million in 2021 to £13.6 million in 2022, principally reflecting the increase rent costs across the portfolio in addition to the Netherlands leaseholds now forming part of the Group.

A net loss of £0.3 million was recognised on fair valuation of derivatives (FY2021: net gain of £2.9 million). The prior year gain was primarily driven by the movement in the unexpired interest rate swaps year-on-year due to future market expectations around rising inflation and interest rates.

The Group undertakes net investment hedge accounting for its Euro denominated loan notes.

Tax

The tax charge for the year is analysed below:

	2022 £'m	2021 £'m
Underlying current tax	**(5.2)**	(5.5)
Current year – exceptional	**(0.9)**	—
Current tax charge	**(6.1)**	(5.5)
Tax on investment properties movement	**(29.9)**	(17.8)
Tax on revaluation of interest rate swaps	**—**	(0.1)
Other	**0.1**	0.8
Deferred tax charge	**(29.8)**	(17.1)
Net tax charge	**(35.9)**	(22.6)

The net income tax charge for the year is £35.9 million (FY2021: £22.6 million), which relates solely to the Group's non-UK European businesses. In the UK, the Group is a REIT and benefits from a zero rate of tax on its qualifying earnings. The underlying current tax charge relating to the European businesses amounted to £5.2 million (FY2021: £5.5 million), calculated by applying the effective overall underlying tax rate of 20.9% to the underlying profits arising earned by the non-UK businesses.

The deferred tax charge relating to Paris, Spain and Benelux was £29.8 million (FY2021: Paris and Spain £17.1 million charge).

In 2022, an exceptional current year tax charge of £0.9 million arose on the disposal of the Nanterre land.

All deferred tax movements are non-underlying. The deferred tax impact of the revaluation gain on investment properties was a charge of £29.9 million (FY2021: £17.8 million charge).

Financial review *continued*

Earnings per Share

As a result of the movements explained above, profit after tax for 2022 was £462.9 million as compared with £382.0 million in 2021. Basic EPS was 219.5 pence (FY2021: 181.2 pence) and diluted EPS was 212.4 pence (FY2021: 176.4 pence).

Adjusted Diluted EPRA EPS is based on the European Public Real Estate Association's definition of earnings and is defined as profit or loss for the period after tax but excluding corporate transaction costs, change in fair value of derivatives, gain/loss on investment properties and the associated tax impacts. The Company then makes further adjustments for the impact of exceptional items, IFRS 2 share-based payment charges, exceptional tax items and deferred tax charges. This adjusted earnings is divided by the diluted number of shares. The IFRS 2 cost is excluded as it is written back to distributable reserves and is a non-cash item (with the exception of the associated National Insurance element). Therefore, neither the Company's ability to distribute nor pay dividends is impacted (with the exception of the associated National Insurance element). The financial statements disclose earnings on a statutory, EPRA and Adjusted Diluted EPRA basis and provide a full reconciliation of the differences in the financial year in which any Long Term Incentive Plan ("LTIP") awards may vest.

Management introduced Adjusted Diluted EPRA EPS as a measure of EPS following the implementation of the Group's LTIP schemes. Management considers that the real cost to existing shareholders is the dilution that they will experience from the LTIP schemes; therefore, earnings has been adjusted for the IFRS 2 share-based payment charge, and the number of shares used in the EPS calculation has been adjusted for the dilutive effect of the LTIP scheme.

The Group has exposure to the movement in the Euro/Sterling exchange rate. Based on the FY2022 results, for every 10 cents variance to the average exchange rate of 1.178, there would be an impact of £1.5 million to Adjusted EPRA Earnings.

Adjusted Diluted EPRA EPS for the year was 47.5 pence (FY2021: 40.5 pence), calculated on a pro forma basis, as if the dilutive LTIP shares were in issue throughout both the current and prior years, as follows:

	2022			2021		
	Earnings £'m	**Shares million**	**Pence per share**	Earnings £'m	Shares million	Pence per share
Basic earnings	**462.9**	**210.9**	**219.5**	382.0	210.8	181.2
Adjustments:						
Gain on investment properties	**(381.6)**	**—**	**(180.9)**	(321.1)	—	(152.3)
Exceptional items	**0.1**	**—**	**—**	1.9	—	0.9
Other exceptional gains	**(10.8)**	**—**	**(5.1)**	—	—	—
Exceptional finance income	**(0.5)**	**—**	**(0.2)**	—	—	—
Net exchange losses	**—**	**—**	**—**	0.6	—	0.3
Change in fair value of derivatives	**0.3**	**—**	**0.1**	(2.9)	—	(1.4)
Tax on adjustments/exceptional tax	**29.7**	**—**	**14.1**	16.2	—	7.7
Adjusted	**100.1**	**210.9**	**47.5**	76.7	210.8	36.4
EPRA adjusted:						
Fair value re-measurement of lease liabilities add-back	**(8.3)**	**—**	**(3.9)**	(7.4)	—	(3.5)
Tax on lease liabilities add-back adjustment	**1.0**	**—**	**0.5**	0.9	—	0.4
EPRA basic EPS	**92.8**	**210.9**	**44.1**	70.2	210.8	33.3
Share-based payments charge	**11.2**	**—**	**5.3**	18.3	—	8.7
Dilutive shares	**—**	**8.0**	**(1.9)**	—	7.5	(1.5)
Adjusted Diluted EPRA EPS	**104.0**	**218.9**	**47.5**	88.5	218.3	40.5

Dividends

The Directors are recommending a final dividend of 20.4 pence (FY2021: 17.6 pence) which shareholders will be asked to approve at the Company's Annual General Meeting on 15 March 2023. If approved by shareholders, the final dividend will be payable on 7 April 2023 to shareholders on the register at close of business on 3 March 2023.

Reflective of the Group's improved performance, the Group's full year dividend of 29.8 pence is 18.7% up on the prior year dividend of 25.1 pence. The Property Income Distribution ("PID") element of the full year dividend is 22.75 pence (FY2021: 25.1 pence).

Property valuation and Net Asset Value ("NAV")

Cushman & Wakefield Debenham Tie Leung Limited LLP ("C&W") has valued the Group's property portfolio. As at 31 October 2022, the total value of the Group's property portfolio was £2,457.8 million (excluding investment properties under construction of £94.5 million and net of lease liabilities of £95.1 million). This represents an increase of £576.0 million compared with the £1,881.8 million valuation as at 31 October 2021. A reconciliation of the movement is set out below:

	UK £'m	Paris £'m	Spain £'m	Benelux £'m	Total £'m	Paris €'m	Spain €'m	Benelux €'m
Value as at 1 November 2021	1,416.2	440.4	25.2	—	1,881.8	521.6	29.8	—
Currency translation movement	—	9.1	0.4	2.1	11.6	—	—	—
Additions	19.7	6.3	0.1	5.7	31.8	7.4	0.1	6.8
Acquisition of subsidiaries	2.6	—	—	125.6	128.2	—	—	148.4
Disposals	(6.2)	—	—	—	(6.2)	—	—	—
Reclassifications	16.5	—	—	—	16.5	—	—	—
Revaluation	308.0	82.3	1.6	2.2	394.1	96.9	2.0	2.5
Value at 31 October 2022	**1,756.8**	**538.1**	**27.3**	**135.6**	**2,457.8**	**625.9**	**31.9**	**157.7**

As described in note 13 of the financial statements, the valuation is based on a discounted cash flow of the net operating income over a ten-year period and a notional sale of the asset at the end of the tenth year. Accordingly, the gain on investment properties principally reflects the continuing progress in the performance of the business and the strong underlying trading of the store, underpinned by average rate which has increased by 8.5% to £29.25 in 2022 from £26.95 in 2021 with a slight reduction in occupancy, which is down 2.4ppts to 82.1% in 2022 from 84.5% in 2021, capitalisation rates and stabilised occupancy, as explained further below.

The exchange rate at 31 October 2022 was €1.16:£1 compared with €1.18:£1 at 31 October 2021. This movement in the foreign exchange rate has resulted in a £11.6 million favourable currency translation movement in the year. This has slightly improved the Group Net Asset Value ("NAV") but had no impact on the loan-to-value ("LTV") covenant as the assets in Paris are tested in Euros.

The Group's property portfolio valuation excluding investment properties under construction has increased by £576.0 million from the valuation of £1,881.8 million at 31 October 2021. This reflects the gain on valuation of £394.1 million, which is explained above, plus £128.2 million relating to the acquisition of the remaining 80% in the Joint Venture and the UK Christchurch store as well as £42.1 million relating to additions, store refurbishments, reclassifications and disposals together with £11.6 million of favourable foreign exchange movements on the translation of the European portfolios.

The value of the UK investment property portfolio including investment properties under construction has increased by £340.7 million (comprising £324.1 million in investment properties and £16.6 million in investment properties under construction) compared with 31 October 2021. This includes a £299.8 million valuation gain, £44.5 million of capital additions, £2.6 million of acquisitions, offset by £6.2 million of disposals.

In Paris, the value of the property portfolio including investment properties under construction increased by €104.3 million, of which €96.9 million was valuation gain and capital additions were €7.4 million. The net increase in investment properties when translated into Sterling amounted to £97.7 million, reflecting the foreign exchange impact described above.

In Spain, the value of the property portfolio including investment properties under construction increased by €26.9 million, of which €2.0 million was valuation gain and capital additions were €24.9 million. The net increase in investment properties including investment properties under construction when translated into Sterling amounted to £23.6 million, reflecting the foreign exchange impact described above.

In Benelux, the value of the property portfolio including investment properties under construction was £141.1 million.

Our pipeline of future development opportunities remains strong and gives us further confidence in our future growth plans, comprising eleven stores or store extensions in the UK, seven in France, six in Spain, and five in Benelux.

The Group's freehold exit yield for the valuation at 31 October 2022 reduced to 5.66%, from 6.03% at 31 October 2021, and the weighted average annual discount rate for the whole portfolio has reduced from 8.72% at 31 October 2021 to 8.49% at 31 October 2022.

C&W's valuation report confirms that the properties have been valued individually but that if the portfolio were to be sold as a single lot or in selected groups of properties, the total value could be different. C&W states that in current market conditions it is of the view that there could be a material portfolio premium.

EPRA's Best Practices Recommendations guidelines for Net Asset Value ("NAV") metrics are EPRA Net Tangible Assets ("NTA"), EPRA Net Reinstatement Value ("NRV") and EPRA Net Disposal Value ("NDV"). Safestore considers EPRA NTA to be most consistent with the nature of the Group's business.

The EPRA Basic NTA per Share, as reconciled to IFRS net assets per share in note 15 of the financial statements, was 908 pence at 31 October 2022 (FY2021: 697 pence), up 30.3% since 31 October 2021, and the IFRS reported diluted NAV per share was 820 pence (FY2021: 635 pence), reflecting a £418.5 million increase in reported net assets during the year.

Financial review *continued*

Gearing and capital structure

The Group's borrowings comprise revolving bank borrowing facilities in the UK and France and US Private Placement Notes.

Net debt (including lease liabilities and cash) stood at £698.3 million at 31 October 2022, an increase of £174.5 million from the 2021 position of £523.8 million, reflecting funding for the continued expansion of the Group portfolio. Total capital (net debt plus equity) increased from £1,898.7 million at 31 October 2021 to £2,491.7 million at 31 October 2022. The net impact is that the gearing ratio has increased from 27.6% to 28.0% in the year.

Management also measures gearing with reference to its loan-to-value ("LTV") ratio defined as gross debt (excluding lease liabilities) as a proportion of the valuation of investment properties and investment properties under construction (excluding lease liabilities). At 31 October 2022 the Group LTV ratio was 24.4% as compared to 24.9% at 31 October 2021. It should be noted, under the new facility, signed 11 November 2022, LTV is to be calculated against net debt which equates to an LTV of 23.6%. The Board considers the current level of gearing is appropriate for the business to enable the Group to increase returns on equity, maintain financial flexibility and achieve our medium term strategic objectives.

Borrowings at 31 October 2022

As at 31 October 2022, £76.0 million of the £250.0 million UK Revolver and €30.0 million (£25.8 million) of the €70.0 million Euro Revolver were drawn. Including the US Private Placement debt of €358.0 million (£307.8 million) and £215.5 million, the Group's borrowings totalled £623.8 million (after adjustment for unamortised finance costs).

As at 31 October 2022, the weighted average remaining term for the Group's available borrowing facilities is 4.0 years (FY2021: 4.6 years). If we take into consideration the new financing completed on 11 November 2022, with a four-year term to November 2026, the weighted average remaining term for the Group's available borrowing facilities is 5.1 years.

Borrowings under the existing loan facilities are subject to certain financial covenants. The UK bank facilities and the US Private Placement share interest cover and LTV covenants. The interest cover requirement of EBITDA: interest is 2.4:1, where it will remain until the end of the facilities' terms. Interest cover for the year ended 31 October 2022 is 11.4x (FY2021: 10.5x).

The LTV covenant is 60% in both the UK and France under the current facility. As at 31 October 2022, there is significant headroom in both the UK LTV and the French LTV covenant calculations.

The Group is in compliance with its covenants at 31 October 2022 and, based on forecast projections, is expected to be in compliance for a period in excess of twelve months from the date of this report.

Cash flow

The table below sets out the underlying cash flow of the business in 2022 and 2021. For statutory reporting purposes, leasehold costs cash flows are allocated between finance costs, principal repayments and variable lease payments. However, management considers a presentation of cash flows that reflects leasehold costs as a single line item to be representative of the underlying cash flow performance of the business.

	2022 £'m	2021 £'m
Underlying EBITDA	**135.1**	118.0
Working capital/exceptionals/other	**(2.7)**	(2.1)
Adjusted operating cash inflow	**132.4**	115.9
Interest payments	**(11.8)**	(8.0)
Leasehold rent payments	**(13.6)**	(13.0)
Tax payments	**(5.6)**	(5.4)
Free cash flow (before investing and financing activities)	**101.4**	89.5
Acquisition of subsidiary, net of cash acquired	**(111.5)**	—
Loan to associates	**—**	(0.9)
Investment in associates	**(0.8)**	(1.9)
Capital expenditure – investment properties	**(95.2)**	(62.4)
Capital expenditure – property, plant and equipment	**(1.0)**	(1.0)
Net proceeds from disposal of land	**1.0**	—
Net proceeds from disposal of investment properties	**6.4**	—
Proceeds from disposal – property, plant and equipment	**0.2**	—
Net cash flow after investing activities	**(99.5)**	23.3
Issue of share capital	**0.5**	0.7
Dividends paid	**(56.9)**	(42.6)
Net drawdown of borrowings	**132.1**	43.8
Debt issuance costs	**(0.1)**	(0.7)
Financial instruments	**1.3**	—
Swap termination	**0.5**	—
Net (decrease)/increase in cash	**(22.1)**	24.5

Note
Free cash flow is a non-GAAP measure, defined as cash flow before investing and financing activities but after leasehold rent payments.

The first table below reconciles free cash flow (before investing and financing activities) in the table above to net cash inflow from operating activities in the consolidated cash flow statement. The second table below reconciles adjusted net cash flow after investing activities in the table above to the consolidated cash flow statement. The third table below reconciles adjusted operating cash inflow to the cash generated from operations in the consolidated cash flow statement.

	2022 £'m	2021 £'m
Free cash flow (before investing and financing activities)	**101.4**	89.5
Add back: principal payment of lease liabilities	**8.4**	7.5
Net cash flow from operating activities	**109.8**	97.0

	2022 £'m	2021 £'m
From table above:		
Adjusted net cash flow after investing activities	**(99.5)**	23.3
Add back: principal payment of lease liabilities	**8.4**	7.5
Net cash flow after investing activities	**(91.1)**	30.8
From consolidated cash flow:		
Net cash inflow from operating activities	**109.8**	97.0
Net cash outflow from investing activities	**(200.9)**	(66.2)
Net cash flow after investing activities	**(91.1)**	30.8

	2022 £'m	2021 £'m
Adjusted operating cash inflow	**132.4**	115.9
Cash outflow on variable lease payments	**(0.2)**	(0.3)
Cash flow from operations	**132.2**	115.6

Adjusted operating cash flow increased by £16.5 million in the year, principally due to the £17.1 million improvement in Underlying EBITDA.

Working capital, exceptional items and other movements resulted in a net £2.7 million outflow (FY2021: £2.1 million outflow), principally relating to movements in trade receivables and trade payables.

Free cash flow (before investing and financing activities) grew by 13.3% to £101.4 million (FY2021: £89.5 million). The free cash flow benefited from the increase in Underlying EBITDA and the increase in adjusted operating cash flow.

Investing activities experienced a net outflow of £200.9 million (FY2021: £66.2 million outflow), which included £111.5 million relating to the acquisition of the remaining 80% in the Joint Venture as well as the acquisition of the new site at Christchurch and £95.2 million of capital expenditure on our investment property portfolio as well as cash generated from the sale of our Birmingham – Digbeth store. Of the £95.2 million capital expenditure on investment properties, £60.2 million related to the UK, £6.4 million related to France, £21.3 million related to Spain and £7.3 million related to Benelux. Of the £95.2 million, £7.5 million related to maintenance, £68.4 million to new stores and £19.3 million to developments and property, plant and equipment.

Adjusted financing activities generated a net cash inflow of £77.4 million (FY2021: £1.2 million inflow). Dividend payments totalled £56.9 million (FY2021: £42.6 million). The net drawdown of borrowings was £132.1 million (FY2021: £43.8 million), in order to finance the acquisition of the remaining 80% in the Joint Venture as well as development and pipeline stores.

The strategic report, including pages 5 to 73, was approved by a duly authorised Committee of the Board of Directors on 16 January 2023 and signed on its behalf by:

Andy Jones
Chief Financial Officer
16 January 2023

Engaging with our stakeholders and our Section 172(1) statement

Our purpose: to add stakeholder value by developing profitable and sustainable spaces that allow individuals, businesses, and local communities to thrive

This section provides further insight into how we engage with key stakeholders. Building and maintaining effective stakeholder relationships informs how we create value in the long term.

Our formal Section 172(1) statement is set out on page 36.

The principles that underpin Section 172 of the Companies Act 2006 are considered by the Board within its decision-making processes. Our Section 172 statement on page 36 provides examples of Board decisions taken during the year. These examples seek to demonstrate how Board decision-making aligns to our strategic priorities and purpose and are informed by stakeholder considerations and expectations. The Section 172 principles are part of our culture, are embedded in all that we do and are strengthened by our Board setting the right tone from the top. The Company seeks to act fairly with its stakeholders and maintain its reputation for high standards of business and ethical conduct which contribute to Safestore's success in the long term. Pages 34 to 36 are incorporated by cross-reference into our governance report.

Engaging with our stakeholders

The Board is committed to effective engagement with all our key stakeholders. The Board has identified a number of key stakeholders which it seeks to engage with on a regular basis. A summary of our key stakeholders, why they are important to us, what matters to them, and where further information can be found summarising how we engage with stakeholders, is set out below.

What matters to our key stakeholders is determined by the Board and by management and has been informed by feedback received from the ongoing engagement process itself and from a deep understanding of our operating model. How we engage is led by either the Board or by management. Not all information is reported directly to the Board, however it informs management decisions and the Board continues to receive regular stakeholder updates at Board meetings and a summary of these updates are set out in the key matters considered by the Board during the year on page 80.

Key stakeholders	Why our key stakeholders are important to us and what matters to them	Further information: how the Board: • engages with our key stakeholders; and • measures the outcome of our engagement
Our people	**Why our people are important to Safestore:** • Our people are the foundation of our customer-focused culture and deliver our strategy and operate our business model. Our people drive and deliver our strategic priorities. **What matters to our people includes:** • Fair pay and reward. • Health and wellbeing and a safe working environment. • Colleague engagement. • Open and honest communication. • Training and development opportunities and an opportunity for our colleagues to reach their full potential. • A diverse and inclusive workplace.	**For further information on how we engage with our people see:** • Directors' remuneration report – Communication with colleagues on page 103. • Strategic report – Our people section on pages 9 to 10. • Sustainability report – Our people section on pages 49 to 53. **Safestore measures the outcome of our engagement by:** • Colleague retention, particularly within its senior team. • Feedback from our 'Make the Difference' people forum. • High colleague response rate to the Investors in People ("IIP") 2021 accreditation process. • The adoption of our wellbeing initiatives. • Completion of our comprehensive learning and development tools.
Our customers	**Why our customers are important to Safestore:** • Our customers are the mainstay of our business and their views and their satisfaction are important to us and drive our financial performance. **What matters to our customers includes:** • Great customer service and the provision of safe and secure storage sites. • Well-located and accessible stores. • Expertise in providing self storage solutions and understanding our customers' requirements. • Reliable communication channels, which include face-to-face communication in store, a Customer Support Centre and online communications via our website, email and social media channels, as well as through our LiveChat service. • Flexible contractual arrangements.	**For further information on how we engage with our customers:** • Strategic report – Our customer section on page 11. • Sustainability report – Our customer section on pages 54 to 55. **Safestore measures the outcome of our engagement by:** • Receiving customer reviews and feedback collected from our website, third party platforms and social media channels as explained on page 9 and on page 55. • Customer occupancy rates – see pages 19 to 21. • External recognition and awards. In February 2022, Safestore won the Feefo Platinum Trusted Service Award for the third time.

Key stakeholders	Why our key stakeholders are important to us and what matters to them	Further information: how the Board: • engages with our key stakeholders; and • measures the outcome of our engagement

Our shareholders and investors
Many of our colleagues are shareholders.
	Why our shareholders and investors are important to Safestore:
	• A strong and flexible capital structure is fundamental to our strategy.
	What matters to our shareholders and investors includes:
	• That the Company maximises long term value, which means:
	  • Sustainable current and future financial performance and returns.
	  • A clear strategy and business model.
	  • Strong leadership.
	  • Maintaining our reputation.
	  • Managing and reporting our ESG performance with clear and transparent disclosures.
		For further information on how we engage with our shareholders and investors:
		• Governance report – Investor relations and Shareholder and Investor Engagement on page 82.
		• Directors' remuneration report on page 103.
		How we measure the outcome of our engagement:
		• Safestore was shortlisted in The Investor Relations Society Best Practice Awards 2022 in the Best Overall IR Company category. Safestore was nominated for this award by the external analysts and the investor community.

 Our partners These include our Joint Venture partner, Carlyle, our landlords at our leasehold sites, our contractors and our suppliers of goods and services.	**Why our partners are important to Safestore:** • Strong, stable and long term relationships support the Group in delivering its strategy, by optimising and managing our property portfolio. **What matters to our partners includes:** • Building strong relationships. • Maintaining sustainable business practices. • Our current and future financial performance. • Our operational excellence. • Clear communication, fair engagement and prompt payment. • Corporate governance.	**For further information on how we engage with our partners:** • Strategic report – Our communities section on page 11. • Regular meetings and communication with our partners. • Quarterly meetings with our construction management partner. • Supplier forums held bi-annually, which facilitate an open exchange of feedback. **How we measure the outcome of our engagement:** • The establishment of successful long term relationships with our partners.
 Our communities	**Why our communities are important to Safestore:** • Safestore is committed to making a positive contribution within the local communities around its stores. We are keen to deliver long term benefits to society and the local economy consistent with our alignment with the Sustainable Development Goals and our sustainability strategy. **What matters to our communities:** • That our business operations seek to minimise any negative impact and, any local disruption, on our local communities. • Create local employment opportunities. • Support community projects and providing support to local and national charities.	**For further information on how we engage with our communities:** • ESG strategy – On page 11. • Sustainability report – Our communities on pages 55 to 57. **How we measure the outcome of our engagement:** • Space occupied by local charities on pages 11 and 55.
 Our environment	**Why our environment is important to Safestore:** • Safestore's long-standing commitment is to provide both a long term sustainable investment and a pleasant and safe environment for our customers and colleagues and the delivery of our sustainability strategy. **To protect the planet from our activities means:** • Awareness of the environmental impact of our activities and seeking to ensure that any negative impact is minimised. • Reducing our absolute emissions and energy and water consumption. • Reducing waste, in particular plastic waste, and diverting waste from landfill. • Sustainable development of new stores.	**For further information on how we engage with our environment:** • ESG strategy – On page 11. • Sustainability report – Our environment on pages 58 to 61. **How we measure the outcome of our engagement:** • By measuring our reductions in absolute emissions, energy and water consumption and waste. • External recognition and awards on pages 6, 11, and 46.

Engaging with our stakeholders and our Section 172(1) statement *continued*

Our Section 172(1) statement

The Board has regard to the matters set out in Section 172(1) of the Companies Act 2006 when performing its duties under Section 172 to act in a way it considers, in good faith, would be most likely to promote the success of the Company for the benefit of its members as a whole, and in doing so have regard to a range of matters when making decisions for the long term. Key decisions and matters that are of strategic importance to the Company are appropriately informed by Section 172 factors.

The following provides examples of decisions approved by the Board during the year ended 31 October 2022 and how Section 172 factors have informed the Board's decision-making. The summary seeks to provide further insight into how these decisions align to our purpose and strategic priorities, and our stakeholders' expectations, whilst also demonstrating Safestore's corporate culture to act fairly and maintain its reputation for high standards of business and ethical conduct. Taken together these factors enable the Group to progress towards its purpose and long term success.

The following Board decisions are aligned to our Purpose and our strategic priorities.

Our strategic priority	Board decision	Stakeholder factors – expectations and considerations – that inform Board decision-making:	Further information
Optimising trading performance of existing portfolio	**Investing in colleagues** Further investment in our Store and Senior Management Development and Graduate Programmes.	**Our people:** Provides personal development opportunities which will improve colleague skills and prepare colleagues for more senior roles within our business. **Our customers:** Training and development programmes are aligned to support our customers and meet their needs and expectations. **Our investors:** The interests of our colleagues and our investors are aligned, to deliver the long term success of the business. **Our partners:** A well-trained workforce is able to engage more effectively with our partners. **Our communities:** A well-trained and engaged workforce is committed to our social initiatives. **Our environment:** A well-trained and engaged workforce are committed to our initiatives that support our climate goals.	Read more about the Board's decision to invest in our colleagues: pages 9 to 10 and pages 52 to 53. Read more about the outcomes from investing in colleagues: pages 9 to 10 and 51.
Maintaining a strong and flexible capital structure	**New $115 million Shelf Facility** The new financing arrangement aligns to our strategic priorities and provides the capital to invest in new sustainable spaces. The facility partially funded the Group's acquisition of Carlyle's 80% share of the Benelux Joint Venture.	**Our people:** New property investments provide new development opportunities for our colleagues with the opportunity to manage assets in new geographies and adopt best practice across the Group. **Our customers:** Enables the Group to expand its services to new customers in new geographies. **Our investors:** The facility was arranged for a seven-year term at an interest rate of 2.45% pa. Investors have the confidence that the Group manages its debt structure efficiently, pursues high yielding assets and minimises financing costs in line with the Group's objectives. **Our partners:** Can be confident that Safestore has the financial foundation for long term growth. **Our communities:** Cost-effective financing enables local communities to directly benefit from new stores. **Our environment:** Financing at a cost-effective rate provides financing for investment in store sustainability.	Read more about the Board's decision to arrange this new financing facility: page 10. Read more about the outcomes of this financing decision: page 21.
Selective portfolio management and expansion opportunities in our existing markets and in attractive new geographies	**Investment in our property pipeline** Property acquisitions align to our strategic priorities and our purpose, to add stakeholder value by expanding our property portfolio to provide new profitable and sustainable spaces.	**Our people:** Clear Board decision-making enables colleagues to deliver property developments in line with the Board's disciplined and strict investment criteria. **Our customers:** Providing well-located and accessible stores. **Our investors:** Expect a robust investment appraisal process considering key risks and appropriate environmental and sustainable development considerations. **Our partners:** New property developments support stable and long term relationships with our suppliers. **Our communities:** Expect new stores to make a positive contribution within their local communities. **Our environment:** Enables the Group to develop sustainable spaces that minimise the impact of our business operations on our environment.	Read more about the Board's investment decisions: pages 12 to 17, which include a summary of our property pipeline. Read more about the outcomes of the Boards property investments: pages 12 to 17.

Strategic, operational, and emerging risks are considered at every business level and are assessed, discussed, and taken into account when deciding upon future strategy, approving transactions, and monitoring performance

Risks and risk management

The Board recognises that effective risk management requires awareness and engagement at all levels of our organisation.

Risk management process

The Board is responsible for determining the nature of the risks the Group faces, and for ensuring that appropriate mitigating actions are in place to manage them in a manner that enables the Group to achieve its strategic objectives.

Effective risk management requires awareness and engagement at all levels of our organisation. It is for this reason that the risk management process is incorporated into the day-to-day management of our business, as well as being reflected in the Group's core processes and controls. The Board has defined the Group's risk appetite and oversees the risk management strategy and the effectiveness of the Group's internal control framework. Risks are considered at every business level and are assessed, discussed and taken into account when deciding upon future strategy, approving transactions and monitoring performance.

Strategic risks are identified, assessed and managed by the Board, with support from the Audit Committee, which in turn is supported by the Risk Committee. Strategic risks are reviewed by the Audit Committee to ensure they are valid and that they represent the key risks associated with the current strategic direction of the Group. Operational risks are identified, assessed and managed by the Risk Committee and Executive Committee team members, and reported to the Board and the Audit Committee. These risks cover all areas of the business, such as finance, operations, investment, development, and corporate risks.

The risk management process commences with rigorous risk identification sessions incorporating contributions from functional managers and Executive Committee team members.

The output is reviewed and discussed by the Risk Committee, supported by members of senior management from across the business. The Board, supported by the Risk Committee, identifies and prioritises the top business risks, with a focus on the identification of key strategic, financial and operational risks. The potential impact and likelihood of the risks occurring are determined, key risk mitigations are identified and the current level of risk is assessed against the Board's risk appetite. These top business risks form the basis for the principal risks and uncertainties detailed in the section below.

Principal risks and uncertainties

The principal risks and uncertainties described could have the future potential to have the most significant effect on Safestore's strategic objectives.

The key strategic and operational risks are monitored by the Board and are defined as those which could prevent us from achieving our business goals. Our current strategic and operational risks and key mitigating actions are as follows:

Risk	Current mitigation activities	Developments since 2021
Strategic risks The Group develops business plans based on a wide range of variables. Incorrect assumptions about the economic environment, the self storage market, or changes in the needs of customers or the activities of customers may adversely affect the returns achieved by the Group, potentially resulting in loss of shareholder value or loss of the Group's status as the UK's largest self storage provider.	• The strategy development process draws on internal and external analysis of the self storage market, emerging customer trends and a range of other factors. • Continuing focus on yield-management with regular review of demand levels and pricing at each individual store. • Continuing focus on building the Safestore brand, acquisitions and development projects. • The portfolio is geographically diversified with performance monitoring covering the personal and business customers by segments. • Detailed and comprehensive sensitivity and scenario modelling taking into consideration variable assumptions. • Monitoring of key data points helping to understand and minimise uncertainty around the economic environment. • Robust cost management.	The Group's strategy is regularly reviewed through the annual planning and budgeting process, and regular reforecasts are prepared during the year. The Group expanded its interests in the Benelux region acquiring the remaining 80% of the equity owned by Carlyle Europe Realty in the Joint Venture formed in 2019. The Joint Venture was set up in 2019 to acquire and develop assets in the Netherlands and Belgium in order to leverage Safestore's operating platform outside our core markets. The acquisition of new stores together with new store openings have been fully integrated in the Group's store portfolio. The current macro-economic pressures arising from both the supply chain issues associated with the rebound in demand post global restrictions and the conflict in Ukraine as well as the cost of living increases have caused significant global uncertainty and the impact this will have on economic growth is unclear. Both pressures have led to higher inflation which has had a direct impact on consumer spending that may impact the self storage market. Therefore, the level of risk is considered to have increased from the 31 October 2021 assessment.

Principal risks *continued*

Principal risks and uncertainties *continued*

Risk	Current mitigation activities	Developments since 2021
Pandemic risk The Covid-19 outbreak was an unprecedented global event whose impacts and duration are now more widely understood. While the Group now more clearly understands the impacts of the pandemic on the business, we need to be adaptable in ensuring our business resilience and maintaining our strong performance against future pandemics.	• The resilient nature of the Group's businesses, our robust balance sheet, and the market fundamentals that underpin our businesses inherently provide mitigation to the Group from pandemic risk. • Our Group strategic plans and forecasts provided an additional layer of mitigation through the Covid-19 crisis. • The Group continues to monitor and assess the potential and realised impacts of Covid-19.	The Covid-19 pandemic resulted in a significant reduction in the economic growth of the UK and Europe in 2020 and 2021. The implications of Covid-19 were thoroughly considered with respect to the Group's strategy through the annual planning and budgeting process. Pandemic risk will continue to be monitored through the Group's Risk framework. The level of risk is considered to have reduced compared to the 31 October 2021 assessment.
Finance risk Lack of funding resulting in an inability to meet business plans, satisfy liabilities or a breach of covenants.	• Funding requirements for business plans and the timing for commitments are reviewed regularly as part of the monthly management accounts. • The Group manages liquidity in accordance with Board-approved policies designed to ensure that the Group has adequate funds for its ongoing needs. • The Board regularly monitors financial covenant ratios and headroom. • All of the Group's banking facilities now run to 30 June 2023. The US Private Placement Notes mature in five, seven, eight, ten and twelve years. • New US Private Placement Notes secured during the year, utilising the Shelf Facility, with a maturity of seven years (2029).	Since the end of 2021, there have been significant opportunities to invest in new stores, in both the UK and throughout Europe, and as a result the Group secured additional US Private Placement Note funding for €105 million, utilising the Shelf Facility. The funds were received in April 2022 and were used to pay down Revolving Credit Facilities ("RCF's") utilised to acquire the remaining 80% of the equity owned by Carlyle Europe Realty. Further, on 11 November 2022, the Group completed the refinancing of its RCF's which were due to expire in June 2023. The previous £250 million Sterling and €70 million Euro RCF's have been replaced with a single multi-currency £400 million facility. In addition, a further £100 million uncommitted accordion facility is incorporated in the facility agreement. The facility is for a four-year term with two one-year extension options exercisable after the first and second years of the agreement. The Group's loan-to-value ("LTV") ratio has broadly remained constant during 2022, at 24.4% compared to 24.9% at the prior financial year end. Therefore, this risk continues to remain low and broadly unchanged from the 31 October 2021 assessment.
Treasury risk Adverse currency or interest rate movements could see the cost of debt rise, or impact the Sterling value of income flows or investments.	• Guidelines are set for our exposure to fixed and floating interest rates and use of interest rate swaps to manage this risk. • Foreign currency denominated assets are financed by borrowings in the same currency where appropriate. • The Group has entered into FX forwards to reduce the volatility associated with the translation risk of the Euro.	Euro denominated borrowings continue to provide an effective, natural hedge against the Euro denominated net assets of our French and Spanish businesses. Although the Bank of England base rate has increased, with 93% of the Group's debt at fixed rates, the Group's exposure to interest rate shocks is mitigated. Although 93% of the Group's debt is at fixed rates at 31 October 2022, removing much of the volatility of interest rate fluctuations, as we move into 2023 and fund the new store pipeline from incremental drawings on our Revolving Credit Facility, we are likely to see modest increases in the cost of debt. Therefore, this risk has increased from the 31 October 2021 assessment.

Risk	Current mitigation activities	Developments since 2021
Property investment and development risk Acquisition and development of properties that fail to meet performance expectations, overexposure to developments within a short timeframe or the inability to find and open new stores may have an adverse impact on the portfolio valuation, resulting in loss of shareholder value. Corporate transactions may be at risk of competition referral or post-transaction legal or banking formalities. Building cost inflation makes it difficult to estimate accurate cost assumptions when considering new investments and developments.	• Thorough due diligence is conducted and detailed analysis is undertaken prior to Board approval for property investment and development. • Execution of targeted acquisitions and disposals. • The Group's overall exposure to developments is monitored and controlled, with projects phased to avoid over-commitment. • The performance of individual properties is benchmarked against target returns and post-investment reviews are undertaken.	Projects are not pursued when they fail to meet our rigorous investment criteria, and post-investment reviews indicate that sound and appropriate investment decisions have been made. The capital requirements of development projects undertaken during the year have been carefully forecasted and monitored, and we continue to maintain significant capacity within our financing arrangements. We continue to pursue investment and development opportunities, and consider our recent track record to have been successful. With the current economic uncertainty and building cost inflation, the Board considers that there has been an increase to this risk since the 31 October 2021 assessment.
Valuation risk Value of our properties declining as a result of external market or internal management factors could result in a breach of borrowing covenants. In the absence of relevant transactional evidence, valuations can be inherently subjective leading to a degree of uncertainty.	• Independent valuations are conducted regularly by experienced, independent, professionally qualified valuers. • A diversified portfolio which is let to a large number of customers helps to mitigate any negative impact arising from changing conditions in the financial and property markets. • Headroom of LTV banking covenants is maintained and reviewed. • Current gearing levels provide sizeable headroom on our portfolio valuation and mitigate the likelihood of covenants being endangered.	The valuation of the Group's portfolio has continued to grow during the year, reflecting both valuation gains arising from the increasing profitability of our portfolio and additions to our portfolio through corporate acquisitions and the opening of new development stores. However, the pressures which have led to higher inflation which in turn is having a direct impact on consumer spending may impact the self storage market. Therefore, the key assumptions that underpin the investment property valuation are subject to greater volatility. This has resulted in the level of risk increasing with respect to valuation risk compared to the 31 October 2021 assessment.
Occupancy risk A potential loss of income and increased vacancy due to falling demand, oversupply or customer default, which could also adversely impact the portfolio valuation.	• Personal and business customers cover a wide range of segments, sectors and geographic territories with limited exposure to any single customer. • Dedicated support for enquiry capture. • Weekly monitoring of occupancy levels and close management of stores. • Management of pricing to stimulate demand, when appropriate. • Monitoring of reasons for customers vacating and exit interviews conducted. • Independent feedback facility for customer experience. • The like-for-like occupancy rate across the portfolio has continued to grow partly due to flexibility offered on deals by in-house marketing and the Customer Support Centre.	The Covid-19 pandemic resulted in a contraction in economic growth. However, over the past year the economy has recovered and recent like-for-like occupancy trends have been strong and the newly opened stores are performing well. Growth in our store portfolio diversifies the potential impact of underperformance of an individual store. With the economic outlook remaining uncertain, with significant inflationary pressures in the economy, and an associated impact on the cost of living, this may lead to pressure on occupancy in the next year. Therefore, the risk has increased compared with the assessment for the year ended 31 October 2021.

Principal risks *continued*

Principal risks and uncertainties *continued*

Risk	Current mitigation activities	Developments since 2021
Real estate investment trust ("REIT") risk Failure to comply with the REIT legislation could expose the Group to potential tax penalties or loss of its REIT status.	• Internal monitoring procedures are in place to ensure that the appropriate rules and legislation are complied with and this is formally reported to the Board.	The Group has remained compliant with all REIT legislation throughout the year. There has been no significant change to this risk since the 31 October 2021 assessment. In addition, we have also reviewed the recent amendments to the UK REIT rules, taking effect from 1 April 2022, which do not affect this assessment.
Catastrophic event A major catastrophic event could mean that the Group is unable to carry out its business for a sustained period or health and safety issues put customers, colleagues or property at risk. These may result in reputational damage, injury or property damage, or customer compensation, causing a loss of market share and/or income.	• Business continuity plans are in place and tested. • Back-up systems at offsite locations and remote working capabilities. • Reviews and assessments are undertaken periodically for enhancements to supplement the existing compliant aspects of buildings and processes. • Monitoring and review by the Health and Safety Committee. • Robust operational procedures, including health and safety policies, and a specific focus on fire prevention and safety procedures. • Fire risk assessments in stores. • Periodic security review of all systems supported by external monitoring and penetration testing. • Limited retention of customer data. • Online colleague training modules.	Continuing focus from the Risk Committee, with particular attention to specific issues. The level of risk is considered similar to the 31 October 2021 assessment.
Regulatory compliance risk The regulatory landscape for UK listed companies is constantly developing and becoming more demanding, with new reporting and compliance requirements arising frequently. Non-compliance with these regulations can lead to penalties, fines or reputational damage. Changes in tax regimes could impact tax expenditure. The Group is also subject to the risk of compulsory purchases of property, which could result in a loss of income and impact the portfolio valuation.	• Monitoring and review by the Risk Committee. • Project-specific steering committees to address the implementation of new regulatory requirements. • Liaison with relevant authorities and trade associations. • Where a store is at risk of compulsory purchase, contingency plans are developed. • Legal and professional advice. • Online training modules.	The framework of tax controls has been reviewed during the year, ensuring key tax risks are in line with the Group's obligations. All regulatory compliance risks have been monitored during the year. The level of risk is considered similar to the 31 October 2021 assessment.
Marketing risk Our marketing strategy is critical to the success of the business. This includes maintaining web leadership and our relationship with Google. A lack of effective strategy would result in loss of income and market share and adversely impact the portfolio valuation.	• Constant measuring and monitoring of our web presence and ensuring compliance with rules and regulations. • Market-leading website. • Use of online techniques to drive brand visibility. • Our pricing strategy monitors and adapts to evolving customer behaviour.	We continue to build functional expertise at Group level in performance marketing, organic and local searches and analytics. The Group marketing forum continues to review performance, market developments and our ongoing improvement plan. We have implemented a new value and quality focused performance marketing strategy. The level of risk is considered similar to the 31 October 2021 assessment.

Risk	Current mitigation activities	Developments since 2021
IT security/GDPR Cyber-attacks and data security breaches are becoming more prominent with a greater level of sophistication of attacks. This has the potential to result in reputational damage, fines or customer compensation, causing a loss of market share and income.	• Constant monitoring by the IT department and consultation with specialist advice firms ensure we have the most up-to-date security available. • Twice yearly formal IT security review at Group Audit Committee. • We minimise the retention of customer and colleague data in accordance with GDPR best practice. • The policies and procedures are under constant review and benchmarked against industry best practice. These policies also include defend, detect and response policies.	During 2021 and continuing into 2022, the Group continued to invest in digital security. Some of the changes include more frequent penetration testing of internet facing systems, adding components such as anti-ransomware as well as the replacement of components such as firewalls to the latest technology and specification. The risk is not considered to have increased for the Group nor is the Group considered to be at a greater risk than the wider industry; however, we consider that digital threats on the whole are increasing. The level of risk is considered similar to the 31 October 2021 assessment.
Brand and Reputational risk Our reputation, with Safestore's growth and the increased awareness of self storage, including increased demand driving higher prices, may potentially attract greater social media attention and scrutiny.	• Constant involvement by the Retail Service team to engage with customers and address their concerns. • Constant training of the store teams to provide a clear and concise communication strategy to customers. • Our understanding of and engagement with all our stakeholders enables early visibility and identification of stakeholder dissatisfaction.	The Retail Service function always engages with customers to resolve any issues or complaints. Our Sustainability report on pages 55 to 57 of our Annual Report provides insight into how we engage with our customers and the community. The level of risk is considered similar to the 31 October 2021 assessment.
Geographical expansion The Group has invested in expanding the overseas operations of the business through both subsidiaries and the Joint Venture with Carlyle over the last two years. Suitable new sites may become more difficult to find, with new sites failing to achieve the required occupancy and therefore deliver the required sales and profitability within an acceptable timeframe. Integration of smaller acquisitions may be challenging where the infrastructure of the acquired business is not of a level required by the Group.	• Large portfolio of potential new sites, prioritised based on detailed research into areas most likely to be successful. • Strong operational knowledge and experience in integrating new business. • We have well documented procedures for the integration of new acquisitions and a good track record of recent success.	The level of risk is considered similar to the 31 October 2021 assessment.

Principal risks *continued*

Principal risks and uncertainties *continued*

Risk	Current mitigation activities	Developments since 2021
Human Resource Risk Fundamental to the Group's success are our people. As such, due to market competitiveness and cost of living increases we are exposed to a risk of colleague turnover, and subsequent loss of key personnel and knowledge.	• The Group embarked upon its five-year strategic plan in 2017 and during this period has had an efficient, high performing and stable management team in place. Our retention strategy aims to ensure we achieve long term engagement, through a combination of motivating factors. • We continue to consult regularly with our management team and monitor involuntary turnover. We maintain adequate succession for our key talent. • The Board and Remuneration Committee regularly review colleague feedback provided through surveys, our workforce advisory panel and CEO town hall events. These mechanisms enable colleagues to raise questions, discuss wider business issues and provide feedback on subjects including wider workforce remuneration. • In early 2021, Safestore received the Investors in People Platinum Accreditation. This demonstrates that our colleagues are happy, healthy, safe and engaged in supporting Safestore to deliver sustainable business performance.	The level of risk is considered similar to the 31 October 2021 assessment.
Climate change related risk The Group could be exposed to climate change in the future through the related transition and physical risks. Physical risks could affect the Group's stores and may result in higher maintenance, repair and insurance costs. Failing to transition to a low carbon economy may cause an increase in taxation, decrease in access to loan facilities and reputational damage.	• The good working order of our stores is of critical importance to our business model with our standing commitment to provide long term sustainable real estate investment. • Physical climate risk of new developments is evaluated as part of the investment appraisal process for new developments. • We have a proactive maintenance programme in place with a regular programme of store inspection, with our maintenance teams following sustainable principles and, wherever practicable, using materials that have recycled content or are from sustainable sources. • If we choose to develop a store in a high risk area, we usually proactively deploy flood mitigation measures. • We are committed to building to a minimum standard of BREEAM 'Very Good' on all of our new store developments. • All new store developments are registered with the Considerate Constructors Scheme, which considers the public, the workforce and the environment.	As part of our journey to enhance our disclosures along the recommendations of the TCFD, the Group is continuing to develop its understanding of its exposure and vulnerability to climate change risk and the direct impact on the business. The Group has identified that the exposure will be isolated to specific areas of the business, such as a specific store potentially flooding rather than a multiple store event. Further, our Sustainability Committee, with representation from across all levels of the business, continues to assess the impact of climate change related risks and is working with the Board and its suppliers to develop an ambitious plan to reduce carbon emissions. Our investment appraisal process has been updated to consider climate change related risks of new investments and will continue to be evolved as we continue on the TCFD journey. As we start to fully understand the exposure to the Group, as outlined in TCFD statement, we have a much clearer understanding of the risk. Therefore, the level of risk is considered less than the 31 October 2021 assessment and will continued to be assessed to determine whether this remains a principal risk throughout the 2022/23 financial year.

Non-financial information statement

We aim to comply with the non-financial reporting requirements contained in Sections 414CA and 414CB of the Companies Act 2006. The below table, and information it refers to, is intended to help stakeholders understand our position on key non-financial matters.

Reporting requirement	Some of our relevant policies	Where to read more about our policies
Environmental matters		The Company's sustainability strategy has as one of its four 'pillars' to mitigate the environmental effects of its activities to reduce its carbon footprint, improve recycling, reduce reliance on packaging, minimise waste and improve efficiencies on finite natural resources in all parts of the Company's operations. How the Company seeks to implement its sustainability strategy is set out in Our Environment on pages 58 to 73 of the Sustainability report. The Company's approach to environmental matters is overseen by the Company's sustainability leadership team.
Employees	Code of conduct (page 82) Equality, diversity and inclusion policy (page 50) Bullying and harassment policy Disciplinary and grievance policies Health and safety manual (page 51)	The pivotal role of our colleagues is reported within the Our People section of the Sustainability report on pages 50 to 53 and within the Chief Executive's statement on pages 9 and 10. Further commentary for individual policies is set out on the pages as detailed in the previous column and/or on the Company's website. These policies are made available to all colleagues within the Company's Colleague Handbook, an internal document available to all colleagues on the Company's intranet. The Company's approach to pay fairness throughout the Group is set out on pages 98 to 101 of the Directors' remuneration report.
Human rights	Code of conduct (page 82) Equality, diversity and inclusion policy (page 50) Data privacy policies Anti-slavery statement Whistleblowing ('Speak Out') policy (page 82) IT policy	Further commentary for individual policies is set out on the pages as detailed in the previous column and/or on the Company's website. These policies are monitored as part of our risk management processes, overseen by the Audit Committee.
Social matters		The Company's approach to social matters is set out in Our Community on pages 55 to 57 of the Sustainability report. The Company's approach to social matters is set out in the Company's Colleague Handbook and Operations Manual, which are internal documents available to all colleagues on the Company's intranet. The Company's approach to social matters is overseen by the Company's sustainability leadership team.
Anti-corruption and anti-bribery	Anti-corruption and bribery statement and policy (page 82) Gifts, tips and hospitality policy (page 82)	Further commentary for individual policies is set out on the pages detailed in the previous column. These policies are monitored as part of our risk management processes, overseen by the Audit Committee.
Description of principal risks and impact on business activity	Risk overview (pages 37 to 42 of the strategic report)	The Company's approach to risk management and internal control is set out in the governance report on page 81.
Description of the business model		The Company's market and business model are reported on pages 18 and 19 in the Chief Executive's review of the strategic report.
Non-financial key performance indicators		KPIs are summarised in the Chief Executive's statement and reported in the financial highlights section of page 2 and within the trading performance section of the strategic report on pages 19 to 21.

Certain Group policies and internal standards and guidelines are not published externally, but are available to all colleagues on the Company's intranet and publicly within the Governance section of the Company's website.

Viability statement

The UK Corporate Governance Code requires us to issue a "viability statement" declaring whether we believe Safestore can continue to operate and meet its liabilities, taking into account its current position and principal risks. The overriding aim is to encourage Directors to focus on the longer term and be more actively involved in risk management and internal controls. In assessing viability, the Board considered a number of key factors, including our strategy (see page 8), our business model (see pages 18 and 19), our risk appetite and our principal risks and uncertainties (see pages 37 to 42 of the strategic report).

The Board is required to assess the Company's viability over a period greater than twelve months, and in keeping with the way that the Board views the development of our business over the long term a period of three years is considered appropriate, and is consistent with the timeframes incorporated into the Group's strategic planning cycle, with the review considering the Group's cash flows, dividend cover, REIT compliance, financial covenants and other key financial performance metrics over the period. Our assessment of viability therefore continues to align with this three-year outlook.

In assessing viability, the Directors considered the position presented in the budget and three-year outlook recently approved by the Board. In the context of the current environment, four plausible sensitivities were applied to the plan, including a stress test scenario. These were based on the potential financial impact of the Group's principal risks and uncertainties and the specific risks associated with the recent pandemic and geopolitical pressures. These scenarios are differentiated by the impact of demand and enquiry levels, average rate growth and the level of cost savings, representing the assumption variations, which can be summarised as follows:

- Base scenario – positive year-on-year enquiries and demand growth in all countries;
- Upside scenario – representing stronger revenue growth than the base scenario in the UK and France with some slight cost Savings;
- Downside scenario – which assumes a decline in year-on-year enquiries and demand in the UK and France; and
- Stress test scenario – representing a reverse stress test to model what would be required to breach ICR and LTV covenants which indicated highly improbable changes would be needed before any issues were to arise.

Since the end of the financial year, the Group has completed the refinancing of its Revolving Credit Facilities ("RCF's") which were due to expire in June 2023. The previous £250 million Sterling and €70 million Euro RCF's have been replaced with a single multi-currency £400 million facility, with a four-year term with extension options and an uncommitted accordion facility incorporated in the facility agreement.

Further in April 2022, Safestore extended its borrowing facilities, with the issuance of the equivalent of €105 million denominated US Private Placement ("USPP") Notes.

The impact of the above scenarios and sensitivities has been reviewed against the Group's projected cash flow position and financial covenants over the three-year viability period. Should any of these scenarios occur, clear mitigating actions are available to ensure that the Group remains liquid and financially viable.

Such mitigating actions available include, but are not limited to, reducing planned capital and marketing spend, pay and recruitment measures, making technology and operating expenditure cuts and utilisation of available headroom on existing debt facilities.

Further, the recent pandemic and geopolitical pressures have resulted in significant pressure on the economic growth for the UK and Europe in 2022–23. These potential implications have been thoroughly considered with respect to the Group's strategy through the annual planning and budgeting process. They will continue to be monitored through regular and periodic reforecasts and scenario analysis over the next twelve months and align with the three-year outlook of this review during the 2023 financial year.

The Audit Committee reviews the output of the viability assessment in advance of final evaluation by the Board. The Directors have also satisfied themselves that they have the evidence necessary to support the statement in terms of the effectiveness of the internal control environment in place to mitigate risk.

Having reviewed the current performance, forecasts, debt servicing requirements, total facilities and risks, the Board has a reasonable expectation that the Group has adequate resources to continue in operation, meet its liabilities as they fall due, retain sufficient available cash across all three years of the assessment period and not breach any covenant under the debt facilities. The Board therefore has a reasonable expectation that the Group will remain commercially viable over the three-year period of assessment.

Compliance with Task Force on Climate-related Financial Disclosures ("TCFD")

We set out in the following section our climate-related financial disclosures consistent with all of the TCFD recommendations and recommended disclosures. By this we mean the four TCFD recommendations and the 11 recommended disclosures set out in Figure 4 of Section C of the report entitled "Recommendations of the Task Force on Climate-related Financial Disclosures" published in June 2017 by the TCFD.

TCFD recommendation	Included in FY2022 disclosures?	Reference/comment
Governance		
a) Describe the Board's oversight of climate-related risks and opportunities	Yes	Strategic report page 62
b) Describe management's role in assessing and managing climate-related risks and opportunities	Yes	Strategic report page 62
Strategy		
a) Describe the climate-related risks and opportunities the organisation has identified over the short, medium, and long term	Yes	Strategic report pages 62 to 65
b) Describe the impact of climate-related risks and opportunities on the organisation's businesses, strategy, and financial planning	Yes	Strategic report pages 62 to 65
c) Describe the resilience of the organisation's strategy, taking into consideration different climate-related scenarios, including a 2°C or lower scenario	Yes	Strategic report pages 64 to 65
Risk management		
a) Describe the organisation's processes for identifying and assessing climate-related risks	Yes	Strategic report page 62
b) Describe the organisation's processes for managing climate-related risks	Yes	Strategic report pages 37 and 62
c) Describe how processes for identifying, assessing, and managing climate-related risks are integrated into the organisation's overall risk management	Yes	Strategic report page 62, Governance report pages 81 to 82
Metrics and targets		
a) Disclose the metrics used by the organisation to assess climate-related risks and opportunities in line with its strategy and risk management process	Yes	Strategic report page 66
b) Disclose Scope 1, Scope 2, and, if appropriate, Scope 3 greenhouse gas ("GHG") emissions, and the related risks	Yes	Strategic report (GHG reporting) pages 67 to 73
c) Describe the targets used by the organisation to manage climate-related risks and opportunities and performance against targets	Yes	Strategic report pages 48 and 66

Sustainability

Our sustainability strategy

Our material sustainability issues, as identified by internal and external stakeholder engagement (with colleagues, investors, customers, and partners), fall within four areas, which we call the ‘pillars’ of our sustainability strategy: our people, our customers, our community, and our environment. Although these ‘pillars’ do not fundamentally change, we periodically review our activities to ensure we are focusing clearly on material areas and are aligned with not only our corporate goals but also the principles of the UN Global Compact. We track progress against medium term targets set in 2019 using appropriate key performance indicators (“KPIs”).

We report in accordance with the European Public Real Estate Association’s (“EPRA’s”) latest recommendations: EPRA Sustainability Best Practices Recommendations (“sBPR”), third version September 2017. These recommendations are also aligned with the latest Global Reporting Initiative (“GRI”) standards.

Once finalised, these indicators and supplemental information can be downloaded from the relevant section of our website: www.safestore.co.uk/corporate/investors/report-and-presentations/.

In recognition of the strides made in our sustainability disclosures, Safestore has been given a Silver rating in the 2022 EPRA Sustainability BPR awards. In addition, the Global ESG Benchmark for Real Assets (“GRESB”) has once again awarded Safestore an ‘A’ rating in its 2022 Public Disclosures assessment and MSCI has awarded Safestore its second-highest rating of ‘AA’ for ESG.

Sustainability highlights

40% proportion of female applications reached for the first time

4.5+ customer satisfaction in all markets

100% of 2021 stores powered by renewable electricity by 31 October 2022

27 gas appliances removed from UK stores

-11% market-based GHG emissions

-12.4% GHG intensity

Our purpose

To add stakeholder value by developing profitable and sustainable spaces that allow individuals, businesses, and local communities to thrive

Our people
Provide a great place to work

Our customers
Deliver a great customer experience and help customers live and grow sustainably

Our community
Benefit local communities

Our environment
Protect the planet from our activities; managing risks to our business from climate change

Our values

Our values, created by our store teams, are the foundation of everything we do

See **page 53** for more details

We love customers

We lead the way

We have great people

We dare to be different

We get it

Alignment to the UN Sustainable Development Goals

As a Group, we have continued to align our sustainability priorities with the United Nations Sustainable Development Goals ("SDGs") so that our actions can contribute to a greater collective impact. By striving to achieve our business goals, we will help solve a large set of societal challenges ranging from climate change to decent work and economic growth, and responsible consumption and production.

The SDGs or Global Goals are a call to action for stakeholders across all nations to unite and address the environmental, economic and social imbalances that affect the world's population and society.

These goals can only be achieved with the support of governments, businesses and individuals and, as the role businesses must play becomes clearer, the goals have developed into an increasingly important tool for assessing the impact of companies on society.

Our stakeholders increasingly expect us to demonstrate how we are contributing to the SDGs, specifically our investors, our customers and our current and prospective colleagues. Safestore is now one of a growing number of global organisations which are committed to supporting the SDGs and we continue to focus the bulk of our efforts in the priority areas where we can have meaningful impact.

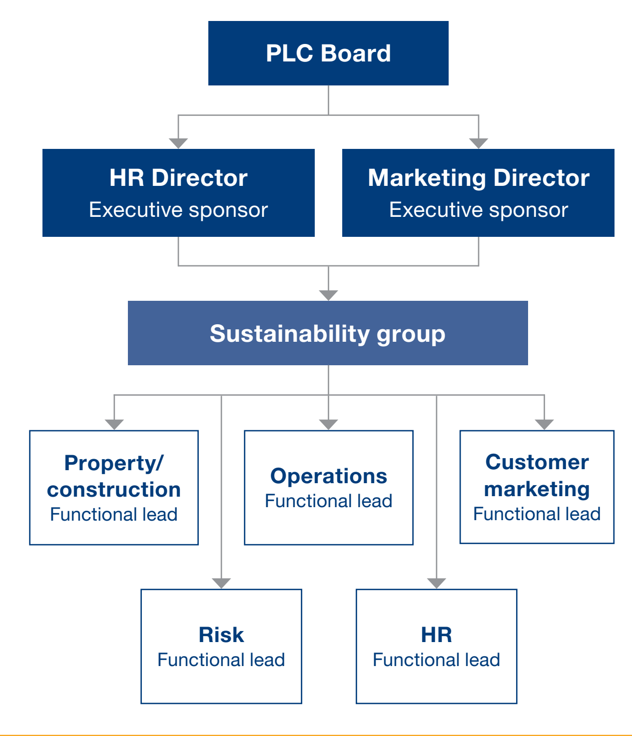
These are:

- Goal 8: Decent work and economic growth
- Goal 11: Sustainable cities and communities
- Goal 12: Responsible consumption and production
- Goal 13: Climate action

We will also seek to progress towards specific aspects of the other SDGs where relevant to our business.

Sustainability governance

Sustainability is embedded into the day-to-day responsibilities at Safestore and, accordingly, we have opted for a governance structure which reflects this. Two members of the Executive Management team co-chair a cross-functional sustainability group consisting of the functional leads responsible for each area of the business. This group reports on its activities directly to the Board.



Our suppliers

We realise that our suppliers play an important role in our business, and we expect them to act ethically, and share in our commitments to maintain sustainable business practices using the SDGs as a shared framework for defining the way we work together (SDG 17: Partnership for the Goals, which refers to the need for collaboration in pursuit of all the goals by the year 2030).

In 2021, we were proud to have been awarded the highest rating of five stars by Support the Goals, a global initiative that rates and recognises businesses that support the United Nations Global Goals. This rating is awarded to businesses which are publicly engaging suppliers in their efforts towards reaching the Global Goals.

Given that a significant amount of our environmental impact comes from our third party suppliers, we have worked hard to ensure a consistent evaluation of our supply chain in relation to internationally recognised Environmental, Social, and Governance ("ESG") standards. From our uniform providers and point of sale print and fulfilment to our merchandise partners and more, we have taken steps to co-ordinate, collaborate and convene with our suppliers and business associates as we work together towards achieving the SDGs most relevant to our business.

Our focus remains on:

- creating decent workplaces and treating our colleagues fairly and with respect
- conducting business lawfully, ethically, and with integrity
- responsible sourcing, consumption, and production

As we are only as strong as our weakest supplier, our intention is to continue to demonstrate our commitment, actions and progress towards the SDGs, and encourage our suppliers to work towards achieving similar goals.

Sustainability *continued*

Alignment to the UN Sustainable Development Goals *continued*

Sustainability targets and KPIs

The table below outlines the targets we set ourselves in each of the four 'pillar' areas. We are pleased to have met the majority of the 2022 targets set in 2019 and our near term focus now shifts to the 2025 targets. In light of our plan to achieve operational Net Zero according to the market-based method for Scope 2, and the acquisition of store portfolios in the Benelux, the 2025 emissions targets have been revised this year.

Sustainability strategy 'pillar'	Sustainable business goals	Corporate business goals	UN Sustainable Development Goals	Performance measures ("KPIs")	Targets 2022	Targets 2025
Our people	The fairest places to work	A great place to work	5 GENDER EQUALITY	Percentage of females applying for roles at Safestore	40%	42%
	A safe working environment		8 DECENT WORK AND ECONOMIC GROWTH	Engagement score	Maintain score >80%	
				Number of reportable injuries (RIDDOR)	Zero	Zero
				Investors in People	n/a	Maintain IIP Platinum
Our customers	Deliver a great customer experience Help customers live and grow sustainably	Storage provider of choice	8 DECENT WORK AND ECONOMIC GROWTH	Customer satisfaction score	>4.5	>4.5
Our community	Benefit to local communities	Help local economies thrive	11 SUSTAINABLE CITIES AND COMMUNITIES	Pro bono value of space occupied by local community groups	Opportunity led	Opportunity led
Our environment	Reduce our waste	Achieve optimal operational efficiency	12 RESPONSIBLE CONSUMPTION AND PRODUCTION	% of construction waste diverted from landfill in the UK	98%	99%
				% of operations waste to landfill	1.75%	1%
	Reduce our emissions		13 CLIMATE ACTION	% of renewables in owned store electricity (Group)	100%	100%
				Abs. operational GHG emissions (tonnes CO_2e)	3,917 (LB)	3,400 (LB) 1,014 (MB)
				Operational GHG emissions, MB vs 2021	(25%)*	(20%)
				Operational GHG intensity (kg $CO_2e/sq\ m^2$)	4.5 (LB)	3.5 (LB) 0.93 (MB)
				Total emissions vs 2013 baseline – LB	(50%)	n/a
				Emissions intensity vs 2013 – LB	(58%)	n/a

Key:

● Target achieved ● Target nearly achieved ● Target not met

Note:

* MB emissions 25% lower for UK, France, and Spain vs 2021.

Our people

Target

Engagement score

Maintain score >80%

Performance 2021/22

✓ 90%

INVESTORS IN PEOPLE
We invest in people Platinum

We know our people as individuals, and show respect for each other, enabling everyone to have a voice so that they can bring their full, unique selves to work.

Our leaders are role models who build high trust. We recognise that great people management takes time and therefore we have kept colleague-to-manager ratios low to enable our leaders to invest their time in our people.

We have built an environment where it's natural for us to give regular, honest feedback and to coach in the moment. And formally, we go beyond mandatory training to promote life-enhancing learning where everyone can continually evolve.

We are exceptionally proud to have been awarded the prestigious Investors in People ("IIP") Platinum accreditation. We also made the final top ten shortlist for the Platinum Employer of the Year (250+) category in The Investors in People Awards 2021. We see our colleagues as an asset, and we understand that it's our people who truly make the difference.

We endeavour to operate employment practices that support SDG 3 (Good health and wellbeing), SDG 8 (Decent work and economic growth) and SDG 10 (Reduced inequalities) through building, improving, and maintaining safe and secure working environments and advocating a diverse and inclusive workforce, free from harassment and victimisation. Our Wellbeing Strategy and People Principles documents further expand on how we seek to achieve this.

More details about the progress we have made in each section of our wellbeing strategy can be found on pages 51 to 53.

Sustainability *continued*

Our people *continued*

Equality, diversity, and inclusion

We are committed to providing an inclusive workplace, encouraging, and welcoming diversity with zero tolerance of harassment and discrimination. More detail can be found in our People Principles document (online in the Governance section).

Our strong wellbeing foundation has enabled us to develop a strategy setting out our approach to further support diversity and inclusion at Safestore.

We are proud of Safestore's diverse workforce; in our 2021 IIP survey, 89% of colleagues agreed that Safestore values and respects individual differences. Our new Diversity and Inclusion Strategy is about embedding and continuing the important work we've already done to enable all our colleagues to feel confident to bring their full unique selves to work.

Colleague journey. This is about ensuring our culture is friendly and welcoming to all. We want people to be themselves at work, and initiatives such as our Values and Behaviours framework, health, and wellbeing support from day one, and improving the accessibility of our learning and development opportunities support our culture.

Safestore Diversity and Inclusion Strategy

Purpose

Enable colleagues to feel confident to bring their full unique selves to work

Colleague journey

Provide an inclusive onboarding experience so colleagues feel welcome from day one

Integrate inclusion into culture through our behaviours and policies

Ensure learning and development opportunities are accessible for all

Colleague data and analytics

Improve data quality to understand our workforce diversity

Invest in data development and analytics

Use diversity data to inform positive action

Positive action

Target recruitment at under-represented groups

Introduce targeted colleague support networks and mentoring schemes

Enable community affinity groups

Continue awareness-raising activities and communications

Leadership and management

Equip and educate leaders to encourage and welcome diversity

Actively remove bias

Create a safe space for open and inclusive discussion

Colleague data and analytics. In 2022 we have continued to collect ethnicity data to better understand the ethnic mix of our workforce. To date, over 70% of UK colleagues have volunteered their ethnicity data. This data indicates that 31% of Safestore colleagues belong to a Black, Asian, Mixed or other ethnic group, compared with 18.3% of people who make up this group in the UK (2021 census data).

We are really proud of the ethnic diversity of our colleagues. We want to collect more people data to further understand our diverse communities such as the LGBTQ+ and neurodiverse communities, to inform even more beneficial and tangible action.

Positive action. This is about recruiting from under-represented groups, and building campaigns and opportunities for networks to meet, be listened to and feel supported.

For example, we have improved our female applicant percentage and refreshed our careers website to ensure it is representative. Our awareness-raising activity on our internal communications platform, Yapster, such as our 'Christmas Around the World' and International Women's Day campaigns have generated lots of energy and engagement.

Leadership and management. This is about how we support our leaders to encourage and welcome diversity. For example, we have introduced an updated equality, diversity and inclusion e-Learning module which was completed by all colleagues in 2022 and is now part of the induction for all new colleagues joining Safestore.

We want Safestore to be a safe space for discussion and curiosity to enable colleagues at all levels to continually learn from each other.

Gender equality

The ratio of male to female colleagues at Safestore is outlined in the table below. Further analysis of our gender pay gap can be found in the 2021 gender pay gap report on our website. The report also sets out a range of actions we are taking to help close the gap.

Group gender split at 31 October 2022

	Male	Female
Board Directors	5	3
Executive Committee and direct reports	34	9
All colleagues (excl. NEDs)	478	267

Positive environment

Colleague engagement

We believe that engaged colleagues, who feel valued by our business, are the foundation of our customer-focused culture.

Our 'Make the Difference' people forum, launched in 2018, is a formal workforce advisory panel, which enables frequent opportunities for us to hear and respond to our colleagues.

Our network of 15 'People Champions' collate questions and feedback from their peers across the business and put them to members of the Executive Committee.

Our people forum provides a listening culture, enabling high levels of consultation. Innovation and ideas now come from every level.

We drive change and continuous improvement in responding to the feedback we receive, via our internal communication channels and back through our network of People Champions.

Recently, our People Champions have helped us to continue our awareness-raising activities and communication through a selection of a broad range of topics for discussion on Yapster, our internal social media platform. The aim is to appreciate our diversity, by recognising and celebrating festivals and events, as well as individuals, and to create a safe space for sharing and discussion. In addition, we use Yapster to highlight local successes and recognition between stores and regions with strong links made to Safestore's alignment to the SDGs.

Health and safety

Safestore strives to meet and, wherever possible, exceed best practice through:

- regular and robust health and safety checks across our portfolio
- regular independent audits of sites, performed by our external health and safety consultants on a rolling programme, to ensure that procedures are followed and that appropriate standards are maintained
- ensuring all colleagues understand their responsibility for health and safety at Safestore. If a site is highlighted as falling below our health and safety standards, colleagues on site are urgently required to make improvements
- comprehensive compulsory health and safety training programmes for all colleagues
- regular Health and Safety Committee meetings to review issues, processes, policies, and actions. The Health and Safety Committee minutes are shared with both our Risk and Audit Committees
- accident reports to identify, prevent, and mitigate against potential risks managed using our online incident reporting systems. All reports are reviewed by the Health and Safety Committee to consider what preventative measures can be implemented

There were no fatal injuries, notices or prosecutions during the year ended 31 October 2022 in any part of Safestore operations.

Group health and safety statistics

Customer, contractor, and visitor ("CCV") health and safety

Summary:

- 38 minor injuries were recorded over the past year, none of which were reportable under RIDDOR*.
- 3 minor injuries were recorded to contractors and 35 to customers. No injuries were recorded to visitors.
- Injuries were recorded as 29 minor cuts, 7 bumps and bruises and 2 strains mainly relating to customers handling their goods.

Year ended 31 October	2020	2021	2022
Number of stores	155	161	**179**
Customer, contractor, and visitor movements	120,995	206,871	**242,559**
Number of minor injuries	36	46	**38**
Number of reportable injuries (RIDDOR)	0	0	**1**
RIDDOR per 100,000 CCV movements	0.0	0.0	**0.4**

Colleague health and safety

Summary:

- 26 minor injuries were recorded over the past year.
- No accident/incident was reportable under RIDDOR*.

Year ended 31 October	2020	2021	2022
Number of colleagues	658	648	**751**
Number of minor injuries	21	19	**26**
Number of reportable injuries (RIDDOR)	2	1	**0**
AIIR** per 100,000 colleagues	303	154	**0**

Notes

* RIDDOR = Reporting of Injuries, Diseases and Dangerous Occurrences.

** Annual injury incident rate = the number of reportable injuries ÷ average number of colleagues (x100,000).

Sustainability *continued*

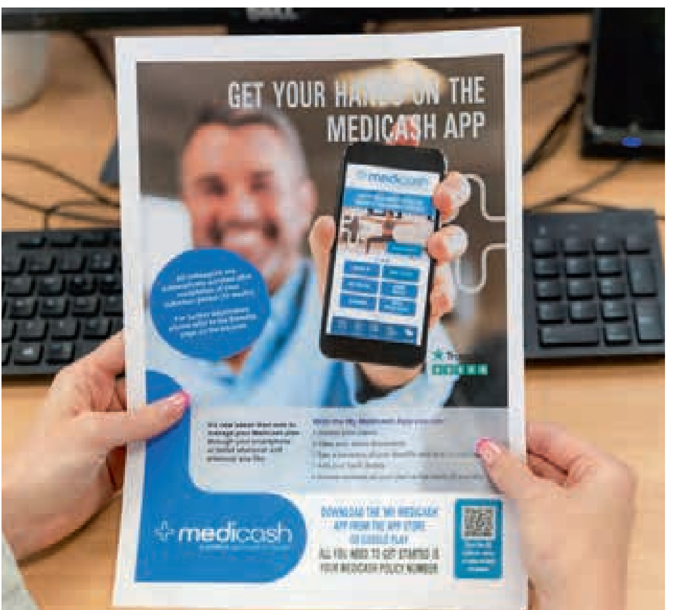
Our people *continued*

Great lifestyle choices

We focus on offering simple, practical wellbeing initiatives, to support our colleagues to lead healthier and happier lives. We recognise that it is more important than ever for our colleagues to take care of themselves and their loved ones.

- Our new cash plan, provided by Medicash, provides colleagues with everyday reassurance on their health and wellbeing from top to toe, inside and out, from GP appointments to skin health checks and physiotherapy to counselling services.
- We have further promoted our Employee Assistance Programme ("EAP") and other external support organisations such as Mind and Mental Health UK, providing our colleagues with expert guidance and support on everyday matters whenever they need it.
- We continue to work closely with our occupational health provider including provision of private counselling for colleagues in crisis requiring immediate support.
- We have increased the voucher limit on our popular Cycle to Work scheme.
- In addition to our 'My Wellbeing' webpage (our internal wellbeing resource hub), we have also communicated a number of wellbeing events and offers using our internal platform, Yapster. We believe good wellbeing communications promote and embed our positive and supportive working environment.

> Health and wellbeing initiatives are being given more attention and people are positive about the commitment to wellbeing.
>
> **Matthew Filbee,**
> **IIP Practitioner**



Personal growth and education

Learning and development

At Safestore, we have a strong focus on learning and development for all our colleagues, with a genuine commitment to building a culture of developing talent.

> The overall culture of the organisation very much projects the message that learning and development are valuable.
>
> **Matthew Filbee,**
> **IIP Practitioner**

We use innovative methods of learning as well as traditional routes, with lots of support from our managers at all levels. The survey revealed that 93% of respondents knew how Safestore invests in learning and development. In 2022, we delivered over 30,000 hours of training.

All learning is evaluated, with skills development and practice gained through on-the-job supervision, regular coaching sessions, module sign-off, observation, feedback, and overall evaluation of how effective a programme of learning has been.

Across the Group, there are plenty of opportunities to put skills and knowledge into practice, with colleagues being given extra responsibilities to enable this to happen.

Our leaders understand the importance of succession planning. Talent management is sophisticated and transparent, with performance management channelled through our Values and Behaviours framework, to identify and support high potential individuals.

In the UK, both our Sales Consultant and Store Manager Development programmes continue to grow and upskill our colleagues. Everyone has the opportunity to discuss and agree their learning and development pathways with their line manager, and this is executed effectively. In our latest IIP survey, 88% of respondents stated that they have opportunities to learn at work.

We were also delighted that our Store Manager Development programme, now in its sixth year, has a record of 18 new participants for 2022. Funded by the Apprenticeship Levy this programme provides the opportunity to complete a Level 3 Management and Leadership apprenticeship, with the additional opportunity to complete an Institute of Leadership and Management ("ILM") qualification.

In addition, all nine participants of our Senior Leadership Development programme ('LEAD Academy') successfully completed their Level 5 Management and Leadership apprenticeship; six of those participants were awarded Distinctions.

Furthermore, we have re-launched our Graduate Programme, with our first intake commencing in October 2022, providing an opportunity for newly qualified graduates to build their skill set and experience, resulting in a career with Safestore.

Financial wellbeing

We understand that the current cost of living crisis is having a significant impact on personal finances. As part of Safestore's wider wellbeing strategy, we are committed to doing what we can to ensure the financial wellbeing of our colleagues.

- During the Covid-19 pandemic, we enhanced Company sick pay ("CSP") to alleviate the financial burden. We have taken the decision to make this enhancement permanent and all colleagues are now entitled to CSP from day one of employment.
- We applied our annual pay increase to all eligible colleagues a month early in March.
- We made exceptional payments totalling £1,000 to every colleague: £500 in December 2021 as a thank you for their contribution during the pandemic; and a further £500 cost of living payment in October 2022 to ease financial hardship over the winter period.
- We launched a 'benefits portal' on our intranet, creating a one-stop-shop for all colleagues to access information about which benefits are available to them and how to access them. Following feedback through our 'Make the Difference' people forum, we introduced an annual uniform allowance for all store colleagues.

Our workplace pension is provided by Scottish Widows, one of the UK's leading workplace pension providers. We are pleased to offer eligible colleagues the opportunity to make their pension contributions through a salary sacrifice arrangement, recognised as the most tax-efficient way of making pension contributions.

In August, we opened entry into our 2022 Sharesave scheme, and are delighted that 48% of our colleagues now share in our success by being a member of at least one of our Sharesave schemes. This is further evidence of high levels of colleague engagement across the business.

Active leaders and engaged teams

Leadership

Our leaders bring out the best in our colleagues, motivating them to work together to achieve our shared goals and objectives.

We achieve this by keeping colleague-to-manager ratios low, enabling our leaders to invest time in encouraging and engaging our colleagues, forming genuine connections with their teams. This is evidenced by the exceptionally high leadership engagement score of 90%, achieved in our IIP survey.

Our active leaders are energetic and passionate, engaging in honest, open communication to connect with their colleagues. Our coaching culture encourages two-way feedback supporting both personal and professional growth, which is formalised through the setting of clear goals and expectations, reviewed bi-annually.

> **Many people said how much they love working at Safestore and the pride in the service delivered came across loud and clear. Everyone described a friendly, supportive place to work.**
>
> **Matthew Filbee,**
> **IIP Practitioner**

Values and Behaviours

Our values are authentic, having been created by our colleagues. They are core to the employment life cycle and bring consistency to our culture. Our leaders have high values alignment enabling us to make the right decisions and maintain morale at all times, and this has been proven especially during the pandemic.

We are empowered to do the right thing, not necessarily the easiest. This enables us to feel comfortable challenging behaviours that are not in line with our values.

We love customers – we deliver much more than storage; we provide solutions that exceed our customers' expectations, and we expect our people to show appreciation of our customers and their businesses.

We lead the way – we want people who talk with pride about Safestore, set themselves high standards and demonstrate passion for what they do.

We have great people – everyone has a key role to play within Safestore and we need people who show respect for everyone, no matter their position. Our people drive their own performance and are keen to learn from others.

We dare to be different – we want people that adapt to change and are willing to try new things. Part of daring to be different involves actively seeking feedback to develop new and existing skills.

We get it – we want people to be clear on our vision and goals and, in turn, know what part they play in achieving them. 'We get it' is also about communicating in a clear, open, and honest way to enable sound decision-making.

Sustainability *continued*

Our customers

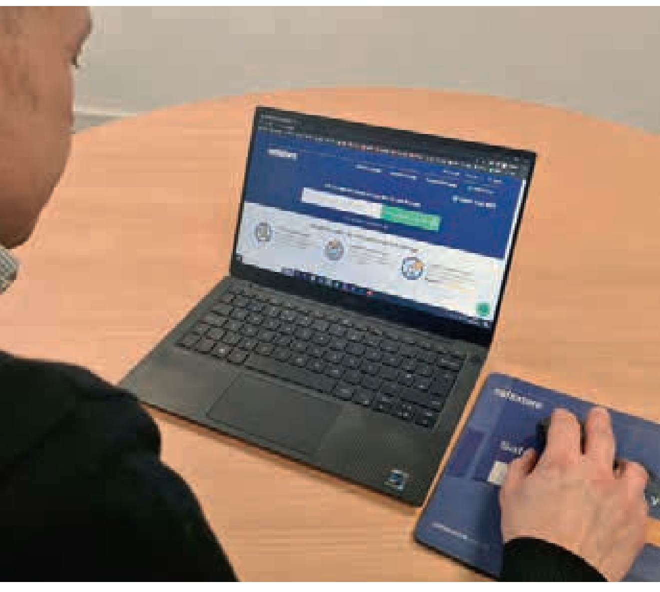
Target

4.5

Maintain 4.5+ satisfaction scores in each market

Performance 2021/22

- ✓ UK: **4.7** Feefo and **4.8** Trustpilot
- ✓ France: **4.6** Trustpilot
- ✓ Spain: **4.7** Google
- ✓ Belgium: **4.7** Feefo
- ✓ The Netherlands: **4.9** Trustpilot



Listening to and engaging with our customers
As a Group, we serve many customers across the UK and Europe through face-to-face communication in store, directly through our Customer Support Centre, and online via our website, email, and social media channels, as well as through our LiveChat service. By offering these different channels, our customers can get in touch with us through their preferred mode of communication.

We believe in providing a great customer service, and responding positively to our customers' ever-changing needs, expectations and behaviours. We are always keen to hear from our customers to maintain the high standards of service that we pride ourselves on. We invest in customer service training, tools, coaching and evaluation to provide a service that is professional, efficient, and helpful.

Our aim is to exceed our customers' expectations from initial enquiry through to move-in, and this is evident through the way our colleagues handle customer enquiries, claims, and issues. For this reason, we collect, monitor, review, and respond to customer feedback collected on our website, third party platforms, and social media, to gauge customer satisfaction, raise service standards, and manage our brand reputation online.

We aim to communicate with customers and prospects in a creative and consistent way across the various communication channels. We see our social media channels on Facebook, Twitter, Instagram, and LinkedIn as a 'shop window' to our brand that can help to reach new audiences, both in the UK and Europe. These channels are also helpful to gauge customer feedback and public sentiment, and thus we regularly monitor them, responding to any comments and enquiries. We frequently post content to our social media channels such as tips and advice for homeowners and businesses, profiles of charity organisations we support, recruitment opportunities within the Group, any sustainable or green business initiatives, and links to our blog pages as well as regular Facebook advertising across the Group.

Delivering a great customer experience
Our core business is to provide well-located, accessible, safe, and secure storage sites operated by colleagues who are experts in the self storage business. We endeavour to make each customer touchpoint as stress-free as possible, for example by:

- the use of SafePay links giving customers the ability to pay by direct debit or to pay invoices online
- accepting deliveries on our customers' behalf where delivery drivers can take items direct to store saving indirectly on customer travel time, cost, and associated carbon emissions
- offering our customers three types of contracts giving them the opportunity to choose the one which best suits their needs

Our website – a user-centric re-structure
Our industry-leading multilingual and dynamic website continues to play an important part of the enquiry mix with enhanced search engine performance, optimisation for mobile devices, and bespoke management of rich website content.

As most of our enquiries are generated online, we continue to work to provide the customer with an even clearer, more efficient onsite experience. Consequently, we have acknowledged the importance of answering user queries with well-positioned and relevant information as soon as they arrive at the website. This has been at the heart of the initiative. By using analytical data and re-structuring the page format, we can see the content most in-demand which has enabled us to help users locate key information about our stores and the storage offering.

Website technical performance
60% of our web visitors start their journey with a storage related search on Google so we've also focused our rebuild of the 129 Safestore UK pages with specific guidance from Google. For example, we have technically improved the pages to ensure they are quicker to load on slower internet and mobile connections. This is following ongoing recommendations from Google as to improve user experience and strengthen positions in Google search results. We also aim to continue making pages simpler to read and easily accessible by users on the whole range of mobile devices.

The new store pages are in a test phase and will be released to non-UK markets early in 2023.

Helping our customers to live and grow sustainably
We also remain focused on delivering against our sustainability agenda by encouraging our customers to make more sustainable choices. This is in addition to making a positive social and economic contribution to our communities, and reducing the environmental impact of our operations. We want to support our customers with products and solutions that help improve their lives such as:

- digital contracts, offering both convenience and a 16% reduction in the number of pages printed this year versus last (equal to a reduction of 528,236 pages or over 1,000 reams of paper)

- Refill, a scheme available in 122 Safestore stores across the UK offering free tap water to make it easy for the public to refill reusable water bottles instead of buying new plastic ones
- provision of sustainably packaged merchandise and eco-friendly box products
- cardboard recycling for some customers

Customer reviews

We have retained Feefo, an independent review and insight platform, to collect real-time and 100% genuine feedback from our customers. Our stores in the UK receive regular feedback allowing customers to view reviews and ratings. In 2022, Safestore UK achieved a customer service rating of 4.7 with 94% rating their experience as 'Excellent' or 'Good'.

Safestore UK also won the Feefo Platinum Trusted Service award for the fourth year running – an award that is given to businesses that have achieved Gold standard for three consecutive years. This independent mark of excellence recognises businesses for delivering exceptional experiences, as rated by real customers. It is a highly valued award and as all reviews are verified as genuine, the accreditation is a true reflection of Safestore's commitment to delivering the best service possible.

In addition to using Feefo, our customers are able to leave reviews on a number of other platforms, including Google and Trustpilot. As a result, wherever customers look for trust and reputational signals about Safestore, they will see an impartial view of our excellent customer satisfaction.

Trustpilot is a well-recognised and authoritative third party review platform and this year, Safestore has maintained a TrustScore of 4.8 out of 5 in the UK from 2,349 reviews, illustrating our experience in delivering a high level of customer service.

Une Pièce en Plus also continues to use Trustpilot to obtain independent customer reviews. During the year, Une Pièce en Plus maintained a TrustScore service rating of 4.6 with 90% of customers rating their service experience as 'Excellent' or 'Great'. Additionally, in Spain, OhMyBox! achieved a 4.7 out of 5 rating for customer feedback collected from Google Reviews. In Belgium, our customer service was rated 4.7 out of 5 on Feefo, whilst we achieved a high scoring 4.9 out of 5 on Trustpilot in the Netherlands.

We are pleased that our colleagues across all markets continue to be recognised for their hard work in delivering a consistently high level of customer service.

Our community

Target

Provision of free/discounted space and additional support to high impact local community groups

Opportunity led

Performance 2021/22

18,903 sq ft provided

£727,356 worth

Safestore is committed to making a positive contribution within the local communities around our stores. We are keen to deliver long term benefits to society and the local economy consistent with our alignment with SDG 11 (Sustainable cities and communities). Moreover, we are committed to being a brand that our current and prospective colleagues are proud to work for as well as one that our customers can trust.

We continue to do this by:

- developing brownfield sites
- actively engaging with local communities when we establish a new store
- identifying and implementing greener approaches in the way we build and operate our stores
- helping charities and communities to make better use of limited space
- creating and sustaining local employment opportunities directly and indirectly through the many small and medium-sized enterprises which use our space

We aim to create long-standing relationships with charities and organisations that drive positive change within our local communities. We know that we can build trust by operating responsibly and partnering with local and national charities which means that we can support causes that are important to our colleagues, customers and communities. This enables us to address issues such as rising homelessness, enhancing social mobility and creating opportunities for people living and working in the local area.

In 127 stores across the UK we continue to:

- provide fundraising support to existing and new local charity partners
- offer free or discounted storage space to local communities through our 'charity room in every store' scheme
- actively seek out practical and creative solutions by working with and supporting a number of charitable causes
- leverage social media and our blog platform to promote our charity partners and raise awareness of their cause

During the year, the space occupied by local charities in 222 units across 103 stores was 18,903 sq ft and worth £727,356 (FY2021: £636,945). Our aspiration is to have at least one charity room in every store.

We regularly monitor the free and discounted space occupied by charities, ensuring that the partnerships are running smoothly. In addition, we encourage our colleagues to maintain relationships with the charities we support and we continually review the scheme to ensure that it is beneficial for all involved.

Sustainability *continued*

Our community *continued*

HandsOn London

For the eleventh year in a row, Safestore UK teamed up with the WrapUp London campaign to support their annual coat drive to help those in need during the winter of 2021.

More than 23,700 coats were collected during the campaign, which began in early November and ran through December. Coats were distributed to the homeless, refugee families, the elderly, those fleeing domestic violence, and others living in crisis through a network of over 100 London charities and community groups.

Several Safestore UK centres were used as local drop-off points for the public due to ongoing Covid-19 restrictions at the time. Our colleagues also offered their support by marketing the campaign via social media, donating their own coats, and offering extra storage space to facilitate the sorting, distribution and packing of the coat donations.

Since the campaign was launched in 2010, volunteers have collected, sorted, and distributed a total of 197,245 winter coats which has made a real positive difference in the lives of the city's most vulnerable people.

Over the years, and in partnership with WrapUp London, Human Appeal and Rotary Club International, the campaign has extended outside of London to 18 other collections in major towns and cities across the UK including Glasgow, Manchester, Birmingham, Bath, Bristol, Leicester, and Cardiff.

This year, Safestore's involvement included:

- providing storage space across 15 stores in London, six stores in Greater Manchester, two in Birmingham, and one each in Bristol, Glasgow, Leicester, and Bath
- provision of 5,908 sq ft of storage space enabling 913 campaign volunteers to spend 3,924 hours sorting and packing up coats for distribution whilst maintaining social distancing
- the stores acting as drop-off points beyond the campaign period and receiving numerous donations from other businesses, community organisations and the general public
- using our internal and external communications platforms to raise awareness of the WrapUp London cause and inspiring our colleagues to get involved locally

Jon Meech, CEO, HandsOn London, said:

With the country lurching from one crisis to the next, our work with the poor, needy and vulnerable has never been more critical. From people losing their jobs following the Covid-19 pandemic or becoming homeless, to those being forced to flee domestic abuse or war-torn countries, the desperate need for warm coats and jackets for all ages keeps growing.

Now at over ten years old, WrapUp London has become one of the largest winter volunteering campaigns in the city. Whilst its tough that this is still required after all this time, it's been amazing to see just what can be achieved when people are willing to volunteer their time and efforts. Sadly, the number of people living in challenging circumstances in the city is rising, and now more than ever as we face a cost of living crisis, donations from the public are required to help those in need.

We, alongside our partners Human Appeal and Rotary Club International, are eternally grateful to Safestore for the donation of storage space for the WrapUp campaign now held nationwide. This has meant that coat collections can take place across multiple locations in the UK, and our volunteers also have the space to sort and package up the donations received so we can ensure they get to the right place. Safestore's support has enabled the collection and distribution of over 197,000 warm coats to date. It's been great to work with Safestore and we look forward to continuing our partnership for years to come."

Gem Porter, Founder of Streets Kitchen, said:

The team at Streets Kitchen is grateful to Safestore for supplying much needed free storage space. The space means that we can continue to take in donations from our supporters allowing us to better care for those in need in the local area.

The last few years have been challenging, particularly for those living on the streets, and our services are needed more than ever as we head towards a cost of living crisis. This free space means that we can divert the funds we would have spent on storage to be used in other areas which make the most difference to the vulnerable people we serve."

Local charity support

Making a difference to the communities within which we operate, through partnerships with charities and not-for-profit organisations, is an integral part of our sustainability strategy. These partnerships are a source of pride for our store colleagues and drive ongoing engagement with our purpose. In order to achieve this, we provide financial support to local and national charities, and encourage our colleagues to get involved in fundraising and volunteering.

Our Head Office colleagues were able to collate boxes of groceries and treats at Christmas time which were donated to a local foodbank during a lockdown period. We believe it is important for our colleagues to recognise how our activities can have an impact on those around us and it is our hope that any volunteering and fundraising opportunities would inspire and encourage them to get involved and provide hands-on help where it matters.

The provision of free and discounted storage space has helped our charity partners provide immediate support to people facing challenges in our local communities. These include charities supporting the homeless, families struggling with food poverty, and organisations offering mental health services. We are continuing to work collaboratively with our colleagues in store locally as we support our charity partners in helping the communities in the areas within which we operate.

Streets Kitchen is a UK-based grassroots organisation working to support the homeless community with food outreach programmes, distributing clothing to those in need, and connecting those who want to help with those who need help. Safestore currently provide Streets Kitchen with free storage space enabling the charity, which is run and organised by volunteers, to continue its invaluable work in the London area.

Safestore holds a charitable fund with Quartet Community Foundation, dedicated to supporting local organisations that help people in need in Bristol, Bath and North East Somerset, North Somerset and South Gloucestershire. Between April 2021 and March 2022 Quartet awarded over £4.8 million in grants to 888 local charitable organisations, with a third of the funding spent on improving people's mental health and wellbeing, and a quarter on increasing people's access to vital services.

A key part of the work last year, in the aftermath of the pandemic, has been to strengthen the voluntary sector organisations which have played a crucial role in supporting the most vulnerable in our communities.

Construction and the community

We strive to minimise any negative impact of our business operations on our local communities as well as on our environment. We register all our new store developments with the Considerate Constructors Scheme, and we engage with our immediate neighbours on all projects by sending out regular newsletters about what we are doing or if we have any noisy work planned that may create a nuisance.

When we tender for various construction projects, we always look to give local companies the opportunity to tender for the various construction packages.

In the summer of 2022, Safestore joined forces with construction partner UC Build to sponsor the Great Merton Mencap Art Competition, an accessible competition for children, young people, and adults with a learning disability. After a public exhibition, the winner's artwork in each category was printed onto greetings cards and sold to the public to raise funds for Merton Mencap.

In the run up to our new Morden store opening, we established the location as a drop-off point for members of the public to drop off groceries and other essentials for a local foodbank providing emergency food and support to people in crisis.

It is our ongoing commitment to ensure that we act responsibly and ethically wherever we construct our storage sites across all the markets in which we operate.

Sustainability *continued*

Our environment

Target

100%
UK owned stores powered by 100% renewable electricity

Reduce
UK store waste to landfill by 50% by 2025 vs 2016/17 level

Improve
construction waste diversion from landfill to 98%

Reduce
carbon emissions by 50% of 2012/13 baseline by 2022 (2018 store portfolio)

Performance 2021/22

✓ **100%**
Completed

✓ **1.7%**
On track – we have achieved 100% diversion from landfill for UK operational waste since May 2022

✓ **98.5%**
On track – 98.5% diversion of construction waste from landfill

✓ **54%**
On track – total emissions 54% below baseline despite 50% portfolio growth; intensity 70% below

In this section, we explain how we are reducing our impact on the planet through ongoing improvements in construction standards and our store operations. We also include our Task Force on Climate-related Financial Disclosures ("TCFD") through which we seek to understand and manage the potential risks (and opportunities) to our business associated from a changing environment.

Our net zero commitment

We are pleased to share our commitment to become an operationally net zero Group by 2035. This commitment covers Scope 1 and 2 emissions plus Scope 3 emissions, which relate to ongoing operations (water, waste, electricity, transmission and distribution, and business travel).

We aim to achieve this through a combination of consumption reduction initiatives as outlined later in this section such as phasing out of gas heating in the UK portfolio, and ensuring all energy consumed is self-generated (where viable) or purchased from certified renewable sources.

We also intend to work with our construction partners to understand the baseline of embodied carbon in our new developments and explore ways of reducing this where viable. Our sustainable construction standards (see below) already seek to maximise the use of recycled material and minimise waste whilst building to Building Research Establishment Environmental Assessment Methodology ("BREEAM") 'Very Good' standards. Based on research by the London Energy Transformation Initiative ("LETI") redevelopment projects have an embodied carbon footprint of approximately 50% of new-build developments. As such, the Group's flexible model is likely to generate less embodied carbon than operators which develop new build structures exclusively.

Safe, sustainable construction

Safestore is committed to ensuring our buildings are constructed responsibly and their ongoing operation has a minimal impact on local communities and the environment. This is how we can make a meaningful contribution towards achieving SDG 12 (Responsible consumption and production) and SDG 13 (Climate action).

- Our construction teams in the UK and across Europe follow sustainable construction principles and, wherever practicable, we use materials that have recycled content or are from sustainable sources.
- We monitor the waste and energy usage on every site and introduce efficiencies identified into future building projects.
- We design our stores to provide a safe, secure home for our customers' possessions and we build them with consideration given to our people, our customers, our communities, our investors, and the environment.
- 50% of our last twelve new store openings have been conversions of existing buildings. Our Bow store, which opened in December 2021, was also a converted building and our new store in Wigan will also be a conversion.

Building Research Establishment Environmental Assessment Methodology ("BREEAM")

BREEAM certification is a local planning requirement for some of our new stores. The methodology assesses impact and opportunity for enhancing the environmental aspects of design and construction.

The certification includes a review of new store energy, sustainable building materials, water efficiency, waste recycling and ecology. The review also includes social aspects of the building life including resource management, health, wellbeing, modes of transport and pollution reduction.

Regardless of whether a site is BREEAM certified, we are committed to build to a minimum standard of BREEAM 'Very Good' on all of our new store developments.

2021/22 highlights

REGO
All electricity used in UK owned stores is renewable and backed by REGO certification

21.6%
reduction of our year-on-year UK operational waste production

27
UK stores now have gas use removed, reducing overall usage year-on-year by 37%

100%
of our UK operational waste has been diverted from landfill since May 2022

3
plug-in hybrid electric cars have been purchased to replace one diesel and two petrol vehicles this year

Safestore construction standards

We have a long-standing commitment to providing both a long term sustainable investment and a pleasant and safe environment for our customers and colleagues.

Our stores are built or converted to achieve similarly high standards; however, the configuration of an individual store may vary.

Safestore commitments from 2019/20 onwards are:

Best practice – internal/ external expectation	Safestore commitment	Applicability
BREEAM	Equivalent to 'Very Good'	Across all new build stores
BREEAM	Very Good	Where part of local planning
Sustainable drainage systems	Included	Across all new build stores
Solar photovoltaic	Roof-mounted photovoltaic	Where part of local planning
Considerate Constructors Scheme	Score 36 or higher	All new stores
Ecology	Protect existing and improve biodiversity	Across all new build stores
Energy	Efficient LED lighting with built-in motion sensors	Across all existing and new stores
Security	Operate safe and secure facility	Across all existing and new stores
Energy Performance Certificate	Rated B or higher	All new stores

Construction material: recycled content

Typically, the construction of one of our stores may include the following:

Building material	% of build cost	% recycled content
Steel (main frame)	4%–5%	Minimum 56%
Concrete	3%–4%	29%–37%
Cladding (walls and roof)	7%–9%	3% but Kingspan target improvement using recycled bottles by 2030
Particle board (mezzanine floors)	2%	85%
Brick and block walls	3%–5%	9%–55%
Glazing	2%	Glass 25%, aluminium frames 60%
Hardcore (piling mat)	1%	100%

Construction waste and recycling

We carefully monitor our new store construction waste and ensure we separate waste for recycling where possible.

In the UK, we are already diverting 98.5% of our construction waste away from landfill, ahead of our target of 2025. Across Europe, in Holland and Spain, we aim to meet and exceed legislative targets.

Across our new store projects this year, we are committed to recycling or recovering 100% of all soft and hard plastics. We continue to work with our suppliers to minimise plastic packaging arriving on site and to cut its usage over the coming years. We aim to remove all such products from our sites by 2030.

Considerate Constructors Scheme

In the UK construction sites, companies and suppliers voluntarily register with the Considerate Constructors Scheme ("CCS") and agree to abide by the Code of Considerate Practice, designed to encourage best practice beyond statutory requirements.

The scheme's purview is any area of construction activity that may have a direct or indirect impact on the image of the industry. The main areas of concern fall into three categories: the public, the workforce, and the environment.

We register all our new UK store developments with the CCS setting a target score of 36 points for both the shell construction and fitting out of the facility with our construction management partners.

Our new store in Morden scored an average of 42 out of 45 over the course of its two visits putting it in the top bracket of scoring. The inspector highlighted all areas of the inspections as 'Excellent' which highlights the exceptional effort and commitment that our construction team makes in raising standards of our new store developments.

Construction health and safety

Our health and safety record is excellent. We register all of our new store schemes with the CCS and we are constantly challenging our colleagues to exceed minimum standards. Safestore has a robust health and safety policy, and we have very low incident levels compared with our peers. This year, the number of reportable incidents on our construction sites was zero.

Consultation process

We build our stores with our key stakeholders in mind. As part of the town planning process, we consult widely amongst the community and those most likely to be affected by any development.

Sustainability *continued*

Our environment *continued*

Safe, sustainable operations

Merchandise

Our 100% recycled and recyclable boxes are available across the UK, Belgium, the Netherlands, and Spain. We continue to offer our 'box for life promise', ensuring our boxes can be recycled in a responsible way.

The use of fully recycled papers across our range, including boxes, has resulted in the equivalent of 624 trees being saved from felling this year.

In addition, Safestore is committed to ensuring our merchandise packaging contains no single-use or non-biodegradable plastics.

Working with our suppliers we endeavour to minimise the carbon footprint of deliveries with items despatched from local depots and distribution centres, including one in the Netherlands for European distribution.

Uniform

Our uniform supplier processes are accredited by the International Register of Certificated Auditors ("IRCA") which audits and inspects their factories. In addition, their processes are compliant with the Ethical Trading Initiative ("ETI").

Electricity

We continue to make progress towards our environmental targets through efficiency initiatives and transitions to renewable electricity across the portfolio.

We are contracted to the supply of REGO certified renewable energy in the UK until the end of next year and committed to continuing thereafter.

The electricity for our UK owned portfolio is supplied by multiple renewable sources. The two largest contributors are Kilbraur Wind Farm and Cullisse Wind Farm which are both located in Scotland.

Like-for-like usage (UK)

	Last year	This year	% change
Electricity (MWh)	11,063	11,943	8%

We have seen an incremental increase in electricity usage as our heating solutions are changed from gas to high efficiency electric solutions. Following the removal of coronavirus restrictions, we reinstated the use of electric hand dryers in our stores. We continue to monitor advances in technology and any viable solutions for the future to reduce our electricity usage.

Voltage optimisation

Voltage optimisation is a transformer-based technology which optimises incoming supply from the national grid to match the voltage required by equipment at an organisation's premises. Optimising voltage reduces commercial energy use and costs as well as lowering carbon emissions.

During September 2022, we installed voltage optimisation at our largest location, the Battersea Park store and Business Centre. The return on investment for Battersea will be calculated after twelve months, with a predicted decrease in electricity demand and a more stable supply to the critical infrastructure at the site. We also plan to install this at our Liverpool facility, which also features a storage centre co-located with a business centre.

Gas

In 2020 we committed to eliminating gas usage by 2030 from our UK stores; this was done by installing high output low energy electric heaters, which are more efficient than water radiators with timed starting, reducing consumption and demand on electricity.

At the end of October 2022, we eliminated gas usage in 27 stores. We will work towards our 2030 target by removing gas in at least an additional five stores per year as laid out in our net zero plan.

The benefits of removing gas from our stores are wide ranging and include:

- a reduction in the CO_2 output attributed to Safestore
- lower maintenance costs as electric heating systems are more reliable
- no requirement for carbon monoxide testing
- protection from the inevitable material price rises with the upcoming ban on gas boilers in new homes in 2025

This has resulted in a year-on-year reduction in total gas usage in the UK by 37%.

Like-for-like usage (UK)

	Last year	This year	% change
Gas (MWh)	3,649	2,300	(37%)

Water

Our stores consume very low volumes of water, and we strive to further minimise our consumption of water wherever possible through the installation of efficiency schemes such as flow rate restrictors and aerators.

Like-for-like usage (UK)

	Last year	This year	% change
Water (cubic metres)	35,963	41,570	15.6%

Whilst we have registered an increase in water consumption on a like-for-like basis, this can be attributed to a leak on the incoming water supply pipe at our Winchester site. Safestore carried out urgent remedial works once this was established; the leak was responsible for c.6,429m^3 of the above 'usage'. Without this leak, Safestore would have seen an overall reduction in water usage.

Operational waste

We changed our waste service partner in mid-April 2022 following a review of our waste production and a subsequent tender exercise in the UK. With our new supplier, we have implemented scheduled services ensuring 100% diversion from landfill for all operational waste, resulting in:

- overall reduction in total waste of 21.6% year-on-year 278.72 tonnes
- full year average of 96.59% diversion from landfill with 100% achieved since the start of May 2022

We will continue to review the scale and impact of operational waste in the UK and other territories, working to minimise the footprint of Safestore's operational waste disposal.

Like-for-like usage (UK)

	Last year	This year	% change
Waste to landfill (tonnes)	43	37	14.0%

As our new supplier is able to support us in maximising diversion from landfill, we expect to achieve zero operational waste to landfill from next year in the UK with options for other territories under review.

Energy Savings Opportunity Scheme ("ESOS") Phase 2

Safestore UK remains 100% compliant following the ESOS assessment in 2019 and is working towards completing Phase 3 due in 2023.

Minimum Energy Efficiency Standards ("MEES")

The Energy Efficiency (Private Rented Property) (England and Wales) Regulations 2015 prohibit landlords from letting a property with an EPC rating of below E unless an exemption applies. This is relevant to our UK locations with lettable offices.

The prohibition has applied to new tenancies for residential properties since 1 April 2020 and will apply to commercial properties from 1 April 2023. This will be extended to landlords continuing to let properties that fall below the required EPC rating. It is currently unlawful for landlords to grant a new tenancy of commercial property with an EPC rating of 'F' or 'G'. This applies to both new leases and renewals (unless an exemption applies, and the landlord has registered that exemption). MEES does not apply to lettings of six months or less, or to lettings of 99 years or more. From April 2027, the minimum standard will rise to a 'C' rating as an interim step to a minimum standard of 'B' from 1 April 2030.

Safestore identified 38 locations (storage centres which include lettable offices) where we would have the requirement to have a MEES energy performance survey conducted.

Since 2021/22, these stores have been surveyed by external independent assessors and the findings are that the majority are already compliant with the 2027 requirements of a 'C' rating. Just seven properties were identified as needing improvements to meet the 2027 standard, and we are confident that this can be achieved with modest capital investment. The readiness of the portfolio for the 2027 standard is a consequence of the work undertaken to date in the form of LED lighting upgrades, window and insulation enhancements, and the recent drive to install high efficiency electric heating.

Sustainability *continued*

Our environment *continued*

Task Force on Climate-related Financial Disclosures (“TCFD”)

We are committed to implementing the relevant recommendations of the TCFD, providing our stakeholders and investors with insight into the key climate-related risks and opportunities that are relevant to our business, and how these are identified and managed. We report against the eleven recommendations of the TCFD in this year’s disclosures.

Governance

Our Chief Executive has overall responsibility for climate-related risks and opportunities. Day-to-day management of climate-related issues is carried out by our Sustainability Group and is co-chaired by two members of the Executive Management team (see sustainability governance section). The Group meets quarterly and is the forum for determining our sustainability strategy, reviewing performance, identifying emerging sustainability issues, and determining their materiality for reporting and escalation via the Group risk management process.

The Board has oversight of climate-related risk via the Group risk management process. The Board takes climate issues into consideration during the investment appraisal process where it scrutinises major investments including acquisition, development and refurbishment plans which may include climate-related aspects of design. Ongoing risk identification and management are through the relevant functional teams, for example through proposed or actual response to changes in regulation such as the Minimum Energy Efficiency Standards (“MEES”) in the UK.

Our commitment to address climate-related risks is embedded across the business, through a carbon intensity KPI. The performance against this KPI is linked to executive remuneration, aiming to incentivise progress against carbon emissions reduction targets. The Board reviews progress on carbon reduction alongside other strategic initiatives annually as part of the annual targets and remuneration cycle.

Risk management

The Sustainability Group is responsible for identifying general climate-related risks that are managed by the Board via our corporate risk management process (see the Audit Committee report for details of our approach to risk management). In addition, the Property function is responsible for identifying risks specific to new development projects as part of the investment appraisal process. The Sustainability Group has conducted workshops incorporating inputs from internal and external experts and climate model data to explore the relevance and potential financial impact of the six risk themes identified in the TCFD framework over the short (to 2030), medium (to 2050), and long (beyond 2050) term.

These themes remain under review, particularly the physical risks to the Group portfolio as we expand into new markets, climate models evolve, and governments and municipal authorities develop their own mitigation strategies.

The completed climate-related risk register is reviewed and approved by the Audit Committee during the financial year such that the significance of climate-related risks is considered in relation to risks identified in the standard risk management process. This ensures the management of climate-related risks is integrated into the Group’s overall risk management framework. The climate-related register is reviewed annually to incorporate ongoing refinement and quantification of risks and to ensure the register reflects any material changes in the operating environment and business strategy. Once identified, further details related to each key risk and opportunity, such as a quantification of the financial impact, the appropriate strategic response and cost of response and the variance of key risks in relation to climate-related scenarios, are developed where possible. These details help to determine the materiality of each risk and, alongside the impact assessment outlined above, this allows the Group to prioritise resources in managing the most material climate-related impacts, determine the best management response or highlight areas requiring further investigation.

An example of day-to-day management of risks would be the incorporation of mitigations for high exposure sites into construction designs before submission for planning approval.

Strategy

Our business is exposed to both risk and opportunity from climate change primarily as a consequence of owning and operating real estate assets in the UK and Western Europe. We seek to understand and mitigate the physical and financial risks that could be material to the business. Our analysis currently focuses on the UK which accounts for most of the Group property portfolio by value and floor area. These findings can likely be generalised for Northern European markets which will experience similar physical consequences.

Climate-related risks and opportunities are assessed over multiple time horizons because we expect that transitional risks are likely to be ‘front-loaded’ as the international community attempts to meet the goal of keeping warming to 1.5 degrees Celsius or below. Physical risks to our assets are likely to increase over time, particularly if the global economy does not decarbonise at the rate required to keep warming below the target level. Accordingly, we assess climate-related risks and opportunities over the short (to 2030), medium (to 2050) and long (beyond 2050) term. Risks were deemed to be low impact where the potential annual EBITDA impact is estimated to be below £100k, and high impact where either the potential EBITDA impact is greater than £150k, or a balance sheet (valuation) impact would exceed £20 million (1% of property valuation).

The assessment of resilience of the business, specifically the asset portfolio, was guided by a range of scenarios published by external agencies, such as the UK Met Office UKCP18, and looked at both physical and transitional risks under two climate warming scenarios: one within 1.5 to 2.0 degrees Celsius (RCP 2.6); and one up to 4.0 degrees Celsius (RCP 8.5).

Risk type	Description	Potential impact	Timeframe
Physical risks			
Chronic	Physical disruption as a result of longer term shifts in climate patterns (e.g. sustained higher temperatures or rainfall) that may cause sea level rise or chronic heat waves	Low	Medium–long
Acute	Primarily flooding risks (Northern Europe markets) triggered by changes in frequency of extreme rainfall events (based on mm/day thresholds) which are projected to increase in all warming scenarios, especially in summer and late autumn. Costs that may be incurred for the few stores exposed include mitigation capex, operational disruption, physical repairs, clean-up, insurance premia increases, and reduced customer demand as a result of reputational damage	Medium	Medium–long
Transition risks			
Policy and legal			
Regulation relating to stricter environmental standards	Increased stringency of building and planning requirements in support of national net zero targets. Local authorities will seek to use planning systems to deliver progress against climate goals which will impact on build specification and associated costs. MEES standards also increasing for commercial lettings (office locations only) which will drive upgrade expenditure	Medium	Short
Climate change litigation	Claims brought by stakeholders (e.g. investors, public interest organisations) perhaps due to failure to mitigate impacts of climate change, failure to adapt, or the insufficiency of disclosure around material financial risks	Low	Medium
Reporting obligations	Additional reporting burden on carbon emissions, including Scope 3	Low	Short
Technology			
Electric vehicles	To deliver net zero targets, electric vehicle use will increase and drive demand for charging point infrastructure for customers and colleagues. May be mandated by some local authorities as part of planning process. This will impact capital budgets for new builds and retrofits. However, this could also be a revenue opportunity in high traffic locations with an appropriate commercial arrangement	Low	Short
Market			
Valuation of properties with lower efficiency rating	Risk of valuation impairment of assets with low efficiency ratings. Only heated areas of storage facilities are rated – these can usually be cost-effectively improved	Low	Medium
Supply chain resilience/ cost of materials	Risk to development costs due to demand versus supply of key materials such as insulation and cost of inputs which may incur carbon premium (steel and cement)	Medium	Short–medium
Cost and availability of capital	Risk of downgrading/cost premium as ESG considerations are incorporated into credit ratings and other lender/investor screening	Low	Short
Reputation			
Stakeholder risk	Increasing public awareness of and appetite to tackle climate change could create reputational risk if there is failure to reduce operational and embodied carbon. This could manifest in delays to planning processes	Low	Short–medium
Employee risk	As colleagues become increasingly engaged with climate change issues, perceived failure to make progress on decarbonisation could impact talent recruitment and retention	Low	Short–medium

We expect some physical climate-related risks to have an impact on our business. Specifically, the impact of more frequent intense precipitation events is deemed as relevant in the medium to long term. We also expect the transition to a low carbon economy poses some limited financial risks in the short term as we respond to changes in regulation and incur costs associated with decarbonising our building development and operations. However, there may also be opportunities that arise from the transition as well as the physical impacts of extreme weather.

Regardless of the scenario we believe the Group and its assets have limited exposure and vulnerability to climate-related risk and accordingly there are limited implications for its strategy and financial plans in its current markets. The Group will therefore continue to grow its portfolio, assessing each investment for climate risk in addition to financial considerations and making necessary physical and financial allowances for mitigations where appropriate as it already does today. The Group will continue to work with local authorities and its development partners to ensure any new buildings and conversions are built to a high operating efficiency standard that meets current and likely future regulations and supports the Group's effort to achieve net zero emissions from its operations.

Sustainability *continued*

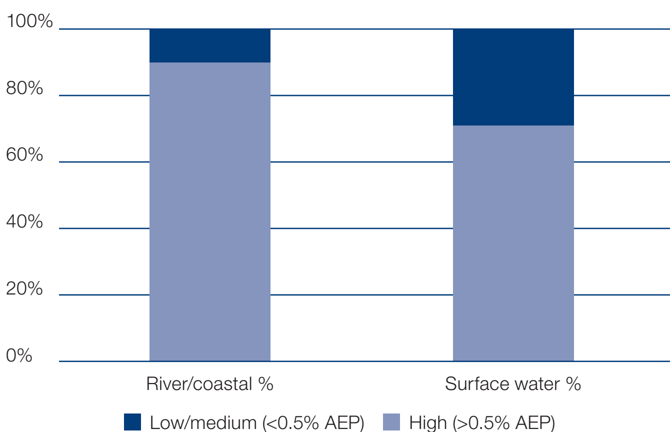
Our environment *continued*

Physical risks

The primary physical risk to our business relates to the increasing likelihood of extreme weather events (particularly intense precipitation and flooding). Based on current data, our insurer's flood assessment at the last renewal indicates that 91% of the Safestore portfolio by floor area (90% by insured value) has little to no exposure to river/coastal flood risk (the chance of a flooding event occurring annually is less than 0.5%). This corresponds to just twelve current locations in the UK with an elevated risk. There is a slightly higher exposure to surface water flood risk - 71% of floor area and value is in stores with less than 0.5% Annual Exceedance Probability.

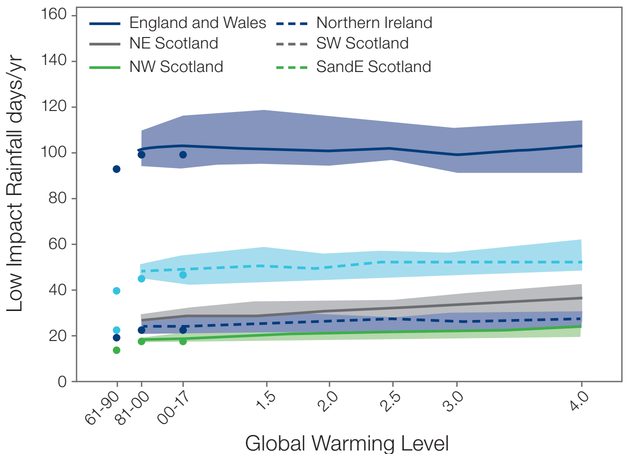
Accordingly, overall the portfolio has low exposure to acute flooding risk, and whilst the frequency of extreme precipitation events is projected to increase in all warming scenarios, the number of medium and high impact rainfall days (defined by the UK Met Office's National Severe Weather Warning Service as 24 hour precipitation thresholds in mm/day which are designed to be used for identifying prolonged rainfall which may lead to flooding) are still projected to be relatively rare events[1].

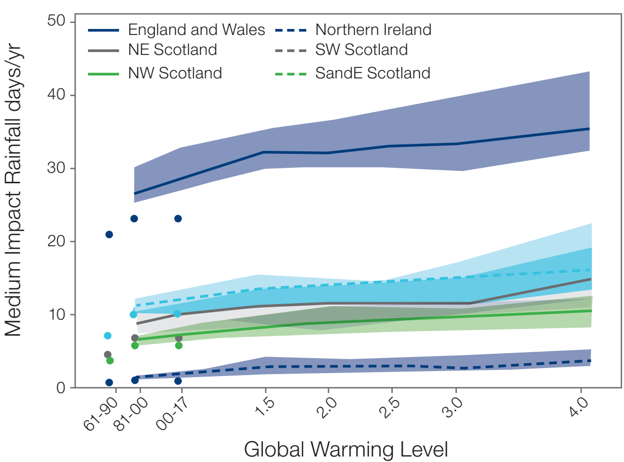
Flood risk of UK portfolio 2022 (% of insured value excl. customer goods)

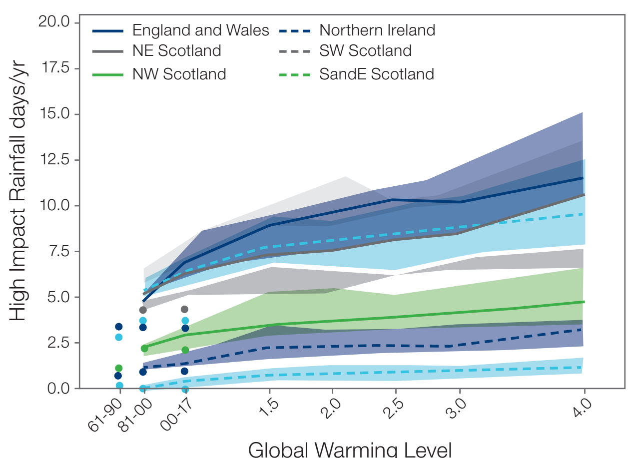


Research focused on the physical climate risk posed to Edinburgh's World Heritage sites[2] using the most recent granular climate models confirms this projection of extreme rainfall events and demonstrates the elevated risks are in the autumn and summer seasons specifically. Spring and winter events are rarely projected to exceed any impact threshold out to 2080 even in the low mitigation (RCP 8.5) scenario. This pattern is expected to be similar across the UK. This research implies that the probability of these extreme events will rise in autumn by 5-10% by 2040 and by 20-40% by 2080. The summer season shows the largest change, especially towards the end of the century, with probability close to 50% higher for a 1-in-200 year event, i.e. despite overall summer drying trends in the future, increases in the intensity of summer rainfall events are projected. It should be noted, however, that projections for rare events have a high degree of uncertainty, especially in the outer years of a projection period.

Projections of low, medium, and high impact rainfall days in the UK per year under different warming scenarios[1]







Notes

1 Hanlon, H.M., Bernie, D., Carigi, G. et al. Future changes to high impact weather in the UK. Climatic Change 166, 50 (2021). https://doi.org/10.1007/s10584-021-03100-5).

2 Shane O'Neill, Simon F.B. Tett, Kate Donovan. Extreme rainfall risk and climate change impact assessment for Edinburgh World Heritage sites, Weather and Climate Extremes, Volume 38, 2022.

From prior experience, the main consequences of these intense precipitation events are clean-up, repairs and maintenance costs, and short term impact on asset availability (temporary closures preventing new move-ins). Costs are usually recovered from insurers so over time it is reasonable to expect insurance premia and flood-related excesses will increase if extreme events occur more frequently. There is also the longer term risk of lower occupancies in exposed stores – although customer goods are also insured to their declared value there is the possibility of a reputational impact. A reasonable assumption for the cost (P&L impact) of remediation after an extreme precipitation event is £100k per event regardless of the warming scenario.

It should be noted that where Safestore does invest in property in higher risk areas, risk mitigation measures are usually proactively deployed. As such, even in extreme weather scenarios the majority of the UK portfolio is not likely to be impacted from an ongoing operation, insurance risk premium or valuation basis. Mitigation measures (where deployed) should minimise disruption at higher risk sites and these locations may in fact experience increased demand from impacted local communities as they seek temporary storage for their belongings.

Transitional risks

Our primary transition risks are policy and regulatory changes which may increase building specifications in an effort to meet net zero objectives. Local authorities will continue to use planning processes to deliver against their own objectives and policies such as Minimum Energy Efficiency Standards ("MEES") will impact landlords in the residential and commercial sectors. Requirements for new projects to meet more stringent energy efficiency standards and include features such as solar photovoltaic panels and electric vehicle charging facilities will add to the capital costs of new developments; however, these would represent a small portion (1–2%) of a new development project and would be likely be recovered through lower ongoing operating costs over the lifetime of the building. A related market risk of carbon taxes on core building materials such as steel could have a larger impact; however, where possible, Safestore will convert existing structures and is therefore less exposed to these increases in cost and embodied carbon.

To ensure relevant UK assets meet MEES minimum standards by 2030 an estimated capital investment of £650k will be required. To ensure readiness with MEES, we identified UK locations with offices that would fall under the new regulations. We have conducted energy efficiency assessments on these locations. At 31 October 2022, 38 relevant UK stores have been assessed with seven properties requiring improvements before 2027 and a further fourteen requiring action by 2030. Should any of our facilities with offices be unable to cost effectively meet MEES standards by 2030, we would likely convert the office spaces into storage which does not have the same requirement.

Opportunities

The transition to a low carbon economy is likely to present opportunities as well as risks. In general, businesses that build and operate sustainable facilities are well-positioned in a world where both local planning departments and end consumers are making decisions with climate change in mind. In addition, reducing the energy intensity of the business and reliance on gas is financially advantageous, particularly in an era of volatile energy prices. Removing gas-burning appliances from facilities also reduces associated fire and carbon monoxide exposure risk. However, it should be noted that the business is not an intensive user of energy (energy costs were 1.5% of revenue in FY2022) unlike other more intensive usage sectors, so the variability of power prices is not considered a significant risk. Nevertheless, it is likely that buildings with lower operating costs and carbon emissions intensity will attract a valuation premium and lower cost of funding. Sales of excess power generated from rooftop solar installations could over time become a revenue stream in addition to supporting decarbonisation in our communities and the wider economy.

Provision of electric vehicle charging facilities could deliver a customer benefit whilst also reducing associated Scope 1 (business travel) and Scope 3 emissions (customer travel to/from stores) and provide another ancillary revenue stream.

It should also be noted that well-positioned self storage facilities could be seen as adding 'system resilience' to supply chain disruptions and facilitating recovery post-extreme weather events via temporary storage of business or consumer goods.

Sustainability *continued*

Our environment *continued*

Metrics and targets

To assess climate risk we internally record and monitor a range of construction and operational impact metrics such as development cost trends, unit availability (offline units) and damage claims relating to water damage. We also monitor and report our absolute and like-for-like energy consumption and greenhouse gas ("GHG") emissions in line with the EPRA sBPR recommendations. In addition, we monitor our use of water, generation of waste including the proportion diverted to landfill and the emissions associated with business travel. These are disclosed in following sections of this report on pages 67 to 73. Supplementary data can be found on our corporate website, www.safestore.co.uk/corporate. Scope 3 emissions which relate to ongoing operations (water, waste, electricity transmission and distribution and business travel) are measured and actively managed. Scope 3 relating to purchased goods, capital expenditure and downstream use of our products (primarily customer journeys to our stores) are not measured but we actively engage with our suppliers to ensure these are being considered, for example, through consolidation of deliveries to our stores or the proportion of recycled material used in development projects.

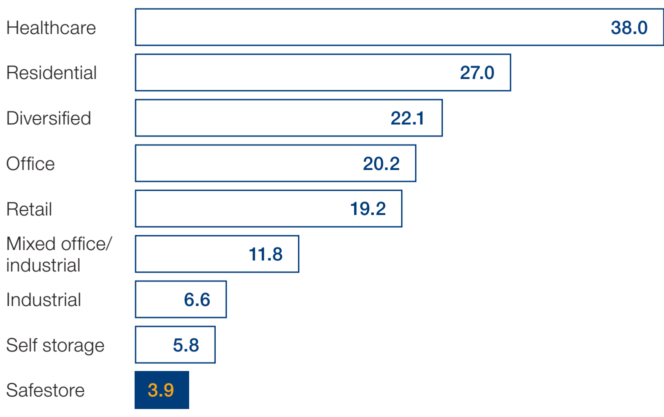
Through a range of energy efficiency initiatives and a switch to 100% renewable electricity, we have reduced our absolute carbon emissions versus 2013 baseline by 54%. This progress in absolute emissions reduction is despite a c.50% increase in portfolio floor space. As a result, emissions intensity is currently 70% below 2013 levels (calculated according to the location-based methodology) which is significantly ahead of the 2022 target of 58% below the 2013 baseline.

The self storage sector is not a significant consumer of energy when compared with other segments of the real estate landscape.

As a result, operational emissions intensity per unit of floor area tends to be far lower versus other real estate sectors. According to a 2021 report by KPMG and EPRA[1], self storage generates the lowest greenhouse gas emissions intensity of all European real estate subsectors, with emissions per m^2 less than 30% of the European listed real estate average. Reflecting the considerable progress made on efficiency measures and waste reduction to date, Safestore's emissions intensity (3.9 kg/m^2) for that year is considerably lower (-32%) than the self storage subsector average.

Nevertheless, as part of our commitment to SDG 13 (Climate action) we have been working towards a previously set near term carbon reduction target to 2022 (see sustainability targets and KPIs). In addition, we have a commitment to work towards operational net zero by 2035. This commitment covers Scope 1 and 2 emissions plus Scope 3 emissions which relate to ongoing operations (water, waste, electricity transmission and distribution and business travel). We aim to achieve this through a combination of consumption reduction initiatives such as phasing out of gas heating in the portfolio and ensuring all energy consumed is self-generated (where viable) or purchased from certified renewable sources. Some residual emissions may require the purchase of carbon offsets from a credible scheme(s). We estimate that the roadmap to operational net zero will require a total investment of c.£3 million to 2035, with investments in later years subject to detailed business case evaluation.

GHG intensity (Scope 1 and 2) by REIT sector kg CO_2e/m^2 per year (2020)[1]



Note

1 KPMG/EPRA: Overview of real estate companies' environmental performance, October 2021 (based on EPRA sBPR data sets for 88 listed companies).

Strategy for operational net zero

We will achieve operational net zero by 2035, through:

a) Reducing and optimising what we use

- Completion of lighting efficiency programme (external signage and customer unit lighting)
- Voltage optimisation at selected sites
- Decommissioning of gas appliances
- Installation of building management
- Systems for remote monitoring and power management (business case dependent)

b) Using only zero carbon energy

- Installation of solar photovoltaic on new-build stores where viable
- Securing certificated green electricity through PPAs and/or 'high quality' tariffs
- Transition of company car fleet to PHEVs* and BEVs* and introducing charging points
- Retrofit of rooftop solar photovoltaic to selected stores (business case dependent)

Total investment of c.£3m spread until 2035

* PHEV = Plug-in Hybrid Electric Vehicles; BEV = Battery Electric Vehicles.

Mandatory greenhouse gas ("GHG") emissions reporting (wholly owned stores only)

This report was undertaken in accordance with the mandatory greenhouse gas ("GHG") emissions reporting requirements outlined under the Companies Act 2006 (Strategic Report and Directors' Report) Regulations 2013 (the "2013 Regulations") and the Companies (Directors' Report) and Limited Liability Partnerships (Energy and Carbon Report) Regulations 2018 (the "2018 Regulations"). This requires Safestore Holdings plc ("Safestore") to produce a Streamlined Energy and Carbon Report. This report contains our GHG disclosure for the 2021/22 reporting period.

We have 130 stores in the UK, 29 stores in France, 9 stores in the Netherlands, 6 stores in Belgium, and 5 stores in Spain. During the 2021/22 reporting period we acquired a store in Christchurch (UK), opened a new store in Bow (London, UK). We also acquired 15 stores located across the Netherlands and Belgium in April.

This report contains the following environmental data for all our stores which were operational at the beginning of the financial year: GHG emissions, electricity consumption, electricity transmission and distribution, gas consumption, water consumption, waste generation, and business travel.

Methodology

Scope of analysis and data collection

Over 2021/22 we have collected primary data for all of our stores, including: building size (sq ft), electricity consumption (MWh), electricity transmission and distribution ("T&D") (MWh losses), gas consumption (MWh), water consumption (m^3), waste generation (tonnes by waste disposal method) and business travel (mileage). We do not have any refrigerant leakage to report for any of our stores in the UK, France, Spain, the Netherlands or Belgium. All primary data used within this report is from 1 September 2021 to 31 August 2022, covering the same reporting period as last year. Where electricity, gas or water consumption data is not available or incomplete, we have estimated consumption based on a combination of pro-rata methods as per Environmental reporting guidelines 2019 including:

- pro-rata extrapolation from known reliable data
- average consumption per sq ft of lettable area of the stores where we have reliable data
- direct comparison using a corresponding period

KPI selection and calculation

For the purposes of this report stationary energy use (electricity and gas consumption), water consumption, waste generation, and business travel have been selected as the most appropriate key performance indicators ("KPIs") for the Group. To ensure consistency in our reporting, particularly where there are differences between the UK, France, Spain, the Netherlands, and Belgium, we are reporting all GHG emissions in units of tonnes of CO_2e. We have used the 2022 GHG conversion factors published annually by the Department for Environment, Food and Rural Affairs ("Defra") and Business, Energy and Industrial Strategy ("BEIS") with the exception of the French, Spanish, Dutch, and Belgian CO_2e conversion factors associated with electricity consumption and T&D, which are no longer published by BEIS. These were sourced from the International Energy Agency ('IEA') and Carbon Footprint country specific grid electricity factors.

GHG emissions scope

The Greenhouse Gas Protocol (the "GHG Protocol") differentiates between direct and indirect emissions using a classification system across three different scopes:

- **Scope 1 emissions:** includes direct emissions from sources which Safestore owns or controls. This includes direct emissions from fuel combustion and industrial processes.
- **Scope 2 emissions:** covers indirect emissions relating solely to the generation of purchased electricity that is consumed by the owned or controlled equipment or operations of Safestore.
- **Scope 3 emissions:** covers other indirect emissions including third party-provided business travel.

GHG emissions – scopes included in this report

- **Scope 1 emissions:** we are reporting our gas consumption and business mileage.
- **Scope 2 emissions:** we are reporting our electricity consumption.
- **Scope 3 emissions:** we are reporting our electricity transmission and distribution, waste generation and water consumption.

Group environmental performance

We recognise the importance of taking a proactive, strategic approach to environmental management and we aim to ensure that good environmental practices are applied throughout our stores, and that those working for or on behalf of Safestore are aware of the need to act responsibly and sustainably. Our most significant environmental impacts arise from the construction of new stores and the operational energy consumption of our existing stores.

Safestore is committed to the protection of the environment, the prevention of pollution, and continually improving its environmental performance. We will comply with all relevant legislation and strive to exceed legal requirements where possible in order to avoid or minimise any potential environmental impacts.

The following table displays our total Group performance for electricity, gas and water consumption, waste generation (recycling, landfill, Energy from Waste), and business travel against the previous years.

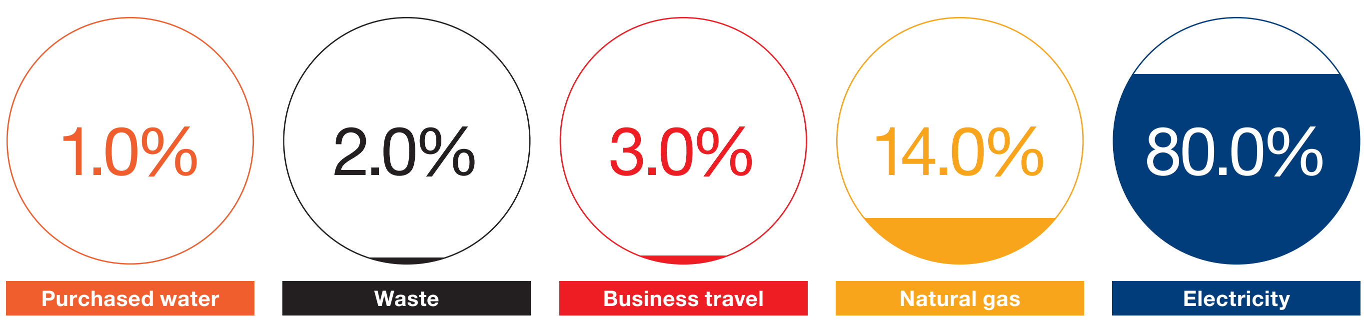
Sustainability *continued*

Mandatory greenhouse gas ("GHG") emissions reporting (wholly owned stores only) *continued*

Breakdown of Consumption by source (2016–2022)

Emissions source	Units	2016/17 (Sep–Aug)	2017/18 (Sep–Aug)	2018/19 (Sep–Aug)	2019/20 (Sep–Aug)	2020/21 (Sep–Aug)	**2021/22 (Sep–Aug)**
Natural gas	MWh	2,349	4,358	4,136	3,572	3,686	**2,742**
Electricity	MWh	22,005	17,416	15,372	14,435	13,506	**14,755**
Purchased water	m^3	45,129	61,655	55,113	43,372	47,503	**53,024**
Recycling	tonnes	787	1,211	586	1,448	1,487	**1,517**
Landfill	tonnes	49	57	44	58	57	**43**
Energy from Waste	tonnes	721	730	1,320	1,124	831	**696**
Business travel	miles	602,240	628,822	396,088	346,076	421,829	**469,324**

Breakdown of associated GHG emissions by source (2021/22)



Purchased water | Waste | Business travel | Natural gas | Electricity

Group environmental performance – analysis

We have analysed the year-on-year change in our performance and provided commentary on our Group environmental performance, as below:

Gas performance

We are continually seeking opportunities to reduce energy consumption to the lowest practicable levels appropriate with the operational needs of the business and to satisfy the needs of our customers. We are phasing out the use of gas in our stores wherever possible. Some of our stores still consume low volumes of gas for heating in reception and office locations. We seek opportunities to design efficient, low consuming working environments, ensuring that all new stores are built to rely solely on electricity.

Year ended 31 August		2016/17	2017/18	2018/19	2019/20	2020/21	**2021/22**	**% change**
Gas use	MWh	2,349.3	4,358.3	4,136.2	3,572.0	3,685.5	**2,742.0**	**(25.6%)**
Scope 1 emissions	tCO_2e	434.0	801.8	760.4	656.8	675.0	**500.5**	**(25.9%)**

Total gas consumption across all our stores was 2,742 MWh, which is a 25.6% decrease compared with the previous financial year.

Note
0.1% of the 2021 consumption data has been estimated for stores where consumption data was incomplete.

Electricity performance

We are continuing to identify opportunities to reduce electricity consumption across our stores.

Recognising that our electricity consumption is predominantly due to our lighting requirements, we have completed a portfolio-wide LED lighting upgrade programme across all UK stores and are working on projects such as voltage optimisation to improve our efficiency.

Year ended 31 August		2016/17	2017/18	2018/19	2019/20	2020/21	**2021/22**	**% change**
Electricity use	MWh	22,005.2	17,416.0	15,373.0	14,435.0	13,506.0	**14,755.0**	**9.2%**
Scope 2 emissions (LB)	tCO_2e	6,563.3	4,376.7	3,527.0	3,022.0	2,555.0	**2,620.0**	**2.5%**
Scope 2 emissions (MB)	tCO_2e	Not reported	Not reported	Not reported	171.0	153.0	**178.0**	**16.5%**
Scope 3 emissions	tCO_2e	613.6	371.4	299.0	261.0	228.0	**237.0**	**3.8%**

Total electricity consumption across all of our stores was 14,755 MWh which is a 9.2% increase in consumption compared to previous year.

Water performance

Our stores consume very low volumes of water, and we strive to minimise our consumption of water wherever possible through the installation of efficiency schemes.

Year ended 31 August		2016/17	2017/18	2018/19	2019/20	2020/21	**2021/22**	**% change**
Water use	m^3	45,129	61,655	55,113	43,372	47,503	**53,024**	**11.6%**
Scope 3 emissions	tCO_2e	47.5	64.9	58.0	45.6	20.0	**22.0**	**11.6%**

Between September 2021 and August 2022, the total water consumption across all our stores was 53,024m^3, which is an increase of 12% compared to the previous financial year.

Waste performance

We produce a relatively small amount of waste and are seeking opportunities to reduce or avoid the use of natural resources and minimise waste production, by promoting recycling where possible. We continue to improve waste segregation and are enhancing recycling facilities to divert waste from landfill.

Year ended 31 August		2016/17	2017/18	2018/19	2019/20	2020/21	**2021/22**	**% change**
Waste – recycling	tonnes	787.7	1,211.2	585.6	1,447.9	1,487.5	**1,517.0**	**2.0%**
Waste – Energy from Waste	tonnes	721.6	730.0	1,320.5	1,124.1	831.1	**696.0**	**(16.2%)**
Waste – landfill	tonnes	49.2	57.3	44.2	57.7	56.5	**46.0**	**(24.2%)**
Scope 3 emissions	tCO_2e	37.8	47.2	45.1	81.2	90.0	**68.0**	**(9.7%)**

In the last twelve months to August 2022, a total of 2,325 tonnes of waste has been generated (recycling, Energy from Waste and landfill) which is a decrease of 9.7% compared with the previous year.

Following the commencement of a new supplier contract in April 2022, we expect to achieve 100% diversion from landfill across our UK stores next year and continue to review our option in other territories to minimise the impact of our operational waste.

Business travel performance

We report on our business mileage in both Company-owned and personal vehicles. We continue to promote public transport and car sharing where possible.

Year ended 31 August		2016/17	2017/18	2018/19	2019/20	2020/21	**2021/22**	**% change**
Business travel	miles	602,240	628,822	396,088	346,076	421,829	**469,324**	**11.3%**
Business travel	MWh	n/a	n/a	440.7	395.4	484.3	**518.0**	**6.9%**
Scope 1 emissions	tCO_2e	168.5	175.6	108.8	96.4	117.7	**124.0**	**5.7%**

In our business we travelled 469,324 miles in the twelve months to 31 August 2022, resulting in an 11.3% increase compared with the previous year. Following the removal of travel restrictions we have seen travel return to pre-pandemic levels with the additional territories added to our portfolio contributing to the increase in business travel.

Vehicle fleet

This year we have purchased three plug-in hybrid electric vehicles, replacing one diesel and two petrol cars.

As we continue to modernise our fleet, we are actively reducing our emissions and going forward, we are purchasing a minimum of plug-in hybrid vehicles. Longer term we are looking to replace our existing company car fleet with full electric cars subject to practicability and vehicle availability.

Sustainability *continued*

Mandatory greenhouse gas (“GHG”) emissions reporting (wholly owned stores only) *continued*

Group GHG performance (mandatory GHG reporting)

We have used the Environmental Reporting Guidelines: Including Streamlined Energy and Carbon Reporting Guidance[1] and Greenhouse Gas Protocol[2] methodology for compiling this GHG data and, for UK energy consumption and emissions, included the following material GHGs: CO_2, N_2O and CH_4. In accordance with the BEIS reporting guidelines and data conversion factors for GHG emissions, the equivalent reports on our France, Spain, the Netherlands, and Belgium properties used the CO_2e factors provided by the International Energy Agency (“IEA”)[3] for emissions associated with electricity T&D loss and Carbon Footprint Emission Factors March 2022 edition for grid electricity both for location based and residual fuel mix for market based[4]. Our GHG emissions for 2021/22 covered 100% of gross floor space. The business travel miles reported cover Company owned or operated vehicles throughout the UK, Spain, the Netherlands, and Belgium travelling for business. No data associated with business travel has been provided for France.

Notes

1 https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/850130/Env-reporting-guidance_inc_SECR_31March.pdf

2 https://ghgprotocol.org/

3 Source: IEA (2019) Emission Factors (https://www.iea.org/t_c/termsandconditions/)

4 Source: Carbon Footprint March 2022 Emission Factors (https://www.carbonfootprint.com/docs/2022_03_emissions_factors_sources_for_2021_electricity_v11.pdf)

UK government GHG emission conversion factors for company reporting

Standard set for 2022 (this set covers the greatest proportion of the current GHG reporting year)

Source: BEIS 2022/Carbon Footprint/IEA

Scope	Emissions source	Unit	Conversion factors
1	Natural gas (gross CV)	kWh	0.18254
1	Business travel (petrol)	miles	0.27436
1	Business travel (diesel)	miles	0.27492
1	Business travel (plug-in hybrid)	miles	0.11007
2	UK electricity grid supply	kWh	0.19338
2	France electricity grid supply (LB)	kWh	0.05128
2	Spain electricity grid supply (LB)	kWh	0.17103
2	Belgium electricity grid supply (LB)	kWh	0.16189
2	The Netherlands electricity grid supply (LB)	kWh	0.37434
2	UK electricity grid supply (MB)	kWh	0.00000
2	France electricity grid supply (MB)	kWh	0.05852
2	Spain electricity grid supply (MB)	kWh	0.28653
2	Belgium electricity grid supply (MB)	kWh	0.20478
2	The Netherlands electricity grid supply (MB)	kWh	0.45172
3	UK electricity transmission and distribution	kWh	0.01769
3	France electricity transmission and distribution	kWh	0.00480
3	Spain electricity transmission and distribution	kWh	0.02730
3	Belgium electricity transmission and distribution	kWh	0.00660
3	The Netherlands electricity transmission and distribution	kWh	0.01740
3	Water supply	m^3	0.14900
3	Water treatment	m^3	0.27200
3	Commercial waste – recycling	tonnes	21.28019
3	Commercial waste – Energy from Waste	tonnes	21.28019
3	Commercial waste – landfill	tonnes	467.00838

Note

The conversion factors for electricity (both location based and market based) emission factors were sourced from Carbon Footprint country specific electricity grid GHG Emission Factors, residual mixes and production mix conversion factor. (Note: Defra no longer provides overseas electricity generation conversion factors. The conversion factors are obtained directly from the “IEA” 2019 for transmission and distribution losses.

Streamlined Energy and Carbon Report ("SECR") summary

In accordance with the Companies Act 2006 (Strategic Report and Directors' Report) Regulations 2013 (the "2013 Regulations") and the Companies (Directors' Report) and Limited Liability Partnerships (Energy and Carbon Report) Regulations 2018 (the "2018 Regulations") we have reported our Streamlined Energy and Carbon Report disclosure for the previous year 2020/21 and the current year 2021/22.

UK – GHG emissions (tCO_2e)	Units	2020/21	2021/22*
Scope 1	tonnes CO_2e (UK)	786	**557**
Scope 2 (LB)	tonnes CO_2e (UK)	2,437	**2,415**
Scope 2 (MB)	tonnes CO_2e (UK)	12	**0**
Scope 3	tonnes CO_2e (UK)	281.0	**279.8**
Total GHG CO_2e (LB)	**total tonnes CO_2e (UK)**	3,504	**3,252**
Total GHG CO_2e (MB)	**total tonnes CO_2e (UK)**	1,079	**837**
GHG CO_2e intensity (LB)	tonnes CO_2e/floor space (UK – thousand sq ft)	0.40	**0.38**
GHG CO_2e intensity (LB)	tonnes CO_2e/floor space (UK – thousand sq m)	4.50	**4.08**
GHG CO_2e intensity (MB)	tonnes CO_2e/floor space (UK – thousand sq ft)	0.13	**0.10**
GHG CO_2e intensity (MB)	tonnes CO_2e/floor space (UK – thousand sq m)	1.38	**1.05**

Europe – GHG emissions (tCO_2e)	Units	2020/21	2021/22*
Scope 1	tonnes CO_2e (Europe)	7	**68**
Scope 2 (LB)	tonnes CO_2e (Europe)	118	**205**
Scope 2 (MB)	tonnes CO_2e (Europe)	141	**178**
Scope 3	tonnes CO_2e (Europe)	42	**48**
Total GHG CO_2e (LB)	**total tonnes CO_2e (Europe)**	167	**320**
Total GHG CO_2e (MB)	**total tonnes CO_2e (Europe)**	190	**293**
GHG CO_2e intensity (LB)	tonnes CO_2e/floor space (Europe – thousand sq ft)	0.08	**0.10**
GHG CO_2e intensity (LB)	tonnes CO_2e/floor space (Europe – thousand sq m)	0.82	**1.08**
GHG CO_2e intensity (MB)	tonnes CO_2e/floor space (Europe – thousand sq ft)	0.09	**0.09**
GHG CO_2e intensity (MB)	tonnes CO_2e/floor space (Europe – thousand sq m)	0.93	**0.99**

UK – underlying energy use (MWh)	Units	2020/21	2021/22*
Scope 1	MWh (UK)	4,133	**2,918**
Scope 2	MWh (UK)	11,476	**12,490**
Total Scope 1 and 2	**MWh (UK)**	15,609	**15,408**
MWh intensity	MWh/floor space (UK – thousand sq ft)	1.86	**1.80**
MWh intensity	MWh/floor space (UK – thousand sq m)	20.01	**19.34**

Europe – underlying energy use (MWh)	Units	2020/21	2021/22*
Scope 1	MWh (Europe)	37	**341**
Scope 2	MWh (Europe)	2,030	**2,266**
Total Scope 1 and 2	**MWh (Europe)**	2,067	**2,606**
MWh intensity	MWh/floor space (Europe – thousand sq ft)	0.94	**0.82**
MWh intensity	MWh/floor space (Europe – thousand sq m)	10.11	**8.80**

Sustainability *continued*

Mandatory greenhouse gas ("GHG") emissions reporting (wholly owned stores only) *continued*

Streamlined Energy and Carbon Report ("SECR") summary *continued*

GHG emissions	Units	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22*	% change
Scope 1	tonnes CO_2e (UK, Europe)	602	977	869	753	793	**625**	**(21.2%)**
Scope 2 (LB)	tonnes CO_2e (UK, Europe)	6,563	4,376	3,527	3,022	2,555	**2,620**	**2.5%**
Scope 2 (MB)	tonnes CO_2e (UK, Europe)	n/a	n/a	n/a	171	153	**178**	**16.5%**
Scope 3	tonnes CO_2e (UK, Europe)	699	483	402	396	324	**327**	**1.1%**
Total GHG CO_2e (LB)	total tonnes CO_2e (UK, Europe)	7,864	5,836	4,798	4,171	3,671	**3,572**	**(2.7%)**
Total GHG CO_2e (MB)	total tonnes CO_2e (UK, Europe)	n/a	n/a	n/a	1,320	1,269	**1,130**	**(11.0%)**
GHG CO_2e intensity	tonnes CO_2e/floor space (thousand sq ft)	0.9	0.6	0.5	0.4	0.4	**0.3**	**(12.4%)**
GHG CO_2e intensity	tonnes CO_2e/floor space (thousand sq m)	—	9.8	6.6	4.9	3.7	**3.3**	**(12.4%)**
GHG CO_2e intensity (MB)	tonnes CO_2e/floor space (thousand sq ft)					0.12	**0.10**	**(19.8%)**
GHG CO_2e intensity (MB)	tonnes CO_2e/floor space (thousand sq m)					1.29	**1.03**	**(19.8%)**

Energy consumed	Units	2018/19	2019/20	2020/21	2021/22*	% change
Scope 1	MWh (UK, Europe)	4,577	3,967	4,170	**3,259**	**(21.8%)**
Scope 2	MWh (UK, Europe)	15,373	14,435	13,506	**14,755**	**9.2%**
Total Scope 1 and 2	total MWh (UK, Europe)	19,950	18,402	17,676	**18,015**	**1.9%**
MWh intensity	MWh/floor space (thousand sq ft)	1.99	1.76	1.67	**1.53**	**(8.2%)**
MWh intensity	MWh/floor space (thousand sq m)	21.46	18.95	17.95	**16.48**	**(8.2%)**

Note

* The financial reporting year 2021/22 for Europe includes energy and emission figures for Belgium and the Netherlands which were acquired by Safestore in April 2022.

Energy efficiency narrative

Through a range of energy efficiency initiatives and a switch to 100% renewable electricity we have reduced our absolute energy use, with carbon emissions versus 2013 baseline reduced by 54%.

We have now been using renewable energy for three years. In our UK wholly owned stores, 100% of our electricity is from certified renewable energy sources. The electricity for our UK owned portfolio is supplied by multiple renewable sources. The two largest contributors are Kilbraur Wind Farm and Cullisse Wind Farm which are both located in Scotland.

Our overall electricity usage in the UK has increased year-on-year. This is largely an intended consequence of our ongoing effort to replace gas appliances with higher efficiency electric solution powered by renewable electricity. Accordingly, overall energy usage (and intensity of use per unit of floor area) in the UK is lower versus the prior year. In FY2022 we removed gas appliances from nine of our UK stores, bringing the total number of stores where gas has been removed to 27. We continue to benefit from our previously completed works on LED lighting with built in motion sensors across all existing and new stores. In FY2022, the lighting efficiency programme continued with a focus on upgrades to lighting in customer units.

We are continuing with our plans to remove gas boilers in remaining stores. As we switch to high efficiency electric heating solutions, we are also looking to minimise our usage of electricity through initiatives such as voltage optimisation at out largest sites. In FY2022, voltage optimisation technology was installed at Battersea Park and this will be deployed in other stores subject to the findings of this first installation.

Procurement of renewable energy

We are actively pursuing renewable energy within our purchasing decisions. During 2021/22, (128 stores across UK) 100% of our UK electricity consumption in our 117 wholly owned stores was purchased from Ofgem accredited renewable sources and is covered with associated renewable energy certificates. The energy sources that we use include onshore wind farms and solar fields. Our objective here is to help meet our sustainability goals and to reduce our market based GHG emissions.

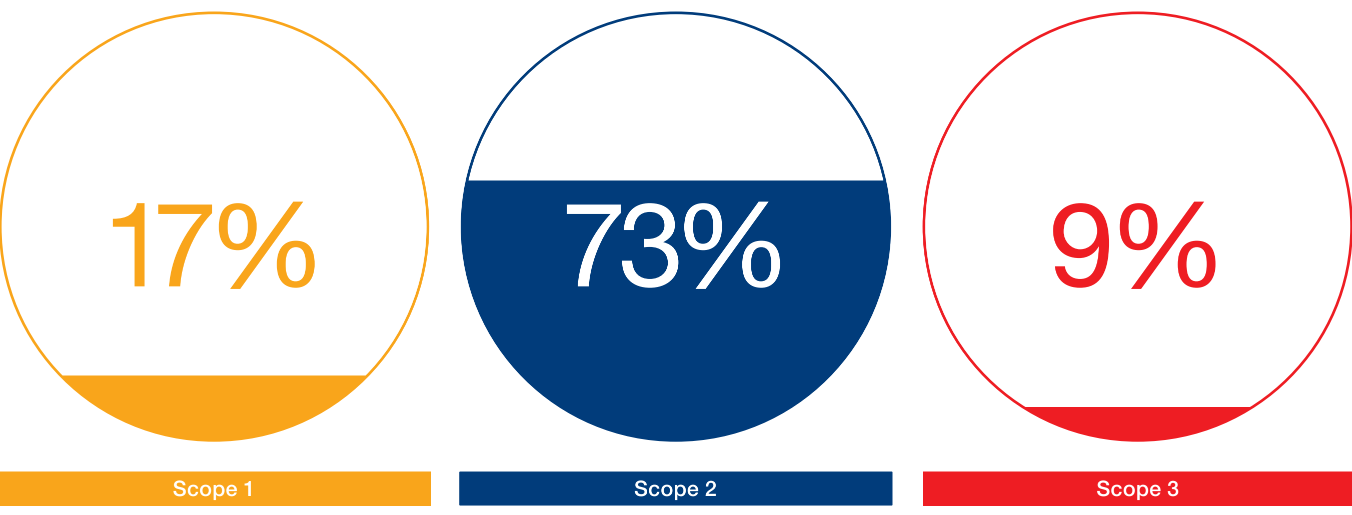
Group GHG performance (mandatory GHG reporting) analysis

Total GHG emissions for Scope 1, Scope 2, and Scope 3 for the twelve-month period to 31 August 2022 have decreased by 2.7% (or reduced by 99 tonnes CO_2e) to 3,572 tonnes CO_2e. Of the total GHG emissions Scope 1 accounts for 17%, Scope 2 accounts for 73%, and Scope 3 accounts for 9%.

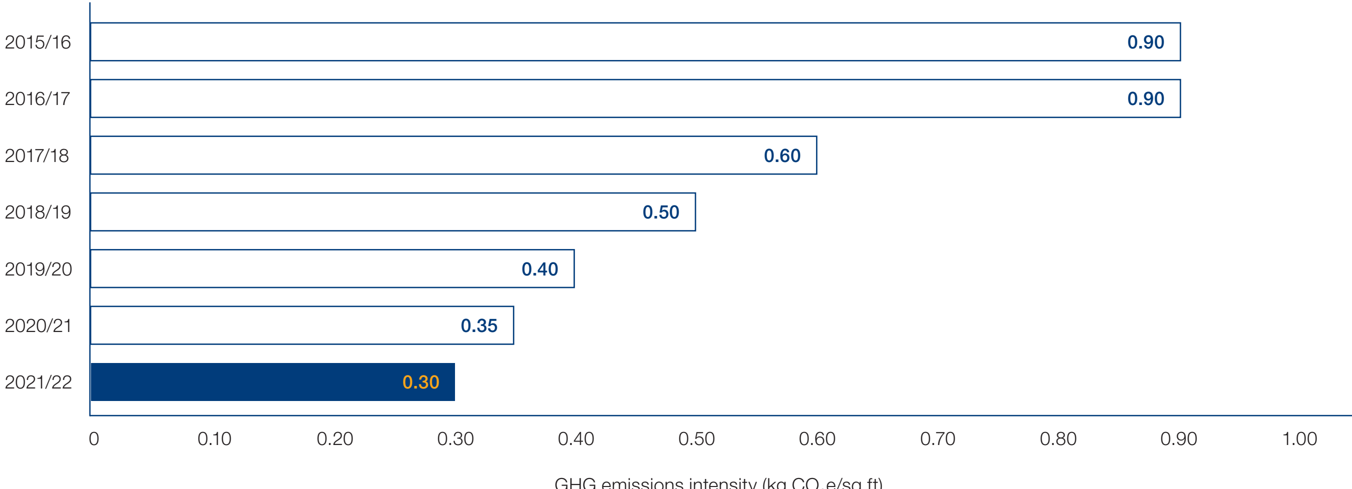
Breakdown of emissions scopes 2021/22

Our overall floor space has increased from 10,008,172 sq ft (2018/19) to 11,763,815 sq ft (2021/22).

Our GHG emissions CO_2e intensity has decreased from 0.35 tonnes CO_2e per 1,000 sq ft in 2020/21 to 0.30 tonnes CO_2e per 1,000 sq ft in 2021/22, which is a decrease of 12.1%.



Our GHG emissions in kg CO_2e per sq ft floor area since 2015



Sustainable Energy First (formerly "BiU") has collated the data set covering Scope 1–3 emissions for the period 1 September 2021 to 31 August 2022. Sustainable Energy First has direct visibility of the raw data used to calculate ~94% of the total global Scope 1–3 emissions and as such can provide confirmation on the completeness and accuracy of these emissions as well as around the emissions factors applied, their relevance and source; reference to these has been provided within this report. Where estimations have been made these have been noted within this report and efforts continue to be made to improve the quality of the data used within our annual energy and emissions report.

Introduction

The Board is committed to high standards of corporate governance and decisions are based on what the Board believes is likely to be for the benefit of all stakeholders by promoting and maintaining the long term success of the Company and its reputation.

Dear shareholder

On behalf of the Board, I am pleased to present the Company's governance report for the year ended 31 October 2022. The Board is committed to high standards of corporate governance, and decisions are based on what the Board believes is likely to be for the benefit of all stakeholders by promoting and maintaining the long term success of the Company and its reputation. The Board is responsible for establishing the Group's purpose, its values and strategy and satisfying itself that these are aligned with the overall culture of the Group. The Board is also responsible for setting appropriate performance targets for management and monitoring the business's performance against those targets. This review and the reports of the Nomination, Audit and Remuneration Committees that follow, summarise the key matters considered by the Board during the year and how it discharges its responsibilities. Our strategy is explained on pages 8 to 18.

Compliance statement

The Company is reporting against the UK Corporate Governance Code 2018 (the "Code"). Throughout the year ended 31 October 2022, and up to the date of this report, the Company has been in compliance with the principles and provisions of the Code. However, going into 2023 the Board is mindful of Provision 10 of the Code, as Ian Krieger will have served as a Non-Executive Director for more than nine years. After careful consideration, however, the Board has determined that Ian continues to be independent and has agreed to extend Ian's tenure until the 2024 AGM. Further explanation relating to Ian's tenure is provided on pages 78 and 79. I have also engaged with key shareholders to explain the Company's rationale for extending Ian's tenure. The Code is available on the Financial Reporting Council ("FRC") website at: www.frc.org.uk.

Board and Committee composition

There were a number of changes to the composition of the Board and its Committees during the year. On 31 May 2022, Claire Balmforth stepped down from the Board. Claire served the business outstandingly during her tenure and on behalf of the entire Board, I would like to thank Claire for her significant contribution.

Following a search process involving search firm Russell Reynolds, we were pleased to welcome Jane Bentall to the Board in May 2022 as a Non-Executive Director and as a member of the Audit and Remuneration Committees. Jane's extensive experience and understanding of operating multi-site, consumer-led businesses will be valuable to the Board. The Board was also pleased to appoint Laure Duhot as the new Chair of the Remuneration Committee. Further changes to the composition of the Board's Committees are summarised on page 83.

We continue to appoint only the most appropriate candidates to the Board and our recruitment process in selecting and appointing Board members is explained in more detail in the Nomination Committee report on page 83.

Diversity

The Board supports the FTSE Women Leaders Review, which seeks to improve board and senior leadership gender diversity across FTSE 350 companies, and the Parker Review on Ethnic Diversity. As at the financial year end, the Board comprised five male and three female Directors, meaning that 38% of our Board is female. Although no Board member was from a minority ethnic background during the year, the Board is mindful of the recommendations of the Parker Review and is committed to increasing the ethnic diversity of the Board as soon as reasonably practicable. Our colleague engagement shows that people enjoy working at Safestore, but high retention, particularly in more senior roles, means the pace of change for gender diversity in the senior leadership team is slower than we would like. The Board would like to see more women at Safestore, at all levels, and our aim is to attract 40% female applicants for every role. In addition, we are working hard on attracting, retaining, and supporting women in our workforce. For more information on gender diversity across the Group please refer to page 50.

Evaluating the Board's effectiveness

Each year, the Board undertakes a formal evaluation of its effectiveness. This year we carried out an externally facilitated evaluation to assist in the development of the Board, in conjunction with external facilitator Gould Consulting Limited. The results of the Board evaluation confirmed that the Board continues to function effectively to a high standard. The Board members were seen as engaged and committed while the Board's culture remains open, respectful and constructive. Notwithstanding that the report considered that the Board's performance was strong, a number of actions were identified to further enhance the Board's effectiveness, and further details of these may be found on pages 79 and 80.

2023 Directors' Remuneration Policy

The current Directors' Remuneration Policy (the "Policy") was approved by shareholders at the 2020 Annual General Meeting and was designed to operate for three years. The Remuneration Committee commenced a remuneration review during 2022 to determine the guiding principles and design of a new Policy to be presented for shareholder vote during 2023. However, at the date of drafting this report, the Committee is still in discussions with key shareholders around the details of the new Policy. As a result, the new Policy will be presented for shareholder approval, as soon as practicably possible, during the 2023 financial year at a General Meeting, i.e. before 31 October 2023.

Our stakeholder engagement, our values and our culture

Our colleague and stakeholder engagement has been fundamental to our success and is integral to and aligned with our values and corporate culture. Our colleague and stakeholder engagement arrangements are set out on pages 34 to 35 and in the Sustainability report. Our successful performance is only possible due to the hard work and commitment of our colleagues, who continue to be engaged with our strategy, and aligned with our values and our culture. Our high level of colleague engagement was evidenced by Safestore being awarded the prestigious Investors in People ("IIP") Platinum accreditation and making the final top ten shortlist for the Platinum Employer of the Year (250+) category in The IIP Awards 2021. This award is explained more fully on page 49.

Compliance with Task Force on Climate-related Financial Disclosures ("TCFD") and sustainability reporting

The Board is committed to implementing the relevant recommendations of the TCFD, providing our stakeholders and investors with insight into the key climate-related risks and opportunities that are relevant to our business, and explaining how these are identified and managed. This year is the second year we are reporting against the TCFD framework and we have built on our prior year reporting. We have made climate-related financial disclosures consistent with all eleven of the TCFD recommendations and further details are set out on pages 45 and 62 to 66.

We are also very pleased to report on the continuing external recognition we have received during the year for our sustainability reporting as highlighted on pages 6, 11, and 46. We continue to keep under review the evolution of our sustainability strategy and continue to work towards our commitment to operational carbon neutrality (net zero) by 2035, which is explained on pages 58 to 66.

2023 Annual General Meeting ("AGM")

The AGM of the Company will take place at 12 noon on Wednesday 15 March 2023 at Brittanic House, Stirling Way, Borehamwood, Hertfordshire WD6 2BT. All Directors will attend the AGM, which will provide an opportunity for shareholders to hear more about our performance during the year and to ask questions of the Board. We will again broadcast the meeting using teleconference facilities and invite shareholders to submit their written questions on the business of the 2023 AGM. You will find details of the conference facility and how to submit written questions on our investor website at https://www.safestore.co.uk/corporate and in the Notice of the 2023 AGM.

David Hearn
Non-Executive Chairman
16 January 2023

Board of Directors as at 16 January 2023

David Hearn
Non-Executive Chairman

Commenced role
1 January 2020 (appointed to the Board and as a member of the Remuneration Committee on 1 December 2019 and appointed as Nomination Committee Chair on 1 January 2020).

Skills and experience
David Hearn is an experienced chair and brings a wealth of international board and senior executive experience in public companies, having previously been CEO of leading consumer goods businesses Goodman Fielder in Australasia, United Biscuits in Europe and Asia, Cordiant plc in the US and the UK and also international private equity and advisory firm Committed Capital.

External appointments
David is currently chair of The a2 Milk Company and a director of Lovat Partners, Committed Capital and the architectural firm Robin Partington & Partners.

Other listed directorships
The a2 Milk Company is listed on the New Zealand Stock Exchange and dual listed on the Australian Stock Exchange.

Frederic Vecchioli
Chief Executive Officer

Commenced role
September 2013

Skills and experience
Frederic Vecchioli founded our French business in 1998 and has overseen its growth to 29 stores in Paris operating under the "Une Pièce en Plus" brand. He joined the Group as President and Head of French Operations following the Mentmore acquisition in 2004. Frederic was appointed to the Board in March 2011 and became Chief Executive Officer of the Group in September 2013.

External appointments and other listed directorships
None.

Andy Jones
Chief Financial Officer

Commenced role
May 2013

Skills and experience
Andy Jones joined the Group in May 2013 as Chief Financial Officer. Andy's previous role was director of group finance at Worldpay Limited, prior to which he held the positions of director of finance and investor relations at TUI Travel plc, and chief financial officer at Virgin Entertainment Group in the US. Andy began his career at Ernst & Young, where he qualified as a chartered accountant in 1992. Andy is a graduate of the University of Birmingham.

External appointments and other listed directorships
None.

Ian Krieger
Senior Independent Director

Commenced role
March 2015 as Senior Independent Director

Skills and experience
Ian Krieger joined the Board in October 2013 as a Non-Executive Director and was appointed Chair of the Audit Committee in April 2014 and Senior Independent Director in March 2015. Ian is a chartered accountant and was a senior partner and vice-chair at Deloitte until his retirement in 2012. Ian brings a wealth of recent financial experience to the Board as well as his experience as senior independent director and audit committee chair for two other UK-listed companies in the property sector.

External appointments
Ian is a non-executive director, senior independent director and audit committee chair of Capital & Regional plc and Primary Health Properties plc.

Other listed directorships
Capital & Regional plc and Primary Health Properties plc.

Committee membership

Chair of Committee Nomination Committee Remuneration Committee

A Audit Committee

Laure Duhot
Non-Executive Director

Commenced role
November 2021

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Skills and experience
Laure Duhot joined the Board in November 2021 as a Non-Executive Director and was appointed as a member of the Audit and Remuneration Committees. Following Laure's appointment as Chair of the Remuneration Committee in June 2022, Laure stepped down from the Safestore Audit Committee. Laure brings over 30 years of senior executive level experience in the investment banking and property sectors, specialising in alternative real estate assets, and has been a non-executive director at a number of funds and property companies.

Laure started her career in the investment banking sector and has developed a focus on the property sector. She has held senior roles at Lehman Brothers, Macquarie Capital Partners, Sunrise Senior Living Inc., Pradera Limited and Grainger plc, and latterly was head of investment and capital markets – Europe at Lendlease.

External appointments
Laure is currently a non-executive director of Primary Health Properties plc, NB Global Monthly Income Fund Limited, a premium-listed Guernsey registered fund, and ORPEA SA, a company listed on Euronext Paris. Laure also acts as the independent member on CBRE-IM's UK investment committee. Formerly Laure was a non-executive director of Inland Homes plc and MedicX Fund, which merged with Primary Health Properties plc in March 2019.

Other listed directorships
Primary Health Properties plc, NB Global Monthly Income Fund Limited, a premium-listed Guernsey registered fund, and ORPEA SA, a company listed on Euronext Paris.

Gert van de Weerdhof
Non-Executive Director

Commenced role
June 2020

Skills and experience
During his extensive and varied career, Gert van de Weerdhof has held a number of senior executive positions including as CEO of GrandVision Europe BV before progressing to become chief retail officer for Esprit Holdings Ltd and latterly as CEO of RFS Holland Holdings BV and its subsidiary Wehkamp BV. Until recently Gert was also a non-executive director, vice-chair and chair of the remuneration and nomination committees for Wereldhave NV, chair of CTAC NV, and a non-executive director and vice-chair of Accell Group NV. Gert brings a wealth of international expertise to the Board having held roles across multi-site retail, e-commerce, consumer goods and real estate.

External appointments
Gert is currently non-executive director of Sligro Food Group NV and CEO of Mercy Ships.

Other listed directorships
Sligro Food Group NV is listed on Euronext Amsterdam.

Delphine Mousseau
Non-Executive Director

Commenced role
November 2021

Skills and experience
Delphine Mousseau brings over 25 years of senior executive level and consultancy experience in e-commerce and customer engagement across Europe, specialising in retail.

Delphine began her career as a project manager at the Boston Consulting Group before moving on to join Plantes-et-Jardins.com where she became head of operations. Between 2007 and 2011, she was director of e-commerce for Europe at Tommy Hilfiger and then became an independent consultant, primarily for the former Primondo Specialty Group which was Carlyle owned. Latterly Delphine was a VP markets at Zalando and a non-executive director of Fnac-Darty SA.

External appointments
Based in Germany, Delphine is currently non-executive director at Aramis Group SAS, listed on Euronext Paris, and a member of the Holland & Barrett UK Board and chair of the Refurbed Board in Austria.

Other listed directorships
Aramis Group SAS, a company listed on Euronext Paris.

Jane Bentall
Non-Executive Director

Commenced role
May 2022

Skills and experience
Jane Bentall has extensive experience and understanding of operating multi-site, consumer-led businesses. Most recently, Jane was managing director of Haven, the UK holiday parks chain and largest business division of Bourne Leisure. Prior to becoming managing director of Haven, she was the group chief financial officer for twelve years and previously spent six years as operations director. In her career she has also held senior financial roles at the Rank Group.

Jane is a director and chair of the remuneration committee of Oakman Inns plc, and a non-executive director and chair of the audit and finance committee of The Royal Marsden NHS Foundation Trust. Jane is also a director of Resident Hotels Limited, a consultant for Blackstone, and a member of Pilotlight.

Jane is an ACA qualified accountant and a fellow of the Institute of Chartered Accountants.

External appointments
Oakman Inns plc.
Resident Hotels Limited

Other listed directorships
None.

Corporate governance

Our purpose: To add stakeholder value by developing profitable and sustainable spaces that allow individuals, businesses, and local communities to thrive

Leadership

The role of the Board

The Board is collectively responsible for the long term sustainable success of the Company.

The Board sets:

- the Company's purpose, values and strategy, and ensures that these are aligned with the overall culture of the Group;
- appropriate performance targets for management and monitors the performance of the business against those targets;
- the Group's risk appetite and satisfies itself that financial controls and risk management systems are robust, while ensuring the Group is adequately resourced; and
- ensures there is appropriate dialogue with shareholders on strategy and remuneration.

The Board's activities during the year and how it discharges its responsibilities can be found on page 80. The Group's established strategy has evolved to embed sustainability within its purpose. Our strategy is underpinned by our values, as defined on pages 3 and 53, our behaviours and our governance structure, which shape our culture and remain central to the way we conduct our business. The culture of the business is a key part of our success.

The Non-Executive Directors are responsible for providing constructive challenge to the Executive Directors, assisting in developing proposals on the Group's strategy and monitoring the performance of the Executive Directors against strategic and operational objectives.

The Board has delegated certain responsibilities to its Audit, Remuneration and Nomination Committees. Each Board Committee has defined terms of reference, which can be found online within the Governance section of the Company's website: www.safestore.com. The activities of each Board Committee are set out in separate sections of this report. The Audit Committee is, in turn, supported by the Risk Committee, which is a management committee, chaired by the Chief Financial Officer.

The Board also has an established Standing Committee and a Disclosure Committee, which are sub-committees of the Board and meet as required. The Standing Committee has delegated authority to approve routine matters such as matters relating to the operation of the Company's share scheme arrangements, and any other matters, which may be expressly delegated to it by the Board from time to time. The Disclosure Committee has delegated responsibility for overseeing the disclosure of information by the Company to meet its obligations under the Market Abuse Regulation.

All Committees and all Directors have the authority to seek information from any Group colleague and to obtain professional external advice if they feel necessary.

Implementation of agreed plans, budgets and projects in pursuit of the Group's strategy and the actual operation of the Group's system of internal control and risk management are delegated to the Executive Directors, who are supported by an Executive Committee. This includes implementing Group strategy to optimise the trading performance of the existing store portfolio, to monitor financial performance and maintain a strong and flexible capital structure, to identify selective portfolio and expansion opportunities, to develop our colleagues and to implement the Group's sustainability strategy. Sustainability governance is explained more fully on page 47.

The Board and its independence

At the date of this report, the Board consists of eight Directors, the Chairman, two Executive Directors and five independent Non-Executive Directors, with Ian Krieger appointed as the Senior Independent Director. The Chairman was considered to be independent on appointment. The skills and experience of each of the Directors, along with the dates they commenced their role, are set out on pages 76 and 77.

Both on an individual and collective basis, the Directors have the skills, understanding, experience and expertise necessary to ensure the effective leadership of the Group. At least half of the Board, excluding the Chair, are independent. The Board monitors the independence of its Non-Executive Directors. The Board is aware of the other commitments of its Directors and is satisfied that these neither conflict with their duties, nor impact their independence or time commitment as Non-Executive Directors of the Company.

The Board is mindful that the Code lists that where non-executive directors hold cross-directorships or have significant links with other directors through involvement in other companies or bodies, this is likely to impair, or could appear to impair, a non-executive director's independence. Accordingly when assessing the independence of Laure Duhot and Ian Krieger, it was noted that both Laure and Ian serve as independent non-executive directors of Primary Health Properties plc ("PHP"), a UK listed company. They are not involved in executive duties for PHP and each has a similar obligation to be independent for PHP as they do for the Company. The Board does not consider that Laure's and Ian's positions as independent Non-Executive Directors of the Company are adversely impacted by their roles on the board of PHP and is satisfied that, notwithstanding these appointments, they are therefore regarded as independent.

The Board is also mindful that non-executive director tenure that exceeds nine years is also listed by the Code as a circumstance that is likely to impair, or could appear to impair, a non-executive director's independence. Ian Krieger was appointed to the Board in October 2013.

However, the Board has recently undergone a significant period of renewal: three of our longer serving Non-Executive Directors have stepped down during the last 18 months and we now have four recently appointed Non-Executive Directors. Ian has played a particularly important role as Safestore's most experienced Non-Executive Director, serving as both Chair of the Audit Committee and as our Senior Independent Director. His contribution and experience are invaluable to the Board.

As a result of Ian Krieger having served on the Board for over nine years, the Board has carried out a robust assessment of Ian's contribution and independence. In doing so, the Board assessed the degree of objective judgement and constructive challenge demonstrated by Ian. Having undertaken a rigorous review of Ian's performance as a Non-Executive Director and having taken into account other relevant factors that might be considered likely to impair, or could appear to impair, independence including as set out in Provision 10 of the Code, the Board considers Ian to be independent. The Board has also concluded that, following the recent changes in Board composition and given Ian's in-depth knowledge of the Company and the property sector, his exceptional contributions to

the Board and its Committees continue to be invaluable and that it would be in the best interests of the Company to extend Ian's tenure, for a further year, until the AGM in 2024, subject to shareholder support. This is not only because of his experience and skill set but also due to the continuity and corporate knowledge his presence will bring which the Board considers vital as the newer directors continue to come up to speed fully in their new roles.

Each Non-Executive Director continues to bring independent judgement to the Board's decision-making process. Frederic Vecchioli is also a director of myStorage GmbH, a company incorporated in Germany and an associated company of the Group; apart from this appointment the Executive Directors do not hold any executive or non-executive directorships in other companies.

Key roles and responsibilities

The roles of Chairman, Chief Executive Officer and Senior Independent Director are separate and clearly defined, with the division of responsibilities set out in writing and agreed by the Board. The Chairman is responsible for the management of the Board and for aspects of external relations, while the Chief Executive Officer has overall responsibility for the management of the Group's businesses and implementation of the strategy approved by the Board. The Senior Independent Director is also responsible for supporting the Chairman on all governance issues. The statement of the division of responsibilities between the Chairman, the Chief Executive Officer and the Senior Independent Director is available on the Governance section of the Company's website: www.safestore.com.

Formal Workforce Advisory Panel

Our 'Make the Difference' people forum, launched in 2018, is a formal workforce advisory panel. The Board approved the establishment of the advisory panel to facilitate engagement between colleagues from different areas of the business and provide a two-way feedback process between the Board and our colleagues. The panel has terms of reference that define it's purpose and has a mechanism for appointing colleague representatives, known as people champions. Further information relating to the panel and our 'People Champions' can be found on page 10. The Board receives regular feedback from the panel which has resulted in the Board approving outcomes as detailed in the Sustainability report on page 51 and Directors' remuneration report on pages 93, 98, and 101. The Chief Executive Officer attends panel meetings twice a year to report the views of the Board and to provide regular updates covering the Group's performance and the delivery of our strategy. The Board considers the formal workforce advisory panel to be effective.

Effectiveness

Activities of the Board

The Board scheduled eight meetings during the financial year, and additional Board meetings are held as and when required. During this financial year, an additional meeting was arranged to discuss the acquisition of Carlyle's interest in the Benelux Joint Venture The Board has held a mix of in-person meetings and meetings held by video conference.

The Board has a formal schedule of matters specifically reserved for its decision, which includes (amongst other things) various strategic, financial, operational and governance responsibilities. A summary of the key activities of the Board during the year, in accordance with the formal schedule of reserved matters, can be found on page 80.

The services of the Company Secretary are available to all members of the Board. Board minutes are circulated to all Board members. There is also regular informal contact between Executive and Non-Executive Directors to deal with important matters that arise between scheduled Board meetings. A separate meeting for Non-Executive Directors is held at least once in every year.

Appropriate directors' and officers' insurance cover is arranged by the Group through its insurance brokers and is reviewed annually.

Board meetings held in 2021/22

Attendance of the individual Directors of the Board at meetings that they were eligible to attend during the financial year is shown in the table below:

Director who served during the year ended 31 October 2022	No. of meetings held during tenure during the year	Number of meetings attended
David Hearn	9	9
Frederic Vecchioli	9	9
Andy Jones	9	9
Ian Krieger	9	9
Claire Balmforth*	6	6
Gert van de Weerdhof	9	9
Laure Duhot	9	9
Delphine Mousseau	9	9
Jane Bentall*	3	3

Note

* On 31 May 2022, Claire Balmforth stepped down from the Board and on 18 May 2022, Jane Bentall was appointed as an independent Non-Executive Director. In addition to the three meetings Jane attended as a member of the Board, Jane also attended a Board meeting in May as an observer, rather than as a member of the Board.

In addition to the scheduled Board meetings, the Standing Committee met on 13 occasions and was granted express delegation by the Board to approve the full year and half year results announcements and ancillary matters. The Standing Committee also approved routine administrative matters which related to the maturity of the Company's 2019 (three-year) Sharesave scheme, the vesting of the Company's 2017 Long Term Incentive Plan, the grant of new options under the 2022 (three-year) Sharesave scheme and intercompany funding arrangements. The Disclosure Committee has met once during the year.

2022 Board effectiveness review

The Board recognises that it continually needs to monitor and improve its performance. This is achieved through annual Board effectiveness reviews, full induction of new Board members and ongoing Board development activities. Each year the Board conducts an effectiveness review and every three years the review is carried out externally. This year the Board instructed Gould Consulting Limited, to conduct an external review of the effectiveness of the Board and its Committees. Gould Consulting Limited have no other business relationship with the Group or any of the Company's Directors.

The scope for the Board performance evaluation was agreed with the Chairman. Gould Consulting Limited conducted individual interviews with the Chairman, the Chief Executive Officer and the Senior Independent Director and used an online survey tool to gather feedback from each Director and the Executive Committee. Gould Consulting Limited summarised its findings for the Chairman's consideration. A final report was shared with the Board and Gould Consulting attended a meeting of the Board, to summarise its findings and facilitate further debate.

The anonymity of respondents was ensured throughout the evaluation process in order to promote an open and frank exchange of views. The key findings arising from the review were reviewed by the Board and recommendations were made to:

- to continue to develop succession plans below Board level;
- following Covid-19 restrictions being lifted, to resume Board meetings at the Group's European locations;
- make time available within the Board calendar for Board training on matters of interest to the Board and relevant to the Company.
- review Board packs, with an aim to reduce Board pack size, and management's workload in providing regular Board papers.

Corporate governance *continued*

Effectiveness *continued*

2022 Board effectiveness review *continued*

Following the outcome of the 2022 Board effectiveness review, the Board concluded that the Board and its Committees continue to function effectively to a high standard.

The content for any subsequent effectiveness reviews will be designed to build upon insights gained in the previous exercise to ensure that the recommendations agreed in the review have been implemented and that year-on-year progress is measured.

The Chairman reviewed the performance of the Chief Executive Officer and the Non-Executive Directors. The Chief Executive Officer reviewed the performance of the Chief Financial Officer, and this year, the Chairman's own performance was assessed as part of the 2022 external Board evaluation process, and the SID fed back the comments directly to the Chairman.

A summary of the key matters considered by the Board during the year

Responsibilities	Activities
Strategy	• The development and implementation of the Company's strategy has included general updates from the CEO and CFO. • Presentations from members of the management team on strategy implementation in their operations. • Considering selective portfolio management and expansion opportunities, which included the acquisition of Carlyle's 80% share of our Benelux Joint Venture the expansion of our Spanish operation and site acquisitions in the UK, France and Benelux. • Approving a new German Joint Venture arrangement with Carlyle, and Safestore management of the myStorage business.
Performance and operational matters	• Reviewed the 2022 performance against budget and updated forecasts for the UK, French, Spanish and Benelux operations. • Reviewed customer performance data. • Maintained a detailed focus on full year earnings guidance. • Approved the 2023 Board budget. • Reviewed and approved the Group's investment appraisal policy. • Received regular operational updates from members of the management team, relating to property, colleagues, marketing, IT, store operations, company secretarial and legal matters.
Finance and capital	• Reviewed the Group's capital structure and approved the arrangements for the Group's new unsecured four-year £400 million multi-currency Revolving Credit Facility. • Monitored the Company's going concern and long term viability statements. • Reviewed cash flow, dividend policy (in line with the UK REIT requirements) and shareholder returns.
People, culture and values	• Received regular updates on colleague wellbeing and HR matters, including updates on colleague engagement and updates from our 'Make the Difference' people forum, our formal Workforce Advisory Panel. • Reviewed and approved the Group's key policies including the Company's Modern Slavery Act Statement, anti-corruption and bribery (statement and policy), the whistleblowing ('Speak Out') policy and the health and safety policy statement. • Considered and reviewed the gender pay gap report for 2021. • Reviewed the Company's sustainability strategy, including the Company's commitment to work towards operational carbon neutrality (net zero) by 2035. • Reviewed colleague engagement arrangements.
Governance and risk	• Approved changes to Board composition, Director independence, and succession planning. • Considered Board composition, Director independence, and succession planning. • Approved an increase in Non-Executive Director fees, in line with overall general increases to all colleagues. • Approved an increase in the Chairman's fee. • Reviewed reports on governance and legal issues. • Considered the Company's risk appetite in relation to its strategy. • Reviewed the outcome of the Board and its Committees' 2022 Board effectiveness review. • Reviewed the Directors' Conflict of Interests Register.
Shareholder and stakeholder engagement	• Discussed feedback from investors' and analysts' meetings following the release of our full year and half year results announcements and interim management statements and meetings with existing and potential shareholders. • Discussed feedback following the Chairman and the Senior Independent Director's engagement with major shareholders ahead of the 2022 AGM. • Received regular updates from brokers and advisers on the market perception of Safestore. • Received updates from the CEO and CFO on stakeholder engagement in relation to investor and partner engagement.
Other	• Approved the Annual Report and Financial Statements and recommended the final dividend in line with the Company's dividend policy for shareholder consideration. • Approved the 2022 half year results announcement and declared the interim dividend in line with the Company's dividend policy. • Approved the interim management statements in January and September 2022 regarding trading updates. • Received and reviewed monthly shareholder analysis reports.

Board development

The Chairman is responsible for ensuring that all Non-Executive Directors receive ongoing training and development. Our Non-Executive Directors are conscious of the need to keep themselves properly briefed and informed about current issues. Specific and tailored updates are provided at Board meetings and to members of the Audit Committee and have included presentations from the Company's advisers.

There is a procedure to enable Directors to take independent legal and/or financial advice at the Company's expense, managed by the Company Secretary, if they feel necessary to carry out their duties as a director fully. No such independent advice was sought in 2022.

During the year the Company has delivered an induction programme for Laure Duhot, Delphine Mousseau and Jane Bentall which has been led by the Chief Executive Officer. The induction programme has been prepared to ensure that it provides a comprehensive introduction to the Group as a whole.

Board appointments

Each decision to appoint further Directors to the Board is taken by the entire Board in a formal meeting based on a recommendation from the Nomination Committee. The Nomination Committee consults with financial and legal advisers and uses the services of external recruitment specialists. New members of the Board are provided with initial and ongoing training appropriate to individual needs in respect of their role and duties as Directors of a listed company.

During the year the Nomination Committee engaged in a rigorous search for a new Non-Executive Director. The process for identifying and overseeing the appointment of the new Non-Executive Director has been explained in the Nomination Committee report on page 83.

Chairman's fees

Following a detailed benchmarking process, the Non-Executive Directors recommended to the Board that the Chairman's fees should be increased. The fee increase is set out in the Directors' remuneration report on page 93. No Director was involved in any decision as to their own remuneration.

Appointment terms and elections of Directors

All Directors have service agreements or letters of appointment and the details of their terms are set out in the Directors' remuneration report on page 116. The service agreements of the Executive Directors and letters of appointment of the Non-Executive Directors are available for inspection at the Company's registered office during normal business hours, including the 15 minutes immediately prior to the AGM. The letters of appointment for Non-Executive Directors are in line with the provisions of the Code relating to expected time commitment. At each AGM of the Company, all Directors will stand for re-election in accordance with the Code and the Company's Articles of Association. The Company's Articles of Association require that a Director appointed during the preceding year should be subject to election at the Company's next AGM.

Directors' conflicts of interest

The Company's Articles of Association give the Directors the power to consider and, if appropriate, authorise conflict situations where a Director's declared interest may conflict or does conflict with the interests of the Company.

Procedures are in place at every meeting for individual Directors to report and record any potential or actual conflicts which arise. The register of reported conflicts is reviewed by the Board at least annually. The Board has complied with these procedures during the year.

Diversity

The Board supports the FTSE Women Leaders Review, which seeks to improve board and senior leadership gender diversity across FTSE 350 companies, and the Parker Review on Ethnic Diversity. The Company has an equality, diversity and inclusion policy, which includes the Company's policy on diversity and the Board's diversity policy. Details of the Company's equality, diversity and inclusion policy are provided on page 50.

At the date of this report, the Board comprises 38% women (FY2021: 25%). No member of the Board is from a minority ethnic background. However, the Board is mindful of the recommendations of the Parker Review and is committed to increasing the ethnic diversity of the Board as soon as reasonably practicable in line with the recommendations.

The Board is also mindful of the Investment Association's guidelines in relation to the gender balance for the Executive Committee and its direct reports. The gender balance for this cohort of colleagues is set out on page 50. This cohort of colleagues is fundamental to our success. However, high colleague retention in these roles, means that gender diversity in the senior leadership team has not changed during the year, although we anticipate that it will do so gradually in the future. For more information on gender and ethnic diversity across the Group please refer to page 50.

Accountability

Risk management and internal control

A summary of the principal risks and uncertainties within the business is set out on pages 37 to 42.

The Board retains overall responsibility for setting Safestore's risk appetite and establishing, monitoring and maintaining the Group's risk management and internal control systems. These systems are designed to enable the Board to be confident that such risks are mitigated or controlled as far as possible, although no system can eliminate risk entirely.

The Board has established a number of ongoing processes to identify, evaluate and manage the strategic, financial, operating and compliance risks faced by the Group and for determining the appropriate course of action to manage and mitigate those risks. The Board delegates the monitoring of these internal control and risk management processes to the Audit Committee. These measures have been in place throughout the year and up to the date of this report.

The Risk Committee supports the Group's risk management strategy and undertakes regular reviews of the formal risk assessments and reports regularly to the Audit Committee of the Board. The Risk Committee is chaired by the Chief Financial Officer and comprises representatives from the operations, finance, human resources and property functions. Risk management remains an ongoing programme within the Group and is formally considered at operational meetings as well as at meetings of the Board.

Corporate governance *continued*

Accountability *continued*

Risk management and internal control *continued*

At 31 October 2022, the Group employed a risk manager in the UK supported by two store auditors responsible for reviewing operational and financial controls at store level in the UK. The store assurance team operates with a mandate to provide assurance that the stores' risk management and control processes are operating effectively and to the expected and required standard. The Group also employs an Audit Manager in France who is responsible for arranging a combination of external safety audits and internal audits for measuring and developing quality, process and safety. The UK Risk Manager reports to the Chief Financial Officer; the French Risk Manager reports to the President of the French business. The arrangements in the Netherlands and Belgium are within the auspices of the UK and French risk teams respectively and the arrangements in Spain are supported by a third party service provider. For the 2023 financial year, the Board has determined that value would be added through the establishment of a new internal audit function. Further details are provided on pages 88 and in the Audit Committee report.

During the financial year, the Board has directly, and through delegated authority to the Audit and Risk Committees, overseen and reviewed the performance and evolution of risk management activities and practices and internal control systems within the Group. Through both its ongoing involvement and overview in risk management and internal control activities, the Board is satisfied that there have been no significant failings or weaknesses identified and the Directors believe that during 2022 the system of internal control has been appropriate for the Group.

Budgetary process

A comprehensive budgeting process is in place, with an annual budget prepared and validated at a country and functional level. The budget is subject to significant consideration and approval by the Board. The Directors are provided with relevant and timely information required to monitor financial performance.

Investment appraisal (including acquisitions)

Budgetary approval and defined authorisation levels regulate capital expenditure. Acquisition activity is subject to internal guidelines governing investment appraisal criteria, financial targets, negotiation, execution and post-acquisition management.

Company ethics and whistleblowing

The Company is committed to the highest standards of integrity and honesty and expects all colleagues to maintain the same standards in everything they do at work. The Company recognises that effective and honest communication is essential to maintain its business values and to ensure that any instances of malpractice are detected and dealt with.

The Company has a number of policies available online for its colleagues. These include a code of conduct, an anti-bribery and corruption policy, a receipt of gifts and corporate hospitality policy and a whistleblowing ('Speak Out') policy. The anti-bribery and corruption policy reinforces the Group's commitment to countering bribery, tax evasion and corruption as it seeks to comply with the Bribery Act 2010 and the Criminal Finances Act 2017.

The Speak Out policy has procedures for disclosing malpractice and, together with the code of conduct, is intended to act as a deterrent to fraud or other corruption or serious malpractice. It is also intended to protect the Group's business and reputation.

No whistleblowing issues were reported during the year.

The Board considers the payment of taxes as a responsibility that brings positive socio-economic impacts through its presence and employment creation in the countries it operates in. A Group tax strategy has been in place since 2016, which is approved by the Board and reviewed annually by the Audit Committee and is available on the Group's website: www.safestore.com. It is the Group's policy to pay the right amount of tax wherever it does business, based on a fair and sound application of local tax laws to the economic substance of its business transactions. Safestore does not use artificial tax avoidance schemes or tax havens to reduce the Group's tax liabilities.

Investor relations and shareholder and investor engagement

We are committed to proactive and constructive engagement with all our shareholders and consider all shareholders' views as part of the Board's decision-making process. The Group places a great deal of importance on communication with its shareholders and maintains a dialogue with the investment community. Engagement is maintained through a comprehensive investor relations programme, which includes formal presentations of the full year and half year results and meetings with institutional investors and analysts as required and attendance at Investor conferences. The presentation slides used at these meetings are made available on the Company's website and accessible for all shareholders. The Board ensures that our shareholders, investors and investor community have a strong understanding of our strategy, performance and culture.

Earlier this year, the Chairman, together with the Senior Independent Director, met several shareholders, to understand their views on governance and performance against strategy. At the time of our 2022 AGM, the Chairman engaged further with some specific shareholders to understand their vote against the 2021 Directors' remuneration report. It was clear that the vote against did not reflect a vote against either the management or the Board, but instead was a legacy vote against our 2017 Remuneration Policy and the subsequent execution of it during 2021.

To ensure all Board members share a good understanding of the views of all our shareholders, the Board receives regular updates on the views of our shareholders and receives summaries of institutional investor comments following meetings on the full year and half year results.

In the event that shareholders have any concerns, which the normal channels of communication through the Chief Executive Officer or Chief Financial Officer have failed to resolve or for which such contact is inappropriate, our Chairman or Senior Independent Director are available to address such concerns. Both make themselves available when requested for meetings with shareholders on issues relating to the Company's governance and strategy.

The Board considers the Annual Report and Financial Statements, the AGM and its website to be the primary vehicles for communication with private investors. Resolutions at the Company's AGM are proposed on each substantially separate issue and the Company indicates the level of proxy voting lodged in respect of each resolution. The AGM gives all shareholders who are able to attend (especially private shareholders) the opportunity to hear about the general development of the business. It also provides an opportunity for shareholders to ask questions of the full Board of Directors, including the Chairs of the Audit, Nomination and Remuneration Committees.

Nomination Committee report

The Board, on the advice of the Committee, recommends the re-election of each Director

David Hearn
Chair of the Nomination Committee

Meetings held in 2021/22

Members of the Committee during the year ended 31 October 2022	No. of meetings held during tenure during the year	Number of meetings attended
David Hearn (Chair)	3	3
Ian Krieger	3	3
Claire Balmforth	2	2
Gert van de Weerdhof	2	2

Membership

The Nomination Committee comprises Non-Executive Directors and is chaired by David Hearn. On 15 December 2021, Gert van de Weerdhof and Claire Balmforth were appointed as members of the Committee and on 31 May 2022, Claire Balmforth stepped down from the Committee. Other Directors and management are invited to attend meetings as appropriate.

Key objectives

To ensure the Board and executive leadership comprises individuals with the necessary skills, knowledge and experience and to ensure that the Board is effective in discharging its responsibilities.

Responsibilities

The Board has approved terms of reference for the Nomination Committee which are available on the Governance pages of the Group's website, www.safestore.com, within "Governance Documents". These provide the framework for the Committee's work in the year and can be summarised as:

- assessing the composition of the Board and making recommendations on appointments to the Board and senior executive succession planning; and
- overseeing the performance evaluation of the Board, its Committees and individual Directors.

How the Committee operates

The Nomination Committee met as necessary and each meeting had full attendance.

Activities of the Committee during the year

Appointment of new Non-Executive Director

In March 2022, the Company announced Claire Balmforth's intention to step down from the Board. Following Claire's decision, the Committee reviewed the Board's size, skill set and diversity and agreed to undertake a search for a new additional Non-Executive Director. Claire agreed to remain on the Board until a suitable replacement was found.

Following the successful executive search for Laure Duhot and Delphine Mousseau in 2021, the Committee decided to re-engage Russell Reynolds Associates to facilitate and advise on the executive search for a new Non-Executive Director.

Russell Reynolds Associates has signed up to the voluntary code of conduct on gender diversity and best practice, and is accredited under the enhanced code of conduct for executive search firms, which specifically acknowledges those firms with a strong track record in and promotion of gender diversity in FTSE 350 companies. Russell Reynolds Associates has no other connection with the Group or any of the Company's Directors.

The Nomination Committee prepared a job specification and agreed a candidate profile for Russell Reynolds Associates to undertake an executive search. The Committee also asked Russell Reynolds to revisit the shortlisted candidates from the 2021 selection process and have regard to both gender and ethnic diversity in its search. Jane Bentall emerged from this process and the members of the Committee unanimously recommended Jane Bentall to the Board. The Board approved Jane's appointment as a Non-Executive Director on 18 May 2022.

Committee composition

In December 2021, the Committee recommended to the Board that Claire Balmforth and Gert van de Weerdhof be appointed as members of the Nomination Committee and that Laure Duhot and Delphine Mousseau be appointed as members of the Audit Committee and Remuneration Committee respectively.

Following Claire's decision to step down as a Non-Executive Director, as a member of the Committee and as Chair of the Remuneration Committee, the Committee recommended to the Board that Laure Duhot step down as a member of the Audit Committee and be appointed as Chair of the Remuneration Committee. The Committee also recommended that Jane Bentall be appointed as a member of the Audit and Remuneration Committees. The Board approved these appointments on 18 May 2022, although changes relating to Laure's appointments were effective from 1 June 2022.

Nomination Committee report *continued*

Activities of the Committee during the year *continued*

Committee composition *continued*

A significant amount of the Committee's time in 2022 was spent on Board composition; other activities of the Nomination Committee included:

Responsibilities	Activities
Board and Committee composition	• Assessed the diversity, skill set and composition of the existing Board and its Committees, following Claire Balmforth's decision to step down as a Non-Executive Director. • Oversaw the process for appointing an additional Non-Executive Director. • Considered Committee composition and recommended new appointments to each Committee. • Considered the performance of the Chief Executive Officer and the Chief Financial Officer.
Succession planning	• Discussed succession planning in respect of both Board members and senior management within the Group.
Board development	• Reviewed the programme for Non-Executive Director development.
Governance	• Reviewed the Group's culture, values and behaviours. • Discussed the remit and role of the Committee and reviewed its terms of reference.

Succession planning

It is a key responsibility of the Committee to advise the Board on succession planning. The Committee ensures that future changes in the Board's membership are anticipated and properly managed and that, in the event of unforeseen changes, management and oversight of the Group's business and long term strategy will not be disrupted. The Committee also addresses continuity in, and development of, the Executive Committee below Board level.

Diversity

The Company's diversity policy recognises the benefit and value of diversity across the Group. We are committed to the creation of an inclusive culture where our colleagues reflect the diverse communities we serve and where each person is given the opportunity to contribute and use their talents and abilities, experiences and skills to participate in developing sustainable commercial opportunities. The Board recognises that a diverse Board, with an appropriate balance through a diverse mix of experience, backgrounds, skills and deep knowledge and insight, is a key driver of an effective Board. The Chairman leads the Safestore Board diversity agenda with the aim of continuously improving diversity generally, including, but not limited to, the gender balance and ethnic diversity, which ultimately leads to better Board debate and decision. The Board's diversity policy seeks to ensure that diversity in its broadest sense, continues to remain a significant feature of the Board. The Board must continue to provide strong leadership at Safestore and therefore continues to appoint only the most appropriate candidates to the Board.

For details of diversity and inclusion as it applies to the Group's wider workforce and the gender balance of senior managers and direct reports, please see page 50.

Board and Committee performance evaluation

The Committee's performance was reviewed as part of the 2022 externally facilitated Board and Committee evaluation process, which is explained on pages 79 and 80. The review found that the Committee functions effectively and should continue to develop succession plans below Board level.

Directors standing for election and re-election

In accordance with the Company's Articles of Association, Jane will be subject to election at the Company's 2023 AGM. In accordance with the Code provisions the remaining Directors will stand for re-election at the 2023 AGM. Following the annual Board performance review and the outcome of performance reviews of individual Directors, I can confirm that each Director subject to either election or re-election:

- continues to operate as an effective member of the Board;
- remains committed to their roles and have sufficient time available to perform their duties; and
- has the skills, knowledge and experience that enables them to discharge their duties properly and contribute to the effective operation of the Board.

The Board, on the advice of the Committee, recommends the election or the re-election of each Director. Further information on the Directors, including their skills and experience, can be found in the Directors' biographies on pages 76 and 77.

I will be available at the Annual General Meeting to answer any questions on the work of the Nomination Committee.

David Hearn
Chair of the Nomination Committee
16 January 2023

Audit Committee report

The Company's control environment remains robust

Ian Krieger
Chair of the Audit Committee

Meetings held in 2021/22

Members of the Committee during the year ended 31 October 2022	No. of meetings held during tenure during the year	Number of meetings attended
Ian Krieger (Chair)	5	5
Gert van de Weerdhof	5	5
Laure Duhot*	2	2
Jane Bentall	2	2

Membership

The Audit Committee comprises solely independent Non-Executive Directors. Laure Duhot joined the Committee on 15 December 2021 and stepped down on 1 June 2022. Jane Bentall was appointed as a member of the Committee on 18 May 2022. The members of the Committee have been selected to provide the wide range of financial and commercial expertise necessary to fulfil the Committee's duties and responsibilities and I am the Committee's designated financial expert for the purposes of the Code.

In order to ensure that the Committee continues to have experience and knowledge relevant to the sector in which the Company operates, all of the Non-Executive Directors receive regular updates on business, regulatory, financial reporting and accounting matters. The Committee's performance was reviewed as part of the 2022 externally facilitated Board evaluation, which is explained on pages 79 and 80. The review found that the Committee functions effectively and that issues are dealt with in a thoughtful, clear and rigorous manner.

Key objectives

The provision of effective governance over the appropriateness of the Company's financial reporting, the performance of both the store assurance arrangements and the external auditor and oversight over the Company's system of internal control.

Responsibilities

The Board has approved terms of reference for the Audit Committee, which are available on the Governance pages of the Group's website, www.safestore.com, within "Governance Documents". These provide the framework for the Committee's work in the year and can be summarised as providing oversight of the:

- appropriateness of the Company's external financial reporting;
- relationship with, and performance of, the external auditor;
- Group's store assurance arrangements and the risk management framework; and
- Group's internal control framework.

How the Committee operates

The Audit Committee met five times during the year, and has an agenda linked to the events in the Group's financial calendar. In addition to the Committee members, the following individuals attend by invitation:

- the Chief Financial Officer and the Group Financial Controller;
- the Chair and the Chief Executive Officer;
- other senior managers, as appropriate, including those responsible for IT security and risk management;
- the audit partner, directors and senior managers from Deloitte; and
- the valuation team from the Company's property valuers, Cushman & Wakefield.

This year, during two Audit Committee meetings, the Committee met separately with Deloitte without any other member of management being present.

Audit Committee report *continued*

Main activities of the Committee during the year

A summary of the Audit Committee's main activities during the year included the following items:

Responsibilities	The Audit Committee has:
Financial reporting	• reviewed the Annual Report and Financial Statements and that, taken as a whole, it is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's performance, business model and strategy; • assessed and concluded on the Group's viability statement and the appropriateness of adopting the going concern basis of accounting for the full and half year financial results; • reviewed the significant issues and material judgements which were made in preparing the 2022 half year results and the Annual Report and Financial Statements; • considered and agreed the approach for performing the valuations of investment properties for the Annual Report and Financial Statements and interim results; • challenged the valuers findings and judgements in relation to the property valuation; • reviewed the integrity of the financial statements and announcements relating to the financial performance and governance of the Group at year end and half year; • reviewed the principal judgemental accounting matters affecting the Group based on reports from both the Group's management and the external auditor; • challenged the technical provisions relating to the accounting for share-based payments under IFRS 2, including disclosure and narrative, and considered the significance of the share-based payments charge on this year's financial statements; and • considered alternative performance measures, not defined under IFRS or "non-GAAP" measures, ensuring consistency with how management measures and judges the Group's financial performance.
External auditor	• reviewed and approved the audit plan with the external auditor, and that it was appropriate for the Group, including in respect of scope and materiality and aligned to the key risks of the business; • considered external audit effectiveness, independence and re-appointment; • challenged the auditor's findings and judgements in relation to the property valuation; • approved auditor remuneration; and • considered the requirement to tender for audit services, in line with the Statutory Services for Large Companies Market Investigation (Mandatory Use of Competitive Tender Processes and Audit Responsibilities) Order 2014.
Internal audit arrangements	• reviewed the effectiveness of the Group's internal controls and disclosures made in the Annual Report and Financial Statements; • challenged the effectiveness of the Group's store audit arrangements; and • assessed the effectiveness and independence of the store assurance team and considered whether there was a need for the Company to establish a broader internal audit function.

Governance and risk	• monitored the adequacy and the effectiveness of the Group's ongoing risk management systems and processes, through risk and assurance plans and reports, including:
	  • store assurance audit reports;
	  • internal financial control assessments;
	  • fraud and loss prevention reports; and
	  • operational risk updates, including IT security, health and safety and customer complaints;
	• reviewed the Company's anti-corruption and bribery (statement and policy) and whistleblowing ('Speak Out') policy and procedures;
	• monitored the effectiveness of the Company's information security and business continuity arrangements; and
	• reviewed the Company's REIT compliance and tax strategy.

Appropriateness of the Company's external financial reporting

Financial reporting and significant financial judgements

The Committee assessed whether suitable accounting policies had been adopted and whether management had made appropriate estimates and judgements. The Committee reviewed accounting papers prepared by management which provided details on the main financial reporting judgements.

The Audit Committee reviewed the assumptions associated with the accounting for share-based payments to ensure that they were accurately measured and disclosed appropriately in the Annual Report and Financial Statements in accordance with IFRS 2 "Share-based Payments", with particular focus on the assessment of the performance conditions under which the share-based payments vest.

The Committee also reviewed reports by the external auditor on the full year and half year results which highlighted any issues with respect to the work undertaken on the year end audit and half year review.

The Committee paid particular attention to matters it considered important by virtue of their impact on the Group's results and remuneration, and particularly those which involved a high level of complexity, judgement or estimation by management.

The Committee has concluded that there were not significant levels of judgements included in the financial statements, other than for the property valuation as described below.

Property valuations

The key area of judgement that the Committee considered in reviewing the financial statements was the valuation of the investment property portfolio. Whilst this is conducted by independent external valuers, it is one of the key components of the financial results and is inherently complex and subject to a high degree of judgement and estimation. As well as detailed management procedures and reviews of the process, the Committee met the Group's valuers to discuss the valuations, review the key judgements and discuss whether there were any significant disagreements with management. This year the Committee reviewed and challenged the valuers on the cap rates, rental growth assumptions and stabilised occupancy levels, and also the considerations made around the macro-economic and inflationary environment, in order to agree the appropriateness of the assumptions adopted. The Committee also challenged the valuers and satisfied itself on their independence, their quality control processes (including peer partner review) and qualifications to carry out the valuations. Management also has processes in place to review the external valuations. In addition, the external auditor uses valuation experts to conduct a detailed review of the key assumptions that underpin the investment property valuations and reports their findings to the Committee.

A more detailed explanation of the background, methodology and judgements that are adopted in the valuation of the investment properties is set out in note 13 to the financial statements.

Financial statements

The Committee considered and was satisfied with management's presentation of the financial statements.

Management confirmed to the Committee that it was not aware of any material misstatements and the auditor confirmed that it had found no material misstatements during the course of its work.

The Committee is satisfied that the judgements and estimates made by management are reasonable and that appropriate disclosures have been included in the financial results. After reviewing the reports from management and following its discussions with the valuers and auditor, the Committee is satisfied that the financial statements appropriately address the critical judgements and key estimates, both in respect of the amounts reported and the disclosures. The Committee is also satisfied that the processes used for determining the value of the assets and liabilities have been appropriately reviewed and challenged and are sufficiently robust.

Fair, balanced and understandable assessment

At the request of the Board, the Committee also considered whether the Annual Report and Financial Statements was fair, balanced and understandable and whether it provided the necessary information for shareholders to assess the Company's performance, business model and strategy.

The Committee has advised the Board that in its view, taken as a whole, the Annual Report and Financial Statements is fair, balanced and understandable. In reaching this conclusion, the Committee considered the overall review and confirmation process around the Annual Report and Financial Statements, going concern and viability.

The Committee was provided with, and commented on, a draft copy of the Annual Report and Financial Statements. In carrying out the above processes, key considerations included ensuring that there was consistency between the financial results and the narrative provided in the front half of the Annual Report. The Committee is satisfied that alternative performance measures, not defined under IFRS or "non-GAAP" measures, are consistent with how management measures and judges the Group's financial performance.

Going concern and viability statement

The Committee has reviewed the Group's assessment of viability over a period of three years. The Committee's approach in assessing going concern and the viability statement is set out on page 44.

Relationship with, and performance of, the external auditor

Annual auditor assessment

During the year, the Committee conducted a review of the effectiveness of the external audit process and the audit quality.

In considering the effectiveness of the external audit, the Committee considered:

- the arrangements for ensuring the external auditor's independence and objectivity;
- the quality of the audit team and their expertise;
- the quality and scope of the audit plan and reporting;
- the quality of the formal audit report to shareholders;
- the robustness and perceptiveness of the auditor in its handling of the key accounting and audit judgements; and
- the content of the external auditor's comments on control improvement recommendations.

The Committee also sought the views of key members of the finance team, senior management and Directors on the audit process and the quality and experience of the audit partner engaged in the audit. Their feedback confirmed that the auditor continues to perform well and provide an appropriate level of challenge to management.

It is standard practice for the external auditor to meet privately with the Audit Committee, without any member of management or the Executive Directors being present, at least once a year.

Audit Committee report *continued*

Relationship with, and performance of, the external auditor *continued*

External auditor objectivity, independence and non-audit work

The Audit Committee's terms of reference set out that it is responsible for the formal policy on the award of non-audit work to the auditor. The Committee has formalised procedures for the approval of non-audit services which stipulate the services for which the auditor will not be used. The policy also stipulates projects where the auditor may be used subject to certain conditions and pre-approval requirements. In order to preserve auditor objectivity and independence, the external auditor is not asked to carry out non-audit work. A report of all audit and non-audit fees payable to the external auditor is provided to the Committee at each meeting, including both actual fees for the year to date and a forecast for the full year, analysed by project and into pre-defined categories. In the current financial year, Deloitte LLP provided non-audit services, amounting to £4,000 covering covenant compliance work, for the Company's lenders. It was determined that the nature of the work would not impact auditor objectivity and independence given the safeguards in place.

It is the Committee's policy to ensure that there is audit partner rotation every five years to safeguard the external auditor's independence and objectivity. Deloitte was appointed as external auditor to conduct the audit for the 2014 financial year. The first lead audit partner retired following the 2017 audit and Darren Longley was appointed as the new lead audit partner with effect from 1 May 2018 and has completed his fifth year in office. A new lead audit partner will be appointed for the 2023 audit.

The auditor is asked on an annual basis to articulate the steps that it has taken to ensure objectivity and independence, including where the auditor provides non-audit services. As part of the 2022 audit, Deloitte confirmed that it was independent within the meaning of applicable regulatory and professional requirements. Taking this into account and having considered the steps taken by Deloitte to preserve its independence, the Committee concluded that Deloitte's independence had not been compromised notwithstanding the level of non-audit fees incurred during the year.

Audit tendering

Deloitte was appointed by shareholders as the Group's statutory auditor in 2014 following a formal tender process. There are no contractual obligations that restrict the choice of external auditor. It is a requirement of the Statutory Services for Large Companies Market Investigation (Mandatory Use of Competitive Tender Processes and Audit Responsibilities) Order 2014 (the "Order"):

- to formally tender for audit services every ten years;
- to rotate the partner every five years; and
- if a competitive tender process has not been completed for five consecutive financial years, that the Company states when it intends to complete such a tender process.

The Order became effective for financial years beginning on or after 1 January 2015 and applies to the Company with effect from the financial year ended 31 October 2016. To comply with the Order the Company intends to conduct a formal tender process for audit services during the financial year ending 2024. The Committee considers this timing to be in the best interests of the Company, as it allows for a new lead audit partner to be appointed (in accordance with the Order) and conduct a full year audit ahead of the formal audit tender process.

Re-appointment of auditor

In reviewing the effectiveness, independence, objectivity and expertise of the external auditor, the Audit Committee has concluded that overall Deloitte has carried out the audit effectively and efficiently and recommended to the Board that the auditor be proposed for re-appointment as external auditor for 2023.

Resolutions to re-appoint Deloitte as auditor and to authorise the Directors to agree its remuneration will be put to shareholders at the Annual General Meeting that will take place on Wednesday 15 March 2023.

Group's risk management and internal control framework

The Board, as a whole, including the Audit Committee members, considered whether the nature and extent of Safestore's risk management framework and risk profile were acceptable in order to achieve the Company's strategic objectives. As a result, the Committee considered that the Board has fulfilled its obligations under the Code.

Safestore's internal controls, along with its design and operating effectiveness, remain a key priority for the Group and are subject to ongoing monitoring by the Audit Committee through reports received from management, along with those from the external auditor. The Committee, together with management, has continued to maintain its comprehensive review of the controls across the business. The Committee is satisfied that the Company's control environment remains robust. The risks and uncertainties facing the Group, and its internal control processes are considered in the strategic report on pages 37 to 42 and on pages 81 to 82.

Internal audit

The Audit Committee has oversight responsibilities for the store assurance team, which is responsible for reviewing operational and financial controls at store level, which effectively carries out an internal audit role for the Group's stores. The Committee has also reviewed an analysis of how the key risks in the business are mitigated by existing controls and has reviewed the Group's risk management framework. The Committee considers that this provides a robust internal audit assessment for the Group. However, given the increasing expansion of the Group's geographical presence, it has determined that value would be added through the establishment of a new internal audit function.

I will be available at the Annual General Meeting to answer any questions on the work of the Audit Committee.

Ian Krieger
Chair of the Audit Committee
16 January 2023

Directors' remuneration report

for the year ended 31 October 2022

The Company has continued to deliver excellent financial and operating performance during 2021/22

Laure Duhot
Chair of the Remuneration Committee

Part A: annual statement

Dear shareholder

As the recently appointed Chair of the Remuneration Committee (the "Committee"), on behalf of the Committee, I am pleased to provide an overview of our work in relation to both Director and wider workforce remuneration for the year ended 31 October 2022.

Firstly, I would like to take this opportunity to draw your attention to the two key matters in this report:

- the 2017 LTIP vesting and the Board's shareholder engagement; and
- the Committee's approach to the 2023 Directors' Remuneration Policy (the "Policy").

2017 LTIP vesting and incentive payouts during the year

The Committee is delighted that Safestore has delivered exceptional performance this year which is reflected in the achievement of another solid set of financial results for the year ended 31 October 2022. This is testament to the excellent performance of the management team and all colleagues who have delivered strong performance against our business goals.

Annual bonus

In relation to the annual bonus, financial and strategic/operational targets have been significantly exceeded leading to maximum payout.

2017 LTIP

As highlighted in last year's report, the Committee measured the Company's EPS growth over the five-year period ending on 31 October 2021 and disclosed the value of this element in the single figure table, which accounted for two-thirds of the award. However, final vesting could only be determined after taking into account the relative TSR element which accounts for the remaining one-third of the award. The Committee is pleased to confirm that TSR targets have been significantly exceeded, even considering the material fall in share prices in the real estate sector during 2022, resulting in full vesting of the awards. The Committee noted the significant vote against the 2021 annual report on remuneration. We understand from our engagement with major investors that the main reason for the voting outcome on our 2021 Directors remuneration report was that some shareholders who voted against the 2017 remuneration policy at its inception have a policy to vote against all future remuneration reports that reflect their subsequent execution and therefore this is unlikely to change for 2022. However, the Committee is of the view that the remuneration earned this year reflects the Company's excellent performance over a sustained period and that this is consistent with the views of our shareholders, many of whom fully accepted that the 2017 LTIP awards reflected the outstanding value created for all shareholders which has been of significant benefit to all our stakeholders.

2020 LTIP

EPS growth targets have been exceeded under the 2020 award. Full vesting will be determined based on an assessment of the Company's relative TSR performance in March 2023.

Further details of the business performance and the resulting incentive payouts are set out within this annual statement.

2023 Policy

The Committee commenced a remuneration review during 2022 to determine the guiding principles and design of the proposed Policy to be presented for shareholder vote during 2023. This is an important exercise and the committee is now in the process of determining a competitive package to retain a management team whose fixed compensation is significantly below its peers. At the date of drafting this report, the Committee is still in discussions around the details of the new Policy. As a result, the new Policy will be presented for shareholder approval during the 2023 financial year, i.e. before 31 October 2023 at a General Meeting, in line with the relevant regulations.

In undertaking its review, the Committee concluded that the positioning of the current remuneration packages, being significantly below Safestore's peers in terms of quantum and which in fact places the CEO in the lower quartile of the FTSE 250, is not in the best interests of all stakeholders. It also noted that the 2017 LTIP had now vested and paid out in full. Therefore, changes to the LTIP are likely to be proposed as part of the new Policy, although the Committee is keen that the LTIP structure should continue to be aligned with standard market practice in terms of vesting profiles and be subject to the achievement of stretching performance targets. On this basis, LTIP awards will be delayed until shareholder approval of the new Policy has been gained.

I look forward to engaging with you and hearing your feedback on proposals during 2023 and hope that shareholders will support our new Policy at the General Meeting to be held in 2023.

Directors' remuneration report *continued*

for the year ended 31 October 2022

Part A: annual statement *continued*

Overview of business performance

As set out in this Annual Report, the Board is proud of Safestore's achievements this year, with excellent business performance, driven by strong revenue growth in the UK market, strong performances in our Parisian and Spanish businesses, and seven months' contribution from our recently acquired Benelux business. Our new store pipeline represents c.18% of our existing portfolio's MLA, which we anticipate will continue to grow. Our strong and flexible balance sheet has significant funding capacity, allowing us to continue to consider strategic, value-accretive investments as and when they arise. We have delivered a strong occupancy performance over recent years and, after a significant level of acquisition and development activity over the last six years, we still have 1.4m sq ft of fully invested currently unlet space in our UK, Paris, Spain and Benelux markets in addition to 1.4m sq ft of pipeline space. Our most significant upside opportunity is from filling this space at optimised rates and that remains our priority.

The consequence of the above is that we achieved another record set of financial results, significantly ahead of budget, and can continue with our progressive dividend policy. The business has demonstrated its inherent resilience which, alongside our recent excellent results and current trading, allows the Board to look forward with confidence.

Over the past year, our priority has continued to be the health and wellbeing of our colleagues and our customers. We are exceptionally proud that our commitment to colleagues was recognised externally last year by the award of the prestigious Investors in People ("IIP") Platinum accreditation. I was also particularly pleased that the number of hours spent on training across the business has increased following the removal of Covid-restrictions.

The Company continues to increase base salaries for all colleagues and Board Directors. I am pleased to report that an average increase of 6.9% was provided to colleagues during 2022. In addition, to show our appreciation for the commitment and resilience of all our colleagues we made exceptional payments totalling £1,000 to every colleague: £500 in December 2021 as a thank you for their contribution during the pandemic; and a further £500 cost of living payment in October 2022 to ease financial hardship.

Committee activities in 2022

Despite taking the decision to postpone the Policy renewal, a significant amount of the Committee's time in 2022 was spent undertaking a remuneration review to support the design of the new Policy. In addition, we also did the following:

- proactively responded to the 72% votes in favour of the 2021 remuneration report as set out above;
- considered wider workforce pay policies and practices and feedback from the workforce panel;
- approved the salary increase for Executive Directors and senior managers alongside the wider workforce salary budget;
- review Chairman fees to reflect market competitive levels and time commitment;
- agreed annual bonus targets for 2022;
- reviewed and approved the 2022 LTIP grant and the associated performance conditions;
- discussed and approved Executive Director and senior manager remuneration outcomes for 2022 including measuring the performance outcomes of the relative TSR element of the 2017 LTIP award and the EPS element of the 2020 LTIP;
- reviewed the gender pay gap analysis results and signed off actions;
- reviewed and approved the Directors' remuneration report for 2021/22; and
- reviewed the Committee's terms of reference.

Planned activities for 2023

We set out below the activities which the Committee expects to undertake next year:

- engaging with investors in relation to the new Policy, refining and finalising proposals in light of feedback received, and presenting the Policy for approval by shareholders at a General Meeting to be held in 2023;
- implementing the new Policy, on the basis it is approved by shareholders;
- our normal oversight of the annual remuneration cycle including approving Company-wide salary increases, approving the annual bonus and LTIP targets for 2023, measuring performance against the bonus targets and determining the vesting outcomes of the relative TSR element of the 2020 LTIP award and the EPS element of the 2021 LTIP award;
- review of Executive Director and senior manager salaries; and
- review of wider workforce pay policies and practices and feedback from the workforce panel.

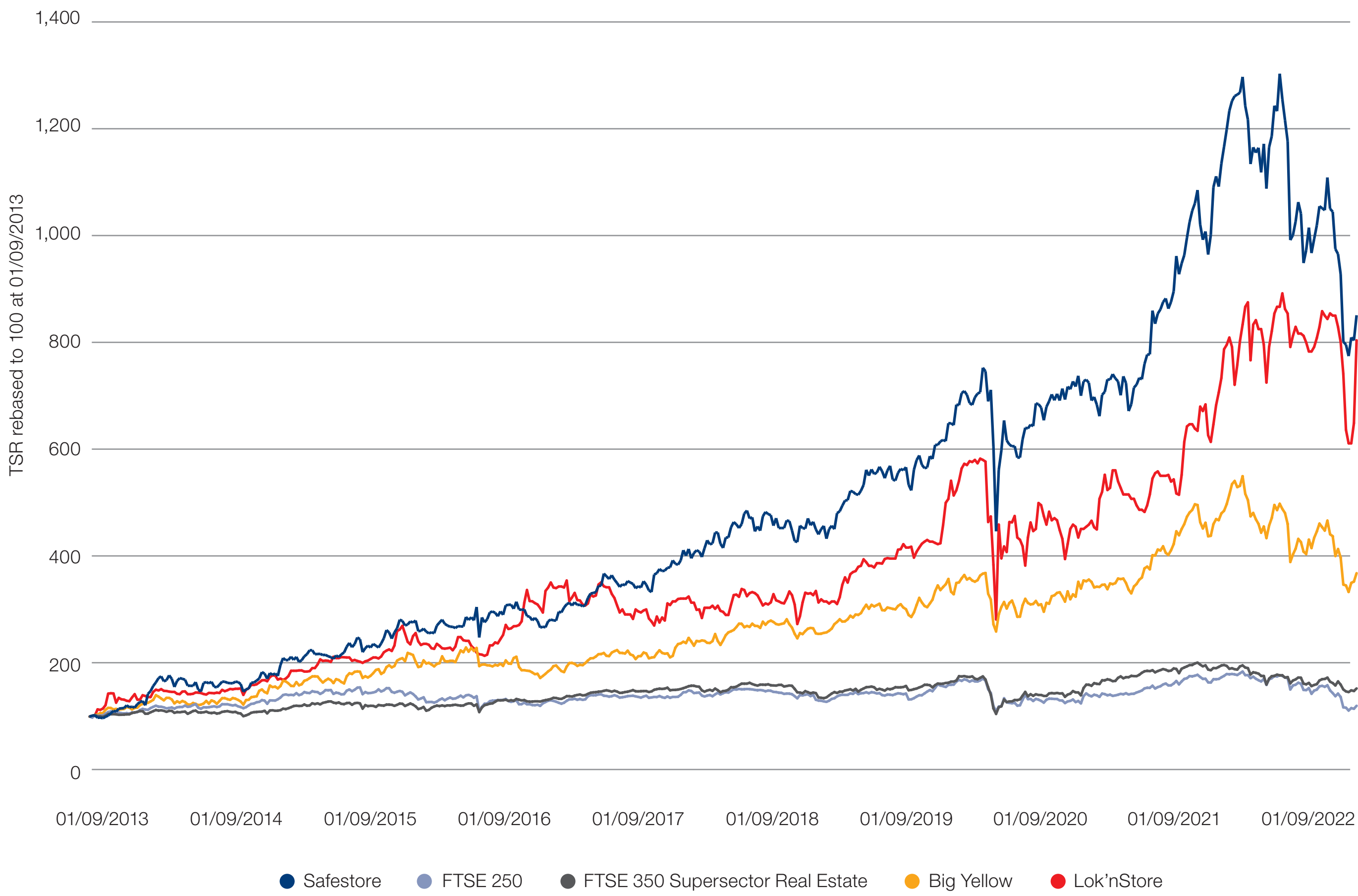
Remuneration outcomes for 2022

How we have performed in 2022

It has been another strong year for Safestore, and we are proud of everything the Executive and wider team has achieved. We exceeded both our own and investor expectations and this is reflected in our 2022 performance outcomes. Highlights for 2022 performance include:

- Group revenue up 13.8% to £212.5 million;
- Underlying EBITDA up 14.5% to £135.1 million;
- Adjusted Diluted EPRA Earnings per Share up 17.3% to 47.5 pence resulting in 66.7% growth over the three years to 31 October 2022;
- proposed total dividend in respect of the year to 31 October 2022 up 18.7% to 29.8 pence per share;
- expansion of the property pipeline to over 1.4m sq ft of MLA through securing a combination of freehold and leasehold sites;
- Group occupancy at 31 October 2022 stood at 82.1%, down 2.4ppts on 2021, and total occupancy was 6.317m sq ft, up 7.4% on 2021;
- strong contribution from our recently acquired Benelux business of seven months' revenue of €5.9 million;
- continued progress made in relation to sustainability including further reductions in our emissions and exceeding our target whereby 98.5% of construction waste is diverted away from landfill; and
- maintained EPRA Silver award status.

The results for 2022 are a continuation of the strong performance of the business since 2013, when the current team took over the management of Safestore. Like many companies in the real estate sector, our share price has fallen since the start of 2022; however, £100 invested in Safestore in September 2013 would still be worth about £845 as at 31 October 2022, taking account of share price growth and reinvested dividends. This represents outperformance against key competitors and industry benchmarks as shown below.



Base salary increases

The Committee determined, as part of the annual pay review, to increase the Executive Directors' salaries by 3% from 1 May 2022 resulting in salaries of £454,578 and £323,887 for the CEO and CFO respectively. This increase was in line with that provided to senior management, but significantly below that of the average for the general workforce (6.9%).

Pension

Executive Directors' pension contribution rates continue to be aligned with the average workforce rate of 4.1% of salary.

Annual bonus outcome

Targets for the 2022 annual bonus set by the Committee were based on adjusted EBITDA (two-thirds) and strategic/operational measures (one-third) with a maximum opportunity of 150% of salary. The Committee confirms that no performance target has been adjusted in the year for any reason.

Notwithstanding the challenging targets and the tough operating environment, the adjusted EBITDA measure was achieved in full as the adjusted EBITDA (adjusted for budgeted exchange rates) of £134.9 million exceeded the maximum EBITDA target of £126.8 million.

The Committee also assessed that 100% of maximum for the strategic/operational measures would pay out reflecting the strong strategic progress made during 2022 (full details of this assessment are set out on pages 106 to 109.

In total, the overall bonus payout was 100% of maximum and 150% of salary for both Executive Directors, versus a maximum opportunity of 150% of base salary. In line with Policy, 100% of salary will be paid in cash and 50% of salary will be deferred into shares on a net of tax basis.

Directors' remuneration report *continued*

for the year ended 31 October 2022

Part A: annual statement *continued*

Remuneration outcomes for 2022 *continued*

Annual bonus outcome *continued*

In determining the payouts under the annual bonus plan for the Executive Directors, the Committee has been mindful not only of the formulaic outcome against the targets set, but also of the underlying performance of the business. Specifically, the Committee took account of the following factors:

- The Company achieved another outstanding set of financial results with substantial year-on-year growth in all its financial KPIs.
- The Company paid its final dividend for 2021 to shareholders. The full year dividend for the year ended 31 October 2022 increased by 18.7% from 25.1 pence to 29.8 pence.
- The Company-wide bonus pool has increased by 8.8%, including the £500 cost of living payment in October 2022 to ease financial hardship.

On this basis, the Committee felt comfortable that the formulaic bonus outcome reflected the individual Executive Director and Company performance. As a result, the Committee determined that no overriding discretion will be applied to the bonus outcome. The Committee noted that, in recent months, Safestore's share price has fallen, but that corporate performance continues to be excellent, and the value of its real estate portfolio remains stable.

Long Term Incentive Plans

2017 LTIP – Relative TSR element performance measurement

The five-year performance period of the relative TSR element of the 2017 LTIP ended on 28 September 2022; relative TSR performance accounts for one-third of the award with 50% of the element measured against the constituents of the FTSE 250 Index excluding Investment Trusts and the remaining 50% is measured against the FTSE 350 Supersector Real Estate Index.

Safestore's TSR growth was 189.2% over the five-year performance period to 28 September 2022 and was significantly in excess of the upper quartile of both peer groups (32.8% and 54.2% for the FTSE 250 Index excluding Investment Trusts and FTSE 350 Supersector Real Estate Index respectively), which equates to maximum vesting. Given that the Committee confirmed that the Cash on Cash Return underpin had been satisfied as at 31 October 2021, the performance targets under the relative TSR element were met in full. Therefore, taking account of the EPS element which represented two-thirds of the award, and under which 100% of the awards were earned in the year ended 31 October 2021, the final vesting level for the 2017 LTIP was determined by the Committee to be 100%.

The purpose of the introduction of the 2017 LTIP was to focus 56 colleagues to drive sustainable growth over a five-year period. The Committee believes that the awards which vested in September 2022 for the Executive Directors and their colleagues are commensurate with the corporate success of the Company achieved over this period as follows:

- The Company's financial success has flowed through to shareholder returns such that since the start of the EPS performance period on 1 November 2016 the Company's market capitalisation has increased by £1.162 billion, with £229 million of dividend payments made.
- The successful execution of strategy has created a unique business model that combines advanced digital marketing and pricing analytics, a well-located portfolio with extensive pipeline, and a focus on store team sales skills.
- The management team has successfully built a larger and more diversified business, expanding operations into Spain and Benelux, and ensuring that all parts of the Company are run in a sustainable manner.
- Financial success has been achieved in parallel with the Company receiving several accolades in relation to its colleague initiatives, ESG performance, and consistently outstanding customer feedback scores.

On this basis, a further 666,667 and 446,667 shares vested for the CEO and CFO in respect of the relative TSR element, meaning that in total 2 million shares for the CEO and 1.34 million shares for the CFO vested under the 2017 LTIP and became exercisable on 29 September 2022. The Executive Directors also became entitled to dividend equivalents on these shares when they vested based on the value of dividends paid between the grant and vesting dates of the award. The share price at the date of vesting was £7.94, representing an increase of 82% since the date of grant. The value of the shares vesting under the relative TSR element and the associated dividend equivalents has been included in the single figure of remuneration table for the year ended 31 October 2022. The value of the awards vested under the EPS element of the 2017 LTIP included in the single figure of remuneration table for the year ended 31 October 2021 has been restated to include the actual dividend equivalents paid between the grant date and the vest date and the share price on vesting.

I am delighted that the wider team of 56 colleagues who participated in the 2017 LTIP will also benefit from the awards in line with their exceptional performance.

2020 LTIP – EPS and Relative TSR element performance measurement

The performance period of the EPS element of the 2020 LTIP ended on 31 October 2022; EPS performance accounts for two-thirds of the award. On that basis, the Committee measured the Company's EPS growth and Cash on Cash Return in relation to the underpin over the three-year performance period. Adjusted Diluted EPRA EPS increased by 18.6% p.a., significantly ahead of the 8% p.a. growth required for maximum vesting. The average Cash on Cash Return over the same period was 11.9% which also exceeded the 8% underpin target resulting in 100% of the awards being earned under the EPS element of the 2020 LTIP.

The final vesting level for the 2020 LTIP will not be determined by the Committee until the vesting date of 18 March 2023, with the balance of awards subject to the Company's relative TSR performance measured over the three-year period ending on 17 March 2023. As at 31 October 2022, Safestore's TSR growth is in excess of the upper quartile of both the FTSE 250 excluding Investment Trusts and FTSE 350 Supersector Real Estate Index peer groups which would equate to maximum vesting. Therefore, the Committee confirms that it expects the awards to vest in full and will consider whether the formulaic outcome is in line with underlying Company performance at the vesting date.

The value of the 2020 LTIP awards expected to vest in March 2023, plus an estimate of the value of dividend equivalents accrued to 31 October 2022, has been included in the single figure of remuneration table for 2022 on the basis that the relative TSR performance period has been substantially completed.

Annual bonus deferred shares

Deferred bonus award nil-cost options granted in respect of annual bonus earned in the year to 31 October 2019 under our previous remuneration policy vested on 1 November 2021. This amounted to 22,982 nil-cost options for the CEO and 16,375 nil-cost options for the CFO, including dividend equivalents.

2022 LTIP grant

The Committee made a grant of nil-cost option awards under the 2020 LTIP on 25 January 2022. In line with Policy the awards had a face value of 200% of base salary, vesting over three years subject to Adjusted Diluted EPRA Earnings per Share growth (two-thirds of the weighting) and relative TSR (one-third of the weighting) performance criteria, together with a Cash on Cash Return underpin. The awards were also subject to a two-year post-vesting holding period. The Committee will have overriding discretion to change the formulaic outcome (both downwards and upwards) if it is out of line with the underlying performance of the Company.

Full details of the performance conditions attached to the awards can be found in the annual report on remuneration on pages 111 and 112.

Non-Executive Directors' fees

The Executive Directors recommended to the Board that Non-Executive fees should rise by 3% from 1 May 2022, with base fees increasing to £57,680 and Committee Chair fees increasing to £10,815. The Chairman's fee has been increased by 18.6% to £220,000. The Committee deemed this level of increase necessary given that the fee was significantly below market competitive levels and was not reflective of the significant time commitment required for the role. The fee remains below the median Chairman fee of both the FTSE 250 and FTSE 350 Supersector Real Estate Index peer groups and is now positioned in a consistent manner with our other non-executive fees.

Wider workforce pay

Safestore's pay principles were reviewed during the year and continue to set out a framework for making decisions on colleagues' pay. Reward packages consist of a combination of fixed and variable elements, including base pay, a pay-for-skills model, performance related pay, bonus and pension. In the UK, we also operate an annual all-colleague share plan to foster the culture of ownership, reflecting our remuneration principles by rewarding colleagues for the successful execution of strategy over a multi-year horizon. We are delighted that many UK colleagues are enrolled in our Sharesave plan, with 48% participating in our most recent scheme.

The Committee receives remuneration information from across the Group regarding annual salary reviews, bonus, gender pay gap and CEO pay ratios, together with the principles that are applied in relation to broader incentive schemes, and how these align with culture. We recognise that it is critical for our colleagues to feel valued as well as to be paid fairly.

I am pleased that we have continued to invest in our reward offering for the wider workforce through a higher average workforce salary increase, on average 6.9%, with targeted above market increases for selected roles and a £500 cost of living payment to ease financial hardship over the winter period. We also introduced our new healthcare cash plan, provided by Medicash, providing colleagues with everyday reassurance on their health and wellbeing.

Our approach to colleague engagement through our formal workforce advisory panel is now fully embedded. Our 15 People Champions continue to engage directly with the CEO on a wide range of subjects including remuneration.

In addition, the CEO also ran two virtual town hall sessions where colleagues had the opportunity to raise questions, discuss business issues and provide feedback. As a result of the aforementioned Sharesave plan, a significant portion of colleagues are shareholders meaning that they are also able to express their views in the same way as other shareholders. Please see the section on our communication with colleagues for more information.

Our 2021 median gender pay gap of 5.2% remains significantly below the UK average* (15.1%), but we know we still have work to do. Our colleague engagement levels show that people enjoy working at Safestore, but high retention, particularly in more senior roles, means the pace of change is slower than we would like. We would like to see more women at Safestore; our aim is to attract 40% female applicants, and we are working hard on attracting, retaining and supporting women in our workforce. However, in the short term, this does negatively impact our gender pay gap and therefore we know we must combine this with working hard to support the development of all women at Safestore.

We have also published our CEO pay ratio for the fourth time in line with the reporting regulations. The Committee acknowledges that the ratio is significantly higher in 2021 and 2022 versus 2019 and 2020, given that the value of the 2017 LTIP EPS element is included in 2021 and the value of the 2017 LTIP relative TSR element is included in 2022, compared to 2019 and 2020 when no long term incentives were earned.

I am also exceptionally proud that we were awarded the prestigious Investors in People ("IIP") Platinum accreditation last year and we continue to strive for excellence in this area.

Note

* Office for National Statistics, Gender Pay Gap 2021 Dataset, ons.gov.uk.

Summary

Overall, the Company has continued to deliver excellent performance during 2021/22. The Committee believes that the 2022 remuneration outcomes are appropriate and reflective of the business performance and the wider economic and social context.

We will continue to work on the design of the new Policy to ensure it will be fit for purpose for the next three years as it is fundamental to helping us achieve continued strong business performance. The new Policy will therefore be recommended to shareholders at a General Meeting to be held in 2023. We will also be asking shareholders to vote in favour of our Directors' remuneration report at our 2023 AGM; I would welcome any feedback or comments on this report or our remuneration principles and look forward to receiving any written questions ahead of our AGM. You will find details of the conference facility and how to submit written questions on our website at www.safestore.co.uk/corporate.

The Board would like to thank the shareholders that took part in our engagement around the time of the 2022 AGM and values the process, feedback and insights it has gained. We will continue to engage with shareholders and their representative bodies on remuneration and other governance matters, and thank all our shareholders for their continued support on remuneration matters.

I would also like to take this opportunity to thank my predecessor as Remuneration Committee Chair, Claire Balmforth, for her leadership and for steering the Committee with a strong set of policies and practices upon which our decisions can be made.

Finally, I want to recognise that the Company's performance would not be possible without the resilience shown by our colleagues. To all colleagues – thank you for your hard work and commitment to making Safestore the strong business it remains today.

Approved by the Board on 16 January 2023 and signed on its behalf by:

Laure Duhot
Chair of the Remuneration Committee
16 January 2023

Directors' remuneration report *continued*

for the year ended 31 October 2022

Part B: Our remuneration at a glance

Ahead of the annual report on remuneration, we have summarised below the key elements of our current Policy approved at the AGM held on 18 March 2020. At the date of drafting this report, the Committee is still in discussions around the details of the new Policy. Despite this, we set out below, where possible, a summary of how we intend to implement Policy in 2023. Further details will be included with the full Policy to be circulated ahead of the General Meeting later in 2023. We also summarise the key remuneration outcomes for 2022.

Our full Policy can be found on the Safestore website at www.safestore.co.uk.

Summary of our Directors' Remuneration Policy and planned implementation of Policy for 2023

Element	Key features of Policy approved at 2020 AGM	Implementation for 2023	
Executive Directors		**Frederic Vecchioli**	**Andy Jones**
Base salary	Reflects an individual's responsibilities, experience and role. It is anticipated that salary increases will generally be in line with the colleague population. In certain circumstances the Committee has discretion to make appropriate adjustments to salary levels. Such circumstances could include where an Executive Director is paid significantly below the market rate or there is a change in role or responsibilities.	Base salary of £454,579. (3% increase in May 2022). The increases were significantly below the average for the general workforce (6.9%). Both salaries remain below both the FTSE 250 and FTSE 350 Supersector Real Estate Index lower quartiles.	Base salary of £323,887. (3% increase in May 2022).
Benefits and pension	Maximum contribution to pension scheme or cash in lieu is equal to 10% of salary. New hires will receive the pension contribution received by the majority of the workforce (the average employer contribution rate is currently 4.1% of salary). Market-competitive benefits package provided.	Executive Directors will receive a pension cash supplement of 4.1% of salary in line with the average workforce contribution level. Benefits in line with Policy.	
Annual bonus	Maximum award equal to 150% of salary per annum. Performance measures are two-thirds financial and one-third strategic/operational, with a financial underpin ensuring no payout for strategic/operational element if financial performance is below threshold. Payout for threshold performance is 20% of maximum and for target performance is 50% of maximum. Any bonus in excess of 100% of salary will be held in shares on a net of tax basis (referred to hereinafter as restricted shares). The restricted shares will be held by the Executive Directors by agreement and are subject to a two-year holding period that expires on the second anniversary of the end of the financial year in which the bonus was earned. Malus provisions apply during the holding period and claw-back provisions apply for three years thereafter. Dividend equivalents are payable on restricted shares. The Committee will continue to have overriding discretion to change formulaic outcomes (both downwards and upwards) if they are out of line with underlying performance of the Company.	No planned change to maximum opportunity of 150% of salary. Performance measures, deferral, their weighting and the payout curve are as described in the column to the left. Specific targets and their achievement, where not deemed commercially sensitive, will be disclosed in the 2023 annual report on remuneration. To be confirmed at the time that approval is sought for the new Policy.	
LTIP	Annual award of nil-cost options of up to 200% of salary. Vesting period of three years followed by a holding period of two years, via an agreement with the Executive (during which any vested and exercised awards cannot be sold except for tax withholding purposes on exercise). Two-thirds of award subject to Adjusted Diluted EPRA Earnings per Share growth and one-third subject to relative TSR balanced equally against the FTSE 250 (excluding Investment Trusts) and the FTSE 350 Supersector Real Estate Index. 8% p.a. Cash on Cash Return underpin. 25% vesting for threshold performance increasing on a straight line to 100% for maximum performance. Dividend equivalents are payable on vested shares. The Committee will have overriding discretion to change formulaic outcomes (both downwards and upwards) if they are out of line with underlying performance of the Company.	As described in the Annual Statement of the Chair of the Remuneration Committee on page 89, we are undergoing a review of the new Directors' Remuneration Policy. To the extent that there are any changes, these are expected to relate to the long term incentive arrangements only.	

Element	Key features of Policy approved at 2020 AGM	Implementation for 2023	
Executive Directors		**Frederic Vecchioli**	**Andy Jones**
Shareholding guidelines	Executive Directors are expected to meet the guidelines by 29 September 2022 (the vesting date of the 2017 LTIP) or five years after joining, if later. Vested but unexercised awards on a net of tax basis and beneficially owned and restricted shares would count towards the shareholding guidelines. These guidelines will continue to apply for two years post cessation of employment. For the avoidance of doubt shares beneficially owned at the date of adoption (18 March 2020) of the current Policy and the 2017 LTIP award will be exempt from this post cessation of employment guidelines but all share-based awards granted under the current Policy approved by shareholders at the 2020 AGM would be captured.	Currently 350% of salary for the CEO and CFO, however, shareholding guidelines are being reviewed as part of the new Directors' Remuneration Policy.	
Chairman and Non-Executive Directors			
Fees	Non-Executive Directors may receive a base fee and additional fees for chairing a Committee or being the Senior Independent Director.	The Chairman's fee: £220,000. Non-Executive base fee: £57,680. Committee Chair and SID fee: £10,815. Non-Executive Director fees were increased below the general workforce increase in May 2022. Following the benchmarking review for the Non-Executive Directors' fees completed in 2021, this year we completed a similar benchmarking exercise for the Chairman's fee. The Chairman's fee was increased by 18.6% to £220,000. The Committee deemed this level of increase necessary given that the fee was significantly below market competitive levels and was not reflective of the significant time commitment required for the role. The fee remains below the median Chairman fee of both the FTSE 250 and FTSE 350 Supersector Real Estate Index peer groups.	

Executive Directors are eligible to receive payment under any award made prior to the approval and implementation of the current Policy summarised in this report including under the existing 2017 LTIP. For the avoidance of doubt, it is noted that the Company will honour any commitments entered into that have been disclosed previously to shareholders.

Directors' remuneration report *continued*

for the year ended 31 October 2022

Part B: Our remuneration at a glance *continued*

Business performance and incentive outcomes in 2022

KPI	Measured in	2022 performance	2022 incentive outcome
Underlying EBITDA growth in 2022	Annual bonus	14.5%.	● (Target to maximum)
Adjusted Diluted EPRA Earnings per Share growth over three years to 31 October 2022	2020 LTIP	66.7%, i.e. 18.6% per annum.	● (Target to maximum)
TSR growth over five years to 28 September 2022	2017 LTIP	Safestore 189.2%. Upper quartile of: • FTSE 250 Index excluding Investment Trusts = 32.8%; and • FTSE 350 Supersector Real Estate Index = 54.2%.	● (Target to maximum)
Optimisation of performance of existing portfolio	Annual bonus	As an Investors in People Platinum accredited organisation, our focus on our colleagues and culture has enabled us to continue to deliver sustainable business performance. With the removal of Covid-restrictions, the time spent on training across the business has increased to over 30,000 hours. Delivered technical and content improvements to website platforms: • finalised migration of all EU websites to one unified web platform; and • implemented new Google Analytics (GA4) across all Group sites. Enriched pricing and contracting solutions allowing standardisation and improvement across the Group. In addition, completed data centre consolidation from five to two Group locations.	● (Target to maximum)
Strong and flexible capital structure	Annual bonus	The Company's strong capital structure continued to allow it to take advantage of opportunities across the Group in order to deliver incremental earnings growth over the longer term. The Group's free cash flow (before investing and financing activities) increased from £89.5 million to £101.4 million for the year ended 31 October 2022. During Q3, the Group commenced the refinancing of our existing Revolving Credit Facilities ("RCF's") which were due to expire in June 2023. The Group completed this refinancing just after year end in early November 2022. The previous £250 million Sterling and €70 million Euro RCF's have been replaced with a single multi-currency £400 million facility, with a further £100 million uncommitted accordion facility, providing further capacity for medium term growth.	● (Target to maximum)
Take advantage of selective portfolio management and expansion opportunities	Annual bonus	Completed EPS accretive acquisition of remaining 80% of equity owned by Carlyle in the Benelux Joint Venture Acquired new development opportunities in the UK, France, Spain and the Netherlands, in addition to opening new stores and completing store extensions in various locations.	● (Target to maximum)
ESG	Annual bonus	Continued external recognition of ESG achievements and disclosures through the following: • EPRA Sustainability BPR Silver Award • GRESB Public Disclosure A • MSCI ESG 'AA' • Support the Goals – 5* Developed a strategy setting out our approach to further support diversity and inclusion.	● (Target to maximum)

Key:
● Threshold or below ● Threshold to target ● Target to maximum

This resulted in the following incentive outcomes:

- Based on the performance levels set out above, 100% of maximum was achieved in relation to the EBITDA measure and 100% of maximum for the strategic/operational element, noting that the EBITDA threshold financial gateway had been met.
- The Committee determined that this formulaic outcome was representative of overall performance; as a result, the 2022 annual bonus payout for the Executive Directors was 100% of maximum. The factors considered by the Committee are set out on pages 90 to 93 of the Remuneration Committee Chair's annual statement and the annual report on remuneration.
- In line with the approved Directors' Remuneration Policy, any bonus payment above 100% of salary will be held in shares for two years on a net of tax basis.
- The performance period of the relative TSR element of the 2017 LTIP, which accounts for one-third of the award, ended on 28 September 2022. Safestore's performance in excess of the upper quartile of both peer groups, combined with satisfying the Cash on Cash Return underpin, resulted in the performance targets under this element being met in full. Therefore, taking account of the EPS element which also fully vested representing two-thirds of the award, the final vesting level for the 2017 LTIP was determined by the Committee to be 100%.
- The Committee believes that the awards that vested in September 2022 for the Executive Directors and their colleagues are commensurate with the corporate success that the Company achieved over the five-year performance period (as set out on pages 91 and 92 of the Remuneration Committee Chair's annual statement and the annual report on remuneration).
- The performance period of the EPS element of the 2020 LTIP ended on 31 October 2022 which accounts for two-thirds of the award. Adjusted Diluted EPRA EPS increased by 18.6% p.a., significantly ahead of the 8% p.a. growth required for maximum vesting and the average Cash on Cash Return over the same period was 11.9% which also exceeded the 8% underpin target. Therefore, the formulaic outcome of this element is that 100% of the awards have been earned.
- The final vesting outcome for the 2020 LTIP will not be determined by the Committee until the vesting date of 18 March 2023, with the balance of awards subject to the Company's relative TSR performance measured over the three-year period ending on 17 March 2023 being earned. As at 31 October 2022, Safestore's TSR growth is in excess of the upper quartile of both peer groups which would equate to maximum vesting. Therefore, the Committee confirms that it expects the awards to vest in full and will consider whether the formulaic outcome is in line with underlying Company performance at the vesting date.
- The Committee is comfortable that the current Policy operated as intended and that the overall 2022 remuneration earned by the Executive Directors was appropriate.

Remuneration in the wider context

Context to our Executive Director remuneration in light of wider workforce considerations:

- The wider workforce predominantly has access to competitive bonus arrangements, can participate in all-colleague share plans and/or recognition schemes and is eligible to be auto-enrolled into the Safestore Group Personal Pension Plan.
- The wider workforce pay principles have been reviewed, leading to further increases in salaries and benefits, including an average workforce salary increase of 6.9% during the year.
- Alignment of Executive Director and general workforce pension contributions from May 2021.
- The Company-wide bonus pool has increased by 8.8%, including a further £500 cost of living payment in October 2022 to ease financial hardship.
- Participation in our SAYE remained well above typical levels at 48%.
- Following the removal of Covid-restrictions, the wider workforce has benefited from an increase in training hours.
- Safestore's 2021 UK median gender pay gap is 5.2%.

Directors' remuneration report *continued*

for the year ended 31 October 2022

Part C: Annual report on remuneration

The 2022 annual report on remuneration contains the details of how the Company's Policy was implemented during the financial year ended 31 October 2022. An advisory resolution to approve this report and the Remuneration Committee Chair's annual statement will be put to shareholders at the 2023 AGM.

Pay fairness

To attract and retain the highest calibre individuals, we aspire to become the employer of choice within our sector, maintaining a competitive reward package that balances fairness to the colleague with the responsible use of shareholders' funds.

The colleague value proposition

We review our pay principles, which set out a framework for making decisions on colleagues' pay, annually. The aim is to:

- support the recruitment and retention of high quality colleagues;
- enable us to recognise and reward colleagues appropriately for their contribution;
- help to ensure that decisions on pay are managed in a fair, just and transparent way; and
- create a direct alignment between Company culture and our reward strategy.

As part of our commitment to fairness, we have set out further information about our colleague offering. The various factors which make up our colleague value proposition are set out below:

Pay and benefits

- We pay all our colleagues above the over-23 National Living Wage rate, regardless of their age. The average annual salary for our store sales colleagues is £23,904, over £4,140 above the current National Living Wage for an over-23 year old on a 40-hour contract.
- All our sales colleagues are eligible for our performance-based monthly bonus scheme and can earn up to 50% of their monthly salary. Our Head Office colleagues are eligible to receive a discretionary annual bonus, which is calculated against business targets and objectives.
- For 2022, the bonus pool increased by 8.8% and bonus payouts were increased for all roles commensurate with Company performance.
- Colleagues can join our Sharesave scheme on an annual basis for a fixed three-year term. Membership for our 2022 offering was 48% of the eligible population.
- Under the 2022 LTIP 70 key colleagues were invited to participate, allowing them to share in the success of the Company. The performance conditions for below Board-level colleagues are the same as those for the Executive Directors.
- All eligible colleagues are auto-enrolled into the Safestore Group Personal Pension Plan provided through Scottish Widows with a minimum employer contribution rate of 4% of salary.
- Additional benefits include private healthcare cover, healthcare cash plan, discounted gym membership, life insurance from day one of employment, paid holiday allocation and a Cycle to Work scheme.
- Our family friendly policy means we offer new mothers twelve weeks' full pay and new fathers two weeks' full pay, as well as sending new parents a beautiful gift when their child is born.

Working environment

- Our leadership teams have created an environment where our managers and leaders are provided with the skills, tools and, crucially, time to dedicate to their teams. This has been achieved through maintaining good colleague–manager ratios; for example, no Regional Manager oversees more than twelve stores.
- Our 'Make the Difference' people forum, launched in 2018, is a formal workforce advisory panel which enables frequent opportunities for us to hear and respond to our colleague voice. We drive change and continuous improvement in responding to the feedback we receive, via our internal communications channels and through our network of People Champions.
- We have a comprehensive Colleague Assistance Programme where our teams can find guidance on coping strategies. They can speak to a professional who is ready to support and guide them through any concerns they have; in addition, for those who need it, they can access up to five counselling sessions.
- We support a healthy work–life balance through offering a Company sick pay scheme and encouraging all team members to take their rest breaks. We welcome and consider all requests for flexible working and at-home working, where appropriate.
- We know our people as individuals, and show respect for each other, enabling everyone to have a voice so that they can bring their full, unique selves to work.
- We are committed to providing an inclusive workplace and encouraging and welcoming diversity with a zero tolerance of harassment and discrimination. More detail can be found in our People Principles document online.
- Our strong wellbeing foundation has enabled us to develop a strategy setting out our approach to further support diversity and inclusion at Safestore.

Development opportunities

- We have built an environment where it's natural for us to give regular, honest feedback and to coach in the moment. We go beyond mandatory training to promote life-enhancing learning where everyone can continually evolve.
- In 2022 we invested over 30,000 hours into developing our people. From online learning modules to face-to-face sales training, every one of our colleagues can take part in structured learning.
- We offer health and safety training including first aid, forklift and fire safety.
- Our Store Manager Development programmes offer the opportunity to gain a nationally recognised qualification from either the Institute of Leadership & Management ("ILM") or the Chartered Management Institute ("CMI") utilising the Apprenticeship Levy.
- Our Senior Leadership Development programme 'LEAD Academy') supports a Level 5 Management and Leadership apprenticeship.
- Furthermore, we have relaunched our Graduate Programme, with our first intake commencing in October 2022, providing an opportunity for newly qualified graduates to build their skill set and experience into a career with Safestore.

Recognition

- We recognise great performance and behaviours through our annual appraisal process.
- Our values, created by our store teams, are at the heart of everything the organisation does.
- The values are accompanied by a set of behaviours and everyone is assessed against these every six months.
- To show our appreciation for the commitment and performance of our colleagues, we made exceptional payments totalling £1,000 to every colleague: £500 in December 2021 as a thank you for their contribution during the pandemic; and a further £500 cost of living payment in October 2022 to ease financial hardship.
- Our annual pay review/bonus schemes are based on individual performance ratings.
- We also reward our sales consultants for completion of training modules through a pay-for-skills approach.

Informing the Committee on the wider workforce

To build the Remuneration Committee's understanding of reward arrangements applicable to the wider workforce, the Committee is provided with data on the remuneration structure for management level tiers below the Executive Directors and pay outcomes for these roles. The Committee has also been provided with feedback from the formal workforce advisory panel, in addition to the Investors in People survey, which provides further context for the Committee in making decisions on future pay outcomes in line with Policy. The Committee uses this information to ensure consistency and fairness of approach throughout the Company in relation to remuneration.

Directors' remuneration report *continued*

for the year ended 31 October 2022

Part C: Annual report on remuneration *continued*

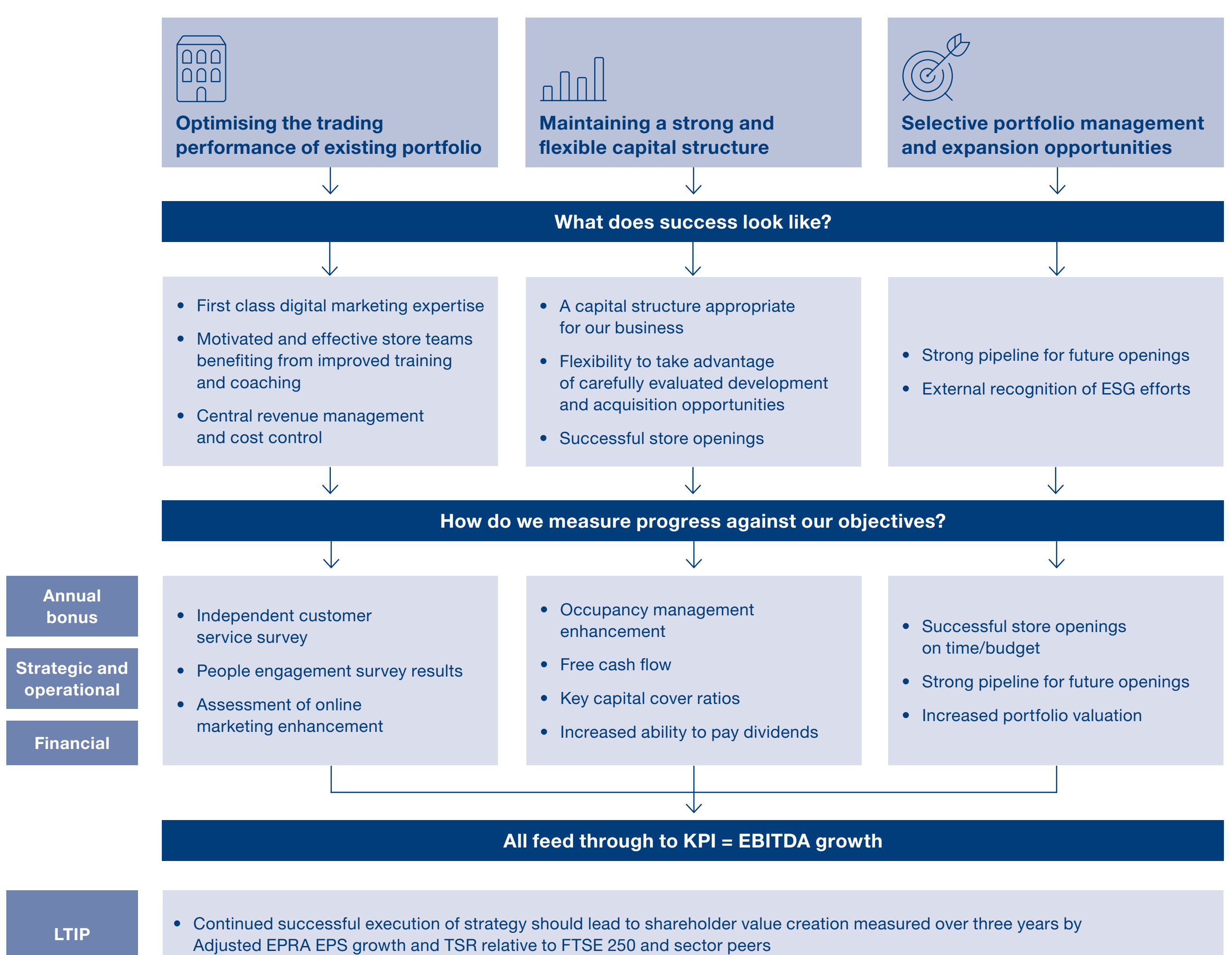
Pay fairness *continued*

Alignment with Provision 40 of the Corporate Governance Code and Company strategy

The table below sets out how the current Policy addresses the factors in Provision 40 of the Corporate Governance Code, the objective of which is to ensure that the remuneration arrangements operated by the Company are aligned to all stakeholder interests including those of shareholders.

Factor	How this was addressed in the Remuneration Policy
Clarity Remuneration arrangements should be transparent and promote effective engagement with shareholders and the workforce.	This was addressed through our commitment to full transparency and engagement with our shareholders in relation to the Policy. The Company engages directly with the broader colleague population on their remuneration through a variety of methods including the workforce advisory panel and town hall events led by the CEO.
Simplicity Remuneration structures should avoid complexity and their rationale and operation should be easy to understand.	Taking on board shareholder feedback, we reverted to a traditional LTIP construct in 2020, which is well understood by shareholders and participants alike.
Risk Remuneration arrangements should ensure reputational and other risks from excessive rewards, and behavioural risks that can arise from target-based incentive plans, are identified and mitigated.	Identified risks have been mitigated as follows: • deferring an element of bonus into shares and requiring a two-year holding period for LTIP share awards helps ensure that the performance related awards are sustainable and thereby discourages short term behaviours; • aligning any reward to the agreed strategy of the Company; • reducing the awards or cancelling them through malus and claw-back provisions if the behaviours giving rise to the awards are inappropriate; and • reducing annual bonus or LTIP awards (made under the current Policy) or cancelling them, if it appears that the criteria on which the awards were based do not reflect the underlying performance of the Company.
Predictability The range of possible values of rewards to individual Directors and any other limits or discretions should be identified and explained at the time of approving the Policy.	The Committee undertook external benchmarking of the current Policy (see page 92 of the 2021 DRR) which determined that current packages would pay out below the median for FTSE 250 companies on a reasonable range of performance outcomes. The Remuneration Policy in the 2019 DRR sets out the potential remuneration available in several performance scenarios. The Committee is comfortable that the discretions available to it as set out in the current Policy are sufficient.
Proportionality The link between individual awards, the delivery of strategy and the long term performance of the Company should be clear. Outcomes should not reward poor performance.	One of the key strengths of the current approach of the Company to remuneration is the direct link between strategy and the value received by Executive Directors. Please see the schematic below which sets out in detail the link between Company strategy and the performance measures in the current incentive arrangements.
Alignment to culture Incentive schemes should drive behaviours consistent with Company purpose, values and strategy.	The 2020 LTIP rewards long term sustainable performance which is a key tenet of the Company's strategy, purpose and values as set out in our Sustainability report on page 46.

In line with the proportionality factor from Provision 40 of the Corporate Governance Code set out above, the Committee designed the incentive arrangements such that they were closely aligned with Company strategy as set out in the schematic below:



Directors' remuneration report *continued*

for the year ended 31 October 2022

Part C: Annual report on remuneration *continued*

Pay relativities

Internal – CEO pay ratio

Our CEO to colleague pay ratios for 2022 are set out in the table below. We also provide the 2019–2021 data for comparison purposes.

Financial year	Method used	25th percentile pay ratio	50th percentile pay ratio	75th percentile pay ratio
2019	Option B (gender pay gap data)	60:1 Total pay and benefits: £19,067 Salary: £17,197	55:1 Total pay and benefits: £20,669 Salary: £18,175	37:1 Total pay and benefits: £31,278 Salary: £25,029
2020	Option B (gender pay gap data)	49:1 Total pay and benefits: £22,820 Salary: £18,500	41:1 Total pay and benefits: £27,244 Salary: £24,240	32:1 Total pay and benefits: £34,857 Salary: £30,852
2021*	Option A	554:1 Total pay and benefits: £23,502 Salary: £19,540	500:1 Total pay and benefits: £26,019 Salary: £19,540	365:1 Total pay and benefits: £35,686 Salary: £28,829
2022	Option A	350:1 Total pay and benefits: £24,031 Salary: £20,300	313:1 Total pay and benefits: £26,849 Salary: £21,100	228:1 Total pay and benefits: £36,939 Salary: £30,556

Note

* 2021 ratios have been updated in line with the restated CEO single figure of remuneration for 2021.

For 2021 and 2022, the Company has chosen methodology Option A for the calculation, which takes into consideration the full-time equivalent basis of all UK employees and provides a representative result of employee pay conditions across the Company. In 2019 and 2020, the Company used methodology option B. However, given the guidance by several shareholders that option A is preferred, we updated our methodology to maintain market best practice disclosures.

The CEO remuneration figure is as shown in the Executive Directors' remuneration table on page 105. The remuneration figures for the employee at each quartile were determined as at 31 October 2022. Each colleague's pay and benefits were calculated using each element of employee remuneration, consistent with the CEO, on a full-time equivalent basis. This therefore included the following elements of pay:

- base salary;
- private medical insurance;
- car/car allowance;
- fuel allowance;
- employer pension contribution;
- annual bonus;
- overtime and extra pay;
- 2017 LTIP relative TSR element and 2020 LTIP; and
- Sharesave.

No components of pay have been omitted. The following estimates and adjustments were made:

- For new joiners, salary and benefits were annualised and bonus was calculated based on average payout for the relevant store.
- For colleagues on the annual bonus scheme, which pays out in January 2023, awards were estimated based on expected outcomes.
- Adjustments were made to achieve full-time equivalent rates.

As our Sales Consultants represent around 50% of our workforce, the 50th percentile employee may vary annually between a Sales Consultant and a Store Manager. In 2021 and 2022, the 50th percentile employee was a Sales Consultant, resulting in similar pay and benefits, whereas in 2020 the 50th percentile employee was a Store Manager, and as a result the total pay and benefits were slightly higher.

The Committee recognises that the increased ratios in 2021 and 2022 result from the CEO's single figure of remuneration increasing due to the inclusion of outcomes from the 2017 LTIP. The 2022 ratio also includes an estimated value for the 2020 LTIP. In 2019 and 2020 no long term incentives completed their performance period, so none featured in the comparative figures. Therefore, the pay ratios for 2021 and 2022 do not represent the fact that the 2017 LTIP is a one-off award which is measured over a five-year performance period. The Committee notes that the 75th percentile employee is below the seniority to receive a 2017 or 2020 LTIP award.

The above analysis demonstrates that the ratio is driven by the different structure of our CEO's pay versus that of our colleagues, as well as the composition of our workforce. This ratio varies between businesses even in the same sector. What is important from our perspective is that this ratio is influenced only by the differences in structure, and not by divergence in fixed pay between the CEO and the wider workforce.

The Committee considers the 50th percentile pay ratio to be consistent with pay and progression policies for UK colleagues.

Gender pay gap reporting and diversity

We are committed to providing an inclusive workplace and encouraging and welcoming diversity with a zero tolerance of harassment and discrimination. More detail can be found in our People Principles document (online in the Governance section).

Advocating a diverse and inclusive workforce is a key part of our wellbeing strategy. We know our people as individuals, and show respect for each other, enabling everyone to have a voice so that they can bring their full, unique selves to work.

At Safestore, men and women are paid equally for doing the same or similar work. Our bonus schemes are open to all job levels and colleagues at the same level have the same bonus opportunity.

There has been a slight increase in our 2021 mean (average) gender pay gap. However, we are encouraged by the broader improvements:

- We have further improved our median gender pay gap by 3ppts.
- Our median gender pay gap is significantly below the UK average[1] of 15.1% at 5.2%.
- Levels of female representation within the upper pay quartile increased by 1.7ppts.
- Levels of female representation within the lower pay quartile decreased by 3.3ppts.
- We have improved our median bonus gap by 14ppts.

This year, we published our first Diversity and Inclusion Strategy, setting out our commitment to a fully inclusive culture. In addition, we obtained further insight into our workforce diversity, using this data to inform beneficial action.

Note

1 2020 Office for National Statistics, Gender Pay Gap 2021 Dataset, ons.gov.uk.

Remuneration justification

The Committee is comfortable that the internal and external pay relativity reference points (set out in the 2021 DRR) provide justification that the current Policy is appropriate and notes that the new Policy will be presented for shareholder approval later in the 2023 financial year.

The Committee believes that the 2017 LTIP awards which vested for the Executive Directors and their colleagues in 2022 were commensurate with the corporate success of the Company achieved over the performance period.

Communication with colleagues

During the year we communicated with colleagues and gathered their feedback in a number of ways as set out below:

Workforce Advisory Panel: As set out in the Committee Chair's statement, in 2018 the Company established a formal workforce advisory panel to facilitate engagement with colleagues. The panel has now been successfully embedded in the business. Our 15 People Champions have continued to engage directly with the CEO across a wide range of subjects including remuneration. Appropriate feedback from these sessions was presented to the Remuneration Committee, which the Committee considered when determining the remuneration levels for Executive Directors in 2022. In addition, over the past few years feedback from the panel has resulted in the Remuneration Committee and Board approving colleague benefits such as enhanced Company sick pay, improved healthcare provision, and more frequent opportunities to participate in all-colleague share schemes.

CEO town hall events: The CEO also ran two virtual town hall sessions where colleagues had the opportunity to raise questions, discuss business issues, and provide feedback on subjects including remuneration. As part of these events, colleagues were engaged on how the Executive Directors' remuneration policy aligned with the wider Company pay policy.

Colleague survey: Our management team and the workforce advisory panel reviewed the recommendations from our 2021 Investors in People colleague survey, establishing improvements made and agreeing further actions with the aim of maintaining our leadership engagement score of over 90%.

Communication with shareholders

The table below shows the results of the latest shareholder votes on the Directors' remuneration report and Policy resolutions:

	Votes for	%	Votes against	%	Votes withheld
2020 AGM vote on Remuneration Policy	167,676,057	97.89	3,615,427	2.11	87,100
2022 AGM vote on annual report on remuneration	129,213,061	72.15	49,876,689	27.85	1,422,562

Following this year's AGM, the Board acknowledged that whilst we received strong support for the Director's remuneration report from the majority of our shareholders, it was only at 72.15%. The Chairman of the Board and the Senior Independent Director engaged with major shareholders around the time of the 2022 AGM to understand the reason for the votes against. They concluded that the main reason was that some shareholders who voted against the 2017 remuneration policy at its inception have a policy to vote against all future remuneration reports that reflect its subsequent execution. From specific conversations it was clear that their vote against the report did not reflect a vote against either the management or the Board and that they fully accept that the payouts reflect the outstanding value creation for all shareholders over the past five years which has been of significant benefit to all our stakeholders.

As set out above, the Committee commenced a remuneration review during 2022 to determine the guiding principles and design of the proposed Policy to be presented for shareholder vote during 2023. However, at the date of drafting this report, the Committee is still in discussions around the details of the new Policy. Therefore, the new Policy will be presented for shareholder approval in the 2023 financial year, i.e. before 31 October 2023 at a General Meeting, in line with the relevant regulations.

Directors' remuneration report *continued*

for the year ended 31 October 2022

Part C: Annual report on remuneration *continued*

Pay relativities *continued*

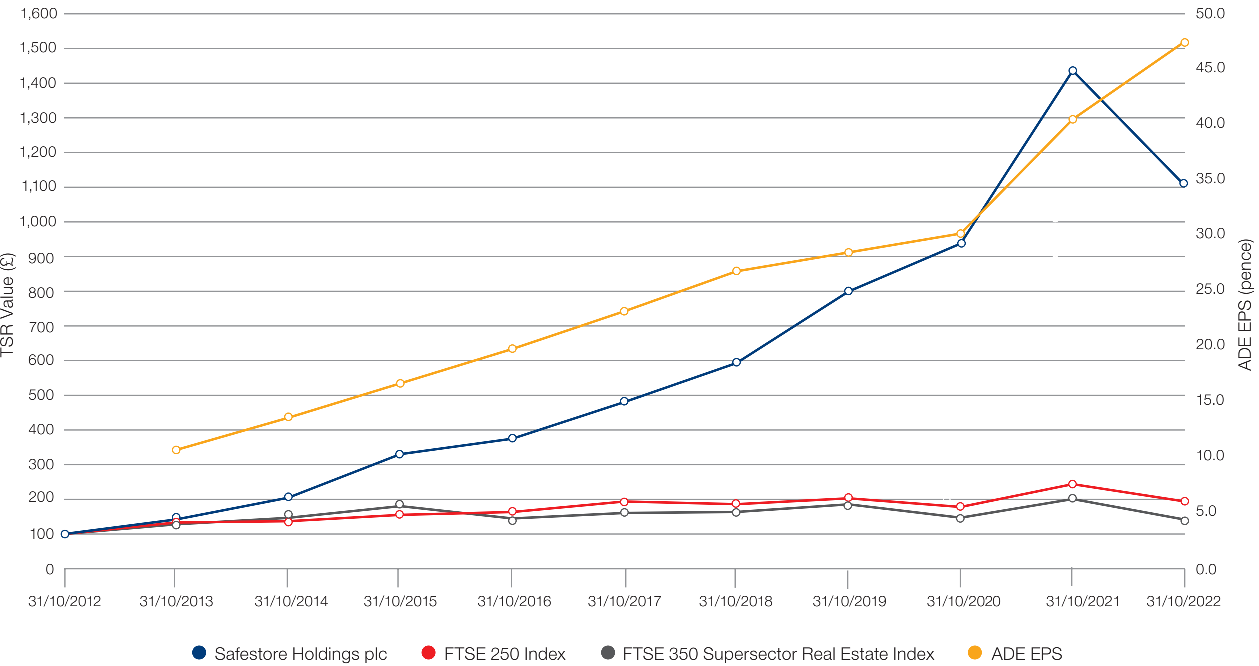
Chief Executive Officer and colleague pay

Total shareholder return and Chief Executive Officer pay over the last ten years

The chart shows the performance of a hypothetical investment of £100 in ordinary shares (as measured by the TSR for the Company) against the FTSE 250 and FTSE 350 Supersector Real Estate indices over a period of ten financial years starting from 31 October 2012 through to 31 October 2022. The FTSE 250 has been selected as an appropriate comparison index due to Safestore's ranking within the FTSE in terms of market capitalisation. The FTSE 350 Supersector Real Estate Index has been selected as an appropriate comparator group as its major sector competitors are constituents of this index.

The chart also shows the increase in Adjusted Diluted EPRA ("ADE") Earnings per Share from 31 October 2013 onwards as this figure was not calculated by the Company before that date (see right-hand scale).

Total shareholder return and Adjusted Diluted EPRA ("ADE") Earnings per Share (pence)



The chart also illustrates that the sustained EPS growth has resulted in significant TSR outperformance which is reflected in the bonus payouts and vesting of the long term incentive awards over several years.

	Oct 2013	Oct 2013	Oct 2014	Oct 2015	Oct 2016	Oct 2017	Oct 2018	Oct 2019	Oct 2020	Oct 2021	Oct 2022
Role	P D Gowers[1] CEO	F Vecchioli[2] CEO	F Vecchioli CEO	F Vecchioli CEO	F Vecchioli CEO	F Vecchioli CEO	F Vecchioli CEO	F Vecchioli CEO	F Vecchioli CEO	F Vecchioli CEO	F Vecchioli CEO
Single figure of total remuneration (£'000)	910	359	973	1,224	1,481	1,728	1,719	1,134	1,108	13,020	8,408
Annual bonus payout (% of max)	70%	70%	76%	100%	100%	82%	81%	91%	100%	100%	100%
LTIP earned (% of max)	—	—	96%	100%	100%	100%	100%	n/a	n/a	100%	100%

Notes

1 Stepped down as Chief Executive Officer on 4 September 2013 and left the Company on 31 October 2013.

2 Appointed as Chief Executive Officer on 4 September 2013.

Percentage change in Executive Director, Non-Executive Director and colleague remuneration

The table below shows the percentage change in remuneration of the Directors undertaking the roles of Chief Executive Officer, Chief Financial Officer and Non-Executive Directors, together with average pay of the Company's colleagues in the listed entity on a full-time equivalent basis.

	% change from 2021 to 2022			% change from 2020 to 2021			% change from 2019 to 2020		
	Base salary/ fees	Benefits[8]	Annual bonus	Base salary/ fees[1]	Benefits	Annual bonus	Base salary/ fees	Benefits	Annual bonus
F Vecchioli (CEO)	4%	(3%)	3%	3%	0%	5%	1%	0%	11%
A Jones (CFO)	4%	2%	3%	3%	0%	5%	1%	0%	11%
D Hearn (NE Chair)[2]	10%	n/a	n/a	19%	n/a	n/a	n/a	n/a	n/a
I S Krieger (NED)	19%	n/a	n/a	22%	n/a	n/a	1%	n/a	n/a
C Balmforth (NED)[3]	(35%)	n/a	n/a	12%	n/a	n/a	1%	n/a	n/a
G van de Weerdhof (NED)[4]	14%	n/a	n/a	175%	n/a	n/a	n/a	n/a	n/a
L Duhot (NED)[5]	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
D Mousseau (NED)[6]	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
J Bentall (NED)[7]	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Colleague pay	6.9%	0%	8.8%	4.2%	0%	20%	2.3%	0%	19%

Notes

1 The increases in 2021 to Non-Executive Director fees are a result of the increase to the base fee and Committee chairmanship fees and the Company starting to pay a Senior Independent Director fee of £10,500. All increases were effective 1 May 2021.

2 The Chairman was appointed on 1 December 2019 so received a pro-rated fee for 2020.

3 C Balmforth stepped down as an independent Non-Executive Director on 31 May 2022 so received a pro-rated fee for 2022.

4 G van de Weerdhof was appointed on 1 June 2020 so received a pro-rated fee for 2020.

5 L Duhot was appointed as an independent Non-Executive Director on 1 November 2021.

6 D Mousseau was appointed as a Non-Executive Director on 1 November 2021.

7 J Bentall was appointed as an independent Non-Executive Director on 18 May 2022 so received a pro-rated fee for 2022.

8 F Vecchioli dental insurance for two-twelfths only.

Relative importance of spend on pay

The table below sets out the overall spend on pay for all colleagues compared with the returns distributed to shareholders.

Significant distributions[1]	**2022**	2021	% change
Colleague costs (£'m)	**38.1**	43.8	-13%[2]
Distributions to shareholders (£'m)	**56.9**	42.6	34%

Notes

1. The above figures are taken from notes 10 and 26 to the financial statements.
2. The reduction is due to a lower share-based payment charge in 2022.

Executive Director remuneration for the year ended 31 October 2022

Single figure remuneration table (audited)

The remuneration of Executive Directors showing the breakdown between components with comparative figures for the prior financial year is shown below.

		Base salary £'000	Taxable benefits[1] £'000	Annual bonus[2] £'000	Long term incentives[3,4] £'000	Pension[5] £'000	Other[6] £'000	Total £'000	Total fixed remuneration £'000	Total variable remuneration £'000
F Vecchioli (Chief Executive Officer)	**2022**	**448**	**23**	**682**	**7,218**	**18**	**19**	**8,408**	**489**	**7,919**
	2021	431	24	662	11,875	28	—	13,020	483	12,537
A Jones (Chief Financial Officer)	**2022**	**319**	**19**	**486**	**4,877**	**13**	**19**	**5,733**	**351**	**5,382**
	2021	307	19	472	7,929	20	—	8,747	346	8,401

Notes

1 Taxable benefits comprise a car allowance, private medical and dental insurance.

2 The 2021 and 2022 annual bonus figures include the portion subject to deferral.

3 The 2022 figure is the aggregate of the outcomes under the 2017 LTIP relative TSR element and the 2020 LTIP. The 2017 LTIP relative TSR element is valued as at the vesting date, i.e. based on the closing share price on 29 September 2022 of £7.94, and includes dividend equivalents of £0.9665 per share accrued from the date of grant to the date of vest. The 2020 LTIP outcome has been valued based on the three month average share price to 31 October 2022 of £9.81 and includes dividend equivalents accrued from the date of grant to date. Please see page 111 for further detail on the amount of the LTIP values attributable to share price appreciation.

4 The 2021 figure is the 2017 LTIP EPS element which has been restated. The figure shown has been valued as at the vesting date, i.e. based on the closing share price on 29 September 2022 of £7.94, and includes dividend equivalents of £0.9665 per share accrued from the date of grant to the date of vest.

5 Until 30 April 2021, the Executive Directors were provided pension payments in the form of a cash allowance of 10% of salary reduced by the associated employer's National Insurance contribution. From 1 May 2021, the pension cash allowance was reduced to 4.1% of salary in line with the average workforce pension contribution. No Executive Directors participate in a Group defined benefit or final salary pension scheme.

6 The other column refers to maturity of the 2019 (3YR) Sharesave. The value has been calculated as the gain at the maturity date, 1 September 2022, in excess of the 510 pence exercise price.

Directors' remuneration report *continued*

for the year ended 31 October 2022

Part C: Annual report on remuneration *continued*

Annual bonus outcomes for the financial year ended 31 October 2022 (audited)

For 2022, the Executive Directors had a maximum annual bonus opportunity of 150% of salary. For each Executive Director, the 2022 annual bonus determination measures were weighted two-thirds for adjusted EBITDA and one-third for strategic/operational measures. The achievement of the strategic/operational measures was assessed by the Remuneration Committee as the financial gateway of outperforming the threshold adjusted EBITDA target was met. The table below provides information on the targets for each measure, actual performance and resulting bonus payment for each Executive Director:

		Performance required			Actual performance		CEO		CFO	
Measure	Weighting	Threshold (20% payout)	On target (50% payout)	Maximum (100% payout)	Actual	% of element payable	Achievement as % salary	Bonus value £'000	Achievement as % salary	Bonus value £'000
Adjusted EBITDA before non-recurring items[1]	Two-thirds	£120.6m	£124.4m	£126.8m	£135.1m	100.0%	100.0%	455	100.0%	324
Strategic/operational measures	One-third	Objectives based on strategic/operational			See below	100.0%	50.0%	227	50.0%	162
Total bonus achieved in 2022							**150.0%**	**682**	**150.0%**	**486**

Note

1 Adjusted EBITDA before non-recurring items is equivalent to the reported EBITDA in the financial statements with French results translated at the budget rate of 1.18.

2022 annual bonus outcomes: strategic objectives

The Group's proven strategy remains unchanged. We believe that the Group has a well-located asset base, management expertise, infrastructure, scale and balance sheet strength to exploit the current industry dynamics. As we look forward, we consider that the Group has the potential to further increase its EPS by: optimising the trading performance of the existing portfolio; maintaining a strong and flexible capital structure; and taking advantage of selective portfolio management and expansion opportunities. Therefore, the Executive Directors' strategic/operational objectives reflect the Company's priorities in these areas for 2022 as well as the Company's ESG performance.

In line with our commitment to fully transparent disclosure of remuneration outcomes, the Executive Directors' strategic/operational objectives and their achievement are fully disclosed in detail below. The maximum opportunity under this element of the annual bonus is 50% of salary.

Objective	Achievement	Outcome	Committee assessment
Optimisation of performance of existing portfolio (20% of salary)			
Enhancing people performance through engagement and improved capabilities in order to increase conversion of enquiries into new lets.	As an Investors in People Platinum accredited organisation, our focus on our colleagues and culture has enabled us to continue to deliver sustainable business performance. Highlights included: • continuing to prioritise the health and wellbeing of our colleagues and our customers; • the number of hours spent on training across the business has increased to over 30,000 hours following the removal of Covid-19 restrictions; • established appropriate functional structures in order to support the business for future growth; and • 16 internal promotions from 2021 to 2022.	✔✔✔	The Committee assessed that the achievements of the year were exceptional and warranted full payout for this element. (20% out of 20% of salary).
Enhance search visibility and website performance to drive new lets and marketing spend in line with budgeted expectations.	Delivered technical and content improvements to website platforms: • finalised migration of all EU websites to one unified web platform; and • implemented new Google Analytics (GA4) across all Group sites. • Further evolution of paid marketing strategy driving efficiency across the Group delivered through the implementation of best practices in new territories; • continued to develop PPC bidding strategies; and • testing PPC account structures and implementing best practices.	✔✔✔	

✔✔✔ indicates that the objective was exceeded, ✔✔ indicates that it was met, ✔ indicates that it was partially achieved and ✘ shows that the objective was not achieved.

Objective	Achievement	Outcome	Committee assessment
Optimisation of performance of existing portfolio (20% of salary) *continued*			
Leverage Group knowledge, experience and resources to improve productivity and drive efficiencies.	• Enriched pricing and contracting solutions allowing standardisation and improvement across the Group. • Automation of operational and financial data transfer between our systems. • Data centre consolidation from five to two Group locations.		
Strong and flexible capital structure (9% of salary)			
Ensure the financial flexibility exists to deliver selected development and acquisition opportunities whilst maintaining conservative leverage and a progressive dividend policy.	The Company's strong capital structure continued to allow it to take advantage of opportunities across the Group in order to deliver incremental earnings growth over the longer term. Highlights included: • the Group's free cash flow (before investing and financing activities) increased from £89.5 million to £101.4 million for the year ended 31 October 2022; • during Q3, the Group commenced the refinancing of our existing Revolving Credit Facilities ("RCF's") which were due to expire in June 2023. The Group completed this refinancing just after year end in early November 2022. The previous £250 million Sterling and €70 million Euro RCF's have been replaced with a single multi-currency £400 million facility, with a further £100 million uncommitted accordion facility, providing further capacity for medium term growth; • Group leverage was below the Group's strategic targeted level of an LTV ratio between 30–40% (24% for 2022); and • the full year dividend for the year ended 31 October 2022 increased by 18.7% demonstrating a continued progressive dividend policy.	✔✔✔	The Committee noted that the free cash flow target has been exceeded and that Group LTV was well below the bottom of the targeted range as at 31 October 2022, which enabled the Company to pay an above target full year dividend of 29.8 pence and warranted full payout for this element. (9% out of 9% of salary).

✔✔✔ indicates that the objective was exceeded, ✔✔ indicates that it was met, ✔ indicates that it was partially achieved and ✘ shows that the objective was not achieved.

Directors' remuneration report *continued*

for the year ended 31 October 2022

Part C: Annual report on remuneration *continued*

2022 annual bonus outcomes: strategic objectives *continued*

Objective	Achievement	Outcome	Committee assessment
Take advantage of selective portfolio management and expansion opportunities (15% of salary)			
Grow store portfolio through development or acquisition by at least two stores per year within the Board-approved ROI guidelines. Improve property valuations of the stores in the refurbishment and extension programme by more than the capital investment.	Completed EPS accretive acquisition of remaining 80% of equity owned by Carlyle in the Benelux Joint Venture Acquired new development opportunities in the UK, France; Spain and the Netherlands, in addition to opening new stores and completing store extensions in various locations. Highlights included: **Redevelopments and extensions:** • London Crayford • Paris Pyrénées **New developments:** • London Morden – New build • Wigan – Conversion • Paris South – New build • Paris West 1 – New build • Paris West 3 – New build • Paris East 1 – Conversion • Paris North West 1 – Conversion • Madrid North – Conversion • Madrid South – Conversion • Madrid East – Conversion • Barcelona North – Conversion • Barcelona South – Conversion • Netherlands Amersfoort – New build • Netherlands Almere – Conversion Property pipeline summary of c.1.4m sq ft representing c.18% of our existing property portfolio can be found on page 15.	✔✔✔	Overall, the Committee determined that targets were significantly exceeded, and recognised the revenue generated from both refurbished and acquired businesses was above target. (15% out of 15% of salary).

✔✔✔ indicates that the objective was exceeded, ✔✔ indicates that it was met, ✔ indicates that it was partially achieved and ✘ shows that the objective was not achieved.

<table>
<tr><th>Objective</th><th>Achievement</th><th>Outcome</th><th>Committee assessment</th></tr>
<tr><td colspan="4">ESG (6% of salary)</td></tr>
<tr><td>Improve the Group's ESG activities in order to deliver real value to all our stakeholders by:
• year-on-year carbon footprint reduction; and
• customer satisfaction initiatives.
Align sustainability reporting with appropriate framework(s).</td><td>Continued progress on our commitment to responsible and sustainable business practices.
Highlights included:
• delivered year-on-year carbon emissions intensity reduction through efficiency and electrification initiatives versus 2021 excluding newly acquired Benelux portfolio; market-based absolute emissions 25% lower year-on-year (2022 milestone target achieved). Emissions intensity also below 2022 target;
• gas removed from a further five UK stores;
• installed voltage optimisation technology at largest site, Battersea Park – outcomes under review, energy savings over 10% expected;
• 100% diversion of UK operational waste from landfill since May 2022 following change of supplier; and
• 98.5% diversion of construction waste from landfill.
• Maintained positive ratings on all relevant customer service platforms:
  • Feefo Platinum Trusted Service award for Safestore UK;
  • Trustpilot “Excellent” rating achieved in the UK with a Trustpilot “Great” rating maintained in France;
  • average Google rating of 4.7 achieved in Spain; and
  • in the Netherlands, a high score of 4.9 was achieved on Trustpilot, whilst in Belgium, customer service was rated 4.7 on Feefo.
• external recognition of ESG efforts and disclosures: EPRA Sustainability BPR Silver Award, GRESB Public Disclosure A, MSCI ESG ‘AA’ and Support the Goals – 5*.
Our strong wellbeing foundation has enabled us to develop a strategy setting out our approach to further support diversity and inclusion at Safestore. Our new Diversity and Inclusion Strategy is about embedding and continuing the important work we've already done to enable all our colleagues to feel confident to bring their full unique selves to work.</td><td>✔✔✔</td><td>Given the continued efforts across the Company and the external recognition with regard to sustainability activities, the Committee determined that this warranted full payout.
(6% out of 6% of salary).</td></tr>
<tr><td colspan="2">Overall strategic/operational objective performance</td><td colspan="2">50% of salary (out of 50% of salary)</td></tr>
</table>

✔✔✔ indicates that the objective was exceeded, ✔✔ indicates that it was met, ✔ indicates that it was partially achieved and ✘ shows that the objective was not achieved.

The Committee assessed that 50% of base salary (or 100% of maximum) of the strategic/operational objectives had been achieved for 2022.

In total, the overall bonus payout was 100% of maximum and 150% of salary for both Executive Directors, versus a maximum opportunity of 150% of base salary. In line with Policy, 100% of salary will be paid in cash and 50% of salary will be deferred into shares on a net of tax basis.

In determining the payouts under the annual bonus plan for the Executive Directors, the Committee has been mindful not only of the formulaic outcome against the targets set, but also of the underlying performance of the business. Specifically, the Committee took account of the following factors:

- The Company achieved another strong set of financial results.
- The Company paid its final dividend for 2021 to shareholders. The full year dividend for the year ended 31 October 2022 increased by 18.7% from 25.1 pence to 29.8 pence.
- The Company-wide bonus pool has increased by 8.8%, including the £500 cost of living payment in October 2022 to ease financial hardship.

On this basis, the Committee felt comfortable that the formulaic bonus outcome reflected the individual Executive Director and Company performance. As a result, the Committee determined that no overriding discretion will be applied to the bonus outcome. The Committee noted that in recent months, Safestore's share price has fallen, but that corporate performance continues to be excellent. The 2022 bonuses for Executive Directors will be 150% of salary and will be paid 100% of salary in cash, with the remainder of 50% of salary held in shares on a net of tax basis, via an agreement with the Executive, until 1 November 2024 with malus applying for this period and clawback for three years thereafter.

Directors' remuneration report *continued*

for the year ended 31 October 2022

Part C: Annual report on remuneration *continued*

2022 annual bonus outcomes: strategic objectives *continued*

LTIP awards included in single figure for the year ended 31 October 2022 (audited)

2017 LTIP – Relative TSR element performance measurement

The five-year performance period for the relative TSR element of the 2017 LTIP ended on 28 September 2022; relative TSR accounts for one-third of the award with 50% of the element measured against the constituents of the FTSE 250 Index excluding Investments Trusts and the remaining 50% is measured against the FTSE 350 Supersector Real Estate Index.

Safestore's TSR growth was 189.2% over the five-year performance period to 28 September 2022 and was significantly in excess of the upper quartile of both peer groups (32.8% and 54.2% for the FTSE 250 Index excluding Investment Trusts and FTSE 350 Supersector Real Estate Index respectively), which equates to maximum vesting. Given that the Committee confirmed that the Cash on Cash Return underpin had been satisfied as at 31 October 2021, the performance targets under the relative TSR element of the 2017 LTIP were met in full. This is summarised in the table below:

TSR vs FTSE 250 excluding Investment Trust Index				TSR vs FTSE 350 Supersector Real Estate Index			
Threshold performance – median TSR[1] (25% vesting)	Maximum performance – upper quartile TSR (100% vesting)	Safestore's TSR performance	% of awards vested	Threshold performance – median TSR[1] (25% vesting)	Maximum performance – upper quartile TSR (100% vesting)	Safestore's TSR performance	% of awards vested
-7.1%	32.8%	189.2%	100%	7.7%	54.2%	189.2%	100%

Note

1 For the Executive Directors, the Committee determined in 2018 that there will be zero vesting for TSR performance between median (the 50th percentile), and the 55th percentile unless there are exceptional circumstances justifying some payout for this level of corporate performance.

On this basis, a further 666,667 and 446,667 shares vested for the CEO and CFO in respect of the relative TSR element. In total 2 million shares for the CEO and 1.34 million shares for the CFO vested under the 2017 LTIP and became exercisable on 29 September 2022. The Executive Directors also became entitled to dividend equivalents on these shares when they vested based on dividends paid between the grant and vesting date of the award. In line with previous disclosures, the CEO's dividend was paid in cash to ensure the total award remained within the plan's 2 million share limit.

The value of the shares vesting under the relative TSR element and the associated dividend equivalents have been included in the single figure of remuneration table for the year ended 31 October 2022 in line with relevant regulations. The value of the awards that vested under the EPS element of the 2017 LTIP included in the single figure of remuneration table for the year ended 31 October 2021 has been restated to include the actual dividend equivalents earned during the vesting period, valued at the share price on vesting.

The Committee believes that the awards that vested in September 2022 for the Executive Directors and 56 colleagues are commensurate with the corporate success of the Company achieved over this period as follows:

- The Company's financial success has flowed through to shareholder returns such that over the period since the start of the EPS performance period on 1 November 2016 the Company's market capitalisation has increased by £1.162 billion, with £229 million of dividend payments made.
- The successful execution of strategy has created a unique business model that combines advanced digital marketing and pricing analytics, a well-located portfolio with extensive pipeline, and a focus on store team sales skills.
- The management team has successfully built a larger and more diversified business, expanding operations into Spain and Benelux and ensuring that all parts of the Company are run in a sustainable manner.
- Financial success has been achieved in parallel with the Company receiving several accolades in relation to its colleague initiatives, ESG performance and consistently outstanding customer feedback scores.

2020 LTIP – EPS and Relative TSR element performance measurement

The performance period of the EPS element of the 2020 LTIP ended on 31 October 2022; EPS performance accounts for two-thirds of the award. On that basis, the Committee measured the Company's EPS growth and Cash on Cash Return in relation to the underpin over the three-year performance period. Adjusted Diluted EPRA EPS increased by 18.6% p.a., significantly ahead of the 8% p.a. growth required for maximum vesting. The average Cash on Cash Return over the same period was 11.9% which also exceeded the 8% underpin target resulting in 100% of the awards being earned under the EPS element of the 2020 LTIP.

This is summarised in the table below:

Adjusted Diluted EPRA EPS growth[2]				Cash on Cash Return underpin[3]		
Threshold performance[1] (25% vesting)	Maximum performance (100% vesting)	Actual performance	% of awards earned	Underpin performance required	Actual performance	Overall % of awards earned
5% p.a.	8% p.a.	18.6% p.a.	100%	8%	11.9%	100%

Notes

1 Vesting between the threshold and maximum based on a sliding scale.

2 Adjusted Diluted EPRA Earnings per Share is based on the European Public Real Estate Association's definition of earnings and is defined as profit or loss for the period after tax but excluding corporate transaction costs, change in fair value of derivatives, gain/loss on investment properties and the associated tax impacts. The Company then makes further adjustments for the impact of exceptional items, IFRS 2 share-based payment charges, exceptional tax items and deferred tax charges. This adjusted earnings is divided by the diluted number of shares. The IFRS 2 cost is excluded as it is written back to distributable reserves and is a non-cash item (with the exception of the associated National Insurance element). Therefore, neither the Company's ability to distribute nor pay dividends are impacted (with the exception of the associated National Insurance element).

3 Cash on Cash return p.a. is the average Cash on Cash return over the performance period, where Cash on Cash return is Underlying EBITDA after leasehold rent divided by original cost of investments calculated for each financial year in the performance period.

The final vesting level for the 2020 LTIP will not be determined by the Committee until the vesting date of 18 March 2023, with the balance of awards subject to the Company's relative TSR performance measured over the three-year period ending on 17 March 2023. As at 31 October 2022, Safestore's TSR growth is in excess of the upper quartile of both the FTSE 250 excluding Investment Trusts and FTSE 350 Supersector Real Estate Index peer groups, which would equate to maximum vesting. Therefore, the Committee confirms that it expects the awards to vest in full and will consider whether the formulaic outcome is in line with underlying Company performance at the vesting date.

The value of the 2020 LTIP awards expected to vest on 18 March 2023, plus an estimate of the value of dividend equivalents accrued to 31 October 2022, has been included in the single figure of remuneration table for 2022 on the basis that the relative TSR performance period has been substantially completed.

On the assumption that the relative TSR element vests in full, the CEO and CFO will earn 123,489 and 87,986 shares respectively which will become exercisable on or after the vesting date of 18 March 2023. Dividend equivalents will also be awarded on vested shares; however, their value is yet to be determined as it will be based on dividends paid between the grant and vesting date of the award. In line with the reporting regulations, the value of dividend equivalents paid between the grant date and 31 October 2022 has been included in the value of the awards in the single figure of remuneration table as set out below:

	2021 figures (restated)							**2022 figures**			
Name	Number of 2017 LTIP awards granted	Number of 2017 LTIP EPS element awards vested	Value of 2017 EPS element awards vested[1]	Value attributable to share price growth[2]	Number of 2017 LTIP TSR element awards vested	Value of 2017 LTIP TSR element awards vested[1]	Value attributable to share price growth[2]	**Number of 2020 LTIP award granted**	**Number of 2020 LTIP awards estimated to vest**	**Value of 2020 LTIP awards estimated to vest[3]**	**Value attributable to share price growth[4]**
F Vecchioli (Chief Executive Officer)	2,000,000	1,333,333	£11,875,331	£4,763,999	666,667	£5,937,669	£2,382,001	**123,489**	**123,489**	**£1,280,344**	**£442,671**
A Jones (Chief Financial Officer)	1,340,000	893,333	£7,928,580	£3,191,879	446,667	£3,964,294	£1,595,941	**87,986**	**87,986**	**£912,246**	**£315,403**

Notes

1 Based on the closing share price on 29 September 2022 of £7.94 and includes dividend equivalents of £0.9665 per share accrued from the date of grant to the date of vest.

2 Based on growth in share price from date of grant (£4.367 – 29 September 2017) to the closing share price on the date of vest (£7.94 – 29 September 2022).

3 Based on three-month average share price to 31 October 2022 of £9.81 and includes dividend equivalents accrued from the date of grant to 31 October 2022.

4 Based on growth in share price from date of grant (£6.23 – 18 March 2020) to three-month average share price to 31 October 2022 (£9.81).

LTIP awards granted in the year ended 31 October 2022 (audited)

The third LTIP award under the current Remuneration Policy was granted on 25 January 2022. In line with Policy the awards had a face value of 200% of base salary and no consideration was paid for the grant which was structured as a nil-cost option. The normal vesting date of the LTIP awards will be 25 January 2025, being the third anniversary of the award date. Once vested, the LTIP award will normally be exercisable until the day before the tenth anniversary of the award date and is subject to a two-year holding period commencing on vesting.

Name	Role	Base salary at date of grant	Face value of 2022 LTIP award (% of base salary)	Face value of 2022 LTIP award	Face value at minimum vesting of 25%	Number of shares granted under nil-cost option*
F Vecchioli	CEO	£441,338	200%	£882,676	£220,669	71,645
A Jones	CFO	£314,453	200%	£628,906	£157,227	51,047

Note

* Dividend equivalents will be payable on vested shares.

The number of shares granted under the award was calculated using a share price of £12.32, being the closing share price on the dealing day immediately before the date of grant.

The LTIP awards will vest based on the satisfaction of the following performance conditions which are each measured over three-year periods:

i. two-thirds based on Adjusted Diluted EPRA Earnings per Share growth: 5% p.a. growth (threshold) and 8% p.a. growth (maximum);

ii. one-sixth based on relative TSR against the FTSE 250 Index excluding Investment Trusts: median performance (threshold) and upper quartile performance (maximum); and

iii. one-sixth based on relative TSR against the FTSE 350 Supersector Real Estate Index: median performance (threshold) and upper quartile performance (maximum).

25% of the relevant element of the award will vest for threshold performance, with straight-line vesting beyond threshold to full vesting for the achievement of maximum performance. In addition, no award will vest unless a minimum level of Cash on Cash Return ("CoCR"[3]) of 8% p.a.has been met. The Committee will have overriding discretion to change formulaic outcomes (both downwards and upwards) if they are out of line with underlying performance of the Company.

Directors' remuneration report *continued*

for the year ended 31 October 2022

Part C: Annual report on remuneration *continued*

2022 annual bonus outcomes: strategic objectives *continued*

LTIP awards granted in the year ended 31 October 2022 (audited) *continued*

Full details of the performance conditions attached to the awards can be found in the table below.

Measure	Performance period	Performance target	Vesting[1] (% of award)
Adjusted Diluted EPRA Earnings per Share[2] growth (two-thirds weighting)	Three financial years ending 31 October 2024	Less than 5% p.a. growth	0%
		Threshold: 5% p.a. growth	25%
		Maximum: 8% p.a. growth	100%
Relative TSR vs FTSE 250 (excluding Investment Trusts) (one-sixth weighting)	Three years from grant date ending 24 January 2025	Below median TSR	0%
		Threshold: Median TSR	25%
		Maximum: Upper quartile TSR	100%
Relative TSR vs FTSE 350 Supersector Real Estate Index (one-sixth weighting)	Three years from grant date ending 24 January 2025	Below median TSR	0%
		Threshold: Median TSR	25%
		Maximum: Upper quartile TSR	100%

Notes

1 Vesting between the threshold and maximum based on a sliding scale.

2 Adjusted Diluted EPRA Earnings per Share is based on the European Public Real Estate Association's definition of earnings and is defined as profit or loss for the period after tax but excluding corporate transaction costs, change in fair value of derivatives, gain/loss on investment properties and the associated tax impacts. The Company then makes further adjustments for the impact of exceptional items, IFRS 2 share-based payment charges, exceptional tax items and deferred tax charges. This adjusted earnings is divided by the diluted number of shares. The IFRS 2 cost is excluded as it is written back to distributable reserves and is a non-cash item (with the exception of the associated National Insurance element). Therefore, neither the Company's ability to distribute nor pay dividends are impacted (with the exception of the associated National Insurance element). The financial statements will disclose earnings on a statutory, EPRA and Adjusted Diluted EPRA basis and will provide a full reconciliation of the differences in the financial year in which any LTIP awards may vest.

3 Cash on Cash Return p.a. is the average Cash on Cash Return over the performance period, where Cash on Cash Return is Underlying EBITDA after leasehold rent divided by original cost of investments calculated for each financial year in the performance period.

Annual bonus – deferred bonus awards made in the year ended 31 October 2022

In line with Policy, the bonus awarded in excess of 100% of salary in respect of the year ended 31 October 2021 is held in shares by the Executive Directors on a net of tax basis (referred to as restricted shares). The restricted shares are subject to a two-year holding period that expires on 1 November 2023. Malus provisions apply during the holding period and claw-back provisions apply for three years thereafter. The restricted shares were acquired by the Executive Directors on 28 January 2022 at market value (£12.4055).

Name	Role	Face value of restricted shares	Number of restricted shares*
F Vecchioli	CEO	£116,140	9,362
A Jones	CFO	£82,757	6,671

Note

* Dividends will be payable.

Operation of Policy

The Committee is comfortable that the current Policy operated as intended in 2022 and that the overall remuneration paid to Executive Directors for 2022, as set out above, was appropriate.

Payments to past Directors or for loss of office (audited)

During the year there were no payments to past Directors or for loss of office.

Implementation of the Remuneration Policy for the year ending 31 October 2023

Full details of how the new Remuneration Policy will be implemented for the year ending 31 October 2023 will be included alongside the details of the new Policy itself in the supporting documentation for the General Meeting at which the Policy will be presented for approval.

As noted earlier in this report, in undertaking its review, the Committee concluded that the positioning of the current remuneration packages being significantly below Safestore's peers in terms of quantum, and which in fact places the CEO in the lower quartile of the FTSE 250, is not in the best interests of all stakeholders. It also noted that the 2017 LTIP had now vested and paid out in full. Therefore, changes to the LTIP are likely to be proposed as part of the new Policy, although the Committee is keen that the LTIP structure should continue to be aligned with standard market practice in terms of vesting profiles and being subject to the achievement of stretching performance targets. On this basis, LTIP awards will be delayed until shareholder approval of the new Policy has been gained.

Please see the at a glance section on pages 94 to 97 of this report for details of how we expect to implement the Policy for those elements of remuneration where it is possible to provide a view at this stage.

Non-Executive Directors

Single figure remuneration table (audited)

The remuneration of Non-Executive Directors showing the breakdown between components, together with comparative figures for the prior year, is shown below.

Director		Fees £'000	Other £'000	Total £'000
D Hearn	**2022**	**203**	**–**	**203**
	2021	184	–	184
I S Krieger	**2022**	**78**	**–**	**78**
	2021	66	–	66
C Balmforth[1]	**2022**	**39**	**–**	**39**
	2021	60	–	60
G van de Weerdhof	**2022**	**57**	**–**	**57**
	2021	50	–	50
L Duhot[2]	**2022**	**61**	**–**	**61**
	2021	n/a	–	n/a
D Mousseau[3]	**2022**	**57**	**–**	**57**
	2021	n/a	–	n/a
J Bentall[4]	**2022**	**26**	**–**	**26**
	2021	n/a	–	n/a

Notes

1 C Balmforth stepped down as an independent Non-Executive Director on 31 May 2022 so received a pro-rated fee for 2022.

2 L Duhot was appointed as an independent Non-Executive Director on 1 November 2021.

3 D Mousseau was appointed as a Non-Executive Director on 1 November 2021.

4 J Bentall was appointed as an independent Non-Executive Director on 18 May 2022 so received a pro-rated fee for 2022.

Fees to be provided in 2023 to the Non-Executive Directors

The following table sets out the annual fee rates for the Non-Executive Directors from 1 May 2022:

Fee component	2023
Chairman fee	£220,000
Non-Executive Director base fee	£57,680
Additional fee for SID and Committee chairmanship	£10,815

Statement of Directors' shareholding and share interests

Shareholding and other interests at 31 October 2022 (audited)

Directors' share interests are set out below. As per the current Remuneration Policy, in order that the Executive Directors' interests are aligned with those of shareholders, Executive Directors are encouraged to build up and maintain a personal shareholding equal to 350% of salary. The shareholding guidelines take account of beneficially owned shares, restricted shares from bonus deferral and vested but unexercised awards at their net of tax value. The Executive Directors had five years from the grant of the 2017 LTIP award (29 September 2022) to achieve this guideline. As shown in the table below, both Executive Directors meet the in-employment guidelines under the Policy.

The shareholding guidelines for Executive Directors will continue to apply for two years post cessation of employment. For the avoidance of doubt shares beneficially owned at the date of adoption of the current Policy (18 March 2020) and the 2017 LTIP award are exempt from this guideline but share-based awards granted under the Policy approved by shareholders at the 2020 AGM are captured.

Directors' remuneration report *continued*

for the year ended 31 October 2022

Part C: Annual report on remuneration *continued*

Statement of Directors' shareholding and share interests *continued*

Shareholding and other interests 31 October 2022 (audited) *continued*

As at 31 October 2022

Director	Number of beneficially owned shares[1]	% of salary held[2]	Shareholding requirement (% of salary)	Shareholding requirement met	Total interests subject to conditions (LTIP nil-cost awards)	Outstanding 2020 Sharesave awards	Vested unexercised nil-cost option awards	Total interests at 31 October 2022
F Vecchioli	2,093,466	4,161	350	Yes	296,599	2,008	2,000,000	4,392,073
A Jones	462,471	1,290	350	Yes	211,327	2,008	1,497,843	2,173,649
D Hearn	15,000	n/a	n/a	n/a	n/a	n/a	n/a	15,000
I S Krieger	60,000	n/a	n/a	n/a	n/a	n/a	n/a	60,000
G van de Weerdhof	Nil	n/a	n/a	n/a	n/a	n/a	n/a	Nil
L Duhot	1,711	n/a	n/a	n/a	n/a	n/a	n/a	1,711
D Mousseau	1,460	n/a	n/a	n/a	n/a	n/a	n/a	1,460
J Bentall	9,300	n/a	n/a	n/a	n/a	n/a	n/a	9,300

Notes

1 Beneficial interests include shares held directly or indirectly by connected persons and restricted shares acquired on 4 February 2022.

2 Based on the 31 October 2022 share price of 903.5 pence per share and beneficially owned shares only.

Between 31 October 2022 and 25 January 2023 (being the latest practicable date prior to the publication of this report), the Executive Directors exercised their vested 2017 LTIP nil-cost options on 2 December 2022. This increased beneficially owned shares by 1,058,115 to 3,151,581 for Frederic Vecchioli and by 781,489 to 1,243,960 for Andy Jones. There were no other changes to the Directors' interests between 31 October 2022 and 25 January 2023.

2017 LTIP awards – awards exercised on 2 December 2022

The Executive Directors exercised their 2017 LTIP vested nil-cost options on 2 December 2022 as set out in the table below:

Director	Role	Number of nil-cost options granted	Dividend equivalents	Total number of shares exercised	Retained shares
F Vecchioli	CEO	2,000,000	Nil	2,000,000	1,058,115
A Jones	CFO	1,340,000	157,843	1,497,843	781,489

Annual bonus – deferred bonus awards called during the year ended 31 October 2022

In the year ended 31 October 2022, the Executive Directors were entitled to call upon the deferred shares awarded to them in relation to the deferred element of their annual bonus earned in the financial year ended 31 October 2019. These awards were granted on 7 February 2020 and in line with the previous Policy vested on 1 November 2021 subject to continued employment.

Director	Role	Number of nil-cost options granted	Dividend equivalents	Total number of shares called
F Vecchioli	CEO	22,276	706	22,982
A Jones	CFO	15,872	503	16,375

The Remuneration Committee determined the dividend equivalent share entitlement as the number of shares equal in value to the net dividends of 38.10 pence that had been paid on the nil-cost options from the date of grant to the date of vesting by the Executive Directors, divided by the closing share price preceding the date of vesting, of £12.02.

Outstanding LTIP awards at 31 October 2022

The following LTIP awards remain outstanding and unvested at 31 October 2022:

Director	Awards granted	Maximum award	Awards vested	Awards lapsed	**Maximum outstanding awards[1] at 31 October 2022**	Market price at date of vesting (p)	Normal vesting date
F Vecchioli	18/03/2020 LTIP	123,489	—	—	**123,489**	—	18/03/2023
	28/01/2021 LTIP	101,465	—	—	**101,465**	—	28/01/2024
	25/01/2022 LTIP	71,645	—	—	**71,645**	—	25/01/2025
A Jones	18/03/2020 LTIP	87,986	—	—	**87,986**	—	18/03/2023
	28/01/2021 LTIP	72,294	—	—	**72,294**	—	28/01/2024
	25/01/2022 LTIP	51,047	—	—	**51,047**	—	25/01/2025

Note

1 Figures shown exclude dividend equivalents.

The 2020, 2021 and 2022 awards are subject to performance measures and a continued service condition over a three-year period. The performance measures and targets for the 2020 LTIP awards are set out on page 90 of the 2020 Annual Report, for the 2021 LTIP awards are set out on page 100 of the 2021 Annual Report, and for the 2022 LTIP awards are set out on pages 111 and 112 of this report.

Consideration of shareholder views

Please see page 103 for details.

Consideration of conditions elsewhere in the Group

Please see page 103 for details.

Considerations by the Committee of matters relating to Directors’ remuneration for 2022

The Committee is responsible for recommending to the Board the remuneration policy for Executive Directors and senior management and for setting the remuneration packages for each Executive Director. The Committee also has oversight of the remuneration policy for all colleagues. The written terms of reference of the Committee are available on the Company’s website and from the Company on request.

Members of the Committee in the year to 31 October 2022	Independent	Meetings held during tenure during the year	Number of meetings attended
C Balmforth (Chair)[1]	Yes	5	5
L Duhot (Chair)[2]	Yes	1	1
D Hearn	Yes	6	6
I S Krieger	Yes	6	6
G van de Weerdhof	Yes	6	6
D Mousseau	Yes	6	6
J Bentall[3]	Yes	1	1

Notes

1 C Balmforth stepped down as an independent Non-Executive Director on 31 May 2022.

2 L Duhot was appointed as Chair of the Remuneration Committee with effect from 1 June 2022.

3 J Bentall was appointed as an independent Non-Executive Director on 18 May 2022.

Directors' remuneration report *continued*

for the year ended 31 October 2022

Part C: Annual report on remuneration *continued*

Considerations by the Committee of matters relating to Directors' remuneration for 2022 *continued*

Despite taking the decision to postpone the Policy renewal, a significant amount of the Committee's time in 2022 was spent undertaking a remuneration review to support the design of the new Policy. In addition, we also did the following:

- considered wider workforce pay policies and practices and feedback from the workforce panel;
- proactively responded to the 72% votes in favour of the 2021 remuneration report;
- approved the salary increases for Executive Directors and senior managers alongside the wider workforce salary budget;
- agreed annual bonus targets for 2022;
- reviewed and approved the 2022 LTIP grant and the associated performance conditions;
- discussed and approved Executive Director and senior manager remuneration outcomes for 2022, including measuring the performance outcomes of the relative TSR element of the 2017 LTIP award and the EPS element of the 2020 LTIP;
- reviewed the gender pay gap analysis results and signed off actions;
- reviewed and approved the Directors' remuneration report for 2021/22; and
- reviewed the Committee's terms of reference.

None of the Committee members have any personal financial interest (other than as shareholders) in the decisions made by the Committee, conflicts of interest arising from cross-directorships or day-to-day involvement in running the business.

The Chief Executive Officer, the Chief Financial Officer, the HR Director and the Company Secretary may attend meetings at the invitation of the Committee but are not present when their own remuneration outcomes are being discussed. The HR Director acts as the secretary to the Committee.

The Committee received external advice in 2022 from PricewaterhouseCoopers LLP ("PwC") in connection with remuneration matters, including the provision of general guidance on market and best practice. PwC was appointed by the Committee after a competitive tender process in August 2016. PwC is considered by the Committee to be objective and independent. PwC is a member of the Remuneration Consultants Group and, as such, voluntarily operates under the code of conduct in relation to executive remuneration consulting in the UK. PwC also provided the Company with reward, tax, and consulting advice. The Committee reviewed the nature of all the services provided during the year by PwC and was satisfied that no conflict of interest exists or existed in the provision of these services.

The total fees paid to PwC in respect of services to the Committee during the year were £131,400. Fees were determined based on the scope and nature of the projects undertaken for the Committee.

Executive Director service contracts

The service agreements of the Executive Directors are not fixed term and are terminable by either the Company or the Director on the following basis:

Director	Date of current service contract	Notice period
F Vecchioli	3 September 2013	Twelve months
A Jones	29 January 2013	Twelve months

Non-Executive Director letters of appointment

The Non-Executive Directors were appointed for an initial three-year term and their appointment continues, subject to annual re-election at the Company's AGM up to a maximum term of nine years.

The table below sets out the dates that each Non-Executive Director was first appointed and the notice period by which their appointment may be terminated early by either party:

Director	Date of appointment	Notice period by Company or Director
D Hearn	1 December 2019	Three months
I S Krieger	3 October 2013	Three months
C Balmforth (resigned 31 May 2022)[1]	1 August 2016	Three months
G van de Weerdhof	1 June 2020	Three months
L Duhot[2]	1 November 2021	Three months
D Mousseau[2]	1 November 2021	Three months
J Bentall[3]	18 May 2022	Three months

Notes

1 C Balmforth stepped down as an independent Non-Executive Director on 31 May 2022.

2 L Duhot and D Mousseau were appointed as independent Non-Executive Directors with effect from 1 November 2021.

3 J Bentall was appointed as an independent Non-Executive Director on 18 May 2022.

Directors' report

Safestore Holdings plc is a public limited liability company incorporated under the laws of England and Wales with the registered number 04726380. It has a premium listing on the London Stock Exchange Main Market for listed securities (LON:SAFE) and is a constituent member of the FTSE 250 Index. The Company is a real estate investment trust ("REIT"). It is expected that the Company, which has no branches, will continue to operate as the holding company of the Group. The address of the registered office is Brittanic House, Stirling Way, Borehamwood, Hertfordshire WD6 2BT.

The principal activity of the Group is to provide storage solutions and related goods and services to commercial and domestic customers. The principal activity of the Company is that of a holding company.

The Directors present their report and the audited consolidated financial statements for the year ended 31 October 2022. References to Safestore, "the Group", "the Company", "we" or "our" are to Safestore Holdings plc, and its subsidiary companies where appropriate.

Disclosures incorporated by reference

The following disclosures required to be included in the Directors' report have been incorporated by way of reference to other sections of this report and should be read in conjunction with this report:

- corporate governance report on pages 74 to 116;
- strategy and relevant future developments – refer to pages 7 to 21 of the strategic report;
- financial risk management, policies and objectives of the Group, along with any details of exposure to any liability and cash flow risk, are set out on pages 37 to 42 and in note 20 to the financial statements;
- details of the Group's going concern assessment and viability statement on pages 44 and 133; and
- employee matters and carbon emission disclosures are set out in the Sustainability report on pages 49 to 53 and pages 58 to 73 respectively.

Results for the year and dividends

The results for the year ended 31 October 2022 are set out in the consolidated statement of comprehensive income on page 129 and a review of the Group's results is explained further on pages 1 to 33.

An interim dividend of 9.40 pence (FY2021: 7.50 pence) was paid on 11 August 2022, comprised of a Property Income Distribution ("PID") of 2.35 pence (FY2021: 7.50 pence) and a non-PID dividend of 7.05 pence (FY2021: £nil). The Directors recommend a final dividend in respect of the year ended 31 October 2022 of 20.40 pence per ordinary share (FY2021: 17.60 pence), of which the PID element will be 20.40 pence (FY2021: 17.60 pence). If authorised at the 2023 AGM, the dividend will be paid on 7 April 2023 to members on the register at close of business on 3 March 2023.

PIDs are paid after the deduction of withholding tax at the basic rate (currently 20%). However, certain categories of shareholder may be entitled to receive payment of a gross PID if they are UK resident companies, UK public bodies, UK pension funds and managers of ISAs, PEPs and child trust funds. Information, together with the relevant forms which must be completed and submitted to the Company's Registrar, for shareholders who are eligible to receive gross PIDs is available in the Investor Relations section of the Company's website at www.safestore.com. Non-PID dividends are not subject to withholding tax.

Going concern and viability statement

After making enquiries, the Directors of Safestore are confident that, on the basis of current financial projections and facilities available and after considering sensitivities, and stress testing, the Group has sufficient resources for its operational needs and to enable the Group to remain in compliance with the financial covenants in its bank facilities for the foreseeable future, a period of not less than twelve months. The Directors have assessed Safestore's viability over a three-year period to 31 October 2025.

This is based on modelling over a three-year period, which gives greater certainty over the forecasting assumptions used. The viability statement is set out on page 44.

Financial instruments

The financial risk management objectives and policies of the Group, along with any details of exposure to any liability and cash flow risk, are set out on pages 37 to 42, and in note 20 to the financial statements.

Disclosures required under Listing Rule 9.8.4R

For the purposes of LR 9.8.4R, the information required to be disclosed by LR 9.8.4R can be found in the following locations within the Annual Report:

		Page
(1)	Amount of interest capitalised and tax relief	n/a
(2)	Publication of unaudited financial information	n/a
(4)	Details of long term incentive schemes	161 and 162
(5)	Waiver of emoluments by a Director	n/a
(6)	Waiver of future emoluments by a Director	n/a
(7)	Non-pre-emptive issues of equity for cash	161
(8)	Item (7) in relation to major subsidiary undertakings	n/a
(9)	Parent company participation in a placing by a listed subsidiary	n/a
(10)	Contracts of significance	120
(11)	Provision of services by a controlling shareholder	n/a
(12)	Shareholder waiver of dividends	118
(13)	Shareholder waiver of future dividends	n/a
(14)	Agreements with controlling shareholders	n/a

All the information referenced above is incorporated by reference into the Directors' report.

Management report

The strategic report and the Directors' report collectively comprise the "management report" for the purposes of the Financial Conduct Authority's Disclosure Guidance and Transparency Rules (DTR 4.1.5R).

Corporate Governance Statement

In compliance with the Financial Conduct Authority's Disclosure Guidance and Transparency Rules, the disclosures required by DTR 7.2.6 are set out in this Directors' Report.

Post-balance sheet events

On 11 November 2022 the Group completed its refinancing exercise obtaining a new increased unsecured £400 million multi-currency four-year Revolving Credit Facility (with two one-year extension options). In addition, a further £100 million uncommitted accordion facility is incorporated into the facility agreement.

On 1 December 2022 the Group acquired a 10.0% interest in CERF II German Storage Topco S.à r.l., a company registered in Luxembourg, and the indirect holder myStorage GmbH, a company registered and operating in Germany.

Directors' report *continued*

Directors

The Directors of the Company who served during the year and to the date of this report were as follows:

Claire Balmforth	Non-Executive Director (stepped down 31 May 2022)
Jane Bentall	Non-Executive Director (appointed 18 May 2022)
Laure Duhot	Non-Executive Director (appointed 1 November 2021)
David Hearn	Non-Executive Chairman
Andy Jones	Chief Financial Officer
Ian Krieger	Senior Independent Director
Delphine Mousseau	Non-Executive Director (appointed 1 November 2021)
Frederic Vecchioli	Chief Executive Officer
Gert van de Weerdhof	Non-Executive Director

The skills and experience of the serving Directors are set out on pages 76 and 77, and their interests in the ordinary share capital of the Company, and details of options granted to Executive Directors under the Group's share schemes are set out in the Directors' remuneration report on pages 111 to 114.

Appointment and removal of Directors

The Company's rules governing the appointment and removal of Directors are contained in its Articles of Association. Changes to the Articles of Association are only permitted in accordance with legislation and must be approved by a special resolution of shareholders. The Company's Articles of Association provide that a Director may be appointed by an ordinary resolution of the shareholders or by the existing Directors, either to fill a vacancy or as an additional Director. Further information on the Company's internal procedures for the appointment of Directors is given in the corporate governance section on pages 81 and 83.

A Director may be removed by the Company in certain circumstances set out in the Articles of Association or by an ordinary resolution of the Company's shareholders.

Vacation of office

The office of a Director shall be vacated if (amongst other circumstances) a Director: (i) resigns; (ii) has been appointed for a fixed term and the term expires; (iii) ceases to be a Director by virtue of the Companies Acts, is removed from office pursuant to the Articles of Association or becomes prohibited by law from being a Director; (iv) becomes bankrupt or the subject of an interim receiving order or compounds with creditors generally or applies to the court for an interim order under section 253 of the Insolvency Act 1986 (as amended) in connection with a voluntary arrangement under that act or any analogous event occurs in relation to the Director in another jurisdiction; (v) has been suffering from mental or physical ill health and may remain so for more than three months; (vi) both a Director and his or her alternate Director (if any) are absent, without the permission of the Board from meetings of the Board for six consecutive months and the Board resolves that his or her office is vacated; or (vii) is removed from office by notice addressed to the Director at their last-known address and signed by all co-Directors.

Directors' powers

The Board, which is responsible for the management of the business, may exercise all the powers of the Company subject to the provisions of relevant legislation, the Company's Articles of Association and directions given by special resolution of the Company. The powers of the Directors set out in the Articles of Association include those in relation to the issue and buyback of shares.

Annual re-election of Directors

The Company's Articles of Association require that all Directors retire by rotation each year. In accordance with the Company's Articles of Association and with the Code, all Directors will retire at the Annual General Meeting ("AGM") to be held on Wednesday 15 March 2023 and will offer themselves for re-election.

Directors' indemnities

The Company maintains directors' and officers' liability insurance which provides appropriate cover for legal action brought against its Directors. The Company has also granted indemnities to each of its Directors to the extent permitted by law. The Directors also have (and during the year ended 31 October 2022 had) the benefit of the qualifying third party indemnity provision contained in the Company's Articles of Association, which provides a limited indemnity in respect of liabilities incurred as a Director or other officer of the Company.

Directors' interests in contracts and conflicts of interest

No member of the Board had a material interest in any contract of significance with the Company, or any of its subsidiaries, at any time during the year. Directors are required to notify the Company of any conflict or potential conflict of interest.

The Company's policy is that Directors notify the Chairman and the Company Secretary of all new outside interests and actual or potential conflicts of interest as and when they arise. The Board confirms that no actual or potential conflicts have been identified or notified to the Company during the year and, accordingly, the Board has not authorised any conflicts of interest as permitted by the Company's Articles of Association.

Share capital

At 31 October 2022, the Company's issued share capital comprised 211,927,497 ordinary shares of 1 pence each. The rights and obligations attached to the Company's ordinary shares are set out in its Articles of Association and note 11 of the Company's financial statements. Details of movements in the share capital during the year are provided in note 23 of the financial statements. The issued share capital has been increased by 1,103,794 ordinary shares during the year by fully paid issues as follows:

Date	Share scheme	Number of ordinary shares of 1 pence
11 March 2022	Exercise of options under the 2017 (five-year) Sharesave scheme	3,401
2 September 2022 to 31 October 2022	Exercise of options under the 2019 (three-year) Sharesave scheme	100,393
5 October 2022	Issue of new share to the Trustee of the Safestore Employee Benefit Trust to satisfy share awards granted by the Company under its 2017 Long Term Incentive Plan	1,000,000

No person holds securities in the Company carrying special rights with regard to control of the Company.

Own shares – Employee Benefit Trust

At 31 October 2022, the Employee Benefit Trust retains 359,795 ordinary shares (FY2021: 41,259) with a nominal value of £3,598 (FY2021: £413) to satisfy awards under the Group's share scheme arrangements. This represents less than 0.17% (FY2021: 0.02%) of the total issued share capital of the Company. The Trustee of the Employee Benefit Trust has elected not to receive dividends on its retained ordinary shares.

Purchase of own shares

The Company was granted authority at the 2022 AGM to make market purchases of its own ordinary shares. This authority will expire at the conclusion of the 2023 AGM and a resolution will be proposed to seek further authority. No ordinary shares were purchased under this authority during the year or in the period from 1 November 2022 to 16 January 2023.

Restrictions on transfers of shares and/or voting rights

The Company is not aware of any agreements between shareholders that may result in restrictions on the transfer of securities and/or voting rights and apart from the matters described below, there are no restrictions on the transfer of the Company's ordinary shares and/or voting rights:

- Certain restrictions on transfers of shares may from time to time be imposed by laws and regulations (such as the Market Abuse Regulation). The Company's Securities Dealing Code provides that all Directors and employees are required to seek the Company's approval to deal in its shares.
- Some share-based employee incentive plans include restrictions on the transfer of shares, while the shares are subject to the plan concerned.
- The Directors' Remuneration Policy provides that annual bonus awards in excess of 100% of salary be deferred into shares. The annual bonus plan rules include restrictions on the transfer of such shares, while the shares are subject to the plan concerned.
- The transferor of a share is deemed to remain the holder until the transferee's name is entered in the register of shareholders. The Board can refuse to register any transfer of any share which is not a fully paid share. The Company does not currently have any partly paid shares.
- Unless the Directors determine otherwise, members are not entitled to vote personally or by proxy at a shareholders' meeting, or to exercise any other member's right in relation to shareholders' meetings, in respect of any share for which any call or other sum payable to the Company remains unpaid.
- Unless the Directors determine otherwise, no transfer of shares shall be registered and members are not entitled to vote personally or by proxy at a shareholders' meeting, or to exercise any other member's right in relation to shareholders' meetings if the member fails to provide the Company with the required information concerning interests in those shares within the prescribed period after being served with a notice under Section 793 of the Companies Act 2006.
- The shareholding guidelines set out in the Directors' Remuneration Policy provide that Executive Directors are expected to build up their shareholding over a five-year period. Executive Directors would be expected to retain any shares vesting (post-tax) under in-flight awards until they have acquired the necessary shares to meet their shareholding requirements.

Details of deadlines in respect of voting for the 2023 AGM are contained in the Notice of Meeting that has been circulated to shareholders and can be viewed on the Company's website at www.safestore.com.

Substantial shareholdings

The table below sets out the names of those persons who, insofar as the Company is aware, as at 10 November 2022 (being the nearest date of the Company's internal analysis to 31 October 2022), are interested directly or indirectly in 3% or more of the issued share capital of the Company.

Name of shareholder	Number of ordinary shares	Percentage of issued share capital
BlackRock Inc (Combined)	18,986,683	8.87
abrdn plc (Combined)	14,788,929	6.91
Cohen and Steers (Combined)	11,455,723	5.35
The Vanguard Group, Inc (Combined)	10,529,194	4.92
Principal Financial Group (Combined)	10,314,165	4.82
State Street Corporation (Combined)	7,579,381	3.54
Ameriprise Financial (Combined)	7,177,366	3.35
Legal & General Investment Mgt (London)	6,625,474	3.10

Information provided to the Company pursuant to Rule 5 of the Disclosure Guidance and Transparency Rules ("DTR") is published on a Regulatory Information Service and on the Company's website.

During the current financial year and as at 31 October 2022, the Company received the following notifications in accordance with DTR 5 disclosing changes to voting interests in its issued share capital. The information provided includes the percentage of issued capital as at the date of the notifications.

Name of shareholder	Date of latest notification	Number of ordinary shares	Percentage of issued share capital	Nature of holding (direct/indirect)
PGGM Vermogensbeheer B.V.	17 October 2022	7,705,623	3.65%	Direct
Cohen and Steers, Inc	31 October 2022	10,459,541	4.96%	Indirect

Between 1 November 2022 and 25 January 2023, being a date not more than one month prior to the date of the Company's Notice of Annual General Meeting 2023, the Company received the following notification(s) in accordance with DTR 5 disclosing changes to voting interests in its issued share capital. The information provided includes the percentage of issued capital as at the date of the notification(s).

Name of shareholder	Date of notification of interest	Number of ordinary shares	Percentage of issued share capital (excluding treasury shares)	Nature of holding (direct/indirect)
Cohen & Steers, Inc.	17 November 2022	11,028,787	5.20%	Indirect

Directors' report *continued*

Substantial shareholdings *continued*

All interests disclosed to the Company in accordance with DTR 5 that have occurred since 16 January 2023 can be found on the Company's website www.safestore.com.

Significant agreements and change of control

The Group's bank facilities agreement and US Private Placement Note agreements contain provisions entitling the counterparty to terminate the contractual agreements in the event of a change of control of the Group. The rules governing the Group's share scheme arrangements also contain provisions relating to the vesting and exercising of options in the event of a change of control of the Group.

There are no agreements between the Company and its Directors or employees providing for compensation for loss of office or employment (whether through resignation, purported redundancy or otherwise) that occurs because of a takeover bid.

Employment and environmental matters

Information in respect of the Group's employment and environmental policies, including the policies regarding the employment of disabled persons and greenhouse gas reporting, is summarised in the sustainability section on pages 46 to 73.

Amendment of the Articles of Association

The Company's Articles of Association may only be amended by special resolution at a general meeting of the shareholders.

Political donations

The Company made no political donations and incurred no political expenditure during the year (FY2021: £nil). It remains the Company's policy not to make political donations or to incur political expenditure; however, the application of the relevant provisions of the Companies Act is potentially very broad in nature and, as with last year, the Board is seeking shareholder authority to ensure that the Company does not inadvertently breach these provisions as a result of the breadth of its business activities. It is not the policy of the Company or its subsidiaries to make political donations.

Disclosure of information to auditor

Each of the persons who is a Director at the date of approval of this report confirms that:

- so far as the 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 a Director might reasonably ought to have taken in order to make themself 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 the provisions of Section 418 of the Companies Act 2006.

Independent auditor

Deloitte LLP has indicated its willingness to continue in office and the Audit Committee has recommended resolutions at the 2023 AGM to re-appoint Deloitte LLP as the Company's auditor and to authorise the Audit Committee to agree the auditor's remuneration.

In order to comply with the requirements of the Statutory Services for Large Companies Market Investigation (Mandatory Use of Competitive Tender Processes and Audit Responsibilities) Order 2014 (the "Order"), the Company intends to conduct a formal tender process for audit services during the financial year ending 2024. The Audit Committee considers this timing to be in the best interests of the Company, as it allows for a new lead audit partner to be appointed (in accordance with the Order) and conduct a full year audit ahead of the formal audit tender process.

Annual General Meeting ("AGM")

The AGM will be held at the Company's registered office at Brittanic House, Stirling Way, Borehamwood, Hertfordshire WD6 2BT, on Wednesday 15 March 2023 at 12.00 noon and will also be broadcast using teleconference facilities.

The 2023 AGM will include, as special business, resolutions dealing with authority to issue shares, disapplication of pre-emption rights, authority to purchase the Company's own shares, and authority to call a general meeting on not less than 14 days' notice. The Notice of AGM sets out details of the business to be considered at the AGM and contains explanatory notes on such business. This has been dispatched to shareholders and can be found on the Company's website at www.safestore.com.

Shareholders are encouraged to use their vote at this year's AGM by casting their votes online by using our electronic proxy appointment service offered by the Company's Registrar, Link Group, at www.signalshares.com or via the Link Group shareholder app, LinkVote+.

This report was approved by the Board for release on 16 January 2023 and signed on its behalf by:

Helen Bramall
Company Secretary
16 January 2023

Statement of Directors' responsibilities

The Directors are responsible for preparing the Annual Report and the Group and parent company financial statements in accordance with applicable law 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 United Kingdom adopted international accounting standards. The financial statements also comply with International Financial Reporting Standards ("IFRS") as issued by the IASB. The Directors have chosen to prepare the parent company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law), including Financial Reporting Standard 101 "Reduced Disclosure Framework". Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and the parent company and of the profit or loss of the Group for that period.

In preparing the parent company financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- state whether Financial Reporting Standard 101 "Reduced Disclosure Framework" has been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

In preparing the Group financial statements, International Accounting Standard 1 requires that 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 of the financial reporting framework 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 Group's ability to continue as a going concern.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Group's transactions and disclose with reasonable accuracy at any time the financial position of the parent company and the Group to enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the parent company and the Group 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 Group's website at www.safestore.com. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Responsibility statement

We confirm that, to the best of our knowledge:

- the financial statements, prepared in accordance with the relevant financial reporting framework, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Group and the undertakings included in the consolidation taken as a whole;
- the strategic report includes a fair review of the development and performance of the business and the position of the Group and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face; and
- the Annual Report and Financial Statements, taken as a whole, are fair, balanced and understandable and provide the information necessary for shareholders to assess the Group's position and performance, business model and strategy.

This responsibility statement was approved by the Board of Directors on 16 January 2023 and is signed on its behalf by:

Frederic Vecchioli
Chief Executive Officer

Andy Jones
Chief Financial Officer

Independent auditor's report

to the members of Safestore Holdings plc

Report on the audit of the financial statements

1. Opinion

In our opinion:

- the financial statements of Safestore Holdings plc (the "parent company") and its subsidiaries (the "Group") give a true and fair view of the state of the Group's and of the parent company's affairs as at 31 October 2022 and of the Group's profit for the year then ended;
- the Group financial statements have been properly prepared in accordance with United Kingdom adopted international accounting standards;
- the parent company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including Financial Reporting Standard 101 "Reduced Disclosure Framework"; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements which comprise:

- the consolidated income statement;
- the consolidated statement of comprehensive income;
- the consolidated and parent company balance sheets;
- the consolidated and parent company statements of changes in equity;
- the consolidated cash flow statement; and
- the Group related notes 1 to 32 and parent company related notes 1 to 12.

The financial reporting framework that has been applied in the preparation of the Group financial statements is applicable law and United Kingdom adopted international accounting standards. The financial reporting framework that has been applied in the preparation of the parent company financial statements is applicable law and United Kingdom Accounting Standards, including FRS 101 "Reduced Disclosure Framework" (United Kingdom Generally Accepted Accounting Practice).

2. Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report.

We are independent of the Group and the parent company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the Financial Reporting Council's ("FRC's") Ethical Standard as applied to listed public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We confirm that we have not provided any non-audit services prohibited by the FRC's Ethical Standard to the Group or the parent company.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

3. Summary of our audit approach

Key audit matters	The key audit matter that we identified in the current year was the valuation of investment properties, which is consistent with the key audit matter identified in the prior year. Within this report, the key audit matter is identified as follows: Similar level of risk
Materiality	The materiality that we used for the Group financial statements was £32.1 million which was determined as 2% of net assets. For testing items affecting profit before tax we have applied a lower threshold amounting to £6.0 million which was determined as 5% of profit before income tax, adjusted for investment property and derivative fair value movements.
Scoping	We have identified four components within the Group: United Kingdom ("UK"), France, Spain and Benelux operations. The Group audit team has performed a full scope audit of the UK component and a French component audit team has performed a full scope audit of the French component. In addition, the Group team has performed specified procedures at the Group level in respect of the Spanish and Benelux components.
Significant changes in our approach	The Benelux entity represents a new wholly owned component to the Group, after the Group acquired the remaining 80% equity stake in the business during the financial year.

4. Conclusions relating to going concern

In auditing the financial statements, we have concluded that the Directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Our evaluation of the Directors' assessment of the Group's and parent company's ability to continue to adopt the going concern basis of accounting included:

- obtaining an understanding of the relevant controls relating to the going concern process;
- an assessment of the Group's financing facilities including nature of facilities, repayment terms and covenants. This included an assessment of the new facility entered into by the Group post year end;
- a challenge of the range of scenarios modelled by management through our understanding of sector performance and sentiment and historical forecasting accuracy of management;
- testing the mathematical accuracy of the model used to prepare the going concern forecast;
- an assessment of the level of headroom arising in each scenario;
- an assessment of the sophistication of the model used to prepare the forecasts;
- an assessment of the outcome of the reverse stress testing performed by management; and
- an evaluation of the appropriateness of the going concern disclosures in the financial statements.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Group's and parent company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

In relation to the reporting on how the Group has applied the UK Corporate Governance Code, we have nothing material to add or draw attention to in relation to the Directors' statement in the financial statements about whether the Directors considered it appropriate to adopt the going concern basis of accounting.

Our responsibilities and the responsibilities of the Directors with respect to going concern are described in the relevant sections of this report.

5. Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified. These matters included those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit and directing the efforts of the engagement team.

These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Independent auditor's report *continued*

to the members of Safestore Holdings plc

Report on the audit of the financial statements *continued*

5. Key audit matters *continued*

5.1. Valuation of investment properties

Key audit matter description	Investment properties are held at a fair value of £2,647.4 million at 31 October 2022 (FY2021: £2,031.3 million). This is the most quantitatively material balance in the financial statements. Property valuation, which is performed by an external valuer, is by its nature subjective with significant estimation being applied in the assumption. We consider the key assumptions to comprise stabilised occupancy, capitalisation rate, discount rate and net rental growth. These estimates drive a cash flow model that is used as the basis of the valuation of each individual property. Additionally, there are specific judgements pertaining to "immature" stores which were defined as stores open for five years or less and UK assets under leasehold with an unexpired lease term of ten years or less. Through our risk assessment procedures, we have identified the valuation of the properties as the area where climate change could have the greatest impact, specifically the capital expenditure that will be required to bring buildings up to required energy efficiency standards and the external valuer's approach to including future capital expenditure relating to climate change in the valuation. For key sources of estimation uncertainty disclosures and further details of the Group's valuation method and assumptions, refer to notes 2 and 13 of the financial statements. The valuation of investment properties is also discussed in the Audit Committee report on page 87.
How the scope of our audit responded to the key audit matter	In response to the risk of valuation of investment properties, we performed the following audit procedures: We gained an understanding of and tested the key controls relevant to the property valuation process. We met with the external valuer, assessed the appropriateness of the valuer's scope and evaluated the competence, objectivity, independence, and capability of the valuer. We obtained the source data provided by management to the valuer (e.g. historical revenue, occupancy, average rental rates and lettable area on a store by store basis) and tested a sample of the source data for completeness and integrity. We identified individual properties through analysis against the following criteria: immature stores, defined as stores open for five years or less; UK leasehold stores with a term of ten years or less; and properties which display characteristics of audit interest through analysis of key assumptions, namely stabilised occupancy, capitalisation rate, discount rate and net rent growth. We investigated the properties identified and challenged the key estimates by assessing the appropriateness through comparison with the market and our expectation. With the involvement of our internal real estate specialists (who are members of the Royal Institution of Chartered Surveyors or RICS), we performed an independent assessment of the assumptions that underpin the valuations, based on their knowledge of the self storage industry and wider real estate market. We evaluated whether the Group's valuation methodology remains appropriate and assessed whether indicative rents and yields achieved in recent comparable transactions were consistent with the assumptions used in the Group's valuations. We have also challenged the valuer and management around the impact of climate change on the portfolio valuation, if any. We tested the accuracy and integrity of key elements of the valuer's model. We also recalculated the valuation for a sample of property assets, obtained contradictory evidence where available and performed a "stand-back" review to assess the sufficiency of audit evidence. We assessed the associated financial statement disclosures, including the appropriateness of the key sources of estimation uncertainty sensitivity analysis.
Key observations	We consider the assumptions applied in arriving at the fair value of the Group's investment property to be reasonable, albeit the discount rates applied were at the lower end of our acceptable range. The sensitivity disclosures are considered appropriate given the level of estimation involved and the valuations are suitable for inclusion in the financial statements at 31 October 2022.

6. Our application of materiality

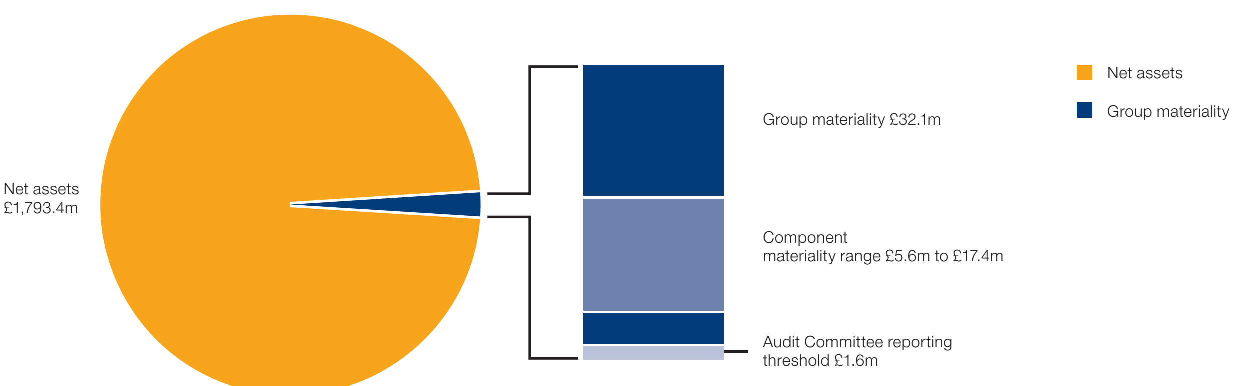
6.1. Materiality

We define materiality as the magnitude of misstatement in the financial statements that makes it probable that the economic decisions of a reasonably knowledgeable person would be changed or influenced. We use materiality both in planning the scope of our audit work and in evaluating the results of our work.

Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

	Group financial statements	Parent company financial statements
Materiality	£32.1 million (FY2021: £27.4 million).	£6.2 million (FY2021: £5.1 million).
Basis for determining materiality	2% of net assets (FY2021: 2% of net assets).	Parent company materiality represents 3% of net assets (FY2021: 3% of net assets).
Rationale for the benchmark applied	We considered net assets to be a critical financial performance measure for the Group on the basis that it is a key metric used by management, investors, analysts and lenders.	We considered net assets to be a critical financial performance measure for the Company on the basis that it is a key metric used by management, investors, analysts and lenders.

In addition to net assets, we also consider profit before income tax, adjusted for investment property and derivative fair value movements, to be a critical financial performance measure for the Group, which aligns closely with EPRA earnings. We applied a lower threshold of £6.0 million (FY2021: £4.0 million) for testing of balances impacting that measure, which has been determined as 5% (FY2021: 5%) of profit before income tax adjusted for investment property and derivative fair value movements.



6.2. Performance materiality

We set performance materiality at a level lower than materiality to reduce the probability that, in aggregate, uncorrected and undetected misstatements exceed the materiality for the financial statements as a whole.

	Group financial statements	Parent company financial statements
Performance materiality	70% (FY2021: 70%) of Group materiality.	70% (FY2021: 70%) of parent company materiality.
Basis and rationale for determining performance materiality	In determining performance materiality, we considered the following factors: a. the quality of the control environment and whether we were able to rely on controls; b. the low volume of uncorrected misstatements in the previous audit; and c. turnover of management or key accounting personnel, and prior period adjustments.	

6.3. Error reporting threshold

We agreed with the Audit Committee that we would report to the Committee all audit differences in excess of £1.6 million (FY2021: £1.3 million), as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds. We also report to the Audit Committee on disclosure matters that we identified when assessing the overall presentation of the financial statements.

Independent auditor's report *continued*

to the members of Safestore Holdings plc

Report on the audit of the financial statements *continued*

7. An overview of the scope of our audit

7.1. Identification and scoping of components

Our Group audit was scoped by obtaining an understanding of the Group and its environment, including Group-wide controls, and assessing the risks of material misstatement at the Group level.

We have determined that there are four components within the Group: United Kingdom, France, Spain and Benelux operations. The group audit team have performed a full scope audit of the UK component and a French component audit team have performed a full scope audit of the French component. In addition, the group audit team have performed specified procedures at group level in respect of the Spanish and Benelux components.

We instructed the French component auditors to perform the audit of the France component and supervised their work through regular communication. We attended their local audit close meeting with the local management team as well as evaluated the outputs of their work in person and challenged their conclusions as part of our component oversight role.

Our component audit work was executed at levels of materiality applicable to each individual component which were lower than Group materiality, ranging from £5.6 million to £17.4 million (FY2021: £4.8 million to £15.4 million). In addition, for the lower materiality threshold described above, our component thresholds ranged from £1.1 million to £3.4 million (FY2021: £0.7 million to £2.2 million).

7.2. Our consideration of the control environment

We have obtained an understanding of the relevant controls such as those relating to the financial reporting cycle, and those in relation to our key audit matter. Together with our IT specialists we tested certain controls over the financial reporting systems.

We have decided not to rely on controls as the control environment is predominantly manual in nature.

7.3. Our consideration of climate-related risks

We have made enquiries of management to understand the processes in place to assess the potential impact of climate change on the business and the financial statements. Management considers climate change to be a principal risk which particularly impacts the cost of retrofitting stores to improve their sustainability credentials and comply with future regulations. These risks are consistent with those identified through our own risk assessment process.

As part of our identification of key audit matters, we consider there to be a risk in relation to climate change as part of the valuation of investment properties. There is a risk that the valuation does not include the relevant assumptions around climate change, principally, capital expenditure required to bring the stores up to a certain environmental standard, to the extent assumed by a third party when determining fair value.

As detailed in our procedures in section 5.1 above, we challenged the valuer and management as to the assumptions included, and considered their reasonableness with the assistance of our internal real estate specialists. We have reviewed the disclosures in the principal risk section and page 45 of the Annual Report and consider that management has appropriately disclosed the current risk that has been identified.

8. Other information

The other information comprises the information included in the Annual Report, other than the financial statements and our auditor's report thereon. The Directors are responsible for the other information contained within the Annual Report.

We have nothing to report in this regard.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit, or otherwise appears to be materially misstated.

If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

9. Responsibilities of Directors

As explained more fully in the Directors' responsibilities statement, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Directors are responsible for assessing the Group's and the parent company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or the parent company or to cease operations, or have no realistic alternative but to do so.

10. Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

11. Extent to which the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below.

11.1. Identifying and assessing potential risks related to irregularities
In identifying and assessing risks of material misstatement in respect of irregularities, including fraud and non-compliance with laws and regulations, we considered the following:

- the nature of the industry and sector, control environment and business performance including the design of the Group's remuneration policies, key drivers for Directors' remuneration, bonus levels and performance targets;
- results of our enquiries of management, internal audit and the Audit Committee about their own identification and assessment of the risks of irregularities;
- any matters we identified having obtained and reviewed the Group's documentation of their policies and procedures relating to:
  - identifying, evaluating and complying with laws and regulations and whether they were aware of any instances of non-compliance;
  - detecting and responding to the risks of fraud and whether they have knowledge of any actual, suspected or alleged fraud; and
  - the internal controls established to mitigate risks of fraud or non-compliance with laws and regulations; and
- the matters discussed among the audit engagement team including significant component audit teams and relevant internal specialists, including tax, IT and property valuation specialists regarding how and where fraud might occur in the financial statements and any potential indicators of fraud.

As a result of these procedures, we considered the opportunities and incentives that may exist within the organisation for fraud and identified the greatest potential for fraud in the assumptions used in the valuation of investment properties as they are subject to management bias. In common with all audits under ISAs (UK), we are also required to perform specific procedures to respond to the risk of management override.

We also obtained an understanding of the legal and regulatory framework that the Group operates in, focusing on provisions of those laws and regulations that had a direct effect on the determination of material amounts and disclosures in the financial statements. The key laws and regulations we considered in this context included the UK Companies Act, Listing Rules and tax legislation.

In addition, we considered provisions of other laws and regulations that do not have a direct effect on the financial statements but compliance with which may be fundamental to the Group's ability to operate or to avoid a material penalty.

11.2. Audit response to risks identified
As a result of performing the above, we identified the valuation of investment properties as a key audit matter related to the potential risk of fraud. The key audit matters section of our report explains the matter in more detail and also describes the specific procedures we performed in response to that key audit matter.

In addition to the above, our procedures to respond to risks identified included the following:

- reviewing the financial statement disclosures and testing to supporting documentation to assess compliance with provisions of relevant laws and regulations described as having a direct effect on the financial statements;
- enquiring of management, the Audit Committee and external legal counsel concerning actual and potential litigation and claims;
- performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud;
- reading minutes of meetings of those charged with governance, reviewing internal audit reports and reviewing correspondence with HMRC; and
- in addressing the risk of fraud through management override of controls, testing the appropriateness of journal entries and other adjustments; assessing whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluating the business rationale of any significant transactions that are unusual or outside the normal course of business.

We also communicated relevant identified laws and regulations and potential fraud risks to all engagement team members including internal specialists and significant component audit teams, and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

Report on other legal and regulatory requirements

12. Opinions on other matters prescribed by the Companies Act 2006

In our opinion the part of the Directors' remuneration report to be audited has been properly prepared in accordance with the Companies Act 2006.

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and the Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the Directors' report have been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the Group and the parent company and their environment obtained in the course of the audit, we have not identified any material misstatements in the strategic report or the Directors' report.

Independent auditor's report *continued*

to the members of Safestore Holdings plc

Report on other legal and regulatory requirements *continued*

13. Corporate governance statement

The Listing Rules require us to review the Directors' statement in relation to going concern, longer term viability and that part of the corporate governance statement relating to the Group's compliance with the provisions of the UK Corporate Governance Code specified for our review.

Based on the work undertaken as part of our audit, we have concluded that each of the following elements of the corporate governance statement is materially consistent with the financial statements and our knowledge obtained during the audit:

- the Directors' statement with regard to the appropriateness of adopting the going concern basis of accounting and any material uncertainties identified set out on page 117;
- the Directors' explanation as to its assessment of the Group's prospects, the period this assessment covers and why the period is appropriate set out on page 44;
- the Directors' statement on fair, balanced and understandable set out on page 121;
- the Board's confirmation that it has carried out a robust assessment of the emerging and principal risks set out on pages 37 to 42;
- the section of the Annual Report that describes the review of effectiveness of risk management and internal control systems set out on page 79; and
- the section describing the work of the Audit Committee set out on page 86.

14. Matters on which we are required to report by exception

14.1. Adequacy of explanations received and accounting records

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit; or
- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements are not in agreement with the accounting records and returns.

We have nothing to report in respect of these matters.

14.2. Directors' remuneration

Under the Companies Act 2006 we are also required to report if in our opinion certain disclosures of Directors' remuneration have not been made or the part of the Directors' remuneration report to be audited is not in agreement with the accounting records and returns.

We have nothing to report in respect of these matters.

15. Other matters which we are required to address

15.1. Auditor tenure

Following the recommendation of the Audit Committee, we were appointed by the shareholders on 12 October 2014 to audit the financial statements for the year ending 31 October 2014 and subsequent financial periods. The period of total uninterrupted engagement including previous renewals and re-appointments of the firm is nine years, covering the years ending 31 October 2014 to 31 October 2022.

15.2. Consistency of the audit report with the additional report to the Audit Committee

Our audit opinion is consistent with the additional report to the Audit Committee we are required to provide in accordance with ISAs (UK).

16. Use of our report

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

As required by the Financial Conduct Authority ("FCA") Disclosure Guidance and Transparency Rule ("DTR") 4.1.14R, these financial statements form part of the European Single Electronic Format ("ESEF") prepared Annual Financial Report filed on the National Storage Mechanism of the UK FCA in accordance with the ESEF Regulatory Technical Standard ("ESEF RTS"). This auditor's report provides no assurance over whether the annual financial report has been prepared using the single electronic format specified in the ESEF RTS.

Darren Longley FCA (Senior Statutory Auditor)
For and on behalf of Deloitte LLP
Statutory Auditor
London, United Kingdom
16 January 2023

Consolidated income statement

for the year ended 31 October 2022

	Notes	Group 2022 £'m	2021 £'m
Revenue	3, 4	**212.5**	186.8
Cost of sales		**(63.0)**	(56.9)
Gross profit		**149.5**	129.9
Administrative expenses		**(27.1)**	(34.0)
Share of loss in associate	12	**(0.3)**	—
Underlying EBITDA		**135.1**	118.0
Exceptional items	5	**(0.1)**	(1.9)
Share-based payments		**(11.2)**	(18.3)
Depreciation and variable lease payments		**(1.3)**	(1.4)
Share of associate's depreciation, interest and tax		**(0.4)**	(0.5)
Operating profit before gains on investment properties and other exceptional gains		**122.1**	95.9
Gain on investment properties	13	**381.6**	321.1
Other exceptional gains	5	**10.8**	—
Operating profit	4, 6	**514.5**	417.0
Finance income	8	**2.0**	0.6
Finance expense	8	**(17.7)**	(13.0)
Profit before income tax		**498.8**	404.6
Income tax charge	9	**(35.9)**	(22.6)
Profit for the year		**462.9**	382.0
Earnings per share for profit attributable to the equity holders			
– basic (pence)	11	**219.5**	181.2
– diluted (pence)	11	**212.4**	176.4

The financial results for both years relate to continuing operations.

Underlying EBITDA is an Alternative Performance Measure and is defined as operating profit before exceptional items, share-based payments, corporate transaction costs, gain/loss on investment properties, depreciation and variable lease payments and the share of associate's depreciation, interest and tax.

The notes on pages 133 to 165 are an integral part of these consolidated financial statements.

Consolidated statement of comprehensive income

for the year ended 31 October 2022

	Group 2022 £'m	2021 £'m
Profit for the year	**462.9**	382.0
Other comprehensive income/(expense)		
Items that may be reclassified subsequently to profit or loss:		
Currency translation differences	**8.0**	(20.3)
Net investment hedge	**(4.6)**	10.9
Other comprehensive income/(expense), net of tax	**3.4**	(9.4)
Total comprehensive income for the year	**466.3**	372.6

Consolidated balance sheet

as at 31 October 2022

	Notes	Group 2022 £'m	2021 £'m
Assets			
Non-current assets			
Investment in associates	12	**1.8**	7.2
External valuation of investment properties, net of lease liabilities		**2,457.8**	1,881.8
Add-back of lease liabilities		**95.1**	82.1
Investment properties under construction		**94.5**	67.4
Total investment properties	13	**2,647.4**	2,031.3
Property, plant and equipment	14	**3.4**	3.2
Derivative financial instruments	20	**—**	0.9
Deferred income tax assets	22	**0.8**	0.8
		2,653.4	2,043.4
Current assets			
Inventories		**0.3**	0.5
Derivative financial instruments	20	**1.7**	1.3
Trade and other receivables	16	**31.2**	28.9
Cash and cash equivalents	17	**20.9**	43.2
		54.1	73.9
Total assets		**2,707.5**	2,117.3
Current liabilities			
Financial liabilities:			
– bank borrowings	19	**(101.7)**	—
– derivative financial instruments	20	**—**	(0.2)
Trade and other payables	18	**(62.7)**	(75.8)
Current income tax liabilities		**(0.8)**	(0.3)
Lease liabilities	21	**(13.2)**	(12.3)
		(178.4)	(88.6)
Non-current liabilities			
Financial liabilities:			
– bank borrowings	19	**(522.1)**	(484.7)
Deferred income tax liabilities	22	**(129.0)**	(97.0)
Lease liabilities	21	**(82.2)**	(70.0)
Provisions	27	**(2.4)**	(2.1)
		(735.7)	(653.8)
Total liabilities		**(914.1)**	(742.4)
Net assets		**1,793.4**	1,374.9
Equity			
Ordinary shares	23	**2.1**	2.1
Share premium		**61.8**	61.3
Translation reserve		**8.5**	5.1
Retained earnings		**1,721.0**	1,306.4
Total equity		**1,793.4**	1,374.9

These financial statements were authorised for issue by the Board of Directors on 16 January 2023 and signed on its behalf by:

A Jones
Chief Financial Officer

F Vecchioli
Chief Executive Officer

Company registration number: 04726380

Consolidated statement of changes in shareholders' equity

for the year ended 31 October 2022

	Group				
	Share capital £'m	Share premium £'m	Translation reserve £'m	Retained earnings £'m	Total £'m
Balance at 1 November 2020	2.1	60.6	14.5	958.4	1,035.6
Comprehensive income					
Profit for the year	—	—	—	382.0	382.0
Other comprehensive (expense)/income					
Currency translation differences	—	—	(20.3)	—	(20.3)
Net investment hedge	—	—	10.9	—	10.9
Total other comprehensive expense	—	—	(9.4)	—	(9.4)
Total comprehensive (expense)/income	—	—	(9.4)	382.0	372.6
Transactions with owners					
Dividends (note 10)	—	—	—	(42.6)	(42.6)
Increase in share capital	—	0.7	—	—	0.7
Employee share options	—	—	—	8.6	8.6
Transactions with owners	—	0.7	—	(34.0)	(33.3)
Balance at 1 November 2021	2.1	61.3	5.1	1,306.4	1,374.9
Comprehensive income					
Profit for the year	—	—	—	462.9	462.9
Other comprehensive income/(expense)					
Currency translation differences	—	—	8.0	—	8.0
Net investment hedge	—	—	(4.6)	—	(4.6)
Total other comprehensive income	—	—	3.4	—	3.4
Total comprehensive income	—	—	3.4	462.9	466.3
Transactions with owners					
Dividends (note 10)	—	—	—	(56.9)	(56.9)
Increase in share capital	—	0.5	—	—	0.5
Employee share options	—	—	—	8.6	8.6
Transactions with owners	—	0.5	—	(48.3)	(47.8)
Balance at 31 October 2022	**2.1**	**61.8**	**8.5**	**1,721.0**	**1,793.4**

The translation reserve balance of £8.5 million (FY2021: £5.1 million) comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations and the impact of the net investment hedge. The cumulative impact of the net investment hedge included within this reserve is a net expense of £0.1 million (FY2021: £4.7 million).

Consolidated cash flow statement

for the year ended 31 October 2022

	Notes	Group 2022 £'m	Group 2021 £'m
Cash flows from operating activities			
Cash generated from operations	24	**132.2**	115.6
Interest received		**0.1**	0.9
Interest paid		**(16.9)**	(14.1)
Tax paid		**(5.6)**	(5.4)
Net cash inflow from operating activities		**109.8**	97.0
Cash flows from investing activities			
Acquisition of subsidiary, net of cash acquired		**(111.5)**	—
Investment in associates		**(0.8)**	(1.9)
Loans to associates		**—**	(0.9)
Expenditure on investment properties and development properties		**(95.2)**	(62.4)
Proceeds from disposal of investment properties		**6.4**	—
Proceeds from disposal of land		**1.0**	—
Purchase of property, plant and equipment		**(1.0)**	(1.0)
Proceeds from sale of property, plant and equipment		**0.2**	—
Net cash outflow from investing activities		**(200.9)**	(66.2)
Cash flows from financing activities			
Issue of share capital		**0.5**	0.7
Equity dividends paid	10	**(56.9)**	(42.6)
Proceeds from borrowings		**266.1**	196.8
Repayment of borrowings		**(134.0)**	(153.0)
Exceptional swap termination	8	**0.5**	—
Financial instruments income	8	**1.3**	—
Debt issuance costs		**(0.1)**	(0.7)
Principal payment of lease liabilities		**(8.4)**	(7.5)
Net cash inflow/(outflow) from financing activities		**69.0**	(6.3)
Net (decrease)/increase in cash and cash equivalents		**(22.1)**	24.5
Exchange loss on cash and cash equivalents		**(0.2)**	(0.9)
Cash and cash equivalents at 1 November		**43.2**	19.6
Cash and cash equivalents at 31 October	17, 25	**20.9**	43.2

Notes to the financial statements

for the year ended 31 October 2022

1. General information

Safestore Holdings plc (the "Company") and its subsidiaries (together, the "Group") provide self storage facilities to customers throughout the UK, Paris, Spain, the Netherlands, and Belgium. The Company is a public limited company, which is listed on the London Stock Exchange and incorporated and domiciled in the UK, England and Wales. The address of its registered office is Brittanic House, Stirling Way, Borehamwood, Hertfordshire WD6 2BT.

2. Summary of significant accounting policies

The principal accounting policies of the Group are set out below. These policies have been consistently applied to each of the years presented, unless otherwise stated.

Basis of preparation

The consolidated financial statements have been prepared in accordance with United Kingdom adopted International Financial Reporting Standards ("IFRS") and International Financial Reporting Interpretations Committee ("IFRIC") interpretations. They also comply with those parts of the Companies Act 2006 applicable to companies reporting under IFRS.

The Group consolidated financial statements are presented in Sterling and are rounded to the nearest £0.1 million, unless otherwise stated. They are prepared on a going concern basis under the historical cost convention as modified by the revaluation of investment properties and the fair value of derivative financial instruments.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Although these estimates are based on management's best knowledge of the amount, event or actions, actual amounts may differ from those estimates.

Going concern

The Directors are satisfied that the Group has sufficient resources to continue in operation for the foreseeable future, a period of not less than twelve months from the date of this report. Accordingly, they continue to adopt the going concern basis in preparing this consolidated financial information.

In assessing the Group's going concern position as at 31 October 2022, the Directors have considered a number of factors, including the current balance sheet position, the principal and emerging risks which could impact the performance of the Group and the Group's strategic and financial plan. Consideration has been given to compliance with borrowing covenants along with the uncertainty inherent in future financial forecasts. The Directors considered the most recent three-year outlook approved by the Board. In the context of the current environment, four plausible scenarios were applied to the plan, including a stress test scenario. These were based on the potential financial impact of the Group's principal risks and uncertainties and the specific risks associated with the continued pandemics and the conflict in Ukraine. These scenarios are differentiated by the impact of demand and enquiry levels, average rate growth and the level of cost savings. A scenario was also performed where we have carried out a reverse stress test to model what would be required to breach ICR and LTV covenants which indicated highly improbable changes would be needed before any issues were to arise. Since the end of the financial year, the Group has completed the refinancing of its Revolving Credit Facilities ("RCF's") which were due to expire in June 2023. The previous £250 million and €70 million RCF's have been replaced with a single multi-currency £400 million facility, with a four-year term with two one-year extension options (note 32). The impact of these scenarios has been reviewed against the Group's projected cash flow position and financial covenants over a three-year period. Should any of these scenarios, which are differentiated by the impact of demand and enquiry levels, average rate growth and the level of cost savings, occur, clear mitigating actions are available to ensure that the Group remains liquid and able to meet its liabilities as they fall due. The financial position of the Group, including details of its financing and capital structure, is set out in the financial review section of this report. Further details of the Group's viability statement are set out on page 44.

Standards, amendments to standards and interpretations issued and applied

The following new or revised accounting standards or IFRIC interpretations are applicable for the first time in the year ended 31 October 2022:

- Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 Interest Rate Benchmark Reform – Phase 2
- Amendment to IFRS 16 Covid-19–Related Rent Concessions beyond 30 June 2021

The adoption of the standards and interpretations has not significantly impacted these financial statements and any changes to our accounting policies as a result of their adoption have been reflected in this note.

New and revised IFRSs in issue but not yet effective

At the date of authorisation of these financial statements, a number of new standards and amendments to standards and interpretations have been issued but are not yet effective for the current accounting period. The Directors do not expect these standards to have a material impact on the financial statements of the Group or Company.

- Amendments to IFRS 3 References to the Conceptual Framework in IFRS Standards
- Amendments to IAS 16 Property, Plant and Equipment – Proceeds before Intended Use
- Amendments to IAS 37 Onerous Contracts – Cost of Fulfilling a Contract
- Amendments to IFRS 1, IFRS 9, IFRS 16 and IAS 41 Annual Improvements to IFRS Standards 2018–2020
- IFRS 17 Insurance Contracts
- Amendments to IAS 1 and IFRS Practice Statement 2 Disclosure of Accounting Policy
- Amendments to IAS 8 Definition of Accounting Estimate
- Amendments to IAS 12 Deferred Tax related to Assets and Liabilities arising from a Single Transaction
- Amendments to IAS 1 Classification of Liabilities as Current or Non-current

Notes to the financial statements *continued*

for the year ended 31 October 2022

2. Summary of significant accounting policies *continued*

Basis of consolidation and business combinations

The consolidated financial statements incorporate the financial statements of the Company and all its subsidiary undertakings made up to 31 October each year. Subsidiaries are entities controlled by the Company. Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used into line with those used by the Group.

All intra-group transactions, balances and unrealised gains on transactions are eliminated on consolidation. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the assets transferred.

The acquisition method of accounting is used to account for the acquisition of subsidiaries by the Group. The consideration transferred for the acquisition is measured as the fair value of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity instruments issued by the Group. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the date of acquisition. Any excess of the cost of an acquisition over the fair value of the Group's share of net identifiable assets including intangible assets of the acquired entity at the date of acquisition is recognised as goodwill. Any discount received is credited to the income statement in the year of acquisition as negative goodwill on acquisition of subsidiary. Costs attributable to an acquisition are expensed in the consolidated income statement under the heading "administrative expenses".

Investment in associates

An associate is an entity over which the Group is in a position to exercise significant influence, but not control or joint control, through participation in the financial and operating policy decisions of the investee. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

The results and assets and liabilities of associates are incorporated in these financial statements using the equity method of accounting except when classified as held for sale. Investments in associates are carried in the balance sheet at cost as adjusted by post-acquisition changes in the Group's share of the net assets of the associate, less any impairment in the value of individual investments. Losses of an associate in excess of the Group's interest in that associate (which includes any long term interests that, in substance, form part of the Group's net investment in the associate) are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate. Where necessary, adjustments are made to the financial statements of associates to bring the accounting policies used into line with those used by the Group. Where a Group company transacts with an associate of the Group, profits and losses are eliminated to the extent of the Group's interest in the relevant associate. Losses may provide evidence of an impairment of the asset transferred, in which case appropriate provision is made for impairment.

Segmental reporting

IFRS 8 "Operating Segments" ("IFRS 8") requires operating segments to be identified based upon the Group's internal reporting to the chief operating decision maker ("CODM") to make decisions about resources to be allocated to segments and to assess their performance. The CODM is the person or group that allocates resources to and assesses the performance of the operating segments of an entity. The Group has determined that its CODM are the Executive Directors.

An operating segment is a component of an entity:

(a) that engages in business activities from which it may earn revenues and incur expenses (including revenues and expenses relating to transactions with other components of the same entity);

(b) whose operating results are regularly reviewed by the entity's CODM to make decisions about resources to be allocated to the segment and assess its performance; and

(c) for which discrete financial information is available.

The Group's net assets, revenue and profit before tax are attributable to one principal activity, the provision of self storage, in four geographical reporting segments, the United Kingdom, Paris in France, Spain, and the Netherlands and Belgium in Benelux.

Segment results, assets and liabilities include items directly attributable to segments as well as those that can be allocated on a reasonable basis.

Revenue recognition

Revenue represents amounts derived from the provision of self storage services (rental space, customer goods insurance and consumables) which fall within the Group's activities provided in the normal course of business, net of discounts, VAT (where applicable) and other sales related taxes.

Rental income is recognised over the period for which the space is occupied by the customer on a time apportionment basis. No revenue is recognised if there are significant uncertainties regarding recovery of the consideration due. Insurance income is recognised over the period for which the space is occupied by the customer on a time apportionment basis.

The Group has put in place insurance arrangements whereby the Group purchases block policies from third party insurers that customers can access, for which it pays annual premiums at the beginning of the insurance year. The Group allows customers to benefit from the policies and charges a fee for the level of cover that the customer needs. The block policies purchased and the income earned from charging customers are independent transactions. Although Safestore is involved in the initial handling of any customers' insurance claims, these are passed on to the third party insurance providers, who are responsible for all insurance payments. The Group is not exposed to insurance risk.

2. Summary of significant accounting policies *continued*

Revenue recognition *continued*

The Group bears the inventory risk and pricing risk associated with these contracts and as such the Group acts as principal in the provision of the access to insurance services for its customers who elect to access that insurance, and therefore revenue from insurance premiums is reported on a gross basis. The portion of insurance premiums receivable from customers on occupied space that relates to unexpired risks at the balance sheet date is reported as unearned premium liability in other payables.

Income for the sale of assets and consumables is recognised when the significant risks and rewards have been transferred to the buyer. For property sales this is generally at the point of completion. Where any aspect of consideration is conditional then the revenue associated with that conditional item is deferred. Income earned on the sales of consumable items is recognised at the point of sale.

Income from insurance claims is recognised when it is virtually certain of being received.

Foreign currency translation

Functional and presentation currency

The individual financial statements for each company are measured using the currency of the primary economic environment in which it operates (its functional currency). For the purposes of the consolidated financial statements, the results and financial position of the Group are expressed in Sterling, which is the presentational currency of the Group.

Transactions and balances

Foreign currency transactions are translated into the functional currency at the rates of exchange prevailing on the dates of the transactions. At each balance sheet date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing on the balance sheet date. Non-monetary assets and liabilities carried at fair value that are denominated in foreign currencies are translated at the rates prevailing at the date when the fair value was determined. Gains and losses arising on retranslation are included in the income statement for the period, except for exchange differences arising on non-monetary assets and liabilities where the changes in fair value are recognised directly in equity.

On consolidation, the assets and liabilities of the Group's overseas operations are translated into the Group's presentational currency at exchange rates prevailing on the balance sheet date. Income and expense items are translated at the average exchange rates for the period. Exchange differences arising are classified as equity and are recognised as a separate component of equity, within the translation reserve. Such translation differences are recognised as income or expense in the period in which the operation is disposed of.

Borrowing costs

All borrowing costs are recognised in the statement of comprehensive income in the period in which they are incurred, unless the costs are incurred as part of the development of a qualifying asset, when they will be capitalised. Commencement of capitalisation is the date when the Group incurs expenditure for the qualifying asset, incurs borrowing costs and undertakes activities that are necessary to prepare the assets for their intended use when it is probable that they will result in future economic benefits to the entity and the costs can be measured reliably. In the case of suspension of activities during extended periods, the Group suspends capitalisation. The Group ceases capitalisation of borrowing costs when substantially all of the activities necessary to prepare the asset for use are complete, typically when a store opens.

Investment properties and investment properties under construction

Investment properties are those properties owned by the Group that are held to earn rental income, or for capital growth, or both. Investment properties and investment properties under construction are initially measured at cost, including related transaction and borrowing costs. After initial recognition, investment properties and investment properties under construction are held at fair value based on a market valuation by professionally qualified external valuers at each balance sheet date.

The fair value of investment properties and investment properties under construction reflects, among other things, rental income from current leases and assumptions about rental income from future leases in light of current market conditions. The fair value also reflects, on a similar basis, any cash outflows that could be expected in respect of the property. Some of these outflows are recognised as a liability, including lease liabilities in respect of leasehold land and buildings classified as investment properties; others, including variable lease payments not based on an index or rate, are not recognised in the balance sheet.

In accordance with IAS 40, investment property held as a leasehold is stated gross of the recognised lease liability. Leasehold properties are classified as investment properties and included in the balance sheet at fair value. The obligation to the lessor for the leasehold is included in the balance sheet at the present value of the minimum lease payments. The minimum lease payment valuation is re-measured at the point of lease modification and the value of the Group's right-of-use assets is adjusted accordingly over the lease term. Gains or losses arising on changes in the fair values of investment properties and investment properties under construction at the balance sheet date are recognised in the income statement in the period in which they arise.

Gains or losses on sale of investment properties are calculated as the difference between the consideration received and fair value estimated at the previous balance sheet date.

If an investment property or part of an investment property becomes owner-occupied, it is reclassified as property, plant and equipment, and its fair value at the date of reclassification becomes its cost for accounting purposes.

Property, plant and equipment

Property, plant and equipment not classified as investment properties or investment properties under construction are stated at historical cost less accumulated depreciation and any accumulated impairment loss. Historical cost comprises the purchase price and costs directly incurred in bringing the asset into use.

Assets' residual values and useful lives are reviewed and, if appropriate, adjusted at each balance sheet date. If the carrying amount of an asset is greater than the recoverable amount then the carrying amount is written down immediately to the recoverable amount.

Notes to the financial statements *continued*

for the year ended 31 October 2022

2. Summary of significant accounting policies *continued*

Property, plant and equipment *continued*

Depreciation is charged so as to write off the cost of an asset less estimated residual value of each asset over its expected useful life using the straight-line method. The principal rates are as follows:

Owner-occupied freehold buildings	2% per annum
Motor vehicles	20–25% per annum
Computer hardware and software	15–33% per annum
Fixtures, fittings, signs and partitioning	10–15% per annum

The gain or loss arising on the retirement or disposal of an asset is determined as the difference between the net sales proceeds and the carrying amount of the asset and is recognised in the income statement on disposal.

Impairment of tangible assets (excluding investment property)

At each balance sheet date, the Group reviews the carrying amounts of its tangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where the asset does not generate cash flows that are independent from other assets, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

The recoverable amount is deemed to be the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately.

A reversal of an impairment loss is recognised as income immediately.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost comprises all costs of purchase and other costs incurred in bringing the inventories to their present location and condition. Cost is calculated using the weighted average method. Net realisable value represents the estimated selling price less directly associated costs. Provision is made for slow-moving or obsolete stock, calculated on the basis of sales trends observed in the year.

As at 31 October 2022 the Group held finished goods and goods held for resale of £0.3 million (FY2021: £0.5 million). The Group consumed £0.7 million (FY2021: £1.0 million) of inventories during the year. Inventory write downs were £nil for the financial year ended 31 October 2022 (FY2021: £0.1 million). Inventories of £nil (FY2021: £nil) are carried at fair value less costs to sell.

Leases

A right-of-use asset and corresponding lease liability are recognised at commencement of the lease. The lease liability is measured at the present value of the lease payments, discounted at the rate implicit in the lease, or if that cannot be readily determined, at the lessee's incremental borrowing rate specific to the term, country, currency and start date of the lease. Lease payments include: fixed payments; variable lease payments dependent on an index or rate, initially measured using the index or rate at commencement; the exercise price under a purchase option if the Group is reasonably certain to exercise; penalties for early termination if the lease term reflects the Group exercising a break option; and payments in an optional renewal period if the Group is reasonably certain to exercise an extension option or not exercise a break option.

The lease liability is subsequently measured at amortised cost using the effective interest rate method. It is re-measured at the point of lease modification, with a corresponding adjustment to the right-of-use asset, when there is a change in future lease payments resulting from a rent review, change in an index or rate such as inflation, or change in the Group's assessment of whether it is reasonably certain to exercise a purchase, extension or break option.

The corresponding asset is initially measured at cost, comprising: the initial lease liability; any lease payments already made less any lease incentives received; initial direct costs; and any dilapidation or restoration costs. The Group has two categories of assets in respect of leases: those in respect of leases related to its leasehold properties, classified as investment property, and an occupational lease for its Head Office in France, classified as a right-of-use asset under IFRS 16. The right-of-use assets classified as investment property are subsequently measured at fair value, gross of the lease liability. The right-of-use asset in respect of its occupational leases is classified as property, plant and equipment and is subsequently depreciated over the length of the lease.

Leases of low value assets and short term leases of twelve months or less are expensed to the Group consolidated income statement.

Variable lease payments, being the difference between the rent review accruals that will become payable but not yet finalised and the minimum lease payments of the lease liability on current actual rent paid, are charged as expenses in the years in which they are payable.

Finance charges are charged directly against income, unless they are directly attributable to qualifying assets, in which case they are capitalised in accordance with the Group's general policy on borrowing costs.

2. Summary of significant accounting policies *continued*

Financial instruments

(a) Financial assets

Financial assets are classified as financial assets at fair value through profit or loss ("FVTPL") or at amortised cost as appropriate. The Group determines the classification of its assets at initial recognition.

Financial assets are de-recognised only when the contractual right to the cash flows from the financial asset expires or the Group transfers substantially all risks and rewards of ownership.

A financial asset is measured at amortised cost if it meets both of the following conditions:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specific dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

All financial assets not classified as measured at amortised cost as described above are measured through FVTPL. This includes all derivative financial assets.

Financial assets at FVTPL – these assets are subsequently measured at fair value. Net gains and losses, including any interest, are recognised in profit or loss.

Financial assets at amortised cost – these assets are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses (expected losses). Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain or loss on de-recognition is recognised in profit or loss.

The Group has the following classes of financial assets:

- **Trade and other receivables** – trade receivables are initially recognised at transaction price. Other receivables are initially recognised at fair value. Subsequently, these assets are measured at amortised cost using the effective interest method, less provision for expected credit losses.
- **Cash and cash equivalents** – cash and cash equivalents represent only liquid assets with original maturity of 90 days or less. Bank overdrafts that cannot be offset against other cash balances are shown within borrowings in current liabilities on the balance sheet. Cash and cash equivalents are also classified as amortised cost. They are subsequently measured at amortised cost. Cash and cash equivalents include cash in hand, deposits at call with banks, and other short term highly liquid investments with original maturities of three months or less.

(b) Impairment of financial assets

The Group applies the IFRS 9 simplified approach to measuring expected credit losses ("ECLs") which uses a lifetime expected loss allowance on trade receivables. The expected credit losses are estimated using a provisions matrix based upon the Group's historical credit loss experience and geographic business unit, adjusted for factors that are specific to the debtors, general economic conditions, and an assessment of both the current and forecast direction of conditions at the reporting date, including time value of money where appropriate.

Loss allowances for other receivables are initially measured at an amount equal to twelve months' expected credit losses ("ECLs") and subsequently it is assessed whether the credit risk has increased significantly since initial recognition. When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECL, the Company considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Company's historical experience and informed credit assessment and including forward-looking information. If the credit risk increased significantly, the loss allowance is then measured using the lifetime ECL. The Group considers a financial asset to be in default when the borrower is unlikely to pay its credit obligations to the Group in full.

(c) Financial liabilities

Financial liabilities are classified as measured at amortised cost or FVTPL. A financial liability is classified as at FVTPL if it is classified as held for trading, it is a derivative or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognised in profit or loss. Other financial liabilities are subsequently measured at amortised cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognised in profit or loss. Any gain or loss on de-recognition is also recognised in profit or loss.

The Group has the following classes of financial liabilities:

- **Trade and other payables** – trade and other payables are initially recognised at fair value. Subsequently they are measured at amortised cost using the effective interest rate method.
- **Borrowings** – interest-bearing bank loans and overdrafts are initially recognised at fair value, net of directly attributable transaction costs. Finance charges, including premiums payable on settlement or redemption and direct issue costs, are accounted for on an accruals basis in the income statement using the effective interest method and are included within the carrying amount of the instrument to the extent that they are not settled in the period in which they arise. Where fees are payable in relation to raising debt the costs are disclosed in the cash flow statement within financing activities.

Where existing borrowings are replaced by others from the same lenders on substantially different terms, or the terms of existing borrowings are substantially modified, such an exchange or modification is treated as a de-recognition of the original borrowings and the recognition of new borrowings, and the difference in the respective carrying amounts, including issuance costs, is recognised in the income statement. Otherwise, issuance costs incurred on refinancing are offset against the carrying value of borrowings.

Notes to the financial statements *continued*

for the year ended 31 October 2022

2. Summary of significant accounting policies *continued*

Financial instruments *continued*

(d) Derivative financial instruments

The Group uses derivative financial instruments such as interest rate swaps, cross-currency swaps, and foreign exchange swaps, to hedge risks associated with fluctuations on borrowings and foreign operations transactions. Such derivatives are initially recognised and measured at fair value on the date a derivative contract is entered into and subsequently re-measured at fair value at each reporting date. The gain or loss on re-measurement is taken to finance expense in the income statement. Interest costs for the period relating to derivative financial instruments, which economically hedge borrowings, are recognised within interest payable on bank loans and overdrafts. Other fair value movements on derivative financial instruments are recognised within fair value movement of derivatives. Designation as part of an effective hedge relationship occurs at inception of a hedge relationship. Currently, the Group does not have any cash flow hedges or fair value hedges.

The borrowings denominated in foreign currency are used to hedge net assets. The effective part of any gain or loss on borrowings that are designated as a hedge of a net investment in a foreign operation is recognised in other comprehensive income and presented in the translation reserve in equity and is subsequently recognised in the Group income statement as part of the profit or loss on disposal of the net investment. The ineffective portion of the gain or loss is recognised immediately within trading profit in the Group income statement.

Taxation including deferred tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates for that period that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is provided on items that may become taxable at a later date, on the difference between the balance sheet value and the tax base value, on an undiscounted basis. The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Employee benefit costs

Payments to defined contribution retirement benefit schemes are charged as an expense as they fall due. Payments made to state-managed retirement benefit schemes are dealt with as payments to defined contribution schemes where the Group's obligations under the schemes are equivalent to those arising in a defined contribution retirement benefit scheme.

Share capital

Ordinary shares are classified as equity.

Costs directly attributable to the issue of new ordinary shares are shown in equity as a deduction, net of tax, from the proceeds.

Share-based payments

Share-based incentives are provided to employees under the Group's Long Term Incentive Plan and employee Sharesave schemes. The Group recognises a compensation cost in respect of these schemes that is based on the fair value of the awards, measured using Black-Scholes or Monte Carlo valuation methodologies. For equity-settled schemes, the fair value is determined at the date of grant and is not subsequently re-measured unless the conditions on which the award was granted are modified. For cash-settled schemes, the fair value is determined at the date of grant and is re-measured at each balance sheet date until the liability is settled. Generally, the compensation cost is recognised on a straight-line basis over the vesting period. Adjustments are made to reflect expected and actual forfeitures during the vesting period due to the failure to satisfy service conditions or non-market performance conditions.

Critical accounting judgements and key sources of estimation uncertainty

The preparation of consolidated financial statements under IFRS requires the Directors to make judgements, estimates and assumptions that may affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses. Actual outcomes may therefore differ from these judgements, estimates and assumptions.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Key sources of estimation uncertainty

The following key source of estimation uncertainty has significant risk of causing a material adjustment, within the next financial year, to the carrying amounts of assets and liabilities within the consolidated financial statements:

Estimate of fair value of investment properties and investment properties under construction

The Group values its investment properties using a discounted cash flow methodology which is based on projections of net operating income. Principal assumptions and management's underlying estimation of the fair value of those relate to: stabilised occupancy levels; expected future growth in storage rental income and operating costs; maintenance requirements; capitalisation rate; and discount rates. There are inter-relationships between the valuation inputs and they are primarily determined by market conditions. The effect of an increase in more than one input could be to magnify the impact on the valuation. However, the impact on the valuation could be offset by the inter-relationship of two inputs moving in opposite directions, e.g. an increase in rent may be offset by a decrease in occupancy, resulting in minimal net impact on the valuation. For immature stores, these underlying estimates hold a higher risk of uncertainty, due to the unproven nature of its cash flows. A more detailed explanation of the background, methodology and estimates made by management that are adopted in the valuation of the investment properties, as well as detailed sensitivity analysis, is set out in note 13 to the financial statements.

2. Summary of significant accounting policies *continued*

Critical accounting judgements and key sources of estimation uncertainty *continued*

Critical accounting judgements

Critical accounting judgement of business combinations

The Directors assessed whether the acquisition of property through the purchase of a corporate vehicle should be accounted for as an asset purchase or a business combination. Where the acquired vehicle is an integrated set of activities and assets that is capable of being conducted and managed to provide a return to investors, the transaction is accounted for as a business combination. Where this is not the case, or where the transaction meets the requirements of the Concentration of Fair Value test, the transaction is treated as an asset purchase. The Directors also have to assess when the Group has gained control of the acquired corporate vehicle. There have been two transactions where properties were acquired through the purchase of corporate vehicles in the year, both judged to meet the accounting definition of an asset purchase. The most significant of the two transactions was whereby the Group acquired the remaining interest in Safestore Storage Benelux B.V. (note 12) that was previously accounted for as a 20% associate. Upon gaining control, the total consideration price was allocated across the group of assets being acquired and the increased carrying values recognised within the now subsidiary investment.

Non-GAAP financial information/Alternative Performance Measures

The Directors have identified certain measures that they believe will assist the understanding of the performance of the business. The measures are not defined under IFRS and they may not be directly comparable with other companies' adjusted measures. The non-GAAP/Alternative Performance Measures are not intended to be a substitute for, or superior to, any IFRS measures of performance but they have been included as the Directors consider them to be important comparables and key measures used within the business for assessing performance. The following are the key non-GAAP/Alternative Performance Measures identified by the Group:

- The Group defines exceptional items to be those that warrant, by virtue of their nature, size or frequency, separate disclosure on the face of the income statement where, in the opinion of the Directors, this enhances the understanding of the Group's financial performance.
- Underlying EBITDA is an Alternative Performance Measure and is defined as operating profit before exceptional items, share-based payments, corporate transaction costs, gain/loss on investment properties, depreciation and variable lease payments and the share of associate's depreciation, interest and tax. Management considers this presentation to be representative of the underlying performance of the business, as it removes the income statement impact of items not fully controllable by management, such as the revaluation of derivatives and investment properties, and the impact of exceptional credits, costs and finance charges. A reconciliation of statutory operating profit to Underlying EBITDA can be found in the financial review on page 23.
- Adjusted Diluted EPRA Earnings per Share is based on the European Public Real Estate Association's definition of earnings and is defined as profit or loss for the period after tax but excluding corporate transaction costs, change in fair value of derivatives, gain/loss on investment properties and the associated tax impacts. The Company then makes further company-specific adjustments for the impact of exceptional items, net exchange gains/losses recognised in net finance costs, exceptional tax items, and deferred and current tax in respect of these adjustments. The Company also adjusts for IFRS 2 share-based payment charges. This adjusted earnings is divided by the diluted number of shares. The IFRS 2 cost is excluded as it is written back to distributable reserves and is a non-cash item (with the exception of the associated National Insurance element). Therefore, neither the Company's ability to distribute nor pay dividends are impacted (with the exception of the associated National Insurance element). The financial statements disclose earnings on a statutory, EPRA and Adjusted Diluted EPRA basis and will provide a full reconciliation of the differences in the financial year in which any LTIP awards may vest. A reconciliation of statutory basic Earnings per Share to Adjusted Diluted EPRA Earnings per Share can be found in note 11.
- EPRA's Best Practices Recommendations guidelines for Net Asset Value ("NAV") metrics are EPRA Net Tangible Assets ("NTA"), EPRA Net Reinstatement Value ("NRV") and EPRA Net Disposal Value ("NDV"). EPRA NTA is considered to be the most relevant measure for the Group's business which provides sustainable long term progressive returns and is now the primary measure of net assets. The basis of calculation, including a reconciliation to reported net assets, is set out in note 15.
- Like-for-like figures are presented to aid in the comparability of the underlying business as they exclude the impact on results of purchased, sold, opened or closed stores.
- Constant exchange rate ("CER") figures are provided in order to present results on a more comparable basis, removing foreign exchange movements.

3. Revenue

Analysis of the Group's operating revenue can be found below:

	2022 £'m	2021 £'m
Self storage income	178.0	154.3
Insurance income	23.9	22.3
Other non-storage income	10.6	10.2
Total revenue	**212.5**	186.8

Notes to the financial statements *continued*

for the year ended 31 October 2022

4. Segmental analysis

The segmental information presented has been prepared in accordance with the requirements of IFRS 8. The Group's revenue, profit before income tax and net assets are attributable to one activity: the provision of self storage accommodation and related services. This is based on the Group's management and internal reporting structure.

Safestore is organised and managed in four operating segments, based on geographical areas, being the United Kingdom, Paris in France, Spain, and the Netherlands and Belgium in Benelux.

The chief operating decision maker, being the Executive Directors, identified in accordance with the requirements of IFRS 8, assesses the performance of the operating segments on the basis of Underlying EBITDA, which is defined as operating profit before exceptional items, share-based payments, corporate transaction costs, gain/loss on investment properties, depreciation and variable lease payments, and the share of associate's depreciation, interest and tax.

The operating profits and assets include items directly attributable to a segment as well as those that can be allocated on a reasonable basis.

Year ended 31 October 2022	UK £'m	Paris £'m	Spain £'m	Benelux £'m	Group £'m
Continuing operations					
Revenue	**163.0**	**41.4**	**3.0**	**5.1**	**212.5**
Share of loss in associates	**(0.3)**	**—**	**—**	**—**	**(0.3)**
Underlying EBITDA	**103.5**	**28.0**	**1.5**	**2.1**	**135.1**
Exceptional items	**—**	**(0.1)**	**—**	**—**	**(0.1)**
Share-based payments	**(10.2)**	**(1.0)**	**—**	**—**	**(11.2)**
Variable lease payments and depreciation	**(1.2)**	**(0.1)**	**—**	**—**	**(1.3)**
Share of associate's depreciation, interest and tax	**(0.4)**	**—**	**—**	**—**	**(0.4)**
Operating profit before gain on investment properties and other exceptional gains	**91.7**	**26.8**	**1.5**	**2.1**	**122.1**
Gain on investment properties	**295.7**	**78.5**	**1.3**	**6.1**	**381.6**
Other exceptional gains	**5.7**	**5.1**	**—**	**—**	**10.8**
Operating profit	**393.1**	**110.4**	**2.8**	**8.2**	**514.5**
Net finance (expense)/income	**(14.4)**	**(1.6)**	**(0.1)**	**0.4**	**(15.7)**
Profit before tax	**378.7**	**108.8**	**2.7**	**8.6**	**498.8**
Total assets	**2,024.8**	**581.7**	**28.2**	**72.8**	**2,707.5**

Year ended 31 October 2021	UK £'m	Paris £'m	Spain £'m	Group £'m
Continuing operations				
Revenue	144.1	39.9	2.8	186.8
Share of profit in associates	—	—	—	—
Underlying EBITDA	89.1	27.2	1.7	118.0
Exceptional items	—	(1.9)	—	(1.9)
Share-based payments	(16.1)	(2.2)	—	(18.3)
Variable lease payments and depreciation	(1.1)	(0.3)	—	(1.4)
Share of associate's depreciation, interest and tax	(0.5)	—	—	(0.5)
Operating profit before gain on investment properties	71.4	22.8	1.7	95.9
Gain on investment properties	260.5	56.0	4.6	321.1
Operating profit	331.9	78.8	6.3	417.0
Net finance expense	(10.5)	(1.8)	(0.1)	(12.4)
Profit before tax	321.4	77.0	6.2	404.6
Total assets	1,617.9	474.1	25.3	2,117.3

Inter-segment transactions are entered into under the normal commercial terms and conditions that would also be available to unrelated third parties. There is no material impact from inter-segment transactions on the Group's results.

5. Exceptional items and other exceptional gains

	2022 £'m	2021 £'m
Costs relating to corporate transactions and exceptional property taxation	**(0.1)**	(1.9)
Exceptional items	**(0.1)**	(1.9)

	2022 £'m	2021 £'m
Valuation gain on associate buy-out	**5.5**	—
Gain on disposals of investment properties	**0.2**	—
Gain on disposal of land	**5.1**	—
Other exceptional gains	**10.8**	—

Exceptional items of £0.1 million were incurred in the year, relating to fees associated with the Group's corporate restructuring (FY2021: £1.9 million in relation to a provision for potential liabilities in respect of the French commercial tax audit of financial years 2012 to 2020).

On 10 November 2021, the Group sold the Nanterre site to the Joint Venture partner of Nanterre FOCD 92 for a total price of €7.6 million excluding VAT and including demolition cost reimbursement, where the settlement is done partially in cash of £1.0 million (€1.1 million excluding tax), and partially in kind through the delivery of the new building at the end of the operation (estimated at €6.5 million). This resulted in a net gain on disposal of £5.1 million (€5.9 million) included within other exceptional gains.

On 30 March 2022, the Group acquired the remaining 80% equity of Safestore Storage Benelux B.V. from its previous Joint Venture partner for €53.6 million (£45.3 million) and became a wholly owned subsidiary (note 12). The original 20% equity investment was effectively de-recognised and re-recognised back at the fair value based on the revised equity value effective at the 30 March 2022 transaction. This resulted in a valuation gain on the associate buy-out of £5.5 million included within other exceptional gains.

On 16 August 2022, the Group sold its Birmingham Digbeth store to a third party for £6.5 million and incurred a 1% agent fee on the sale price. The carrying value of this store included within investment properties prior to disposal was £6.2 million, resulting in a gain on disposal of investment properties of £0.2 million included within other exceptional gains.

6. Operating profit

The following items have been charged/(credited) in arriving at operating profit:

	Notes	2022 £'m	2021 £'m
Staff costs	26	**38.1**	43.8
Inventories: cost of inventories recognised as an expense (included in cost of sales)	2	**0.7**	1.0
Depreciation on property, plant and equipment	14	**1.0**	1.0
Gain on investment properties	13	**(381.6)**	(321.1)
Variable lease payments payable under lease liabilities		**0.3**	0.4

7. Fees paid to auditor

During the year, the Group (including its overseas subsidiaries) obtained the following services from the Company's auditor at costs detailed below:

	2022 £'m	2021 £'m
Audit services		
Fees payable to the Company's auditor and its associates for the audit of the parent company and consolidated financial statements	**0.2**	0.3
Fees payable to the Company's auditor and its associates for the audit of the Company's subsidiaries pursuant to legislation	**0.2**	0.1
Total audit fees	**0.4**	0.4
Fees for other services	**0.1**	—
Total	**0.5**	0.4

Notes to the financial statements *continued*

for the year ended 31 October 2022

8. Finance income and costs

	2022 £'m	2021 £'m
Finance income		
Other interest and similar income	**0.1**	—
Interest receivable from loan to associates	**0.1**	0.1
Financial instruments income	**1.3**	0.5
Underlying finance income	**1.5**	0.6
Exceptional finance income	**0.5**	—
Total finance income	**2.0**	0.6
Finance costs		
Interest payable on bank loans and overdraft	**(11.9)**	(9.7)
Amortisation of debt issuance costs on bank loan	**(0.5)**	(0.4)
Underlying finance charges	**(12.4)**	(10.1)
Interest on lease liabilities	**(5.0)**	(5.2)
Fair value (loss)/gain of derivatives	**(0.3)**	2.9
Net exchange losses	**—**	(0.6)
Total finance costs	**(17.7)**	(13.0)
Net finance costs	**(15.7)**	(12.4)

Included within interest payable of £11.9 million (FY2021: £9.7 million) is £nil (FY2021: £0.6 million) of interest relating to derivative financial instruments that are economically hedging the Group's borrowings. The total change in fair value of derivatives reported within net finance costs for the year is a £0.3 million net loss (FY2021: £2.9 million net gain). Included within finance income is £1.3 million, received on settlement of two €8.0 million average rate forward contracts acquired in March 2020 and settled in April 2022 for £0.7 million and October 2022 for £0.6 million, respectively. The fair value of these two forward contracts held at 31 October 2021 was a £1.3 million asset now disposed and included as part of the net fair value gain of derivatives within finance costs. Further, included within finance income is £0.5 million (FY2021: £nil) in relation to the swaps held in the subsidiary acquired during the period, Safestore Storage Benelux B.V., and terminated post acquisition in order to utilise the Group's existing debt facilities and financial instruments held.

9. Income tax charge

Analysis of tax charge in the year:

	Note	2022 £'m	2021 £'m
Current tax:			
– current year		**6.1**	5.5
– prior year		**—**	—
		6.1	5.5
Deferred tax:			
– current year		**29.8**	17.1
– prior year		**—**	—
	22	**29.8**	17.1
Tax charge		**35.9**	22.6

9. Income tax charge *continued*

Reconciliation of income tax charge

The tax for the period is lower (FY2021: lower) than the standard rate of corporation tax in the UK for the year ended 31 October 2022 of 19% (FY2021: 19%). The differences are explained below:

	2022 £'m	2021 £'m
Profit before tax	**498.8**	404.6
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 19% (FY2021: 19%)	**94.8**	76.9
Effect of:		
– permanent differences	**—**	3.6
– profits from the tax exempt business	**(71.5)**	(63.5)
– deferred tax arising on acquisition of overseas subsidiary	**4.5**	—
– difference from overseas tax rates	**8.6**	6.4
– potential deferred tax assets not recognised	**0.4**	—
– utilisation of unrecognised brought forward tax losses	**(0.9)**	(0.8)
Tax charge	**35.9**	22.6

The Group is a UK real estate investment trust ("REIT"). As a result, the Group is exempt from UK corporation tax on the profits and gains from its qualifying property rental business in the UK, providing it meets certain conditions. Non-qualifying profits and gains of the Group remain subject to corporation tax as normal. The Group monitors its compliance with the REIT conditions. There have been no breaches of the conditions to date.

The main rate of corporation tax in the UK is 19%. Accordingly, the Group's results for this accounting period are taxed at an effective rate of 19% (FY2021: 19%). Following the Finance Bill 2021, the main rate of corporation tax will increase from 19% to 25% from 1 April 2023. There will be no deferred taxation impact in respect of this change in taxation rates.

Taxation for other jurisdictions is calculated at the rates prevailing in the respective jurisdictions.

10. Dividends per share

The dividend paid in 2022 was £56.9 million (27.00 pence per share) (FY2021: £42.6 million (20.20 pence per share)). A final dividend in respect of the year ended 31 October 2022 of 20.40 pence (FY2021: 17.60 pence) per share, amounting to a total final dividend of £42.8 million (FY2021: £37.0 million), is to be proposed at the AGM on 15 March 2023. The ex-dividend date will be 2 March 2023 and the record date will be 3 March 2023 with an intended payment date of 7 April 2023. The final dividend has not been included as a liability at 31 October 2022.

The Property Income Distribution ("PID") element of the final dividend is 22.75 pence (FY2021: 17.60 pence), making the PID payable for the year 22.75 pence (FY2021: 25.10 pence) per share.

11. Earnings per Share

Basic Earnings per Share ("EPS") is calculated by dividing the profit attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the year excluding ordinary shares held as treasury shares. Diluted EPS is calculated by adjusting the weighted average number of ordinary shares to assume conversion of all dilutive potential shares. The Company has one category of dilutive potential ordinary shares: share options. For the share options, a calculation is performed to determine the number of shares that could have been acquired at fair value (determined as the average annual market price of the Company's shares) based on the monetary value of the subscription rights attached to the outstanding share options. The number of shares calculated as above is compared with the number of shares that would have been issued assuming the exercise of the share options.

	Year ended 31 October 2022			Year ended 31 October 2021		
	Earnings £'m	**Shares million**	**Pence per share**	Earnings £'m	Shares million	Pence per share
Basic	**462.9**	**210.9**	**219.5**	382.0	210.8	181.2
Dilutive securities	**—**	**7.0**	**(7.1)**	—	5.8	(4.8)
Diluted	**462.9**	**217.9**	**212.4**	382.0	216.6	176.4

Notes to the financial statements *continued*

for the year ended 31 October 2022

11. Earnings per Share *continued*

Adjusted Earnings per Share

Explanations related to the adjusted earnings measures adopted by the Group are set out in note 2 under the heading Non-GAAP financial information/Alternative Performance Measures on page 139. Adjusted EPS represents profit after tax adjusted for the valuation movement on investment properties, exceptional items, change in fair value of derivatives, exchange gains/losses, unwinding of the discount on the CGS receivable and the associated tax thereon. The Directors consider that these alternative measures provide useful information on the performance of the Group.

EPRA earnings and Earnings per Share before non-recurring items, movements on revaluations of investment properties and changes in the fair value of derivatives have been disclosed to give a clearer understanding of the Group's underlying trading performance.

	Year ended 31 October 2022			Year ended 31 October 2021		
	Earnings £'m	**Shares million**	**Pence per share**	Earnings £'m	Shares million	Pence per share
Basic	**462.9**	**210.9**	**219.5**	382.0	210.8	181.2
Adjustments:						
Gain on investment properties	**(381.6)**	**–**	**(180.9)**	(321.1)	–	(152.3)
Exceptional items	**0.1**	**–**	**–**	1.9	–	0.9
Other exceptional gains	**(10.8)**	**–**	**(5.1)**	–	–	–
Exceptional finance income	**(0.5)**	**–**	**(0.2)**	–	–	–
Net exchange loss	**–**	**–**	**–**	0.6	–	0.3
Change in fair value of derivatives	**0.3**	**–**	**0.1**	(2.9)	–	(1.4)
Tax on adjustments	**29.7**	**–**	**14.1**	16.2	–	7.7
Adjusted	**100.1**	**210.9**	**47.5**	76.7	210.8	36.4
EPRA adjusted:						
Fair value re-measurement of lease liabilities add-back	**(8.3)**	**–**	**(3.9)**	(7.4)	–	(3.5)
Tax on lease liabilities add-back adjustment	**1.0**	**–**	**0.5**	0.9	–	0.4
Adjusted EPRA basic EPS	**92.8**	**210.9**	**44.1**	70.2	210.8	33.3
Share-based payments charge	**11.2**	**–**	**5.3**	18.3	–	8.7
Dilutive shares	**–**	**8.0**	**(1.9)**	–	7.5	(1.5)
Adjusted Diluted EPRA EPS[1]	**104.0**	**218.9**	**47.5**	88.5	218.3	40.5

Note

1 Adjusted Diluted EPRA EPS is defined in note 2 under Non-GAAP financial information/Alternative Performance Measures on page 139.

Gain on investment properties includes the fair value re-measurement of lease liabilities add-back of £8.3 million (FY2021: £7.4 million) and the related tax thereon of £1.0 million (FY2021: £0.9 million). As an industry standard measure, EPRA earnings is presented. EPRA earnings of £92.8 million (FY2021: £70.2 million) and EPRA Earnings per Share of 44.1 pence (FY2021: 33.3 pence) are calculated after further adjusting for these items.

EPRA adjusted income statement (non-statutory)	**2022 £'m**	2021 £'m	Movement %
Revenue	**212.5**	186.8	13.8
Underlying operating expenses (excluding depreciation and variable lease payments)	**(77.5)**	(69.3)	11.8
Share of associate's Underlying EBITDA	**0.1**	0.5	(80.0)
Underlying EBITDA before variable lease payments	**135.1**	118.0	14.5
Share-based payments charge	**(11.2)**	(18.3)	(38.8)
Depreciation and variable lease payments	**(1.3)**	(1.4)	(7.1)
Operating profit before fair value re-measurement lease liabilities add-back	**122.6**	98.3	24.7
Fair value re-measurement of lease liabilities add-back	**(8.3)**	(7.4)	12.2
Operating profit	**114.3**	90.9	25.7
Net financing costs	**(15.9)**	(14.7)	8.2
Share of associate's finance charges	**(0.4)**	(0.5)	(20.0)
Profit before income tax	**98.0**	75.7	29.5
Income tax	**(5.2)**	(5.5)	(5.5)
Profit for the year ("Adjusted EPRA basic earnings")	**92.8**	70.2	32.2
Adjusted EPRA basic EPS	**44.1 pence**	33.3 pence	32.4
Final dividend per share	**20.40 pence**	17.60 pence	15.9

12. Investment in associates

	2022 £'m	2021 £'m
Safestore Storage Benelux B.V.	—	6.2
PBC Les Groues SAS	1.8	1.0
	1.8	7.2

Safestore Storage Benelux B.V. (formerly CERF Storage JV B.V.)

Until 30 March 2022, the Group had a 20% interest in Safestore Storage Benelux B.V. ("SSB") (formerly CERF Storage JV B.V.), a company registered and operating in the Netherlands. SSB was accounted for using the equity method of accounting. SSB invests in carefully selected self storage opportunities in Europe. The Group earned a fee for providing management services to SSB. This investment as an associate was considered immaterial relative to the Group's underlying operations. On 30 March 2022, the Group acquired the remaining 80% equity from its previous Joint Venture partner for €53.6 million (£45.3 million) and SSB became a wholly owned subsidiary. IFRS 3 requires the consideration price be allocated across the assets being acquired. On 30 March 2022 when the Group gained control, the equity accounting of SSB ceased. The difference between the equity accounted carrying value of the investment immediately prior to acquisition and the fair value of the increased investment is a valuation gain of £5.5 million (note 5).

The aggregate carrying value of the Group's 20% interest in SSB at 30 March 2022 was £8.7 million (FY2021: £8.9 million), made up of an investment of £5.9 million (FY2021: £6.2 million), and a loan to the associate including interest accrued of £2.8 million (FY2021: £2.7 million) (note 30). The Group's share of losses from continuing operations for the period was £0.3 million (FY2021: £nil). The Group's share of total comprehensive income of associates in the year was £0.3 million (FY2021: £nil).

	Note	2022 £'m	2022 €'m
Initial 20% investment in SSB			
At 31 October 2021		6.2	7.1
Share of loss in associate		(0.3)	(0.4)
		5.9	6.7
Revised fair value of 20% investment in SSB at 30 March 2022			
Net assets of SSB (100%)		56.7	67.0
Net assets of SSB (80%)		(45.3)	(53.6)
		11.4	13.4
Difference: valuation gain on acquisition of additional 80% investment in SSB	5	5.5	6.7

The following provides a breakdown of the 80% share of fair value of the assets and liabilities acquired on 30 March 2022. Under IFRS 3 this transaction, where properties were acquired through the purchase of a corporate vehicle in the year, has been judged to meet the accounting definition of an asset purchase.

	2022 £'m	2022 €'m
Assets		
Investment properties net of lease liabilities	100.5	118.7
Add-back of lease liabilities	0.5	0.6
Inventories	0.1	0.1
Trade and other receivables	0.5	0.6
Cash and cash equivalents	4.4	5.2
	106.0	125.2
Liabilities		
Trade and other payables	(2.6)	(3.0)
Lease liabilities	(0.5)	(0.6)
Amounts owed to Joint Venture partner	(11.4)	(13.4)
Bank borrowings	(46.2)	(54.6)
	(60.7)	(71.6)
Net assets (80%)	45.3	53.6

Notes to the financial statements *continued*

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12. Investment in associates *continued*

Safestore Storage Benelux B.V. (formerly CERF Storage JV B.V.) *continued*

The cash outflow classified as investing activities (excluding acquisition costs) from this buy-out is summarised as follows:

	2022 £'m	2022 €'m
Net assets acquired (remaining 80%)	**45.3**	**53.6**
Non-Safestore debt settled on acquisition	**69.2**	**81.7**
Less: cash and cash equivalents acquired	**(5.5)**	**(6.5)**
Acquisition of subsidiary, net of cash acquired	**109.0**	**128.8**

The Group incurred acquisition related costs of £5.1 million on legal fees and real estate transfer tax ("RETT"). These costs have been capitalised in accordance with IFRS 3, asset purchase.

PBC Les Groues SAS

During the period the Group acquired a 24.9% interest in PBC Les Groues SAS ("PBC"), a company registered and operating in France. PBC is accounted for using the equity method of accounting. PBC is the parent company of Nanterre FOCD 92, a company also registered and operating in France, which will be developing a new store as part of a wider development programme located in Paris. The development project will be managed by its Joint Venture partners; therefore, the Group will have no operational liability during this phase. During the period the Group has invested £0.8 million (€0.9 million) into this investment. The investment is considered immaterial relative to the Group's underlying operations.

The aggregate carrying value of the Group's interest in PBC was £1.8 million (FY2021: £1.0 million), made up of an investment of £1.8 million (FY2021: £1.0 million) (note 30). The Group's share of profits from continuing operations for the period was £nil (FY2021: £nil). The Group's share of total comprehensive income of associates for the year was £nil (FY2021: £nil). The Group's share of total comprehensive income of associates in the year was £nil (FY2021: £nil).

13. Investment properties

	External valuation of investment properties, net of lease liabilities £'m	Add-back of lease liabilities £'m	Investment property under construction £'m	Total investment properties £'m
At 1 November 2021	1,881.8	82.1	67.4	2,031.3
Acquisition of subsidiaries	128.2	0.6	—	128.8
Additions	31.8	20.2	47.4	99.4
Disposals	(6.2)	—	—	(6.2)
Reclassifications	16.5	—	(16.5)	—
Revaluations	394.1	—	(4.2)	389.9
Fair value re-measurement of lease liabilities add-back	—	(8.3)	—	(8.3)
Exchange movements	11.6	0.5	0.4	12.5
At 31 October 2022	**2,457.8**	**95.1**	**94.5**	**2,647.4**

On 7 December 2021, the Group completed the acquisition of Your Room Self Storage Limited, which included a freehold store located in Christchurch, Dorset. Under IFRS 3 this transaction was treated as an asset acquisition, with a fair value of the investment property of £2.6 million.

On 30 March 2022, the Group completed the buy-out of Safestore Storage Benelux B.V., which included a portfolio made up of twelve freehold properties, two ground leases and one leasehold property. Nine properties are located in the Netherlands and six properties are located in Belgium. Under IFRS 3 this transaction was treated as an asset acquisition, where the fair value of a 100% share of the investment properties amounted to £125.6 million.

On 16 August 2022, the Group sold its Birmingham Digbeth store to a third party for £6.5 million. The carrying value of this store included within investment properties prior to disposal was £6.2 million, resulting in a gain on disposal of investment properties of £0.2 million included within other exceptional gains (note 5).

13. Investment properties *continued*

	External valuation of investment properties, net of lease liabilities £'m	Add-back of lease liabilities £'m	Investment property under construction £'m	Total investment properties £'m
At 1 November 2020	1,557.5	76.9	14.0	1,648.4
Additions	19.5	14.1	57.9	91.5
Reclassifications	3.7	—	(3.7)	—
Revaluations	329.0	—	(0.5)	328.5
Fair value re-measurement of lease liabilities add-back	—	(7.4)	—	(7.4)
Exchange movements	(27.9)	(1.5)	(0.3)	(29.7)
At 31 October 2021	1,881.8	82.1	67.4	2,031.3

The gain on investment properties comprises:

	2022 £'m	2021 £'m
Revaluations of investment property and investment property under construction	**389.9**	328.5
Fair value re-measurement of lease liabilities add-back	**(8.3)**	(7.4)
	381.6	321.1

	Cost £'m	Revaluation on cost £'m	Valuation £'m
Freehold stores			
At 1 November 2021	684.8	846.8	1,531.6
Movement in year	207.9	295.6	503.5
At 31 October 2022	**892.7**	**1,142.4**	**2,035.1**
Leasehold stores			
At 1 November 2021	127.6	222.6	350.2
Movement in year	6.1	66.4	72.5
At 31 October 2022	**133.7**	**289.0**	**422.7**
All stores			
At 1 November 2021	812.4	1,069.4	1,881.8
Movement in year	214.0	362.0	576.0
At 31 October 2022	**1,026.4**	**1,431.4**	**2,457.8**

The valuation of £2,457.8 million (FY2021: £1,881.8 million) excludes £0.6 million in respect of owner-occupied property, which is included within property, plant and equipment. Rental income earned from investment properties for the year ended 31 October 2022 was £179.3 million (FY2021: £155.5 million).

The Group has classified the investment property and investment property under construction, held at fair value, within Level 3 of the fair value hierarchy. There were no transfers to or from Level 3 during the year.

As described in note 2 summary of significant accounting policies, where the valuation obtained for investment property is net of all payments to be made, it is necessary to add back the lease liability to arrive at the carrying amount of investment property at fair value. The lease liability of £95.4 million (FY2021: £82.3 million) per note 21 differs to the £95.1 million (FY2021: £82.1 million) disclosed above as a result of accounting for the French Head Office lease under IFRS 16. This lease is included as part of property, plant and equipment, and has a net book value of £0.3 million as at 31 October 2022 (FY2021: £0.2 million) (note 14).

All direct operating expenses arising from investment property that generated rental income as outlined in note 3 were £75.3 million (FY2021: £68.5 million).

Notes to the financial statements *continued*

for the year ended 31 October 2022

13. Investment properties *continued*

The freehold and leasehold investment properties have been valued as at 31 October 2022 by external valuer, Cushman & Wakefield Debenham Tie Leung Limited ("C&W"). The valuation has been carried out in accordance with the current edition of the RICS Valuation – Global Standards, which incorporates the International Valuation Standards and the RICS Valuation UK National Supplement (the "RICS Red Book"). The valuation of each of the investment properties has been prepared on the basis of fair value as a fully equipped operational entity, having regard to trading potential. Two non-trading properties were valued on the basis of fair value. The valuation has been provided for accounts purposes and, as such, is a Regulated Purpose Valuation as defined in the RICS Red Book. In compliance with the disclosure requirements of the RICS Red Book, C&W has confirmed that:

- the member of the RICS who has been the signatory to the valuations provided to the Group for the same purposes as this valuation has done so since April 2020. The valuations have been reviewed by an internal investment committee comprising two valuation partners and an investment partner, all unconnected with the assignment;
- C&W has been carrying out regular valuations for the same purpose as this valuation on behalf of the Group since October 2006;
- C&W does not provide other significant professional or agency services to the Group;
- in relation to the preceding financial year of C&W, the proportion of total fees payable by the Group to the total fee income of the firm is less than 5%; and
- the fee payable to C&W is a fixed amount per property and is not contingent on the appraised value.

Portfolio premium

C&W's valuation report confirms that the properties have been valued individually but that if the portfolio was to be sold as a single lot or in selected groups of properties, the total value could be different. C&W states that in current market conditions it is of the view that there could be a material portfolio premium.

Valuation method and assumptions

The valuation of the operational self storage facilities has been prepared having regard to trading potential. Cash flow projections have been prepared for all of the properties reflecting estimated absorption, revenue growth and expense inflation. A discounted cash flow method of valuation based on these cash flow projections has been used by C&W to arrive at its opinion of fair value for these properties.

C&W has adopted different approaches for the valuation of the leasehold and freehold assets as follows:

Freehold and long leasehold (UK, Paris, Spain, the Netherlands, and Belgium)

The valuation is based on a discounted cash flow of the net operating income over a ten-year period and a notional sale of the asset at the end of the tenth year.

Assumptions:

- Net operating income is based on projected revenue received less projected operating costs together with a central administration charge of 6% of the estimated annual revenue, subject to a cap and collar. The initial net operating income is calculated by estimating the net operating income in the first twelve months following the valuation date.
- The net operating income in future years is calculated assuming either straight-line absorption from day one actual occupancy or variable absorption over years one to four of the cash flow period, to an estimated stabilised/mature occupancy level. In the valuation the assumed stabilised occupancy level for the trading stores (both freeholds and all leaseholds) open at 31 October 2022 averages 89.18% (FY2021: 89.10%). The projected revenues and costs have been adjusted for estimated cost inflation and revenue growth. The average time assumed for stores to trade at their maturity levels is 18.51 months (FY2021: 18.27 months).
- The capitalisation rates applied to existing and future net cash flows have been estimated by reference to underlying yields for industrial and retail warehouse property, yields for other trading property types such as purpose-built student housing and hotels, bank base rates, ten-year money rates, inflation and the available evidence of transactions in the sector. The valuation included in the accounts assumes rental growth in future periods. If an assumption of no rental growth is applied to the external valuation, the net initial yield pre-administration expenses for mature stores (i.e. excluding those stores categorised as "developing") is 6.30% (FY2021: 6.73%), rising to a stabilised net yield pre-administration expenses of 6.74% (FY2021: 6.90%).
- The weighted average freehold exit yield on UK freeholds is 5.83% (FY2021: 6.07%), on France freeholds is 5.49% (FY2021: 5.88%), on Spain freeholds is 5.50% (FY2021: 5.38%), on the Netherlands freeholds is 5.08% and on Belgium freeholds is 5.02%. The weighted average freehold exit yield for all freeholds adopted is 5.66% (FY2021: 6.03%).
- The future net cash flow projections (including revenue growth and cost inflation) have been discounted at a rate that reflects the risk associated with each asset. The weighted average annual discount rate adopted (for both freeholds and leaseholds) in the UK portfolio is 8.40% (FY2021: 8.62%), in the France portfolio is 8.78% (FY2021: 8.98%), in the Spain portfolio is 8.00% (FY2021: 7.87%), in the Netherlands portfolio is 7.33% and in the Belgium portfolio is 7.62%. The weighted average annual discount rate adopted (for both freeholds and all leaseholds) is 8.49% (FY2021: 8.72%).
- Purchaser's costs in the range of approximately 3.3% to 6.8% for the UK, 7.5% for Paris, 2.5% for Spain, 7.5% for the Netherlands and 7.5% for Belgium have been assumed initially, reflecting the progressive SDLT rates brought into force in March 2016 in the UK, and sales plus purchaser's costs totalling approximately 5.3% to 8.8% (UK), 9.5% (Paris), 4.5% (Spain), 7.5% (the Netherlands) and 7.5% (Belgium) are assumed on the notional sales in the tenth year in relation to freehold and long leasehold stores.

13. Investment properties *continued*

Valuation method and assumptions *continued*

Short leaseholds (UK)
The same methodology has been used as for freeholds, except that no sale of the assets in the tenth year is assumed but the discounted cash flow is extended to the expiry of the lease. The average unexpired term of the Group's UK short term leasehold properties is 13.0 years (FY2021: 12.2 years). The average unexpired term excludes the commercial leases in France and Spain.

Short leaseholds (Paris)
In relation to the commercial leases in Paris, C&W has valued the cash flow projections in perpetuity due to the security of tenure arrangements in that market and the potential compensation arrangements in the event of the landlord wishing to take possession. The valuation treatment is therefore the same as for the freehold properties. The capitalisation rates on these stores reflect the risk of the landlord terminating the lease arrangements.

Short leaseholds (Spain)
In relation to the two commercial leases in Spain, C&W has valued the cash flow projections in perpetuity due to the nature of the lease agreements which allows the tenant to renew the lease year-on-year into perpetuity. The valuation treatment is therefore the same as for the freehold properties. The capitalisation rates on these stores reflect the risk of the rolling lease arrangements.

In relation to one other short leasehold in Spain, the lease allows for a five-year automatic extension beyond the initial lease expiry date subject to neither party serving notice stating it does not wish to do so. This allows the landlord to terminate the lease at the original expiry date if it so wishes. The same methodology has been used as for freeholds, except that no sale of the asset in the tenth year is assumed but the discounted cash flow is extended to the expiry of the lease.

Short leaseholds (the Netherlands)
The same methodology has been used as for freeholds, except that no sale of the assets in the tenth year is assumed but the discounted cash flow is extended to the expiry of the lease.

Short leaseholds (Belgium)
There are no short term leaseholds in Belgium.

Investment properties under construction
C&W has valued the stores in development adopting the same methodology as set out above but on the basis of the cash flow projection expected for the store at opening and allowing for the outstanding costs to take each store from its current state to completion and full fit out, except several recently acquired stores which have been valued at acquisition costs. C&W has allowed for carry costs and construction contingency, as appropriate.

Immature stores: value uncertainty
C&W has assessed the value of each property individually. However, three of the stores in the portfolio are relatively immature and have low initial cash flow. C&W has endeavoured to reflect the nature of the cash flow profile for these properties in its valuation, and the higher associated risks relating to the as yet unproven future cash flow, by adjustment to the capitalisation rates and discount rates adopted. However, immature low cash flow stores of this nature are rarely, if ever, traded individually in the market, unless as part of a distressed sale or similar situation, although there is more evidence of such stores being traded as part of a group or portfolio transaction.

C&W considers there to be market uncertainty in the self storage sector due to the lack of comparable market transactions and information. The degree of uncertainty relating to the three immature stores is greater than in relation to the balance of the properties due to there being even less market evidence than might be available for more mature properties and portfolios.

C&W states that, in practice, if an actual sale of the properties was to be contemplated then any immature low cash flow stores would normally be presented to the market for sale lotted or grouped with other more mature assets owned by the same entity, in order to alleviate the issue of negative or low short term cash flow. This approach would enhance the marketability of the group of assets and assist in achieving the best price available in the market by diluting the cash flow risk.

C&W has not adjusted its opinion of fair value to reflect such a grouping of the immature assets with other properties in the portfolio and all stores have been valued individually. However, C&W highlights the matter to alert the Group to the manner in which the properties might be grouped or lotted in order to maximise their attractiveness to the marketplace.

C&W considers this approach to be a valuation assumption but not a special assumption, the latter being an assumption that assumes facts that differ from the actual facts existing at the valuation date and which, if not adopted, could produce a material difference in value.

Valuation assumption for purchaser's costs
The Group's investment property assets have been valued for the purposes of the financial statements after adjusting for notional purchaser's costs in the range of approximately 3.3% to 6.8% (UK), 7.5% (Paris), 2.5% (Spain), 7.5% (the Netherlands) and 7.5% (Belgium), as if they were sold directly as property assets. The valuation is an asset valuation which is strongly linked to the operating performance of the business. They would have to be sold with the benefit of operational contracts, employment contracts and customer contracts, which would be difficult to achieve except in a corporate structure.

This approach follows the logic of the valuation methodology in that the valuation is based on a capitalisation of the net operating income after allowing a deduction for operational cost and an allowance for central administration costs. A sale in a corporate structure would result in a reduction in the assumed stamp duty land tax but an increase in other transaction costs reflecting additional due diligence resulting in a reduced notional purchaser's cost of c.2.75% of gross value. All the significant sized transactions that have been concluded in the UK in recent years were completed in a corporate structure. The Group therefore instructed C&W to prepare additional valuation advice on the basis of purchaser's cost of 2.75% of gross value which is used for internal management purposes.

Notes to the financial statements *continued*

for the year ended 31 October 2022

13. Investment properties *continued*

Valuation method and assumptions *continued*

Sensitivity of the valuation to assumptions

As noted in "Key sources of estimation uncertainty" on page 138, self storage valuations are complex, derived from data which is not widely publicly available and involves a degree of judgement. All other factors being equal, higher net operating income would lead to an increase in the valuation of a store and an increase in the capitalisation rate or discount rate would result in a lower valuation, and vice versa. Higher assumptions for stabilised occupancy, absorption rate, rental rate and other revenue, and a lower assumption for operating costs, would result in an increase in projected net operating income, and thus an increase in valuation.

There are inter-relationships between the valuation inputs, and they are primarily determined by market conditions. The effect of an increase in more than one input could be to magnify the impact on the valuation. However, the impact on the valuation could be offset by the inter-relationship of two inputs moving in opposite directions, e.g. an increase in rent may be offset by a decrease in occupancy, resulting in no net impact on the valuation.

As noted in "Key sources of estimation uncertainty", self storage valuations are complex, derived from data which is not widely available and involve a degree of judgement. For these reasons we have classified the valuation of our property portfolio as Level 3 as defined by IFRS 13. Inputs to the valuation, some of which are "unobservable" as defined by IFRS 13, include capitalisation yields, stable occupancy rates, and time to stabilised occupancy. The existence of an increase of more than one unobservable input would augment the impact on the valuation. The impact on the valuation would be mitigated by the inter-relationship between unobservable inputs moving in opposite directions. For example, an increase in stable occupancy may be offset by an increase in yield, resulting in no net impact on the valuation. A sensitivity analysis showing the impact on valuations of changes in capitalisation rates and stable occupancy is shown below:

	Impact of change in capitalisation rates £'m		Impact of a change in stabilised occupancy assumption £'m		Impact of a delay in stabilised occupancy assumption £'m
	25 bps decrease	25 bps increase	1% increase	1% decrease	24-month delay
Reported Group	107.0	(90.2)	40.0	(32.0)	(10.6)

14. Property, plant and equipment

	Owner-occupied buildings £'m	Motor vehicles £'m	Fixtures and fittings £'m	IFRS 16 leases £'m	Total £'m
Cost					
At 1 November 2021	0.8	1.0	7.0	0.4	9.2
Additions	0.2	0.2	0.8	0.2	1.4
Disposals	—	(0.3)	—	—	(0.3)
At 31 October 2022	**1.0**	**0.9**	**7.8**	**0.6**	**10.3**
Accumulated depreciation					
At 1 November 2021	0.2	0.5	5.1	0.2	6.0
Charge for the year	—	0.1	0.8	0.1	1.0
Disposals	—	(0.1)	—	—	(0.1)
At 31 October 2022	**0.2**	**0.5**	**5.9**	**0.3**	**6.9**
Net book value					
At 31 October 2022	**0.8**	**0.4**	**1.9**	**0.3**	**3.4**
At 31 October 2021	0.6	0.5	1.9	0.2	3.2

As a result of adopting IFRS 16, the Group initially recognised a right-of-use asset of £0.4 million in property, plant and equipment and a lease liability of £0.4 million at the transition date of 1 November 2019. Due to a lease extension for this asset, this has subsequently been re-measured by an additional £0.2 million. The additional depreciation charge for the right-of-use asset recognised during the year was £0.1 million. The reduction in the lease liability in respect of principal repayments and interest was £0.1 million.

14. Property, plant and equipment *continued*

	Owner-occupied buildings £'m	Motor vehicles £'m	Fixtures and fittings £'m	IFRS 16 leases £'m	Total £'m
Cost					
At 1 November 2020	0.8	0.9	6.2	0.4	8.3
Additions	—	0.2	0.8	—	1.0
Disposals	—	(0.1)	—	—	(0.1)
At 31 October 2021	0.8	1.0	7.0	0.4	9.2
Accumulated depreciation					
At 1 November 2020	0.2	0.4	4.4	0.1	5.1
Charge for the year	—	0.2	0.7	0.1	1.0
Disposals	—	(0.1)	—	—	(0.1)
At 31 October 2021	0.2	0.5	5.1	0.2	6.0
Net book value					
At 31 October 2021	0.6	0.5	1.9	0.2	3.2
At 31 October 2020	0.6	0.5	1.8	0.3	3.2

15. Net assets per share

EPRA's Best Practices Recommendations guidelines for Net Asset Value ("NAV") metrics are EPRA Net Tangible Assets ("NTA"), EPRA Net Reinstatement Value ("NRV") and EPRA Net Disposal Value ("NDV").

EPRA NTA is considered to be the most relevant measure for the Group's business which provides sustainable long term progressive returns and is now the primary measure of net assets, replacing the previously reported EPRA NAV metric. EPRA NTA assumes that entities buy and sell assets, thereby crystallising certain levels of unavoidable deferred tax. Due to the Group's REIT status, deferred tax is only provided at each balance sheet date on properties outside the REIT regime. As a result, deferred taxes are excluded from EPRA NTA for properties within the REIT regime. For properties outside of the REIT regime, deferred tax is included to the extent that it is expected to crystallise, based on the Group's track record and tax structuring.

There are no reconciling items between EPRA NTA and the previously reported EPRA NAV metric. EPRA NTA is shown in the table below:

	2022		2021	
	£'m	**Diluted pence per share**	£'m	Diluted pence per share
Balance sheet net assets	**1,793.4**	**820**	1,374.9	635
Adjustments to exclude:				
Fair value of derivative financial instruments (net of deferred tax)	**(1.7)**		(2.0)	
Deferred tax liabilities on the revaluation of investment properties	**129.0**		96.9	
EPRA NTA	**1,920.7**	**879**	1,469.8	679
Basic net assets per share		**848**		652
EPRA basic NTA per share		**908**		697

The basic and diluted net assets per share have been calculated based on the following number of shares:

	2022 Number	2021 Number
Shares in issue		
At year end	**211,927,497**	210,823,703
Adjustment for Employee Benefit Trust (treasury) shares	**(359,795)**	(41,259)
IFRS/EPRA number of shares (basic)	**211,567,702**	210,782,444
Dilutive effect of Save As You Earn shares	**87,562**	109,100
Dilutive effect of Long Term Incentive Plan shares	**6,956,633**	5,706,061
IFRS/EPRA number of shares (diluted)	**218,611,897**	216,597,605

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15. Net assets per share *continued*

Basic net assets per share is shareholders' funds divided by the number of shares at the year end. Diluted net assets per share is shareholders' funds divided by the number of shares at the year end, adjusted for dilutive share options of 7,044,195 shares (FY2021: 5,815,161 shares). EPRA diluted net assets per share excludes deferred tax liabilities arising on the revaluation of investment properties. The EPRA NAV, which further excludes fair value adjustments for debt and related derivatives net of deferred tax, was £1,920.7 million (FY2021: £1,469.8 million), giving EPRA NTA per share of 879 pence (FY2021: 679 pence). The Directors consider that these alternative measures provide useful information on the performance of the Group.

EPRA adjusted balance sheet (non-statutory)

	2022 £'m	2021 £'m
Assets		
Non-current assets	**2,653.4**	2,042.5
Current assets	**52.4**	72.6
Total assets	**2,705.8**	2,115.1
Liabilities		
Current liabilities	**(178.4)**	(88.4)
Non-current liabilities	**(606.7)**	(557.0)
Total liabilities	**(785.1)**	(645.4)
EPRA adjusted Net Asset Value	**1,920.7**	1,469.7
EPRA adjusted basic net assets per share	**908 pence**	697 pence

16. Trade and other receivables

	2022 £'m	2021 £'m
Current		
Trade receivables	**20.6**	17.8
Less: credit loss allowance	**(5.5)**	(4.3)
Trade receivables – net	**15.1**	13.5
Other receivables	**8.9**	7.4
Amounts due from associates (note 30)	**—**	2.7
Prepayments	**7.2**	5.3
	31.2	28.9

The creation and release of credit loss allowances have been included in cost of sales in the income statement.

The Group always measures the loss allowance for the trade receivables at an amount equal to lifetime expected credit loss. The expected credit losses on trade receivables are estimated using a provision matrix by reference to past default experience of the debtor and an analysis of the debtor's current financial position, adjusted for factors that are specific to the debtor and an analysis of the debtors, general economic conditions of the industry in which the debtors operate and an assessment of both the current as well as the forecast direction of conditions at the reporting date. The Group provides in full against all receivables due over six months past due because historical experience has indicated that these receivables are generally not recoverable.

There has been no change in the estimation techniques or significant assumptions made during the current reporting period.

The Group writes off a trade receivable when there is information indicating that the debtors are in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the debtor has been placed under liquidation or has entered into bankruptcy proceedings.

16. Trade and other receivables *continued*

The following table details the risk profile of trade receivables based on the Group's provision matrix:

UK	Not past due	<28 days	29–60 days	>60 days	Total
Expected credit loss rate (%)	—	7.1%	25.0%	57.1%	10.1%
Estimated total gross carrying amount at default (£'m)	7.5	2.8	1.2	1.4	12.9
Lifetime ECL (£'m)	—	(0.2)	(0.3)	(0.8)	(1.3)
Net trade receivables as at 31 October 2022	**7.5**	**2.6**	**0.9**	**0.6**	**11.6**

France	Not past due	<28 days	29–60 days	>60 days	Total
Expected credit loss rate (%)	—	14.3%	20.0%	85.1%	57.5%
Estimated total gross carrying amount at default (£'m)	1.4	0.7	0.5	4.7	7.3
Lifetime ECL (£'m)	—	(0.1)	(0.1)	(4.0)	(4.2)
Net trade receivables as at 31 October 2022	**1.4**	**0.6**	**0.4**	**0.7**	**3.1**

UK	Not past due	<28 days	29–60 days	>60 days	Total
Expected credit loss rate (%)	—	4.0%	16.7%	100.0%	8.5%
Estimated total gross carrying amount at default (£'m)	7.4	2.5	1.2	0.7	11.8
Lifetime ECL (£'m)	—	(0.1)	(0.2)	(0.7)	(1.0)
Net trade receivables as at 31 October 2021	7.4	2.4	1.0	—	10.8

France	Not past due	<28 days	29–60 days	>60 days	Total
Expected credit loss rate (%)	—	—	50.0%	94.1%	55.0%
Estimated total gross carrying amount at default (£'m)	2.0	0.4	0.2	3.4	6.0
Lifetime ECL (£'m)	—	—	(0.1)	(3.2)	(3.3)
Net trade receivables as at 31 October 2021	2.0	0.4	0.1	0.2	2.7

Outstanding trade receivables in Spain, the Netherlands, and Belgium totalled £0.4 million (FY2021: £nil); therefore, the risk profile for this geography has been excluded.

The difference between expected credit loss rates in the UK and France is largely due to the differing processes for collecting overdue debt, with legal proceedings in France typically taking significantly longer than in the UK.

The above balances are short term (including other receivables) and therefore the difference between the book value and the fair value is not significant. Consequently, these have not been discounted.

Movement in the credit loss allowance:

	2022 £'m	2021 £'m
Balance at the beginning of the year	**4.3**	3.8
Acquisition of subsidiaries	**0.1**	—
Amounts provided in the year	**2.5**	1.6
Amounts written off as uncollectable	**(1.4)**	(1.1)
Balance at the end of the year	**5.5**	4.3

Notes to the financial statements *continued*

for the year ended 31 October 2022

16. Trade and other receivables *continued*

The carrying amounts of the Group's trade and other receivables are denominated in the following currencies:

	2022 £'m	2021 £'m
Sterling	**19.0**	16.3
Euros	**12.2**	12.6
	31.2	28.9

Amounts due from associates of £nil (FY2021: £2.7 million) relate to the Joint Venture arrangement (note 12), made up of a loan and accrued interest to the associate of £nil (FY2021: £2.7 million). These amounts are considered to be fully recoverable and have not been impaired (FY2021: £nil).

17. Cash and cash equivalents

	2022 £'m	2021 £'m
Cash at bank and in hand	**20.9**	43.2

The carrying amounts of the Group's cash and cash equivalents are denominated in the following currencies:

	2022 £'m	2021 £'m
Sterling	**6.4**	22.7
Euros	**14.5**	20.5
	20.9	43.2

18. Trade and other payables

	2022 £'m	2021 £'m
Current		
Trade payables	**8.0**	22.7
Other taxes and social security payable	**6.2**	5.4
Other payables	**4.9**	6.5
Accruals	**24.8**	23.6
Deferred income	**18.8**	17.6
	62.7	75.8

As at 31 October 2021, included within trade and other payables was £15.4 million in relation to the acquisition of a freehold development site in Old Kent Road, London.

The carrying amounts of the Group's trade and other payables are denominated in the following currencies:

	2022 £'m	2021 £'m
Sterling	**47.4**	61.6
Euros	**15.3**	14.2
	62.7	75.8

19. Financial liabilities – bank borrowings and secured notes

Non-current	2022 £'m	2021 £'m
Bank loans and secured notes		
Secured	**625.1**	486.5
Debt issue costs	**(1.3)**	(1.8)
	623.8	484.7

The Group's borrowings consist of bank facilities of £250 million and €70 million maturing in June 2023. Further in April 2022, the Group extended its borrowing facilities, with the issuance of a €105 million US Private Shelf Placement Note from a group of existing investors. The Group now has US Private Placement Notes of €358 million (FY2021: €253 million) which have maturities extending to 2024, 2026, 2027, 2028, 2029 and 2033 and £215.5 million (FY2021: £215.5 million) which have maturities extending to 2026, 2028, 2029 and 2031. The blended cost of interest on the overall debt at 31 October 2022 was 2.41% per annum. Since the year end the Group has successfully refinanced its bank facilities borrowings (note 32).

19. Financial liabilities – bank borrowings and secured notes *continued*

The bank facilities attract a margin over SONIA/EURIBOR. The margin ratchets between 1.25% and 2.50%, by reference to the Group's performance against its interest cover covenant. Approximately 54% of the drawn bank facilities have been hedged at an effective rate of 0.6885% (SONIA).

The Company has in issue €50.9 million (FY2021: €50.9 million) 1.59% Series A Senior Secured Notes due 2024, €70.0 million (FY2021: €70.0 million) 1.26% Series A Secured Notes due 2026, £35.0 million (FY2021: £35.0 million) 2.59% Series B Senior Secured Notes due 2026, €74.1 million (FY2021: €74.1 million) 2.00% Series B Senior Secured Notes due 2027, £20.0 million (FY2021: £20.0 million) 1.96% Series A Secured Notes due 2028, €29.0 million (FY2021: €29.0 million) 0.93% Series B Secured Notes due 2028, £50.5 million (FY2021: £50.5 million) 2.92% Series C Senior Secured Notes due 2029, £30.0 million (FY2021: £30.0 million) 2.69% Series C Senior Secured Notes due 2029, €105.0 million (FY2021: €nil) 2.45% Private Shelf Senior Secured Notes due 2029, £80.0 million (FY2021: £80.0 million) 2.39% Series C Secured Notes due 2031 and €29.0 million (FY2021: €29.0 million) 1.42% Series D Secured Notes due 2033. The €358.0 million of Euro denominated borrowings provides a natural hedge against the Group's investment in the France, Spain, Netherlands and Belgium businesses, so the Group has applied net investment hedge accounting and the retranslation of these borrowings is recognised directly in the translation reserve.

The bank loans and overdrafts are secured by a fixed charge over the Group's investment property portfolio. As part of the Group's interest rate management strategy, the Group has entered into several interest rate swap contracts, details of which are shown in note 20.

Bank loans and secured notes are stated before unamortised issue costs of £1.3 million (FY2021: £1.8 million).

Bank loans and secured notes are repayable as follows:

	Group	
	2022 £'m	2021 £'m
Within one year	**101.8**	—
Between one and two years	**43.8**	57.3
Between two and five years	**158.9**	137.1
After more than five years	**320.6**	292.1
Bank loans and secured notes	**625.1**	486.5
Unamortised debt issue costs	**(1.3)**	(1.8)
	623.8	484.7

The effective interest rates at the balance sheet date were as follows:

	2022	2021
Bank loans (UK term loan)	**Quarterly or monthly SONIA plus 1.25%**	Quarterly or monthly SONIA plus 1.25%
Bank loans (Euro term loan)	**Quarterly EURIBOR plus 1.25%**	Quarterly EURIBOR plus 1.25%
Private Placement Notes (Euros)	**1.80%**	Weighted average rate of 1.52%
Private Placement Notes (Sterling)	**2.55%**	Weighted average rate of 2.55%

Borrowing facilities

The Group has the following undrawn committed borrowing facilities available at 31 October in respect of which all conditions precedent had been met at that date:

	Floating rate	
	2022 £'m	2021 £'m
Expiring within one year	**208.4**	—
Expiring beyond one year	—	251.8
	208.4	251.8

As described above the Group's bank facilities mature in June 2023.

The carrying amounts of the Group's borrowings are denominated in the following currencies:

	2022 £'m	2021 £'m
Sterling	**291.5**	247.5
Euros	**333.6**	239.0
	625.1	486.5

Notes to the financial statements *continued*

for the year ended 31 October 2022

20. Financial instruments

Financial risk management

Financial risk management is an integral part of the way the Group is managed. In the course of its business, the Group is exposed primarily to foreign exchange risk, interest rate risk, liquidity risk, and credit risk. The overall aim of the Group's financial risk management policies is to minimise potential adverse effects on financial performance and Net Asset Values ("NAV"). The Group manages the financial risks within policies and operating parameters approved by the Board of Directors and does not enter into speculative transactions. Treasury activities are managed centrally under a framework of policies and procedures approved and monitored by the Board. These objectives are to protect the assets of the Group and to identify and then manage financial risk. In applying these policies, the Group will utilise derivative instruments, but only for risk management purposes.

The principal financial risks facing the Group are described below.

Interest rate risk

The Group finances its operations through a mixture of retained profits, issued share capital, bank borrowings, and secured notes. The Group borrows in Sterling and Euros at floating rates and, where necessary, uses interest rate swaps to convert these to fixed rates to generate the preferred interest rate profile and to manage its exposure to interest rate fluctuations. A 1ppt change in interest rates would have a £0.5 million (FY2021: £nil) impact on net interest. This sensitivity impact has been prepared by determining average floating interest rates and flexing these against average floating rate deposits and borrowings by major currency area over the course of the year.

Liquidity risk

The Group's policy on liquidity risk is to ensure that sufficient cash is available to fund ongoing operations without the need to carry significant net debt over the medium term. The Group's principal borrowing facilities are provided by a group of core relationship banks in the form of term loans and overdrafts, revolving credit facilities and secured notes. The quantum of committed borrowing facilities available to the Group is reviewed regularly and is designed to exceed forecast peak gross debt levels. Further details of the Group's borrowing facilities, including the repayment profile of existing borrowings and the amount of undrawn committed borrowing facilities, are set out in note 19.

Credit risk

Credit risk arises on financial instruments such as trade and other receivables and short term bank deposits. Policies and procedures exist to ensure that customers have an appropriate credit history and account customers are given credit limits that are monitored. Short term bank deposits are executed only with A-rated or above authorised counterparties based on ratings issued by the major rating agencies. Counterparty exposure positions are monitored regularly so that credit exposures to any one counterparty are within predetermined limits. Overall, the Group considers that it is not exposed to a significant amount of credit risk. The amount of trade receivables outstanding at the year end does not represent the maximum exposure to operational credit risk due to the normal patterns of supply and payment over the course of a year. Based on management information collected as at month ends the maximum level of net trade receivables at any one point during the year was £18.3 million (FY2021: £14.6 million).

Foreign exchange risk

The Group operates internationally and is exposed to foreign exchange risk in respect of the Euro. Foreign exchange risk arises from future commercial transactions, recognised assets and liabilities and net investments in foreign operations.

The Group has investments in foreign operations in France, Spain, the Netherlands and Belgium, whose net assets are exposed to foreign currency translation risk. Currency exposure arising from the net assets of the Group's foreign operations is managed primarily through borrowings denominated in the relevant foreign currencies.

The Group holds Euro denominated loan notes totalling €358 million (FY2021: €253 million) and as such is exposed to foreign exchange risk on these notes. The foreign exchange risk relating to the notes provides a natural hedge against the Euro denominated assets of its operations in France, Spain, the Netherlands and Belgium and were 100% effective. As a result, the Group applies net investment hedging in respect of these loan notes and the change in fair value during the year of £4.6 million (FY2021: £10.9 million) was recognised in other comprehensive income.

The Group holds average rate forward contracts to mainly hedge against the investment exposure of subsidiaries denominated in Euros and the future earnings generated by these foreign subsidiaries. The hedge rate of these forwards was 1.0751 and they mature in six tranches bi-annually commencing from October 2020 as detailed further within this note.

At 31 October 2022, if Sterling had weakened by 10% against the Euro with all other variables held constant, pre-tax profit for the year would have been £0.1 million lower (FY2021: £1.0 million higher). Equity (translation reserve) would have been £19.0 million higher (FY2021: £13.8 million higher), arising primarily on translation of Euro denominated net assets held by subsidiary companies with a Euro functional currency less the Euro denominated loan notes.

The Group is not exposed to significant transaction foreign exchange risk as purchases are invoiced in either Sterling or Euros.

20. Financial instruments *continued*

Financial risk management *continued*

Capital risk

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt. Being a REIT, the Group is required to distribute as a dividend a minimum of 90% of its property rental income to shareholders. This is factored into the Group's capital risk management.

Consistent with others in the industry, the Group monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings (including "current and non-current borrowings and lease liabilities" as shown in the consolidated balance sheet) less cash and cash equivalents. Total capital is calculated as equity as shown in the consolidated balance sheet plus net debt.

The gearing ratios at 31 October 2022 and 2021 were as follows:

	2022 £'m	2021 £'m
Total borrowings (excluding derivatives)	**719.2**	567.0
Less: cash and cash equivalents (note 17)	**(20.9)**	(43.2)
Net debt	**698.3**	523.8
Total equity	**1,793.4**	1,374.9
Total capital	**2,491.7**	1,898.7
Gearing ratio	**28%**	28%

The Group considers that a loan-to-value ("LTV") ratio, defined as gross debt (excluding lease liabilities) as a proportion of the valuation of investment properties and investment properties under construction (excluding lease liabilities), below 40% represents an appropriate medium term capital structure objective. The Group's LTV ratio was 24% at 31 October 2022 (FY2021: 25%).

The Group has complied with all of the covenants on its banking facilities during the year.

Financial instruments

Financial instruments disclosures are set out below:

	2022		2021	
	Asset £'m	Liability £'m	Asset £'m	Liability £'m
Interest rate swaps	**1.2**	**—**	0.3	(0.2)
Foreign currency forwards	**0.5**	**—**	1.9	—

The fair value of financial instruments that are not traded in an active market, such as over the counter derivatives, is determined using valuation techniques. The Group obtains such valuations from counterparties which use a variety of assumptions based on market conditions existing at each balance sheet date.

The fair values of all financial instruments are equal to their book value, with the exception of bank loans, which are set out below. The fair value of secured loan notes is determined using a discounted cash flow, while the fair value of bank loans drawn from the Group's bank facilities equates to book value. The carrying value less impairment provision of trade receivables, other receivables and the carrying value of trade payables and other payables approximates to their fair value.

The fair value of bank loans is calculated as:

	2022		2021	
	Book value £'m	Fair value £'m	Book value £'m	Fair value £'m
Bank loans	**623.8**	**694.1**	484.7	543.9

Notes to the financial statements *continued*

for the year ended 31 October 2022

20. Financial instruments *continued*

Financial instruments *continued*

Fair value hierarchy

IFRS 13 requires fair value measurements to be recognised using a fair value hierarchy that reflects the significance of the inputs used in the measurements, according to the following levels:

Level 1 – unadjusted quoted prices in active markets for identical assets or liabilities.

Level 2 – inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3 – inputs for the asset or liability that are not based on observable market data.

The table below shows the level in the fair value hierarchy into which fair value measurements have been categorised:

Assets per the balance sheet	2022 £'m	2021 £'m
Derivative financial instruments – Level 2	1.7	2.2
Amounts due from associates – Level 2	—	2.7

Liabilities per the balance sheet	2022 £'m	2021 £'m
Derivative financial instruments – Level 2	—	0.2
Bank loans – Level 2	694.1	543.9

There were no transfers between Level 1, 2 and 3 fair value measurements during the current or prior year.

Over the life of the Group's derivative financial instruments, the cumulative fair value gain/loss on those instruments will be £nil as it is the Group's intention to hold them to maturity.

Interest rate swaps not designated as part of a hedging arrangement

The notional principal amounts of the outstanding interest rate swap contracts at 31 October 2022 were £55.0 million and €nil (FY2021: £55.0 million and €30.0 million). At 31 October 2022 the weighted average fixed interest rates were Sterling at 0.6885% (FY2021: Sterling at 0.8152% and Euro at 0.1656%), and floating rates are at quarterly SONIA. The £55.0 million SONIA swaps expire in June 2023. The movement in fair value recognised in the income statement was a net gain of £1.0 million (FY2021: net gain of £1.5 million).

Foreign currency forwards not designated as part of a hedging arrangement

As at 31 October 2022, the Group has one tranche of average rate forward contracts for a notional amount totalling €8.5 million at a rate of €1.0751 to the Pound (FY2021: three tranches totalling €24.5 million). The Group will receive the Sterling equivalent at this average exchange rate and pay the Sterling equivalent of the average monthly spot rates on the Euro notional amounts, which has a maturity date of 28 April 2023. The movement in the fair value recognised in the income statement in the period was a net loss of £1.3 million (FY2021: net gain of £1.4 million). The €8.0 million tranche previously held matured and was settled in April 2022, resulting in a fair value disposal of £0.7 million and a receipt of £0.7 million. The €8.0 million tranche previously held matured and was settled in October 2022, resulting in a fair value disposal of £0.6 million and a receipt of £0.6 million. This resulted in £1.3 million recognised as finance income and £1.3 million expense as part of the £0.3 million expense recognised in fair value movement of derivatives within finance costs in the income statement.

Financial instruments by category

Assets per the balance sheet	Financial assets at amortised cost £'m	Assets at fair value through profit and loss £'m	Total £'m
Trade receivables and other receivables excluding prepayments	24.0	—	24.0
Derivative financial instruments	—	1.7	1.7
Cash and cash equivalents	20.9	—	20.9
At 31 October 2022	**44.9**	**1.7**	**46.6**

Liabilities per the balance sheet	Other financial liabilities at amortised cost £'m	Liabilities at fair value through profit and loss £'m	Total £'m
Borrowings (excluding lease liabilities)	623.8	—	623.8
Lease liabilities	95.4	—	95.4
Payables and accruals	43.9	—	43.9
At 31 October 2022	**763.1**	**—**	**763.1**

20. Financial instruments *continued*

Financial instruments *continued*

Financial instruments by category *continued*

Assets per the balance sheet	Financial assets at amortised cost £'m	Assets at fair value through profit and loss £'m	Total £'m
Trade receivables and other receivables excluding prepayments	20.9	—	20.9
Amounts due from associates	2.7	—	2.7
Derivative financial instruments	—	2.2	2.2
Cash and cash equivalents	43.2	—	43.2
At 31 October 2021	66.8	2.2	69.0

Liabilities per the balance sheet	Other financial liabilities at amortised cost £'m	Liabilities at fair value through profit and loss £'m	Total £'m
Borrowings (excluding lease liabilities)	484.7	—	484.7
Lease liabilities	82.3	—	82.3
Derivative financial instruments	—	0.2	0.2
Payables and accruals	58.2	—	58.2
At 31 October 2021	625.2	0.2	625.4

The interest rate risk profile, after taking account of derivative financial instruments, was as follows:

	2022			2021		
	Floating rate £'m	**Fixed rate £'m**	**Total £'m**	Floating rate £'m	Fixed rate £'m	Total £'m
Borrowings	**46.8**	**577.0**	**623.8**	—	484.7	484.7

The weighted average interest rate of the fixed rate financial borrowing was 2.05% (FY2021: 2.01%) and the weighted average remaining period for which the rate is fixed was five years (FY2021: six years).

Maturity analysis

The table below analyses the Group's financial liabilities and non-settled derivative financial instruments into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity dates. The amounts disclosed in the table are the contractual undiscounted cash flows.

	Less than one year £'m	**One to two years £'m**	**Two to five years £'m**	**More than five years £'m**
2022				
Borrowings	**114.7**	**53.9**	**187.8**	**348.3**
Derivative financial instruments	**1.0**	**—**	**—**	**—**
Lease liabilities	**13.8**	**12.9**	**35.9**	**74.7**
Payables and accruals	**43.9**	**—**	**—**	**—**
	173.4	**66.8**	**223.7**	**423.0**

	Less than one year £'m	One to two years £'m	Two to five years £'m	More than five years £'m
2021				
Borrowings	10.6	67.4	162.1	313.4
Derivative financial instruments	0.3	0.3	—	—
Lease liabilities	12.9	11.5	30.9	58.8
Payables and accruals	58.2	—	—	—
	82.0	79.2	193.0	372.2

Notes to the financial statements *continued*

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21. Lease liabilities

The Group leases certain of its investment properties under lease liabilities. The average remaining lease term is 10.9 years (FY2021: 10.3 years).

	Minimum lease payments		Present value of minimum lease payments	
	2022 £'m	2021 £'m	**2022 £'m**	2021 £'m
Within one year	**13.8**	12.9	**13.2**	12.3
Within two to five years	**48.8**	42.4	**40.6**	35.3
Greater than five years	**74.7**	58.8	**41.6**	34.7
	137.3	114.1	**95.4**	82.3
Less: future finance charges on lease liabilities	**(41.9)**	(31.8)	**—**	—
Present value of lease liabilities	**95.4**	82.3	**95.4**	82.3

	2022 £'m	2021 £'m
Current	**13.2**	12.3
Non-current	**82.2**	70.0
	95.4	82.3

Amounts recognised within the consolidated income statement include interest on lease liabilities of £5.0 million and variable lease payments not included in the measurement of the lease liabilities of £0.3 million. Amounts recognised in the consolidated statement of cash flows include lease liabilities principal payments of £8.4 million and interest on lease liabilities of £5.0 million. The maturity analysis for lease liabilities under contractual undiscounted cash flows is included in note 20.

22. Deferred income tax

Deferred tax is calculated in full on temporary differences under the liability method using tax rates enacted in each respective jurisdiction corresponding to when they are expected to reverse. The movement on the deferred tax account was as shown below.

	Note	**2022 £'m**	2021 £'m
At 1 November		**96.2**	84.8
Charge to income statement	9	**29.8**	17.1
Exchange differences		**2.2**	(5.7)
At 31 October		**128.2**	96.2

The movements in deferred tax assets and liabilities (prior to the offsetting of balances within the same jurisdiction where permitted by IAS 12) during the period are shown below.

Deferred tax liability	Revaluation of investment properties £'m	Other timing differences £'m	Total £'m
At 1 November 2020	84.8	0.2	85.0
Charge/(credit) to income statement	17.8	(0.1)	17.7
Exchange differences	(5.7)	—	(5.7)
At 31 October 2021	96.9	0.1	97.0
At 1 November 2021	96.9	0.1	97.0
Charge/(credit) to income statement	29.9	(0.1)	29.8
Exchange differences	2.2	—	2.2
At 31 October 2022	**129.0**	**—**	**129.0**

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22. Deferred income tax *continued*

Deferred tax asset	Other timing differences £'m	Interest swap £'m	Total £'m
At 1 November 2020	0.1	0.1	0.2
Credit/(charge) to income statement	0.7	(0.1)	0.6
At 31 October 2021	0.8	—	0.8
At 1 November 2021	0.8	—	0.8
Credit to income statement	—	—	—
At 31 October 2022	**0.8**	**—**	**0.8**

The deferred tax liability due after more than one year is £129.0 million (FY2021: £97.0 million).

As at 31 October 2022, the Group had trading losses of £16.7 million (FY2021: £21.8 million) and capital losses of £36.5 million (FY2021: £39.4 million) in respect of its UK operations.

As at 31 October 2022, the Group had trading losses of £4.6 million (FY2021: £nil) in respect of its Netherlands and Belgium operations.

All losses can be carried forward indefinitely. No deferred tax asset has been recognised in respect of these losses due to the uncertainty of recoverability against future taxable profits.

23. Called up share capital

	2022 £'m	2021 £'m
Called up, allotted, and fully paid		
211,927,497 (FY2021: 210,823,703) ordinary shares of 1 pence each	**2.1**	2.1

Ordinary shares

The holders of the ordinary shares shall be entitled to one vote for each ordinary share.

During the year the Company issued 1,103,794 ordinary shares (FY2021: 212,496 ordinary shares).

Safestore Holdings plc Sharesave scheme

The Sharesave awards are a savings related award accruing over a three-year period. There are no performance conditions attached to the awards; as such, the sole condition for vesting is continued service. The fair value of the Sharesave options granted during the year was assessed by an independent actuary using a Black-Scholes model based on the assumptions set out in the table below:

		Grant date 22 August 2022 (UK three years)
Number of options granted		94,346
Share price at grant date	(pence)	1,115
Exercise price	(pence)	896
Risk-free rate of interest	(% per annum)	2.42
Expected volatility	(% per annum)	30.2
Expected dividend yield	(% per annum)	2.42
Expected term to exercise	(years)	3.20
Value per option	(pence)	315

Safestore Long Term Incentive Plan

The fair values of the awards granted in the accounting period were assessed by an independent actuary using a Monte Carlo model based on the assumptions set out in the table below. In determining an appropriate assumption for expected future volatility, the historical volatility of the share price of Safestore Holdings plc has been considered along with the historical volatility of comparator companies.

		Grant date January 2022	
		(PBT-EPS part)	(TSR part)
Number of options granted		164,556	82,277
Weighted average share price at grant date	(pence)	1,243	1,243
Exercise price	(pence)	—	—
Weighted average risk-free rate of interest	(% per annum)	n/a	0.89
Expected volatility	(% per annum)	n/a	29.6
Weighted average expected term to exercise	(years)	3.00	3.00
Weighted average value per option	(pence)	1,379	714

Notes to the financial statements *continued*

for the year ended 31 October 2022

23. Called up share capital *continued*

Safestore Long Term Incentive Plan *continued*

Details of the awards outstanding under all of the Group's share schemes are set out below:

Date of grant	At 31 October 2021	Granted	Exercised	Lapsed	**At 31 October 2022**	Exercise price	Expiry date
Safestore Holdings plc Sharesave scheme							
24/10/2017	40,285	—	(3,401)	(1,701)	**35,183**	352.8p	01/05/2023
14/08/2019	122,512	—	(100,393)	(5,993)	**16,126**	510.0p	01/03/2023
26/08/2020	149,814	—	—	(16,314)	**133,500**	600.0p	01/05/2024
20/08/2021	62,053	—	—	(16,976)	**45,077**	824.0p	01/05/2025
20/08/2022	—	94,346	—	—	**94,346**	896.0p	01/05/2026
Total	374,664	94,346	(103,794)	(40,984)	**324,232**		
Safestore Long Term Incentive Plan – 2017							
29/09/2017	5,665,000	—	(570,786)	—	**5,094,214**	1.0p	28/09/2027
09/10/2017	150,000	—	—	—	**150,000**	0.0p	28/09/2027
15/06/2018	33,000	—	(20,000)	—	**13,000**	1.0p	28/09/2027
05/02/2019	85,000	—	(3,450)	—	**81,550**	1.0p	28/09/2027
05/07/2019	12,000	—	(12,000)	—	**—**	1.0p	28/09/2027
23/01/2020	195,000	—	(45,871)	—	**149,129**	1.0p	28/09/2027
Total	6,140,000	—	(652,107)	—	**5,487,893**		
Safestore Long Term Incentive Plan – 2020							
18/03/2020	406,191	—	—	—	**406,191**	0.0p	18/03/2023
Total	406,191	—	—	—	**406,191**		
Safestore Long Term Incentive Plan – 2021							
28/01/2021	347,422	—	—	—	**347,422**	0.0p	28/01/2024
Total	347,422	—	—	—	**347,422**		
Safestore Long Term Incentive Plan – 2022							
25/01/2022	—	246,833	—	—	**246,833**	0.0p	25/01/2025
Total	—	246,833	—	—	**246,833**		

In addition, gross amounts totalling £378,000 (FY2021: £378,000) in respect of bonuses awarded to Executive Directors for the year ended 31 October 2022 will be deferred into shares which will vest at the end of two years following the financial year in which the bonus is earned. The grant date is the last day of the financial year in which the performance stage is assessed. The share entitlement is expected to be determined in January 2022.

The weighted average exercise price of outstanding options under the Sharesave scheme is 698.6 pence (FY2021: 581.1 pence). The weighted average exercise price of options exercised under the Sharesave scheme was 400.4 pence. No shares were exercised under the Sharesave scheme during 2020.

Own shares

Included within retained earnings are ordinary shares with a nominal value of £3,598 (FY2021: £413) that represent shares held by the Safestore Employee Benefit Trust in satisfaction of awards under the Group's Long Term Incentive Plan and which remain unvested.

24. Cash flow from operating activities

Reconciliation of operating profit to net cash inflow from operating activities:

Cash generated from continuing operations	Notes	2022 £'m	2021 £'m
Profit before income tax		**498.8**	404.6
Gain on investment properties	13	**(381.6)**	(321.1)
Other exceptional gains	5	**(10.8)**	—
Share of loss in associates		**0.3**	—
Depreciation	14	**1.0**	1.0
Net finance expense	8	**15.7**	12.4
Employee share options		**8.6**	8.6
Changes in working capital:			
Decrease/(increase) in inventories		**0.2**	(0.2)
Decrease/(increase) in trade and other receivables		**0.1**	(5.4)
(Decrease)/increase in trade and other payables		**(0.4)**	13.6
Increase in provisions		**0.3**	2.1
Cash generated from continuing operations		**132.2**	115.6

25. Analysis of movement in gross and net debt

	2021 £'m	Cash flows £'m	Non-cash movements £'m	2022 £'m
Bank loans	(484.7)	(132.0)	(7.1)	**(623.8)**
Lease liabilities	(82.3)	8.4	(21.5)	**(95.4)**
Total gross debt (liabilities from financing activities)	(567.0)	(123.6)	(28.6)	**(719.2)**
Cash in hand	43.2	(22.1)	(0.2)	**20.9**
Total net debt	(523.8)	(145.7)	(28.8)	**(698.3)**

The table above details changes in the Group's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the Group's consolidated cash flow statement as cash flows from financing activities.

The cash flows from bank loans make up the net amount of proceeds from borrowings, repayment of borrowings and debt issuance costs.

Non-cash movements relate to the amortisation of debt issue costs of £0.5 million (FY2021: £0.4 million), foreign exchange movements of £6.8 million (FY2021: £12.4 million) and unwinding of discount to lease liabilities of £21.5 million (FY2021: £12.6 million).

Notes to the financial statements *continued*

for the year ended 31 October 2022

26. Employees and Directors

Staff costs (including Directors) for the Group during the year	2022 £'m	2021 £'m
Wages and salaries	**25.1**	23.3
Social security costs	**3.8**	11.3
Other pension costs	**0.6**	0.6
Share-based payments	**8.6**	8.6
	38.1	43.8

During the period ended 31 October 2022 the Company's equity-settled share-based payment arrangements comprised the Safestore Holdings plc Sharesave scheme and the Safestore Long Term Incentive Plans. The number of awards made under each scheme is detailed in note 23. No options have been modified since grant under any of the schemes, other than the modification in respect of the LTIP awards for Executive Directors described in note 23.

Average monthly number of people (including Executive Directors) employed	2022 Number	2021 Number
Sales	**604**	557
Administration	**123**	93
	727	650

Key management compensation	2022 £'m	2021 £'m
Wages and salaries	**4.4**	4.2
Social security costs	**(0.3)**	2.6
Post-employment benefits	**0.1**	0.1
Share-based payments	**4.5**	5.2
	8.7	12.1

The key management figures given above include Directors.

Directors	2022 £'m	2021 £'m
Aggregate emoluments	**5.7**	8.3
Company contributions paid to money purchase pension schemes	**—**	—
	5.7	8.3

There were two Directors (FY2021: two) accruing benefits under a money purchase scheme.

27. Provisions

In France, the basis on which property taxes have been assessed has been challenged by the tax authority for financial years 2011 onwards. In March 2021 the French Court of Appeal delivered a judgement, which resulted in a partial success for the Group; however, a further appeal has been lodged with the French Supreme Court against those decisions on which the Group was unsuccessful. A provision is included in the consolidated financial accounts of £2.4 million at 31 October 2022 (FY2021: £2.1 million), to reflect the increased uncertainty surrounding the likelihood of a successful outcome. Of the total provided, £0.3 million has been charged in relation to the twelve months to 31 October 2022 within cost of sales (Underlying EBITDA) (FY2021: £1.9 million was recorded as an exceptional charge in respect of financial years 2012 to 2020 and £0.2 million was charged in relation to the twelve months to 31 October 2021 within underlying cost of sales).

It is possible that the French tax authority may appeal the decisions of the French Court of Appeal on which the Group was successful to the French Supreme Court. The maximum potential further exposure in relation to these issues at 31 October 2022 is £3.0 million (FY2021: £2.7 million). No provision for any potential further exposure has been recorded in the consolidated financial statements since the Group believes it is more likely than not that a successful outcome will be achieved, resulting in no additional liabilities.

Bank guarantees to cover any potential additional tax assessment are currently being put in place, of which guarantees totalling £1.2 million have been put in place as at 31 October 2022 (FY2021: £1.3 million).

28. Contingent liabilities

As part of the Group banking facility, the Company has guaranteed the borrowings totalling £625.1 million (FY2021: £486.5 million) of fellow Group undertakings by way of a charge over all of its property and assets. There are similar cross-guarantees provided by the Group companies in respect of any bank borrowings which the Company may draw under a Group facility agreement. The financial liability associated with this guarantee is considered remote and therefore no provision has been recorded.

The Group also has a contingent liability in respect of property taxation in the French subsidiary as disclosed in note 27.

29. Capital commitments

The Group had £146.0 million of capital commitments as at 31 October 2022 (FY2021: £98.6 million).

30. Related party transactions

The Group's shares are widely held. Transactions between the Company and its subsidiaries, which are related parties, have been eliminated on consolidation and are not disclosed in this note.

Transactions with Safestore Storage Benelux B.V. (formerly CERF Storage JV B.V.)

As described in note 12, the Group had a 20% interest in Safestore Storage Benelux B.V. ("SSB") up until 30 March 2022 and was classified as an investment in associate. From 30 March 2022, SSB became a wholly owned subsidiary of the Group, from which point all intra-group transactions and balances are eliminated on consolidation.

During the period to 30 March 2022 the Group recharged £0.2 million (FY2021: £nil) to SSB for operational costs paid on behalf of SSB and was repaid £0.2 million (FY2021: £0.2 million) of cumulative outstanding balances during the year. Unpaid interest of £0.1 million (FY2021: £0.1 million) was accrued and charged during the year on the €3.0 million (£2.7 million) principal loan note outstanding. The total amount outstanding at 30 March 2022 included within current trade and other receivables was £2.8 million (FY2021: £2.7 million). Management fees charged and settled during the year amounted to £0.3 million (FY2021: £1.0 million).

Transactions with PBC Les Groues SAS

As described in note 12, the Group has a 24.9% interest in PBC Les Groues SAS ("PBC"). During the period, the Group made a further investment of £0.8 million (€0.9 million) into PBC to fund the development of a new store in France, taking the total investment to £1.8 million (€2.1 million) (FY2021: £1.0 million (€1.2 million)). The total amount invested is included as part of its non-current investments in associates. The total amount outstanding at 31 October 2022 included within trade and other receivables was £nil (FY2021: £nil).

As described in note 5, during the period, the Group sold the Nanterre site to the Joint Venture partner of Nanterre FOCD 92 for a total price of €7.6 million excluding VAT and including demolition cost reimbursement, where the settlement is done partially in cash of £1.0 million (€1.1 million excluding tax), and partially in kind through the delivery of the new building at the end of the operation (estimated at €6.5 million).

31. Parent company

Safestore Holdings plc is a limited liability company incorporated in England and Wales and domiciled in the UK. It operates as the ultimate parent company of the Safestore Holdings plc Group.

32. Post balance sheet events

On 11 November 2022 the Group completed its refinancing exercise obtaining a new increased unsecured £400 million multi-currency four-year Revolving Credit Facility (with two one-year extension options). In addition, a further £100 million uncommitted accordion facility is incorporated into the facility agreement.

On 1 December 2022 the Group acquired a 10.0% interest in CERF II German Storage Topco S.à r.l., a company registered in Luxembourg, and the indirect holder myStorage GmbH, a company registered and operating in Germany.

Company balance sheet

as at 31 October 2022

Company registration number: 04726380

	Notes	Company 2022 £'m	Company 2021 £'m
Non-current assets			
Property, plant and equipment	5	**—**	—
Investments in subsidiaries	6	**1.0**	1.0
Loans to Group undertakings	7	**835.7**	585.8
Total non-current assets		**836.7**	586.8
Current assets			
Trade and other receivables	8	**0.2**	0.6
Cash and cash equivalents		**1.2**	—
Total current assets		**1.4**	0.6
Total assets		**838.1**	587.4
Current liabilities	9	**(108.7)**	(42.2)
Total assets less current liabilities		**729.4**	545.2
Non-current liabilities	10	**(523.3)**	(429.1)
Net assets		**206.1**	116.1
Equity			
Called up share capital	11	**2.1**	2.1
Share premium account		**61.8**	61.3
Retained earnings		**142.2**	52.7
Total equity		**206.1**	116.1

The Company's profit for the financial year amounted to £137.8 million (FY2021: £14.3 million loss).

The Company financial statements were approved by the Board of Directors on 16 January 2023 and signed on its behalf by:

A Jones
Chief Financial Officer

F Vecchioli
Chief Executive Officer

Company statement of changes in equity

for the year ended 31 October 2022

	Company			
	Called up share capital £'m	Share premium account £'m	Retained earnings £'m	Total £'m
Balance at 1 November 2020	2.1	60.6	101.0	163.7
Comprehensive income				
Loss for the year	—	—	(14.3)	(14.3)
Total comprehensive income	2.1	60.6	86.7	149.4
Transactions with owners				
Dividends	—	—	(42.6)	(42.6)
Increase in share capital	—	0.7	—	0.7
Employee share options	—	—	8.6	8.6
Transactions with owners	—	0.7	(34.0)	(33.3)
Balance at 1 November 2021	2.1	61.3	52.7	116.1
Comprehensive income				
Profit for the year	—	—	137.8	137.8
Total comprehensive income	2.1	61.3	190.5	253.9
Transactions with owners				
Dividends	—	—	(56.9)	(56.9)
Increase in share capital	—	0.5	—	0.5
Employee share options	—	—	8.6	8.6
Transactions with owners	—	0.5	(48.3)	(47.8)
Balance at 31 October 2022	**2.1**	**61.8**	**142.2**	**206.1**

For details of the dividend paid in the year see note 10 in the Group financial statements.

Notes to the Company financial statements

for the year ended 31 October 2022

1. Accounting policies and basis of preparation

The Company financial statements are prepared in accordance with Financial Reporting Standard 101 "Reduced Disclosure Framework" ("FRS 101"). In preparing these financial statements the Company applies the recognition, measurement and disclosure requirements of United Kingdom adopted International Financial Reporting Standards ("IFRS") but makes amendments where necessary in order to comply with the Companies Act 2006 and sets out below where advantage of the FRS 101 disclosure exemptions has been taken.

In these financial statements, the Company has applied the exemptions available under FRS 101 in respect of the following disclosures:

- a cash flow statement and related notes;
- comparative period reconciliations for tangible fixed assets;
- disclosures in respect of transactions with wholly owned subsidiaries;
- disclosures in respect of capital management;
- the effects of new but not yet effective IFRSs;
- IFRS 2 "Share-based Payment" in respect of Group-settled share-based payments; and
- certain disclosures required by IFRS 13 "Fair Value Measurement" and the disclosures required by IFRS 7 "Financial Instruments: Disclosures".

The above disclosure exemptions are permitted because equivalent disclosures are included in the Group consolidated financial statements.

The financial statements are prepared on a going concern basis under the historical cost convention. The Company's principal accounting policies are the same as those applied in the Group financial statements, except as described below:

Investments

Investments held as fixed assets are stated at cost less provision for impairment in value.

2. Results of parent company

As permitted by Section 408 of the Companies Act 2006, the Company has elected not to present its own profit and loss account as part of these financial statements. The Company's profit for the financial year amounted to £137.8 million (FY2021: £14.3 million loss).

3. Directors' emoluments

The Directors' emoluments are disclosed in note 26 of the Group financial statements.

4. Operating profit

The Company does not have any employees (FY2021: none). Details of the Company's share-based payments are set out in note 23 to the Group financial statements.

Auditor's remuneration for the year ended 31 October 2022 was £17,000 (FY2021: £16,000). There were no non-audit services (FY2021: none) provided by the auditor.

5. Property, plant and equipment

	£'m
Cost	
At 1 November 2021 and at 31 October 2022	0.2
Accumulated depreciation	
At 1 November 2021	0.2
Charge for the year	—
At 31 October 2022	**0.2**
Net book value	
At 31 October 2022	**—**
At 31 October 2021	—

6. Investments in subsidiaries

	£'m
Cost and net book value	
At 1 November 2021	1.0
At 31 October 2022	**1.0**

Investments in subsidiaries are stated at cost. A list of interests in subsidiary undertakings is given below. The Directors believe that the carrying value of the investments is supported by their underlying net assets.

Interests in subsidiary undertakings

The entities listed below are subsidiaries of the Company or the Group. The Group percentage of equity capital and voting rights is 100% for all subsidiaries listed. The results of all of the subsidiaries have been consolidated within these financial statements. The registered address of each subsidiary is Brittanic House, Stirling Way, Borehamwood, Hertfordshire WD6 2BT, except where indicated below by a footnote.

Subsidiary	Country of incorporation	Principal activity
Safestore Investments 2018 Limited[1]	England and Wales	Holding company
Safestore Investments Limited	England and Wales	Holding company
Safestore Group Limited	England and Wales	Holding company
Safestore Acquisition Limited	England and Wales	Holding company
Safestore Limited	England and Wales	Provision of self storage
Safestore Properties Limited	England and Wales	Provision of self storage
Spaces Personal Storage Limited	England and Wales	Provision of self storage
Safestore Trading Limited	England and Wales	Non-trading
Mentmore Limited	England and Wales	Holding company
Invest Holding[2]	Luxembourg[3]	Holding company
Une Pièce en Plus SAS[12]	France[5]	Provision of self storage
Compagnie de Libre Entreposage France SAS[12]	France[5]	Holding company
Assay Services Limited[11]	Guernsey[4]	Insurance services
OMB Self Storage S.L.U.	Spain[6]	Provision of self storage
Safestore Netherlands B.V.	Netherlands[7]	Holding company
Walnut Tree Self Storage Limited[11]	England and Wales	Provision of self storage
Fort Box Self Storage Limited[11]	England and Wales	Provision of self storage
Fort Box Limited[11]	England and Wales	Non-trading
USIFB Storage Company Limited[11]	England and Wales	Provision of self storage
Your Room Self Storage Limited	England and Wales	Provision of self storage
Safestore Storage Benelux B.V.	Netherlands[8]	Holding company
Safestore Storage B.V.	Netherlands[8]	Provision of self storage
M3 Self-Storage B.V.	Netherlands[8]	Provision of self storage
Safestore Storage Properties 1 B.V.	Netherlands[8]	Provision of self storage
Safestore Storage Properties 2 B.V.	Netherlands[8]	Provision of self storage
Safestore Storage Properties 3 B.V.	Netherlands[8]	Provision of self storage
Lokabox SA	Belgium[9]	Provision of self storage
Safestore Europe SAS[10]	France[5]	Provision of self storage
Investimmo SAS[10]	France[5]	Provision of self storage

Notes

1 Held directly by the Company.
2 Formerly named Access Storage Holdings (France) S.à r.l.
3 Registered address: 412F, route d'Esch, L-2086 Luxembourg.
4 UK tax resident; registered address prior to liquidation: St Martin's House, Le Bordage, St Peter Port, Guernsey.
5 Registered address: 1, rue François Jacob, 92500 Rueil Malmaison, France.
6 Registered address: Calle Marina 153, 08013 Barcelona, Spain.
7 Registered address: Herikerbergweg 88, 1101CM Amsterdam, 1077ZX Amsterdam, Netherlands.
8 Registered address: Beijnesweg 19, 2031BB Haarlem, Netherlands.
9 Registered address: Chaussée de Bruxelles 151-155, 6040 Charleroi, Belgium.
10 Incorporated in July 2022.
11 Companies liquidated during the year ended 31 October 2022.
12 Merged under the EU Merger Directive on 31 October 2022 resulting in the cessation of Compagnie de Libre Entreposage France SAS.

Notes to the Company financial statements *continued*

for the year ended 31 October 2022

7. Fixed assets – loans to Group undertakings

	2022 £'m	2021 £'m
Loans to Group undertakings	**835.7**	585.8
	835.7	585.8

Amounts owed by Group undertakings are unsecured and repayable on demand; however, the Directors consider it unlikely that repayment will arise in the short term and in practice amounts owed by Group undertakings are used to meet the capital requirements of the borrower with no realistic repayment in the near future. It is for this reason that the amounts are classified as fixed assets.

Interest is charged to Group undertakings on amounts totalling £523.3 million (FY2021: £429.1 million). The remaining amounts owed by Group undertakings are interest free. The movement in loans to Group undertakings relates to interest charged of £9.9 million (FY2021: £6.7 million) and additional amounts loaned and recharged of £240.0 million (FY2021: £82.5 million).

8. Trade and other receivables

	2022 £'m	2021 £'m
Trade receivables	**—**	0.5
Other receivables	**0.2**	0.1
	0.2	0.6

Trade and other receivables due within one year were tested for impairment in line with the Group as described in note 2. As at 31 October 2022 these amounts due are considered fully recoverable and no provision has been made (FY2021: £nil).

9. Current liabilities

	2022 £'m	2021 £'m
Amounts owed to Group undertakings	**98.6**	30.8
Trade payables	**0.2**	0.1
Accruals and deferred income	**9.9**	11.3
	108.7	42.2

Amounts owed to Group undertakings are unsecured, interest free and repayable on demand. The Directors have received assurance that repayment of amounts owed to Group undertakings will not arise in the short term.

10. Non-current liabilities

	2022 £'m	2021 £'m
Secured loan notes	**523.3**	429.1
	523.3	429.1

Of the above, £320.6 million (FY2021: £292.1 million) is due after more than five years.

The Company has in issue €50.9 million (FY2021: €50.9 million) 1.59% Series A Senior Secured Notes due 2024, €70.0 million (FY2021: €70.0 million) 1.26% Series A Secured Notes due 2026, £35.0 million (FY2021: £35.0 million) 2.59% Series B Senior Secured Notes due 2026, €74.1 million (FY2021: €74.1 million) 2.00% Series B Senior Secured Notes due 2027, £20.0 million (FY2021: £20.0 million) 1.96% Series A Secured Notes due 2028, €29.0 million (FY2021: €29.0 million) 0.93% Series B Secured Notes due 2028, £50.5 million (FY2021: £50.5 million) 2.92% Series C Senior Secured Notes due 2029, £30.0 million (FY2021: £30.0 million) 2.69% Series C Senior Secured Notes due 2029, €105.0 million (FY2021: €nil) 2.45% Private Shelf Senior Secured Notes due 2029, £80.0 million (FY2021: £80.0 million) 2.39% Series C Secured Notes due 2031 and €29.0 million (FY2021: €29.0 million) 1.42% Series D Secured Notes due 2033.

11. Called up share capital

	2022 £'m	2021 £'m
Called up, allotted, and fully paid		
211,927,497 (FY2021: 210,823,703) ordinary shares of 1 pence	**2.1**	2.1

Ordinary shares

The holders of the ordinary shares shall be entitled to one vote for each ordinary share.

For details of share options see note 23 in the Group financial statements.

12. Contingent liabilities

For details of contingent liabilities see note 28 in the Group financial statements.

Glossary

Term	Definition
Absorption rate	The rate at which rentable space is filled.
Adjusted Diluted EPRA Earnings per Share	Based on the European Public Real Estate Association's definition of earnings and is defined as profit or loss for the period after tax but excluding corporate transaction costs, change in fair value of derivatives, gain/loss on investment properties and the associated tax impacts. The Company then makes further adjustments for the impact of exceptional items, net exchange gains/losses recognised in net finance costs, exceptional tax items, and deferred and current tax in respect of these adjustments. The Company also adjusts for IFRS 2 share-based payment charges.
Adjusted earnings growth	The increase in adjusted EPS year-on-year.
Adjusted EPS	Adjusted profit after tax divided by the diluted weighted average number of shares in issue during the financial year.
Adjusted profit before tax	The Company's pre-tax EPRA earnings measure with additional Company adjustments.
Average net achieved rent per sq ft	Storage revenue divided by average occupied space over the financial year.
Average rental growth	The growth in average net achieved rent per sq ft year-on-year.
Average storage rate	Revenue generated from self storage revenues divided by the average square footage occupied during the period in question.
BREEAM	An environmental rating assessed under the Building Research Establishment's Environmental Assessment Method.
Cap and collar	Term used in connection with interest rates. A cap is an upper limit or maximum interest rate that will apply, while a collar is the minimum interest rate.
Capitalisation rate	The ratio of net operating income to property asset value.
Compound Annual Growth Rate ("CAGR")	The annual rate of return over a specified period of time longer than one year.
CER	Constant Exchange Rates (Euro denominated results for the current period have been retranslated at the exchange rate effective for the comparative period, in order to present the reported results on a more comparable basis).
Closing net rent per sq ft	Annual storage revenue generated from in-place customers divided by occupied space at the balance sheet date.
Earnings per Share ("EPS")	Profit for the financial year attributable to equity shareholders divided by the average number of shares in issue during the financial year.
EBITDA	Earnings before interest, tax, depreciation and amortisation.
EPRA	The European Public Real Estate Association, a real estate industry body. This organisation has issued Best Practices Recommendations with the intention of improving the transparency, comparability and relevance of the published results of listed real estate companies in Europe.
EPRA earnings	The IFRS profit after taxation attributable to shareholders of the Company excluding investment property revaluations, gains/losses on investment property disposals and changes in the fair value of financial instruments.
EPRA Earnings per Share	EPRA earnings divided by the average number of shares in issue during the financial year.
EPRA Net Asset Value ("NAV")	IFRS net assets excluding the mark-to-market on interest rate derivatives effective cash flow and deferred taxation on property valuations where it arises. It is adjusted for the dilutive impact of share options.
EPRA NAV per share	EPRA NAV divided by the diluted number of shares at the year end.
EPRA Net Tangible Assets ("NTA")	A proportionally consolidated measure, representing the IFRS net assets excluding the mark-to-market on derivatives and related debt adjustments, the mark-to-market on the convertible bonds, the carrying value of intangibles and deferred taxation on property and derivative valuations. It includes the valuation surplus on trading properties and is adjusted for the dilutive impact of share options.
EPRA NTA per share	EPRA NTA divided by the diluted number of shares held at the year end.
Equity	All capital and reserves of the Group attributable to equity holders of the Company.
Euro Interbank Offered Rate ("EURIBOR")	The average benchmark interest rate at which Eurozone banks offer unsecured short term lending on the inter-bank market.
Exit yield	Represents the capital value of an investment property at the end of the investment term expressed in percentage terms.
Free cash flow	Cash flow before investing and financing activities but after leasehold rent payments.
Gross property assets	The sum of investment property and investment property under construction.

Glossary *continued*

Gross value added	The measure of the value of goods and services produced in an area, industry or sector of an economy.
ICR	ICR is interest cover ratio and is calculated as the ratio of Underlying EBITDA after leasehold rent to underlying finance charges.
Joint Venture	A business arrangement in which two or more parties agree to pool their resources for the purpose of accomplishing a specific task.
Like-for-like occupancy	Excludes the closing occupancy of new stores acquired, opened and closed in the current financial year in both the current financial year and comparative figures.
Like-for-like revenue	Excludes the impact of new stores acquired, opened and closed in the current or preceding financial year in both the current year and comparative figures.
Loan to value ("LTV")	Gross debt (excluding lease liabilities) as a proportion of the valuation of investment properties and investment properties under construction (excluding lease liabilities).
Maximum lettable area ("MLA")	The total square feet ("sq ft") available to be fitted out to rent to customers.
Net debt	Total borrowings (including "current and non-current borrowings and lease liabilities" as shown in the consolidated balance sheet) less cash and cash equivalents.
Net initial yield	The forthcoming financial year's net operating income expressed as a percentage of capital value, after adding notional purchaser's costs.
Net promoter score ("NPS")	An index ranging from -100 to 100 that measures the willingness of customers to recommend a company's products or services to others. The Company measures NPS based on surveys sent to all of its move-ins and move-outs.
Net rent per sq ft	Storage revenue generated from in-place customers divided by occupancy.
Occupancy	The space occupied by customers divided by the MLA expressed as a %.
Occupied space	The space occupied by customers in sq ft.
Pipeline	The Group's development sites.
Property Income Distribution ("PID")	A dividend, generally subject to withholding tax, that a UK REIT is required to pay from its tax exempt property rental business and which is taxable for UK-resident shareholders at their marginal tax rate.
Real Estate Investment Trust ("REIT")	A tax regime which in the UK exempts participants from corporation tax both on UK rental income and gains arising on UK investment property sales, subject to certain conditions.
Real Estate Transfer Tax ("RETT")	RETT is levied in respect of the acquisition of the legal and/or beneficial ownership of real estate located in the Netherlands; certain rights concerning such Dutch real estate; and shares in entities that qualify as a real estate entity.
Sterling Overnight Index Average ("SONIA")	The effective overnight interest rate paid by banks for unsecured transactions in the British Sterling market.
Store EBITDA	Store earnings before interest, tax, depreciation and amortisation.
Task Force on Climate-related Financial Disclosures ("TCFD")	The Financial Stability Board created the TCFD to improve and increase reporting of climate-related financial information.
Total shareholder return ("TSR")	The growth in value of a shareholding over a specified period, assuming dividends are reinvested to purchase additional units of shares.
Underlying EBITDA	Operating profit before exceptional items, share-based payments, corporate transaction costs, gain/loss on investment properties, depreciation and variable lease payments and the share of associate's depreciation, interest and tax. Underlying EBITDA therefore excludes all leasehold rent charges.
Underlying profit before tax	Underlying EBITDA less leasehold rent, depreciation charged on property, plant and equipment and net finance charges relating to bank loans and cash.

Directors and advisers

Directors

David Hearn	(Non-Executive Chairman)
Frederic Vecchioli	(Chief Executive Officer)
Andy Jones	(Chief Financial Officer)
Ian Krieger	(Non-Executive Director)
Gert van de Weerdhof	(Non-Executive Director)
Laure Duhot	(Non-Executive Director)
Delphine Mousseau	(Non-Executive Director)
Jane Bentall	(Non-Executive Director)

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(Calls are charged at the standard geographic rate and will vary by provider. Calls outside the United Kingdom will be charged at the applicable international rate).

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Through the website of our Registrar, Link Group, shareholders are able to manage their shareholding by registering for the Share Portal, a free, secure, online access to their shareholding.

Please visit our investor relations website
For all the latest news and updates at www.safestore.com.

Safestore Holding plc's commitment to environmental issues is reflected in this Annual Report, which has been printed on Magno Satin, an FSC® certified material. This document was printed by Park Communications using its environmental print technology, which minimises the impact of printing on the environment, with 99% of dry waste diverted from landfill. Both the printer and the paper mill are registered to ISO 14001.

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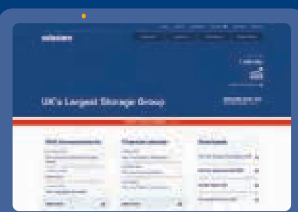

Further information and investor updates can be found on our website at **www.safestore.co.uk/corporate**