Principal risks and uncertainties

The principal risks and uncertainties described could have potentially 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 2023
Strategic risks The Group develops business plans based on a wide range of variables. Incorrect assumptions about the economic environment or the self-storage market or changes in the needs or 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 through acquisitions and development projects. • The portfolio is geographically diversified with performance monitoring covering 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.	The Group's strategy is regularly reviewed through the annual planning and budgeting process, and regular reforecasts are prepared during the year. The acquisition of new stores together with new store openings have been fully integrated in the Group's store portfolio. The current macroeconomic conditions, following a period of elevated inflation and interest rates and with ongoing cost pressures on businesses and consumers, have continued to impact growth. The level of risk is considered unchanged from the 31 October 2023 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. • The Group's RCF now runs to 30 November 2028. The US Private Placement Notes have staggered maturities between 2026 and 2033.	In the past few years, there have been significant opportunities to invest in new stores, in both the UK and throughout Europe. The Group exercised its option to increase the size of its RCF by £100 million to a total of £500 million. In addition, the term of the facility was increased by one year to 2028 through the exercise of the remaining extension option. Following year end the Group issued a new €70 million USPP, demonstrating continued access to financing. The Group's loan-to-value ratio ("LTV") has broadly remained constant during 2024 at 25.1% compared to 25.4% at the prior financial year end. Therefore, this risk remains broadly unchanged from the 31 October 2023 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.	• The Group enters into interest rate hedging to limit exposure to floating rate risks where appropriate. • Foreign currency denominated assets are financed by borrowings in the same currency where appropriate.	Euro denominated borrowings continue to provide an effective, natural currency hedge against the net assets and income of our Euro denominated businesses. At year end 58% of the Group's debt is at fixed rates or has been hedged, removing much of the volatility of interest rate fluctuations as we move into 2025. Therefore, this risk remains broadly unchanged from the 31 October 2023 assessment.

Risk	Current mitigation activities	Developments since 2023
Property investment and development risk 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. 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.	• Large portfolio of potential new sites, prioritised based on detailed research into areas most likely to be successful. • Thorough due diligence is conducted and detailed analysis is undertaken prior to Board approval for property investment and development. • Where appropriate, the Group executes targeted acquisitions and disposals. • Strong operational knowledge and experience in integrating new sites. • The Group's overall exposure to development projects 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. • Development activity on a site-by-site basis with limited scale of each project reducing risk through diversification of capital deployment.	Projects are not pursued when they fail to meet our rigorous investment criteria, and post-investment reviews continue to 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 capacity within our financing arrangements. We continue to pursue investment and development opportunities, and consider our recent track record to have been successful. This risk is broadly unchanged from the 31 October 2023 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. • Significant headroom of borrowings for LTV is maintained and continuously monitored.	The valuation of the Group's portfolio has continued to grow during the year, reflecting valuation gains arising from the increasing underlying profitability of our portfolio, additions to our portfolio through new developments and the continued strong market demand for well-located self-storage assets. However, current economic pressures which impact on consumer and business spending may impact the self-storage market. Therefore, the key assumptions that underpin the investment property valuation are inherently subject to volatility. There has been no significant change to this risk since the 31 October 2023 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 customer feedback facilities closely reviewed.	With the economic outlook remaining uncertain, this may lead to pressure on occupancy in the next year. Growth in our store portfolio including to new geographies diversifies the potential impact of underperformance of an individual store but does not fully mitigate the risk. There has been no significant change to this risk since the 31 October 2023 assessment.

Principal risks and uncertainties continued

Risk	Current mitigation activities	Developments since 2023
Operational Risks from running a large property portfolio including fire, health and safety, and extreme weather. A major event could mean that the Group is unable to carry out its business for a sustained period or health and safety issues put customers, staff 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. • Online colleague training modules. • Fire Brigade primary authority relationship in place.	Introduction of a Group-wide health and safety platform to monitor all incidents and to enable proactive prevention. Continuing focus from the Risk Committee, with particular attention to specific issues. The level of risk is considered similar to the 31 October 2023 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. Failure to comply with the REIT legislation could expose the Group to potential tax penalties or loss of its REIT status. 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. • Legal and professional advice. • Online colleague and new recruit training modules. • Internal monitoring procedures are in place to ensure that the appropriate REIT rules and legislation are complied with and this is formally reported to the Board. • Where a store is at risk of compulsory purchase, contingency plans are developed.	All regulatory compliance risks have been monitored during the year. The Group's tax obligations are regularly reviewed, ensuring key tax risks are in line with the Group's tax strategy. HMRC triennial review confirmed the Group's low risk rating for a further three years. The level of risk is considered similar to the 31 October 2023 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 digital platform. • 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. The level of risk is considered similar to the 31 October 2023 assessment.

Risk	Current mitigation activities	Developments since 2023
IT security Cyber-attacks and data security breaches are becoming more prominent and sophisticated. 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 by the Group Audit Committee. • We minimise the retention of customer and colleague data in accordance with GDPR best practice. • IT policies and procedures, including regular user awareness campaigns, are under constant review and benchmarked against industry best practice. • IT systems backed up locally, air-gapped to tape, and held offsite.	During 2023 and continuing into 2024, the Group continued to invest in digital security. Some of the changes include continuous vulnerability testing of internet facing systems, adding components such as anti-ransomware as well as the regular upgrade of components such as firewalls to the latest technology and specifications. 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 2023 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 enable 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 42 to 77 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 2023 assessment.
Geographical expansion The Group has invested in expanding the overseas operations of the business through both subsidiaries and joint ventures over recent years. Returns and asset values from such investments may be impacted by local market, customer, regulatory or fiscal factors.	• 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. • Centralised operational processes for marketing, pricing and site management enabling Group expertise to be applied.	The level of risk is considered similar to the 31 October 2023 assessment.
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 has 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 workforce remuneration. • In 2024, Safestore received the Investors in People Platinum Accreditation for the second time. 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 2023 assessment.

Principal risks and uncertainties continued

Risk	Current mitigation activities	Developments since 2023
Climate change related risk The Group could be exposed to physical and transition risks as a result of climate change. Climate change physical risks could affect the Group's stores and may result in higher repair and maintenance costs 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 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 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 proactively deploy flood mitigation measures. • We are committed to building to a minimum standard of BREEAM 'Very Good' or equivalent 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 and vulnerability 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 the business, assesses 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, where the Group has committed to be operationally carbon neutral by 2035, requiring an investment to achieve carbon neutrality of around £3 million. Our investment appraisal process has been updated to consider climate change related risks of new investments and will continue to evolve as we continue on the climate-related disclosures journey. The level of risk is considered similar to the 31 October 2023 assessment.

Our GHG emissions and intensity since 2018/2019