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 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 Team members.

The output is reviewed and discussed by the Risk Committee, supported by members of senior management from across the business and the recently introduced Internal Audit function. 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 2022
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 Europe through a new Joint Venture with Carlyle, where Safestore acquired a 10% share of the entity which acquired the myStorage business. The acquisition of new stores together with new store openings have been fully integrated in the Group's store portfolio. The current macroeconomic 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. The level of risk is considered similar to the 31 October 2022 assessment.

Risks and risk management continued

Principal risks and uncertainties continued

Risk	Current mitigation activities	Developments since 2022
Finance risk Lack of funding resulting in an inability to meet business plans or 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 November 2026. The US Private Placement Notes mature between one and ten years.	In the past few years, there have been significant opportunities to invest in new stores, in both the UK and throughout Europe. The Group completed the refinancing of its Revolving Credit Facilities ("RCFs") which were due to expire in June 2023. The previous £250 million Sterling and €70 million Euro RCFs 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, with the first extension recently being completed. The Group's loan-to-value ("LTV") ratio has broadly remained constant during 2023, at c. 25.4% compared to 23.6% at the prior financial year end. Therefore, this risk continues to remain low and broadly unchanged from the 31 October 2022 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 73% of the Group's debt at fixed rates, the Group's exposure to interest rate shocks is mitigated. Although 73% of the Group's debt is at fixed rates at 31 October 2023, removing much of the volatility of interest rate fluctuations, as we move into 2024 and fund the new store pipeline from incremental drawings on our Revolving Credit Facility, we are likely to see the cost of debt increase. Therefore, this risk has increased from the 31 October 2022 assessment.

Risk	Current mitigation activities	Developments since 2022
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 expected to peak in 2024, this risk is broadly unchanged from the 31 October 2022 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 valuation gains arising from the increasing profitability of our portfolio, 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 2022 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, with the economy recovering over the period since. This coupled with the cost of living crisis has led to higher inflation, resulting in higher interest rates and a level of economic uncertainty. With this economic outlook remaining uncertain, with significant inflationary pressures on the economy, and an associated impact on the cost of living, this may lead to pressure on occupancy in the next year. Growth in our store portfolio diversifies the potential impact of underperformance of an individual store but does not fully mitigate the risk. Therefore, the risk has increased compared with the assessment for the year ended 31 October 2022.

Risks and risk management continued

Principal risks and uncertainties continued

Risk	Current mitigation activities	Developments since 2022
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 2022 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, 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 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 2022 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 2022 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 2022 assessment.

Risk	Current mitigation activities	Developments since 2022
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 2022 and continuing into 2023, 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 and 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 2022 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 44 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 2022 assessment.
Geographical expansion The Group has invested in expanding the overseas operations of the business through both subsidiaries and the Joint Ventures with Carlyle over recent 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 2022 assessment.

Principal risks continued

Risks and risk management continued

Principal risks and uncertainties continued

Risk | **Current mitigation activities** | **Developments since 2022**

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.

Current mitigation activities

- 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 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.

Developments since 2022

The level of risk is considered similar to the 31 October 2022 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.

Current mitigation activities

- 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 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.

Developments since 2022

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, and therefore is limited.

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, 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 be evolved as we continue on the TCFD journey.

As we start to fully understand the exposure to the Group, as outlined in the TCFD statement, we have a much clearer understanding of the risk. Therefore, the level of risk is considered similar to the 31 October 2022 assessment and will continue to be assessed to determine whether this remains a principal risk throughout the 2023/24 financial year.