



# **National Storage REIT**

## **Corporate Governance Statement**

**National Storage Holdings Limited**

Dated 22 August 2022

# Corporate Governance Statement

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## 1 Definitions

In this charter:

**ASX** means the Australian Securities Exchange.

**Board** means the board of directors of NSH who oversee the activities of NSR.

**Constitutions** means the NSH Constitution, the RE constitution and the Trust Constitution, as amended or replaced from time to time (as applicable).

**Corporations Act** means the *Corporations Act 2001* (Cth).

**Financial Year** means the period from 1 July to 30 June.

**Group** means the National Storage REIT and its Subsidiaries.

**NSFS** means National Storage Financial Services Limited (ACN 600 787 246 AFSL Number 475228).

**NSH** means National Storage Holdings Limited (ACN 166 572 845).

**NSH Constitution** means the constitution of NSH dated on or around 1 November 2013, as amended or replaced from time to time.

**NS Stapled Entity** means NSH and the Trust.

**RE** means NSFS, the Responsible Entity of the Trust.

**RE Board** means the board of directors of NSFS.

**Reporting Period** means the Financial Year ended 30 June 2022.

**Securityholder** means a holder of Stapled Securities.

**Stapled Security** means a stapled security in the NS Stapled Entity.

**Subsidiaries** has the meaning given in the Corporations Act.

**Trust** means National Storage Property Trust (ARSN 101 227 712).

**Trust Constitution** means the constitution of the Trust dated 23 September 2003, as amended or replaced from time to time.

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## 2 NSR

### 2.1 Formation and Structure

National Storage REIT was formed on 19 December 2013 when its securities were first listed on the ASX through an initial public offering (the "IPO"). This was facilitated by the stapling of the shares in NSH to the units in the Trust to form Stapled Securities which are traded on the ASX under the identifier "NSR".

As part of the IPO, The Trust Company (RE Services) Limited ACN 003 278 831 (AFSL Number 235150) ("**Trust Co RE**") was appointed the responsible entity of the Trust. On 10 November 2015, Trust Co RE retired and NSFS was appointed the new Responsible Entity ("**RE**") of the Trust.

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## 3 NSR's Approach to Corporate Governance

### 3.1 Framework and ASX Compliance

The boards of NSH and NSFS are comprised of the same members, however, they each have their own respective corporate governance and compliance obligations under the Corporations Act and the ASX Listing Rules. NSFS and NSH each have their own Constitution which sets out the rights and obligations of each respective entity, and the unitholders (in the case of the Trust) and shareholders (in the case of NSH).

NSH and NSFS have entered into a cooperation deed and management agreement. These facilitate common processes and governance systems for NSH and NSFS relating to NSR and govern the relationship between the entities in relation to NSR Securities. Pursuant to these agreements, the Board of NSH is responsible for the overall governance function of NSR, however, each board discharges their respective governance obligations as required.

If there is any inconsistency between the obligations of either NSH or NSFS under the cooperation deed and the Constitution of NSH or NSFS (as relevant), the provisions of the relevant Constitution prevail to the extent of the inconsistency.

NSFS, the Board and NSH management are committed to, and recognise the importance of good corporate governance. The Board, with the assistance of NSH management, has created a framework for managing NSR which includes internal controls and business risk management processes.

The corporate governance framework adopted by NSR is supported by the highly experienced Board. The Board is integral to the determination of appropriate corporate governance arrangements for NSR and to the continual monitoring of those arrangements.

The corporate governance framework implemented by the Board on behalf of NSR is underpinned by the ASX Corporate Governance Councils' Corporate Governance Principles and Recommendations 4<sup>th</sup> Edition (the "**ASX Recommendations**"). The ASX Listing Rules require listed entities to disclose the extent of their compliance with the ASX Recommendations and to explain why they have not adopted a particular ASX Recommendation.

The Board considers that the governance practices adopted by the Group as at the date of this Statement comply with the ASX Recommendations.

The Group's policies, codes, and charters relevant to corporate governance are located on NSR's website at [www.nationalstorageinvest.com.au/governance](http://www.nationalstorageinvest.com.au/governance).

Detail on NSR's compliance with the ASX Recommendations are set out below in this Statement.

This Statement has been adopted by the Board as at 22 August 2022.

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## 4 Principle 1 – Lay Solid Foundations for Management and Oversight

### 4.1 Recommendation 1.1

NSR requires that there must be a minimum of three (3) directors of the Board, a majority of which must be non-executive, independent directors.

The directors will determine the size of the Board, subject to the NSH Constitution, which provides that there can be no less than three directors on each Board.

As at the date of this Statement, the Board is comprised as follows:

1. Anthony Keane – Independent Non-Executive Chair;
2. Howard Brenchley – Independent Non-Executive Director;
3. Steven Leigh – Independent Non-Executive Director;
4. Inmaculada (Inma) Beaumont - Independent Non-Executive Director;
5. Scott Smith - Independent Non-Executive Director;
6. Andrew Catsoulis – Managing Director; and
7. Claire Fidler – Executive Director.

Details on the NSH and NSFS Directors' respective experience and qualifications are set out in the 2022 NSR Annual Report at pages 38 and 40.

The role of the Board is to provide overall strategic guidance for NSR and effective oversight of management. The Board ensures that the activities of NSH comply with its legal and regulatory requirements, and NSH's Constitution, from which the Board derives its authority to act.

The responsibility for the daily operation and management of NSR is delegated to the Managing Director of NSH, who undertakes this task in accordance with the strategy, policies and plans approved by the Board. The Managing Director has authority to sub-delegate to the senior management team. Matters delegated to management by the Board are reviewed from time to time to ensure they are appropriate.

The RE Board also delegates to management of NSH the management of all matters not reserved for the RE Board. Whilst the RE has the same board members, the RE has implemented separate policies and procedures and maintains its own systems for compliance and good governance.

The Board has adopted a Board Charter which details the framework for the Board's operation, functions, and responsibilities. It also details the matters that are reserved for the Board. The Board Charter is located at [www.nationalstorageinvest.com.au/governance](http://www.nationalstorageinvest.com.au/governance).

## 4.2 Recommendation 1.2

The process of selection and appointment of new directors to the Board is that when a vacancy arises or the Board determines that additional directors should be appointed, the Nomination Committee identifies candidates with appropriate skills, experience, and expertise. Candidates the Nomination Committee considers best complement the Board's effectiveness, and the skill and experience set of the Board matrix, will be recommended to the Board. When the Board considers that a suitable candidate has been found that person may be appointed by the Board to fill a casual vacancy in accordance with the NSH Constitution, but then must stand for election by Securityholders at the proceeding annual general meeting ("**AGM**").

The Board has adopted a Nomination Committee Charter that details appointment of new directors to the Board. The Charter requires the undertaking of appropriate and necessary checks before a person can be appointed to the Board. The Charter is located at [www.nationalstorageinvest.com.au/governance](http://www.nationalstorageinvest.com.au/governance).

The NSH Board considers that its current members have an appropriate balance of skills, independence, and experience to discharge their obligations and effectively chart the strategy of NSR. The NSH Board considers that it is appropriate and in the best interests of NSR and the stapled securityholders to periodically review the size and composition of the Board and its skill set to ensure that it remains appropriate for NSR.

## 4.3 Recommendation 1.3

NSH enters into written letters of engagement with its directors that set out the terms of their appointment.

NSH also enters into written contracts of employment with its senior executive officers which set out their terms of employment. Further details on these contracts are available in the Remuneration Report in the 2022 NSR Annual Report at page 53.

The Board Charter also provides further details on the Board and requirements regarding director engagement.

## 4.4 Recommendation 1.4

The Company Secretary of NSH is directly accountable to the Board through the Chair of the Board on all governance matters and issues relating to the operation, function, and responsibilities of the Board.

The Company Secretary and Chair regularly meet to discuss regulatory and legal requirements, Board operations and functions and to plan the Board's schedule throughout the year to ensure efficient and compliant functioning of the Board.

The Board Charter sets out detail of the Company Secretary's role and accountability.

## 4.5 Recommendation 1.5

The Board and management of NSR are committed to ensuring that the workforce of the Group is comprised of and attracts talented people from a diversity of backgrounds. The Group promotes a culture of equality for all including on the basis of gender, race, sexual orientation, religion and age, amongst others.

The Board has adopted a Diversity Policy that is located at [www.nationalstorageinvest.com.au/governance](http://www.nationalstorageinvest.com.au/governance). The Policy sets out NSR's commitment to diversity and its requirements to achieve this, including the

requirement to set measurable objectives for achieving gender diversity and an annual assessment of the objectives and its progress in achieving them.

The Diversity Policy establishes a diversity committee. At this time, the Board has determined that the full Board will continue to discharge the responsibilities of the committee as given its size it believes it is appropriate for the full Board to be involved in gender equality.

The objective set by the Board for the Reporting Period continued to be for the Company to strive for 50% of senior management to be women and 30% of senior executive roles to be women.

During the year, the Company was pleased to release its report to the Workplace Gender Equality Agency ("**WGEA**") and receive its certificate of compliance. A copy of the report is located at [www.nationalstorageinvest.com.au/governance/](http://www.nationalstorageinvest.com.au/governance/). A summary of the key statistics for the period up until 31 March 2022 is as follows:

- Executives: 33% female, 66% male;
- All Managers (excluding Executives): 30% female, 70% male; and
- All Staff (excluding Managers and Executives): 54% female, 46% male.

During the year, NSH continued to encourage and support women in their career at National Storage, with its flexible work practices, Paid Parental Leave Scheme, and its ongoing commitment to family values. National Storage's inclusive and supportive culture is reflected in the WGEA reporting statistics.

With the appointment of Inma Beaumont and Scott Smith as independent non-executive directors effective 1 July 2022, the key statistic for the Board changed to:

- 29% female, 71% male.

Following the retirement of non-executive director Steven Leigh at the conclusion of the 2022 AGM in October, the composition of the Board will be:

- 33% female, 67% male.

The objective set by the Board for the next five years is:

- to have at least 50% female representation at the senior executive and board level; and
- to maintain at least 50% female representation in the workforce.

#### **4.6 Recommendation 1.6 and 1.7**

The Board Charter and Remuneration Committee Charter set out the annual performance appraisal process for the Board. The Chair evaluates the other directors' performances, and the Remuneration Committee evaluates the Chair's performance and reports to the Board. The Board and Chair may utilise independent consultants to assist in evaluation or performance criteria.

Senior management are evaluated by the Executive and subsequently the Remuneration Committee and the Board. The Managing Director is evaluated by the Remuneration Committee and the Board. Further information on the review processes is detailed in the Remuneration Report in the 2022 NSR Annual Report at pages 53 to 54.

During the Reporting Period, each of the Board members conducted a self-assessment questionnaire and undertook a detailed review of the Board skills' matrix.

The Board considered that no changes were required to the size or skillset of the Board at this time due to:

- Laurence Brindle's retirement from the Board on 5 April 2022;
- Inma Beaumont and Scott Smith's appointment to the Board on 1 July 2022; and
- Steven Leigh's retirement from the Board effective on the NSR 2022 AGM.

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## 5 Principle 2 – Structure the Board to be Effective and Add Value

### 5.1 Recommendation 2.1

During the Reporting Period, NSR had both a Nomination Committee and a Remuneration Committee. The role and responsibilities of the Nomination Committee are set out in the Nomination Committee Charter, which has been approved by the Board. The charter is reviewed annually.

The committee assists and advises the Board on:

- (a) director selection and appointment practices;
- (b) director performance evaluation processes and criteria;
- (c) Board composition; and
- (d) succession planning for the Board and Senior Executives,

to ensure that the Board is of a size and composition conducive to making appropriate decisions, has the benefit of a variety of perspectives and skills, and is in the best interests of NSR.

The current composition of the Nomination Committee is:

- (a) Steven Leigh (Chair);
- (b) Anthony Keane; and
- (c) Howard Brenchley.

Mr Leigh, Mr Keane, and Mr Brenchley are independent non-executive directors.

The Nomination Committee Charter is located at [www.nationalstorageinvest.com.au/governance](http://www.nationalstorageinvest.com.au/governance).

Further details on NSR Nomination Committee meetings held during the Reporting Period, can be found on page 40 of the Directors' Report in the 2022 NSR Annual Report.

### 5.2 Recommendation 2.2

The Board considers it important that it continues to:

- (a) maintain a Board of a size that is efficient and effective and has directors who have an appropriate collective mix of skills, experience, expertise, and diversity; and
- (b) ensure a balance of tenures in its directors between new directors and longer serving directors with experience and knowledge of the operations of NSR.

On a collective basis, the Board has an extensive range of technical and commercial



skills and relevant experience. The experience and skill set present amongst the Board members collectively are:

- (a) ASX listed experience;
- (b) Capital and debt raising;
- (c) Commercial and material transactions;
- (d) Corporate strategy;
- (e) Diversity and inclusion;
- (f) Environment and sustainability;
- (g) Financial, treasury and banking;
- (h) Governance, compliance, and regulation;
- (i) Human resources and executive/board remuneration;
- (j) International business;
- (k) Legal;
- (l) Marketing;
- (m) Property development;
- (n) Property, real estate and portfolio acquisition and management;
- (o) Risk management;
- (p) Self-storage industry;
- (q) Technology; and
- (r) WHS.

The Board considers that its existing skills and experience are appropriate to discharge its responsibilities and obligations both for NSH and for NSFS.

The RE Board also ensures that it maintains independent judgment in board decisions. The RE Board meets at least quarterly and more frequently as required to consider matters in relation to the Trust.

### **5.3 Recommendation 2.3**

The Board has assessed each of its directors and considers each of its non-executive directors to be independent. Details of the Board's independent Directors can be found on page 37 to 340 of the 2022 NSR Annual Report.

### **5.4 Recommendation 2.4 and 2.5**

The Board Charter requires that the majority of its Directors be independent, and that the Chair be an independent Director. The Board assesses the Directors' independence regularly.

The RE Board is provided with regular detailed reports on the financial position,

financial performance, and business of the Trust to allow the board to effectively fulfil its responsibilities.

## 5.5 Recommendation 2.6

To ensure NSH Directors remain well informed and educated to enable them to discharge their obligations, and best serve NSR, each Director receives an induction upon their appointment and continuing education throughout their term. Details of the induction process and on-going education process are set out in the Board Charter.

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## 6 Principle 3 – Act Lawfully, Ethically and Responsibly

### 6.1 Recommendation 3.1

“Teamwork, Care and Excellence” are the values of the organisation and are the guiding principles that NSR requires from its Directors, senior executives, and employees to achieve its strategic goals.

The detail of the values and commitments of NSR in achieving its strategic outcomes are set out in the Code of Conduct, a copy of which can be found at [www.nationalstorageinvest.com.au/governance](http://www.nationalstorageinvest.com.au/governance).

### 6.2 Recommendation 3.2

NSR has a Code of Conduct for its Directors, senior executives, and employees that was in place throughout the Reporting Period. All new employees of NSH are required to review the Code and confirm their understanding and acceptance of the Code upon their commencement with NSH. Employees are required to ensure that they report any breaches of the Code to senior management and material incidents are reported to the Board. The Code is located at [www.nationalstorageinvest.com.au/governance](http://www.nationalstorageinvest.com.au/governance).

### 6.3 Recommendation 3.3

NSR has a standalone Whistleblower Policy, a copy of which can be found at [www.nationalstorage.com.au/governance](http://www.nationalstorage.com.au/governance). Any material incidents arising pursuant to the Whistleblower Policy must be reported to the Board.

### 6.4 Recommendation 3.4

NSR has a standalone Anti-Bribery and Corruption Policy, a copy of which can be found at [www.nationalstorageinvest.com.au/governance](http://www.nationalstorageinvest.com.au/governance). Any breach of these provisions is to be reported to the Board of NSH.

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## 7 Principle 4 – Safeguard Integrity of Corporate Reporting

### 7.1 Recommendation 4.1

During the Reporting Period, NSR had both an Audit Committee and a Risk Committee. NSR has an Audit Committee which is currently comprised of three (3) independent non-executive Directors. The Chair of the Audit Committee is Mr Howard Brenchley.

The Audit Committee Charter is located at [www.nationalstorageinvest.com.au/governance](http://www.nationalstorageinvest.com.au/governance).

The committee members and the number of times the committee met are set out on page 40 of the 2022 NSR Annual Report, and the relevant qualifications and

experience of the committee members are set out on pages 38 to 40 and of the 2022 NSR Annual Report.

The board of the RE is comprised mostly of independent non-executive Directors. Therefore, no compliance committee has been convened, as the Board is responsible for oversight of compliance.

The RE Board has delegated the engagement and monitoring of independent external auditors for the Trust to the NSH Board. The RE Board receives periodic reports from the external auditor in relation to financial reporting and the compliance plan for the Trust.

## **7.2 Recommendation 4.2 and 4.3**

Before the Financial Statements of NSR for the year ended 30 June 2022 were approved by the Board, a declaration was received by the Board of NSH and the Board of NSFS, from the Chief Financial Officer and Managing Director that the Financial Statements and reports are in accordance with the relevant accounting standards, give a true and fair view of the financial position and operating results of NSR and that those opinions were formed on the basis of a sound system of risk management and internal compliance and control which operate efficiently and effectively for the entire Financial Year.

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## **8 Principle 5 – Make Timely and Balanced Disclosure**

### **8.1 Recommendation 5.1**

The Board has adopted a Continuous Disclosure and Communications Policy. The Continuous Disclosure and Communications Policy is located at [www.nationalstorageinvest.com.au/governance](http://www.nationalstorageinvest.com.au/governance).

The Board has established a management disclosure committee. The members of this committee are:

- (a) Company Secretary;
- (b) the Managing Director of NSH; and
- (c) the Chief Financial Officer of NSH.

The Board and the RE Board are committed to ensuring that the Securityholders and the marketplace are provided with timely and full information about NSR's operations and complying with its continuous disclosure obligations contained in the ASX Listing Rules and the Corporations Act.

### **8.2 Recommendation 5.2**

The Company Secretary ensures the Board receives copies of all material market announcements promptly after they have been made. This forms part of the Company Secretary's role and responsibilities detailed in NSR's Continuous Disclosure and Communications Policy.

### **8.3 Recommendation 5.3**

As part of NSR's Continuous Disclosure and Communications Policy, the Company Secretary ensures that any new and substantive investor or analyst presentations are disclosed to the ASX market.

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## 9 Principle 6 – Respect the Rights of Securityholders

### 9.1 Recommendation 6.1

NSR has a website that includes detailed information about NSR and its governance framework. NSR's website is located at [www.nationalstorage.com.au](http://www.nationalstorage.com.au).

Information about NSR's governance framework, Board, Management, policies, and charters is located at [www.nationalstorageinvest.com.au](http://www.nationalstorageinvest.com.au).

### 9.2 Recommendation 6.2 and 6.3

NSR is committed to effective and efficient communications with its members, and has an objective of promoting investor confidence and the rights of Securityholders by:

- (a) complying with the continuous disclosure obligations imposed by law;
- (b) ensuring that company announcements are presented in a factual, clear, and balanced way;
- (c) ensuring that all Securityholders have equal and timely access to material information concerning the NS Stapled Entity; and
- (d) communicating effectively with Securityholders and making it easy for them to participate in general meetings.

NSR's members are encouraged to attend the AGM and take the opportunity to meet and ask questions of the Board and management.

NSR's investor relations and communications framework is established in the Continuous Disclosure and Communications Policy.

Further details about NSR investor relations can be found on pages 124 of the 2022 NSR Annual Report.

The RE's Client Complaints Handling Procedure is located on [www.nationalstorageinvest.com.au/governance](http://www.nationalstorageinvest.com.au/governance) and NSR investors can provide feedback to the RE via the webform located at [www.nationalstorageinvest.com.au/investor-feedback](http://www.nationalstorageinvest.com.au/investor-feedback).

The RE is also a member of the Australian Financial Complaints Authority, an independent dispute resolution body, which is available to investors if any complaints cannot be satisfactorily resolved by the RE.

### 9.3 Recommendation 6.4

NSR conducts all substantive resolutions by way of a poll at meetings of its securityholders.

### 9.4 Recommendation 6.5

NSR has given all its members and investors the option to receive communications from, and to send communications to NSR and the registry electronically. Further details can be found on page 124 of the 2022 NSR Annual Report.

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## 10 Principle 7 – Recognise and Manage Risk

### 10.1 Recommendation 7.1

During the Reporting Period, NSR had both an Audit Committee and a Risk Committee. The details regarding the Audit Committee, its membership and the number of meetings held are set out in section 7.1 of this Statement.

NSR has a Risk Committee which is currently comprised of three (3) independent non-executive directors. The Chair of the Risk Committee is Mr Howard Brenchley.

Details on the committee meetings are set out on page 40 of the 2022 NSR Annual Report and the relevant qualifications and experience of the committee members are set out on pages 38 to 40 of the 2022 NSR Annual Report.

The Risk Committee Charter is located at [www.nationalstorageinvest.com.au/governance](http://www.nationalstorageinvest.com.au/governance).

### 10.2 Recommendation 7.2

The Risk Committee Charter requires the Charter and risk framework be annually assessed by the Board. The Head of Legal and Governance oversees the Enterprise Risk function and the framework, which was assessed by the Risk Committee, with due regard to the risk appetite set by the board, during the Reporting Period.

### 10.3 Recommendation 7.3

NSR has implemented risk management processes that are designed to minimise and eliminate material risks by identification and mitigation through internal controls and constant monitoring of controls and processes along with auditing.

Risk Management occurs within a framework that identifies and treats risk in terms of its operational, regulatory, reputation and financial or other impact to the business.

NSR has an internal audit function which conducts a risk and compliance-based program of audits on various operations in the Group. The audits are both planned and impromptu. The internal audit function reports directly through to the Managing Director and to the Audit Committee.

The RE values the importance of robust risk management systems and maintains a risk register as part of its formal risk management program. The RE Board is responsible for the oversight of risk management, internal control systems and compliance matters for the RE.

### 10.4 Recommendation 7.4

Environmental and social risks that NSR has identified, and correlating mitigation strategies, are set out on pages 35 to 37 of the 2022 NSR Annual Report.

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## 11 Principle 8 – Remunerate Fairly and Responsibly

### 11.1 Recommendation 8.1

During the Reporting Period, the Remuneration Committee continued to be comprised of three (3) independent non-executive Directors. The Chair of the Remuneration Committee is Mr Steven Leigh.

The Committee also assists and advises the Board on remuneration policies and practices for the Board, the Managing Director, other senior executives as determined by the Board from time to time and other persons whose activities, individually or collectively, affect the financial soundness of NSR.

The Remuneration Committee Charter is located at [www.nationalstorageinvest.com.au/governance](http://www.nationalstorageinvest.com.au/governance).

The committee members and the number of times the committee met are set out on page 40 of the 2022 NSR Annual Report and the relevant qualifications and experience of the committee members are set out on pages 38 to 40 of the 2022 NSR Annual Report.

## **11.2 Recommendation 8.2**

NSR has adopted policies and procedures regarding remuneration of Directors (non-executive and executive) and senior executives that are found in the Board Charter and Remuneration Committee Charter.

Details regarding NSR remuneration during the Reporting Period can be found in the Remuneration Report on pages 43 to 56 of the 2022 NSR Annual Report.

The fees and expenses which the RE is permitted to receive out of the assets of the Trust are set out in the Trust constitution. NSH receives a fee from NSFS for the administration services it provides to the RE.

## **11.3 Recommendation 8.3**

As at the date of this Statement, senior executives have a combination of cash and equity-based incentives. The Equity Incentive Plan Rules are located at: <https://www.nationalstorageinvest.com.au/governance/>.

The Board has adopted a Trading Policy that governs whether a transaction is permitted by any Director or executive. The Trading Policy is located at [www.nationalstorageinvest.com.au/governance](http://www.nationalstorageinvest.com.au/governance). The current Trading Policy forbids a number of dealings relating to Stapled Securities, including insider trading, trading during closed or "black-out" periods, margin loans for securities, short term or speculative trading in securities and hedging of securities.