



# **National Storage REIT**

## **Corporate Governance Statement**

**National Storage Holdings Limited**

Dated 26 August 2015

# Corporate Governance Statement

<b>1</b>	<b>Definitions</b>	<b>3</b>
<b>2</b>	<b>NSR</b>	<b>3</b>
2.1	Formation and Structure	3
<b>3</b>	<b>NSR's Approach to Corporate Governance</b>	<b>3</b>
3.1	Framework and ASX Compliance	3
<b>4</b>	<b>Principle 1 – Lay Solid Foundations for Management and Oversight</b>	<b>4</b>
4.1	Recommendation 1.1	4
4.2	Recommendation 1.2	5
4.3	Recommendation 1.3	5
4.4	Recommendation 1.4	6
4.5	Recommendation 1.5	6
4.6	Recommendation 1.6 and 1.7	7
<b>5</b>	<b>Principle 2 – Structure the Board to Add Value</b>	<b>7</b>
5.1	Recommendation 2.1	7
5.2	Recommendation 2.2	8
5.3	Recommendation 2.3	8
5.4	Recommendation 2.4 and 2.5	9
5.5	Recommendation 2.6	9
<b>6</b>	<b>Principle 3 – Act Ethically and Responsibly</b>	<b>9</b>
6.1	Recommendation 3.1	9
<b>7</b>	<b>Principle 4 – Safeguard Integrity in Corporate Reporting</b>	<b>9</b>
7.1	Recommendation 4.1	9
7.2	Recommendation 4.2	10
7.3	Recommendation 4.3	10
<b>8</b>	<b>Principle 5 – Make Timely and Balanced Disclosure</b>	<b>10</b>
8.1	Recommendation 5.1	10
<b>9</b>	<b>Principle 6 – Respect the Rights of Security Holders</b>	<b>10</b>
9.1	Recommendation 6.1	10
9.2	Recommendation 6.2 and 6.3	10
9.3	Recommendation 6.4	11
<b>10</b>	<b>Principle 7 – Recognise and Manage Risk</b>	<b>11</b>
10.1	Recommendation 7.1	11
10.2	Recommendation 7.2	11
10.3	Recommendation 7.3	11
10.4	Recommendation 7.4	12
<b>11</b>	<b>Principle 8 – Remunerate Fairly and Responsibly</b>	<b>12</b>
11.1	Recommendation 8.1	12
11.2	Recommendation 8.2	12
11.3	Recommendation 8.3	12

---

## 1 Definitions

In this charter:

**Board** means the board of directors of NSH for overseeing activities of NSR.

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

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

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

**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.

**Reporting Period** means the Financial Year ended 30 June 2015.

**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

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

**Trust Co RE** means The Trust Company (RE Services) Limited (ACN 003 278 831 and AFSL Number 235150).

**Trust Co RE Board** means the board of directors of Trust Co RE.

---

## 2 NSR

### 2.1 Formation and Structure

NSR 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 a Stapled Security which are traded on the ASX under the identifier “NSR”.

As part of the IPO, Trust Co RE was appointed the Responsible Entity (“RE”) of the Trust.

---

## 3 NSR’s Approach to Corporate Governance

### 3.1 Framework and ASX Compliance

NSH and Trust Co RE both have their own boards and their own respective corporate governance and compliance obligations under the Corporations Act and the Australian Securities Exchange (“ASX”) Listing Rules. Trust Co RE and NSH each have their own respective 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) respectively. If there is any inconsistency between the obligations of either NSH or Trust Co RE under the

Cooperation Deed and the Constitution of NSH or Trust Co RE (as relevant), the provisions of the relevant Constitution prevail to the extent of the inconsistency.

NSH and Trust Co RE have entered into a cooperation deed and management agreement. These facilitate common processes and governances for NSH and Trust Co RE relating to NSR, and govern the relationship between the entities in relation to NSR Securities. Pursuant to these agreements, the Board is responsible for the governance function of NSR and reports to Trust Co RE on governance matters (other than governance that is solely related to Trust Co RE and not NSR).

The Trust Co, Board and NSH management are committed to, and recognise the importance of good corporate governance. The Board, with the assistance of NSH management have 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 and Trust Co RE Board. Both Boards are 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 Board on behalf of NSR is underpinned by the ASX Corporate Governance Councils Corporate Governance Principles and Recommendations Third 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 Recommendation.

The Board considers that the governance practices adopted by the Group as at the date of this Statement, fully comply with the ASX Recommendations 3<sup>rd</sup> edition. The Board considers that during the Financial Year ended 30 June 2015, as of 26 February 2015, the Group was in full compliance with the ASX Recommendation upon the appointment of additional committee members. As advised in NSR's 2014 Corporate Governance Statement, two additional independent non-executive directors were appointed to the Board at the 2015 Annual General Meeting. This enabled NSR to fully comply with the ASX Recommendations upon the appointment of two of the new directors to the audit, risk, nomination and remuneration committees.

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 and the Trust Co RE Board as at 26 August 2015.

---

## **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. Laurence Brindle – independent non-executive Chairman;
2. Anthony Keane – independent non-executive director;
3. Howard Brenchley – independent non-executive director;
4. Steven Leigh – independent non-executive director; and
5. Andrew Catsoulis – Managing Director.

Details on the NSH Directors' respective experience and qualifications are set out in the 2015 NSR Annual Report at pages 26-28 and 41-42, and for the Trust Co RE Directors at page 43-44.

The role of 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 Trust Co RE Board delegates to management of Trust Co RE the management of all matters not reserved for the Trust Co RE Board. Directors and staff of the Trust Co RE are subject to the Perpetual Limited Group's ("Perpetual") policies and procedures.

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 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 sets of the Board matrix, will be recommended to 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 security holders at the proceeding annual general meeting.

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).

During the year, the Board identified two new independent non-executive director candidates to appoint to the Board – Mr Howard Brenchley and Mr Steven Leigh. Mr Leigh and Mr Brenchley were proposed as directors at the Company's Annual General Meeting (AGM) and were elected by a vote at the AGM.

## 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 detail on these contracts are available in our Remuneration Report in the 2015 NSR Annual Report at pages 46, and 51 - 57.

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 Chairman of the Board on all governance matters and issues relating to the operation, function and responsibilities of the Board.

The Company Secretary and Chairman 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 measureable 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 objectives 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 25% of senior executive roles to be women. During the year, the Company was proud to release its first report to the Workplace Gender Equality Agency and was pleased to receive its certificate of compliance. A copy of the report can be found at [www.nationalstorageinvest.com.au/governance](http://www.nationalstorageinvest.com.au/governance) and a summary of the key statistics is as follows:

- Executives: 32% female, 68% male;
- All Managers: 53% female, 47% male; and
- All Staff: 51% female, 49% male.

During the year, the Company finalised the NS excel program which encourages and supports women in their career at National Storage. NSR is looking to build upon this initiative in 2016.

The Board currently does not have any female members, however, the desire of the Board to appoint another Director to promote its diversity goals has been identified as a priority project of the Board. It has been working towards the goal of making such appointment in the 2016 Financial Year.

#### **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 Chairman evaluates the other directors' performances, and the Remuneration Committee evaluates the Chairman's performance and reports to the Board. The Board and Chairman may utilise independent consultants to assist in evaluation or performance criteria.

Senior management are evaluated by the Managing Director and subsequently the Remuneration Committee and the Board. The Managing Director is evaluated by the Remuneration Committee and the Board. Further detail on the review processes is detailed in the Remuneration Report in the 2015 NSR Annual Report at pages 47-57.

During the Reporting Period, the Board's performance was evaluated along with senior management's, with the Board being pleased with the performance.

The Trust Co RE Board delegates to management of Trust Co RE the management of all matters not reserved for the Trust Co RE Board. Directors and staff of Trust Co RE operate under Perpetual Limited group's policies and procedures.

---

## **5 Principle 2 – Structure the Board to Add Value**

### **5.1 Recommendation 2.1**

During the Reporting Period, NSR had a combined Nomination and Remuneration Committee that was separated into two separate Committees during the Reporting Period. 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, and has the benefit of a variety of perspectives and skills and in the best interests of NSR.

The current composition of the Nomination Committee is:

- (a) Laurence Brindle (Chairman);
- (b) Anthony Keane; and
- (c) Steven Leigh.

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

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

Further details on NSR nomination committee meetings held during the Reporting Period, can be found on pages 47-57 of the Remuneration Report in the 2015 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 sets present amongst the Board members collectively are:

- (a) Self-storage industry;
- (b) Property, real estate and portfolio acquisition and management;
- (c) ASX listed experience
- (d) Financial, treasury and banking;
- (e) Legal;
- (f) Governance, compliance and regulation;
- (g) Capital and debt raising;
- (h) Corporate strategy;
- (i) Commercial and material transactions
- (j) Risk management; and
- (k) Human resources and executive/Board remuneration.

The Board considers that its existing skills and experience are appropriate to discharge its responsibilities and obligations. The addition of two new directors at the 2014 AGM have further complimented and strengthened the inaugural Board member's skill sets. Further, the Board is seeking to build upon its already strong skills matrix with the appointment of a suitably qualified additional Director who also assists in the meeting of the Boards diversity goal.

The Trust Co RE board consists of four executive directors. The RE board meets regularly and considers that the composition and mix of skills of directors is appropriate for the directors to understand the Trust Co RE's business and to discharge their duties. The RE board also ensures that it maintains independent judgement 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 41-42 of the 2015 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 Chairman 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. NSH directors have access to the management, staff and advisers of the RE and Perpetual as necessary if they require additional information.

## **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.

---

# **6 Principle 3 – Act Ethically and Responsibly**

## **6.1 Recommendation 3.1**

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

The Trust Co RE has an Ethical Framework and a Code of Conduct within which it carries on its business and deals with its stakeholders, as well as a Diversity Policy pursuant to which measurable objectives are being developed. These apply equally to all directors and employees of Perpetual Limited and the Trust Co RE.

---

# **7 Principle 4 – Safeguard Integrity in Corporate Reporting**

## **7.1 Recommendation 4.1**

During the Reporting Period, NSR had a combined Audit and Risk Committee that was separated into two separate Committees. NSR has an Audit Committee which is currently comprised of the three (3) independent non-executive Directors. The Chairman of the Audit Committee is Mr Anthony Keane.

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 45 of the 2015 NSR Annual Report, and the relevant qualifications and experience of the committee members are set out on page 41-42 of the 2015 NSR Annual Report.

The Trust Co RE Compliance Committee is comprised of John Richardson, Michelene Collopy and Virginia Malley and meets at least quarterly. The Compliance Committee Charter sets out its role and responsibilities.

The Trust Co RE board has delegated the engagement and monitoring of independent external auditors for the Trust to the NSH board. The Trust Co 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**

Before the Financial Statements of NSR for the year ended 30 June 2015 were approved by the Board, a declaration was received by the Board and Trust Co RE Board 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.

## **7.3 Recommendation 4.3**

The auditors of NSR are required to attend the AGM to be available for questions from members relevant to the audit.

---

# **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 disclosure committee. At the date of adoption of this policy, the members are:

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

The Board and Trust Co RE Board are committed to ensuring that its security holders and the marketplace are provided with timely and full information about its operations, and complying with its continuous disclosure obligations contained in the ASX Listing Rules and Corporations Act.

---

# **9 Principle 6 – Respect the Rights of Security Holders**

## **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/corporate](http://www.nationalstorageinvest.com.au/corporate).

## **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 Stapled Security holders 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 Stapled Security holders have equal and timely access to material information concerning the NS Stapled Entity; and
- (d) communicating effectively with Stapled Security holders and making it easy for them to participate in general meetings.

Our members are encouraged to attend the Annual General Meeting and take the opportunity to meet and ask questions of the Board and management.

Our 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 134-135 of the 2015 NSR Annual Report.

The Trust Co RE is a member of the Financial Ombudsman Service, an independent dispute resolution body, which is available to investors in the event that any complaints cannot be satisfactorily resolved by the Trust Co RE.

### **9.3 Recommendation 6.4**

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 134 of the 2015 NSR Annual Report.

---

## **10 Principle 7 – Recognise and Manage Risk**

### **10.1 Recommendation 7.1**

During the Reporting Period, NSR had a combined Audit and Risk Committee that was separated into two separate Committees. 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 Chairman of the committee is Mr Anthony Keane.

Details on the committee meetings are set out on page 45 of the 2015 NSR Annual Report and the relevant qualifications and experience of the committee members are set out on page 41-42 of the 2015 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 framework was assessed during the Reporting Period and NSR is currently engaged in undertaking a broad spectrum Enterprise Risk Project to further strengthen its existing processes and systems.

### **10.3 Recommendation 7.3**

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

Risk Management occurs within a framework that identifies and treats risk in terms of its operational, regulatory, reputation and financial 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 Company Secretary who in turn reports to the Audit Committee.

The Trust Co RE values the importance of robust risk management systems and maintains a current risk register as part of its formal risk management program. The Trust Co RE Board is responsible for the oversight of risk management, internal control systems and compliance matters for the Trust Co RE, having regard to Perpetual's policies around breaches and incidents and the Perpetual Complaints Handling Policy.

#### **10.4 Recommendation 7.4**

Risks that NSR has identified and correlating mitigation strategies are set out on page 40 of the 2015 NSR Annual Report.

---

## **11 Principle 8 – Remunerate Fairly and Responsibly**

### **11.1 Recommendation 8.1**

During the Reporting Period, NSR had a combined Nomination and Remuneration Committee that was separated into two separate Committees. NSR has a Remuneration Committee which is currently comprised of three (3) independent non-executive Directors. The Chairman of the Remuneration Committee is Mr Laurie Brindle.

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 45 of the 2015 NSR Annual Report and the relevant qualifications and experience of the committee members are set out on page 41-42 of the 2015 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 47-57 of the 2015 NSR Annual Report.

The fees and expenses which the Trust Co RE is permitted to receive out of the assets of the Trust are set out in the Trust constitution and PDS provided to investors in 2013. Staff involved in the day to day operations of the Trust Co RE are remunerated by a company within the Perpetual Limited Group and not by the Trust.

### **11.3 Recommendation 8.3**

As at the date of this Statement, there is no equity based remuneration of either Directors or senior executives. The Board has adopted a Trading Policy that governs whether a transaction is permitted by the 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.