



# National Storage REIT

## Audit Committee Charter

**National Storage Holdings Limited**

Dated 30 September 2014

Reviewed 16 June 2020

# Audit Committee charter

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# Audit Committee Charter

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## 1 Definitions

In this charter:

**National Storage REIT** means the stapled vehicle comprising NSH and the Trust.

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

**NSH Board** means the board of directors of NSH for overseeing activities of National Storage REIT.

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

**Trust** means National Storage Property Trust as constituted by the Trust Constitution.

**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 Purpose and authority

### 2.1 Purpose

The purpose of this Audit Committee Charter is to specify the authority delegated to the Audit Committee ("**Committee**") by NSH Board and to set out the role, responsibilities, membership and operation of the Committee.

### 2.2 Authority

The Committee is a committee of NSH Board established in accordance with the NSH Constitution and is authorised by NSH Board to assist it in fulfilling its statutory and regulatory responsibilities. It has the authority and power to exercise the responsibilities set out in this charter and under any separate resolutions of NSH Board granted to it from time to time.

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## 3 Role of the Committee

The role of the Committee is to assist NSH Board in carrying out its accounting and auditing management and financial reporting responsibilities, including oversight of:

- (a) the integrity of the National Storage REIT's financial reporting and financial statements, internal financial control, financial procedures and policies and the independence of external auditors;
- (b) the appointment, remuneration, independence and competence of the National Storage REIT's external auditors;
- (c) the performance of the internal and external audit functions and review of their audits.

The Committee will also carry out any other reviews or assignments requested by NSH Board.

The Committee will report to NSH Board on all matters relevant to its roles and responsibilities and ensure NSH Board is aware of matters which may significantly impact the financial condition or affairs of National Storage REIT.

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## **4 Audit responsibilities**

### **4.1 External reporting**

The Committee is responsible for:

- (a) reviewing the appropriateness of the accounting principles adopted by management in the composition and presentation of financial reports;
- (b) overseeing the preparation of financial reports and reviewing the results of external audits of these reports;
- (c) assessing significant estimates and judgments in financial reports by examining the processes used to derive material estimates and judgments and seeking verification of those estimates from internal and external auditors;
- (d) reviewing management's processes for ensuring and monitoring compliance with laws, regulations and other requirements relating to the preparation of accounts and external reporting by the National Storage REIT of financial and non-financial information;
- (e) assessing (before publication) whether external reporting is consistent with Committee members' information and knowledge and is adequate for shareholder needs;
- (f) reviewing material documents and reports prepared for lodgement with regulators, assessing their impact on the National Storage REIT and making recommendations to NSH Board on their approval or amendment;
- (g) ensuring that a comprehensive process is established to capture issues for the purpose of continuous reporting to ASX;
- (h) reviewing the completeness and accuracy of the National Storage REIT's main corporate governance practices as required by ASX Listing Rules;
- (i) assessing information from internal and external auditors that affects the quality of financial reports;
- (j) asking the external auditor for an independent judgment about the appropriateness of the accounting principles used and the clarity of financial disclosure practices used by the National Storage REIT;
- (k) assessing solvency and the going concern assumption;
- (l) assessing the management of non-financial information in documents to ensure that conflicts with financial statements and other documents do not occur; and
- (m) recommending to NSH Board whether the financial and non-financial statements should be signed based on the Committee's assessment of them.

### **4.2 External audit**

The Committee is responsible for:

- (a) making recommendations to NSH Board on the appointment and remuneration of the external auditor and, if appropriate, recommending that tenders be called to assist in deciding which external auditor should be recommended;
- (b) agreeing the terms of engagement of the external auditor before the start of each audit;
- (c) reviewing the external auditor's fee and being satisfied that an effective, comprehensive and complete audit can be conducted for the external auditor's set fee;

- (d) monitoring the effectiveness and independence of the external auditor, and periodically assessing their performance;
- (e) reviewing the external auditor's independence based on the external auditor's relationships and services with the National Storage REIT and other organisations;
- (f) assessing whether the external auditor's provision of non-audit services impairs or appears to impair their judgment or independence and, if required, developing policies for Board approval to ensure this does not occur;
- (g) making recommendations to NSH Board on the removal of the external auditor;
- (h) ensuring that any recommendation to replace the external auditor is carefully evaluated before NSH Board makes a final decision;
- (i) inviting the external auditor to attend Committee meetings to review the audit plan, discuss audit results and consider the implications of external audit findings;
- (j) reviewing the scope of the external audit, including identified risk areas and any additional procedures, with the external auditor on a periodic basis;
- (k) raising with the external auditor any specific points of divergence with the National Storage REIT's management;
- (l) monitoring and examining management's response to the external auditor's findings and recommendations;
- (m) reviewing all representation letters signed by management and ensuring all information provided is complete and appropriate;
- (n) meeting with the external auditor without management present at least once a year and from time to time to review the existing external audit arrangements and the scope of audit; and
- (o) establishing and making publicly available in the corporate governance section of the National Storage REIT's website information on procedures for the selection and appointment of the external auditor and for the rotation of external audit engagement partners.

### **4.3 Internal audit**

The Committee is responsible for:

- (a) approving the appointment, terms of engagement and dismissal of the chief internal audit officer;
- (b) overseeing the scope of the internal audit and having access to the internal audit function without management present;
- (c) reviewing the internal auditor's role, responsibilities and resources;
- (d) communicating its expectations to the internal auditor in writing;
- (e) ensuring that the internal auditor reports directly to both the Managing Director and to the Committee, and to the Head of Legal and Governance for administrative purposes;
- (f) reviewing and approving the internal audit plan and work program;
- (g) evaluating the effectiveness of the internal audit plan and work program and considering the implications of internal audit findings;

- (h) evaluating management's responsiveness to the internal auditor's findings and recommendations;
- (i) assessing the performance, effectiveness and objectivity of the internal audit function;
- (j) overseeing the co-ordination of the internal auditor with the external auditor; and
- (k) meeting with the internal auditor without management present at least once a year.

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## **5 Membership**

### **5.1 Composition and size**

The Committee will consist of:

- (a) only non-executive directors;
- (b) a majority of independent directors; and
- (c) at least three members.

Membership is reviewed periodically and re-appointment to the Committee is not automatic. Appointments and resignations are decided by NSH Board.

### **5.2 Chairperson**

The Chairperson of the Committee must be an independent non-executive director who is not the Chairperson of NSH Board.

The Chairperson of the Committee is appointed by NSH Board. If, for a particular Committee meeting, the Committee Chairperson is not present within 10 minutes of the nominated starting time of the meeting, the Committee may elect a Chairperson for the meeting.

### **5.3 Technical expertise**

The Committee must be structured so that:

- (a) all members are financially literate, that is, are able to read and understand financial statements;
- (b) at least one member has financial expertise, that is, is an accountant or financial professional with experience of financial and accounting matters; and
- (c) some members have an understanding of the industry in which the National Storage REIT operates.

### **5.4 Skills development**

If the Committee Chairperson approves, a Committee member may attend seminars or training related to the functions and responsibilities of the Committee at the expense of the National Storage REIT.

### **5.5 Commitment of Committee members**

Committee members must devote the necessary time and attention for the Committee to carry out its responsibilities.

At the first Committee meeting after their appointment and when NSH Board reviews Committee membership, each Committee member must confirm that they are able to devote sufficient time and attention to the Committee for the coming year.

## **5.6 Secretary**

The Company Secretary is the secretary of the Committee.

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# **6 Committee meetings and processes**

## **6.1 Meetings**

The meetings and proceedings of the Committee are governed by the provisions contained in the NSH Constitution for regulating the meetings and proceedings of NSH Board and Committees of NSH Board in so far as they are applicable and not inconsistent with this charter.

## **6.2 Frequency and calling of meetings**

The Committee will meet as frequently as required to undertake its role effectively. The Chairperson must call a meeting of the Committee if requested by another member of the Committee, the external auditor, the internal auditor or the Chairperson of NSH Board.

## **6.3 Quorum**

Two directors constitute a quorum for meetings of the Committee.

## **6.4 Attendance by management and advisors**

The Managing Director and Chief Financial Officer are expected to attend each scheduled meeting of the Committee and a standing invitation will be issued to the internal and external auditors.

The Committee Chairperson may also invite directors who are not members of the Committee, other senior executives and external advisors to attend meetings of the Committee. The Committee may request management and/or others to provide such input and advice as is required.

## **6.5 Agenda and documents**

The Chairperson of the Committee determines the meeting agenda after appropriate consultation.

The secretary distributes the agenda and any related documents to all Committee members and other attendees before each proposed meeting.

## **6.6 Access to information and advisors**

The Chairperson of the Committee receives all reports between the external auditor and management, and the internal auditor and management.

The Committee has the authority to:

- (a) require management or others to attend meetings and to provide any information or advice that the Committee requires;
- (b) access National Storage REIT documents and records;
- (c) obtain the advice of special or independent counsel, accountants or other experts, without seeking approval of NSH Board or management; and
- (d) access management and internal and external auditors.

## **6.7 Minutes**

The secretary will keep minute books to record the proceedings and resolutions of its meetings.

The Chairperson of the Committee, or delegate, will report to NSH Board after each Committee meeting. Minutes of Committee meetings will be included in the papers for the next Board meeting after each Committee meeting.

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## **7 Committee's performance evaluation**

The Committee will review its performance from time to time and whenever there are major changes to the management structure of the National Storage REIT.

The performance evaluation will have regard to the extent to which the National Storage REIT has met its responsibilities in terms of this charter.

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## **8 Review and publication of charter**

NSH Board will review this charter to ensure it remains relevant to the current needs of the National Storage REIT. The charter may be amended by resolution of NSH Board.

The charter is available on the National Storage REIT website.

**Approved by NSH Board on 30 September 2014**

**Reviewed by NSH Board on 16 June 2020**