



National Storage REIT

Risk Management Policy

National Storage Holdings Limited and National Storage Financial Services Limited

Dated 18 June 2019

Risk Management Policy

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Risk Management Policy

1 Definitions

Board means the board of directors of NSHL.

Constitutions means the NSHL constitution dated on or around 1 November 2013 (as amended or replaced from time to time) and the RE constitution (as amended or replaced from time to time).

Corporations Act means the Corporations Act 2001 (Cth).

International Standard means Risk Management – Principles and guidelines (AS/NZS ISO 31000:2009)

National Storage Group means the stapled group comprising NSHL and its Subsidiaries and RE as responsible entity of the Trust, the Trust and the entities which the Trust controls.

NSHL means National Storage Holdings Limited (ACN 166 572 845)

NS Stapled Entity means NSHL and the Trust.

Risk means the effect of uncertainty on objectives or a potential adverse effect.

Risk Management means coordinated activities to direct and control an organisation with regard to Risk

Security Holder means a holder of a security in the NS Stapled Entity

Subsidiaries has the meaning given in the Corporations Act.

RE means National Storage Financial Services Limited ACN 600 787 246.

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.

2 Purpose and Scope

2.1 Purpose

National Storage Group is committed to ensure that it maintains a sound system of Risk oversight, management and internal controls, and an appropriate Risk Management culture within its business.

2.2 Scope

This policy applies to all individuals and every business unit within the National Storage Group to ensure effective Risk identification and management. This policy describes the manner in which National Storage Group identifies, assesses, monitors and manages Risk.

This policy embraces the principles contained in the ASX Corporate Governance Principles and Recommendations (Third Edition) and incorporates the guidelines described in the Australian Standard AS/NZS ISO 31000:2009 Risk management – Principles and guidelines.

3 Risk Management Principles

National Storage Group is committed to managing Risks in a proactive and effective manner to provide assurance to the Board and stakeholders. The commitment is supported by National Storage Group's approach to effective Risk Management as underpinned by eleven principles below which is consistent with the International Standard:

(a) Risk Management creates and protects value

Risk Management contributes to the demonstrable achievement of objectives and improvement of performance in all aspects.

(b) Risk Management is an integral part of the business

Risk Management is not a stand-alone activity that is separate from the main activities and processes of National Storage Group. Risk Management is part of the responsibilities of all individuals and an integral part of all processes of National Storage Group.

(c) Risk Management is part of decision making

Risk Management helps decision makers in making informed choices, to prioritise actions and to distinguish among alternative courses of action. Ultimately, Risk Management can help with decision making on whether a Risk is unacceptable and whether Risk treatment will be adequate and effective.

(d) Risk Management explicitly addresses uncertainty

Risk Management explicitly takes account of uncertainty, the nature of that uncertainty, and how it can be addressed.

(e) Risk Management is systematic, structured and timely

A systematic, timely and structured approach to Risk Management contributes to efficiency and to consistent, comparable and reliable results.

(f) Risk Management is based on the best available information

The inputs into the process of managing Risk are based on information sources such as historical data, experience, stakeholder feedback, observation, forecasts and expert judgement. However, decision makers should inform themselves of, and should take into account, any limitations of the data or modelling used or the possibility of divergence among experts.

(g) Risk Management is tailored

Risk Management is aligned with National Storage Group's external and internal context and Risk profile.

(h) Risk Management takes human and cultural factors into account

Risk Management recognises the capabilities, perceptions and intentions of external and internal people that can facilitate or hinder achievement of National Storage Group's objectives.

(i) Risk Management is transparent and inclusive

Appropriate and timely involvement of stakeholders and in particular, decision makers at all levels of National Storage Group, ensures that Risk Management

remains relevant and up-to-date. Involvement also allows stakeholders to be properly represented and to have their views taken into account in determining Risk criteria.

(j) Risk Management is dynamic, iterative and responsive to change

As internal and external events take place, context and knowledge change, the monitoring and review of Risks take place and new Risks emerge with some changing and others disappearing. Therefore, Risk Management continually senses and responds to change.

(k) Risk Management facilitates continual improvement and enhancement of National Storage Group

Strategies should be developed and implemented to improve our Risk Management maturity alongside all other aspects of National Storage Group.

4 Risk Management Framework

- (a) Risk Management occurs within a framework that identifies and treats Risk in terms of its operational, regulatory, reputation and financial impact to the business ("Risk Management Framework").
- (b) National Storage Group is to ensure that its Risk Management systems and processes are consistent with the International Standard.
- (c) A Risk Management Framework is in place that provides the foundation and arrangements for designing, implementing, monitoring, reviewing and continually improving Risk Management throughout National Storage Group, based upon the principles of the International Standard.

5 Risk Management Process

5.1 Risk Management Communication

This policy is to be communicated internally to ensure all individuals within National Storage Group have an understanding of the policy and their individual responsibilities.

Communication and consultation are fundamental at all stages during the Risk Management process, with both external and internal stakeholders as applicable.

5.2 Risk Assessment

Risk assessment is the overall process of Risk identification, Risk analysis and Risk evaluation:

- (a) Risk identification:
 - (i) Sources of Risk, areas of impact, events (including changes in circumstances) and their causes and their potential consequences should be identified.
 - (ii) Identification should include Risks whether or not their source is under the control of National Storage Group, even though the Risk source or cause may not be evident.
 - (iii) Risk identification tools and techniques should be applied that are suited to our objectives and capabilities, and to the Risks faced.

- (b) Risk analysis:
- (i) Involves developing an understanding of the Risk and provides an input to Risk evaluation and to decisions on whether Risks need to be treated, and on the most appropriate Risk treatment strategies and methods.
 - (ii) Involves consideration of the causes and sources of Risk, their positive and negative consequences, and the likelihood that those consequences can occur.
- (c) Risk evaluation:
- (i) Is to assist in making decisions, based on the outcomes of Risk analysis, about which Risks need treatment and the priority for treatment implementation.
 - (ii) Involves comparing the level of Risk found during the Risk analysis process.

5.3 Risk Treatment

Risk treatment involves undertaking the appropriate actions to mitigate or eliminate Risks.

6 Requirements, Roles and Responsibilities

The Board is ultimately responsible for deciding the nature and extent of the Risks it is prepared to take to meet its objectives. To enable the Board to do this, National Storage Group must have an appropriate framework to identify and manage Risk on an ongoing basis.

It is the role of senior leadership team (“SLT”) to design and implement the Risk Management Framework and to ensure that the company operates within the Risk appetite set by the Board. It is the role of the Board to set the Risk appetite for the company, to oversee its Risk Management Framework and to satisfy itself that the framework is sound. The Risk Committee has been charged with this responsibility on behalf of the full Board.

The responsibilities associated with the various Risk Management roles across the company are detailed below:

6.1 Board

The Board is ultimately responsible for the oversight of Risk, including approving and monitoring this policy and Risk Management Framework.

6.2 Risk Committee

The Risk Committee assists the Board in relation to oversight of the effectiveness of National Storage Group’s system of Risk Management. The Risk Committee executes this function by reviewing compliance in the areas identified as most sensitive to Risk.

The Risk Committee oversees the Risk Management function within National Storage Group, including oversight of, and embedding of, Risk Management practices. The Risk Committee is responsible for:

- Reviewing the effectiveness of the National Storage Group’s Risk Management Framework and processes for identifying, monitoring and managing significant business Risks including fraud.
- Reviewing Risk Management and mitigation strategies.
- Satisfying itself that insurance arrangements are appropriate for the Risk Management Framework, where appropriate.

- Assessing and contributing to the assurance planning processes relating to the Risks and threats to National Storage Group.
- Liaising with management to ensure there is a common understanding of the key Risks to National Storage Group. These Risks will be clearly documented in a Risk register which will be periodically reviewed to ensure it remains up-to-date.

6.3 Managing Director

The Managing Director is responsible for ensuring the establishment and maintenance of an appropriate system of internal control and Risk Management and has overall operational responsibility for the Risk Management function and for the ongoing effectiveness of the Risk Management framework.

6.4 Chief Risk Officer and the Risk Management Function

The Chief Risk Officer will oversee the Risk Management function. The Risk Management function facilitates and monitors the implementation of effective Risk Management practices by management and assists Risk owners in defining the target Risk exposure and reporting adequate Risk-related information throughout the organisation. To achieve this, the Risk Management function will facilitate the six-monthly consolidated Risk reporting to the Managing Director and Board.

Other activities undertaken by the function include:

- Provision of assurance to the Board on the effectiveness of management's Risk Management practices.
- Provision of training and guidance on Risk Management practices.
- Facilitation of Risk workshops to identify, assess and respond to Risks.
- Maintenance of the Risk Management policy, guidelines and associated Risk artefacts (templates, etc.).

6.5 Senior Leadership Team

The SLT is comprised of the executive officers of National Storage Group and are responsible for the strategic and operational effectiveness of the Group. The role of the SLT therefore includes:

- Identification of enterprise Risks as well as Risks within their own functional areas.
- Holding individuals accountable for fulfilling their roles and responsibilities under this framework.
- Promoting the framework across the organisation and publicising and rewarding good Risk Management.

6.6 Chief Financial Officer

The controllership function is responsible for monitoring financial Risks and financial reporting issues.

6.7 Risk Owner

A Risk owner is a person or entity that has been given the authority to manage a particular Risk and is accountable for doing so. A Risk owner is responsible for:

- Understanding the Risk they are responsible for, including the context, history and effects of the Risk.
- The development and implementation of Risk treatments or mitigation activities (when appropriate).
- The continuous monitoring and reporting of the Risk.

6.8 Operational Employees and Managers

All employees are responsible for identifying and raising Risks. Where an employee identifies a Risk to the business or operations, this should be communicated to a manager.

7 Reporting

In line with Principle 7 of the ASX Corporate Governance Principles and Recommendations (Third Edition) and section 295A of the Corporations Act 2001 (2001), the Managing Director and the Chief Financial Officer provide assurance (written declaration) to the Board with regards to the financial records, Risk Management and internal control.

The declaration will be founded on a sound system of Risk Management and internal control and that the system is operating effectively in all material respects to financial reporting Risks.

8 Policy Review

This policy will be reviewed annually by the Board and will be amended (as appropriate) to reflect the current best practice and changes in regulatory requirements and to ensure effectiveness and its continued application and relevance to the business of National Storage Group.

Approved by Board on 18 June 2019