

A person wearing a plaid jacket and a grey hoodie is crouching in the center of a long, brightly lit server hallway. The hallway is filled with rows of server racks on both sides, creating a strong sense of perspective. The lighting is dramatic, with bright overhead lights and deep shadows. The person is seen from behind, looking down the length of the aisle.

Product Governance Framework

StoreProtect

PRIVILEGED + CONFIDENTIAL

PRODUCT GOVERNANCE FRAMEWORK

1 Overview

1.1 StoreProtect

The Self Storage Association of Australasia will provide member facility operators with an Australian Standard Self Storage Licence Agreement (**Licence Agreement**) under which the self storage facility operator (**Storage Facility Operator**) will provide certain services to the customer.

When entering the Licence Agreement, customers have an option to pay for an enhanced liability option on terms set out in an addendum. The enhanced liability option creates a right for a customer to request a Storage Facility Operator to investigate the cause of lost or damaged stored goods. If the Storage Facility Operator determines that the goods were lost or damaged due to the operator's own breach of duty of care, the Storage Facility Operator may increase the standard cap on liability (**StoreProtect**).

StoreProtect was designed by Basil Fry & Co (**Basil Fry**) for Storage Facility Operators to offer to certain customers. StoreProtect was designed to meet the likely objectives, financial situation and needs of self storage customers.

StoreProtect is a financial product because it is facility through which a customer manages a financial risk under section 12BAA of the *Australian Securities and Investments Commission Act 2001* (Cth) (**ASIC Act**).¹

StoreProtect is therefore subject to the design and distribution obligations (**DDO**) regime under Part 7.8A of the *Corporations Act 2001* (Cth).

A Storage Facility Operator will be the issuer of StoreProtect because the operator is the party that owes obligations to customers under the terms of StoreProtect.. Issuers and distributors must implement and maintain robust and effective product governance arrangements to ensure that they comply with the DDOs.

1.2 Purpose of this document

This document sets out a Product Governance Framework and Target Market Determination (TMD) for the design, distribution and monitoring of the StoreProtect Product to ensure compliance with DDO.

If you have questions about the processes set out in this document, please contact Basil Fry at broking@basilfry.co.uk.

Issuers and distributors must implement and maintain robust and effective product governance arrangements to ensure that they comply with DDO. Product governance arrangements must take into account product design, product distribution and the processes for ongoing monitoring and review of a product. Product governance arrangements must be documented, fully implemented and reviewed regularly to confirm effectiveness and adequacy of arrangements.

This document provides an overview of the processes and controls in place to ensure the StoreProtect Product is issued and distributed in compliance with DDO.

¹ Note that the StoreProtect Product is not a financial product under the *Corporations Act 2001* (Cth) because of the operation of section 763E of that Act.

1.3 Review and approval

Each Self Storage Facility Operator will review this document at least annually. Basil Fry will also review the form of this document at least annually.

2 Overview of key stages

2.1 Developing and distributing a financial product

The DDO framework is made up of three stages:

- Stage One: Product design (section 3)
- Stage Two: Product distribution (section 4)
- Stage Three: Monitoring and review (section 5)

The focus of each stage is on the consumers in the identified target market receiving products that are likely to be consistent with the consumers' likely objectives, financial situation and needs.

3 Stage One – Product design

3.1 Overview

The product design stage requires an issuer to:

- (i) formulate its target market determination (**TMD**);
- (ii) determine how the product will be distributed, to enable it to meet its obligations to specify distribution conditions and restrictions (**distributions conditions**) to ensure that the product is directed towards the intended target market and take reasonable steps to ensure that distribution is consistent with the TMD;
- (iii) undertake robust testing of the product; and
- (iv) determine how consumer outcomes will be measured and monitored on an ongoing basis.

As part of this assessment, issuers should consider information reasonably available to them on consumer outcomes for past or similar products. The design and distribution obligations mean that a product development process that does not consider consumer outcomes will not be feasible. In carrying out this assessment, it is possible to conclude that a financial product (including its key attributes) is unlikely to be consistent with the objectives, financial situation and needs of any class of consumers. This may be due, for example, to risk, or low value.

Issuers should also consider consumer vulnerabilities, and how those vulnerabilities may increase the risk that consumers are sold products that do not meet their objectives, financial situation and needs, and will lead to poor consumer outcomes.

Issuers may already have a concept of a 'target market' for the product (eg, in a marketing or commercial sense). In these cases, issuers must still critically assess the product (including its key attributes) and identify the target market by reference to consumers for whom the product is likely to be consistent with their likely objectives, financial situation and needs. If the identified target market for the continuing product does not match the class of consumers who have historically been sold the

product, the issuer must set distribution conditions and restrictions in line with the identified narrower target market, consider modifying the design of the product or cease offering the product.

The 'choice architecture' of a financial product, including choices within the product itself, as well as the context of the sales process and the presentation of the product within that context, will be relevant to the issuer in considering the design of its product (eg, the impact of bundling) and whether (and how) the product is likely to reach its target market (eg, the impact of complexity and frictions in choices, processes and information). 'Choice architecture' refers to features in an environment that influence consumer decisions and actions. These features are present at every stage of product design and distribution. Examples include product bundling, default settings, sales process and website design.

3.2 Application to StoreProtect

The target market for StoreProtect is self defining in the sense that the product is an optional add-on to the storage facility services provided by Self Storage Facility Operators and who are willing and able to pay the StoreProtect fee to acquire the right to request a cause of loss or damage assessment.

Currently, the identified categories of consumers who would not be in the target market are:

- 1 Those consumers who intend to store goods that are not covered by StoreProtect, as set out in the terms of the StoreProtect addendum. Per the terms of the product, StoreProtect will not be offered to those consumers.
- 2 Those consumers who will arrange for their own third party insurance over stored goods.


Self Storage Facility Operators (and Basil Fry) will also use any complaint data to refine the target market as needed.

Given the nature of the storage services and the StoreProtect product, the product will only be distributed by the issuer.

The TMD is attached to this document and can be provided to a consumer on request.

The TMD will be provided to customers via a hyperlink in the StoreProtect Addendum. Basil Fry will host the TMD to maintain version control and the hyperlink will take customers to the latest version of the TMD made available by Basil Fry. The StoreProtect Addendum will be consistent for all operators, so the same TMD can be issued.

Storage Facility Operators cannot amend the StoreProtect Addendum without prior written consent from Basil Fry. The StoreProtect Addendum states that customers can access the target market determination by visiting www.storeprotect-notifications.com/TMD.

 Actions for Storage Facility Operator	
1	Ensure that StoreProtect is not offered or provided to consumers who intend to store goods that are excluded per the StoreProtect addendum, or consumers who have chosen to arrange for their own insurance over stored goods.
2	Monitor complaint data to consider whether StoreProtect is not suitable for certain consumers within the target market. If unsure, contact Basil Fry.

4 Stage Two – Product distribution

4.1 Overview

Product issuers and distributors must:

- (a) ensure the TMD relating to a product is provided to distributors, including any updates from time to time;
- (b) establish effective communication processes between those responsible for designing a product and those responsible for marketing and distributing a product, including for reporting complaints, significant dealings and other information required for an issuer to make a determination that a TMD or product is no longer appropriate; and
- (c) take reasonable steps to distribute a product in accordance with the TMD, which may include removing distribution channels determined to be inconsistent with the TMD.

For issuers and distributors to meet their obligation to take reasonable steps, product governance arrangements must include appropriate processes and controls at the product distribution stage. These processes and controls must be designed to reduce the risk that financial products will not be consistent with the likely objectives, financial situation and needs of the consumers who acquire them.

A key component of product distribution is taking 'reasonable steps' that products are distributed correctly to ensure that distribution is reasonably likely to result in financial products reaching consumers in the target market. Issuers and distributors must take into account all relevant factors in assessing what reasonable steps need to be taken in the circumstances.

An issuer will need to consider all of the circumstances of the financial product's distribution, including distribution methods, marketing, controls and supervision. Distributors should consider the means through which they will interact with the consumer is reasonably likely to direct and limit distribution to the target market for the financial product.

4.2 Application to StoreProtect

Given the nature of the storage services and the StoreProtect product, the product will be distributed by the issuer.

StoreProtect will be distributed at the same time as a person enters into a Licence Agreement, generally via online applications, face-to-face meetings and telephone calls. This will ensure a direct and narrow distribution channel that is able to ensure the product is distributed only to persons within the target market.

Where appropriate (having regard to the size and scale of a Storage Facility Operator's operations), an operator will provide training for any staff or personnel involved in the distribution of StoreProtect to ensure that staff don't engage in unconscionable conduct or make false, misleading or deceptive statements relating to StoreProtect.



Actions for Storage Facility Operator

1. Consider any training or supervision required for staff or other persons involved in providing information about or distributing StoreProtect.

5 Stage Three – Monitoring and review

5.1 Overview

Product governance arrangements must provide for an ongoing, iterative and responsive design and distribution process. This must allow for regular monitoring and review of product performance through which issuers address problems when they arise. This includes carrying out reviews when circumstances indicate that a TMD may no longer be appropriate, and taking steps as necessary to redesign products or their distribution.

This will involve collecting and analysing relevant and reliable consumer, product performance, value and transaction data. This information should feed back into the product design and ongoing review processes.

Monitoring must occur to allow the product issuer to reasonably conclude that a product issued or sold in accordance with the distribution conditions is issued or sold to consumers in the target market and the product would likely be consistent with the objectives, financial situation and needs of the consumer.

Monitoring includes the following core components.

Components	Description
Complaints monitoring and management	The number and type of complaints is likely to be a useful indicator that the TMD may no longer be appropriate.
Regular monitoring of product performance	The performance of products should be analysed on a regular basis. Relevant metrics might include changes in sales volume, claim ratios.
Regular review of a product	The performance of products should be analysed on a specified date according to the product risk profile.
Other	Eg, in response to regulator guidance.

To the extent the monitoring above indicates that the product is not delivering against the TMD, the issuer should take the following steps:

- (a) change the design of the product, target market or the way it is distributed;
- (b) update the TMD to deliver the product to the correct target market audience; and
- (c) update the distribution of the product as per updated TMD.

Where the above is not possible, the issuer should cease offering the product.

Taking a consumer centric approach means being outcomes focused. As such, while the initial TMD can be made based on the information readily available to the issuer at the time, if it becomes aware of new information that could change the TMD, the issuer must conduct a review.

The issuer will keep complete and accurate records of decisions made in relation to the TMD and associated reviews, together with the reasons (and underlying data) for those decisions, for up to seven years.

5.2 Significant dealings

The issuer must notify the Australian Securities and Investments Commission (**ASIC**) of any significant dealings outside of the target market as soon as practicable and in any case within 10 business days' after becoming aware of the significant dealing. Factors relevant for issuers when determining whether a significant dealing has occurred include:

- (a) of those consumers who acquire the product, the proportion of consumers who are not in the target market, including the proportion of consumers who are part of a class that has been excluded from the target market acquiring the product;
- (b) the actual or potential harm to consumers, including the amount of any financial loss, resulting from consumers who are not in the target market acquiring the product;
- (c) the nature and extent of the inconsistency of distribution with the TMD;
- (d) the proportion of gross income or premium obtained from the product in respect of consumers who are not in the target market acquiring the product; and
- (e) the time period in which these acquisitions outside the target market occurred.

5.3 Application to StoreProtect

Given the narrow target market, direct distribution methods and nature of relationship between issuer and consumers, the Storage Facility Operator does not consider it necessary to conduct complicated monitoring beyond the natural business relationship. The primary monitoring responsibility for Storage Facility Operators is to provide certain information to Basil Fry, including:

- (a) the number of complaints received in relation to the financial product;
- (b) the steps taken to ensure that the product's distribution is consistent with the TMD;
- (c) the dates on which the following was reported:
 - (i) the number of complaints received during a specified reporting period; and
 - (ii) other information specified in the TMD that the issuer and distributor must report. This includes confirmation of where no complaints were received for the reporting period.

Storage Facility Operators will keep records of TMDs in use as well as details of claims assessed and any complaints received for up to seven years (Basil Fry will provide claims data annually).

Basil Fry will collate customer feedback and complaint information from Storage Facility Operators who provide StoreProtect when it conducts a periodic review. Any customer feedback or complaints that are significant or have a broader impact will result in an ad-hoc review of the product and TMD. Basil Fry will also consider data and general feedback obtained from the third-party administrator handling claims in Australia.

Basil Fry will perform periodic reviews to assess the product performance against available data across all Storage Facility Operators. Basil Fry will review StoreProtect after the first six months, and then subsequently every year.

Basil Fry will clearly communicate any changes to the TMD to Storage Facility Operators. Basil Fry will instruct all Storage Facility Operators to send direct notifications of the updated TMD to all current customers.

A Storage Facility Operator must notify ASIC of a significant dealing as soon as practicable and in any case within 10 business days after becoming aware, and must also notify Basil Fry at TMD@storeprotect-notifications.com.



Actions for Storage Facility Operator

- 1 Report complaint information to Basil Fry when requested (six monthly declarations) and immediately where more than five complaints are received at any single facility between declarations.
- 2 Keep records of TMDs, assessed claims and complaint data for up to seven years.
- 3 Report significant dealings to ASIC and to Basil Fry.