

Network Strata Services Pty Ltd - Response to Recommendations of the McGrathNicol Report

Netstrata is committed to continuous improvement, and we have carefully considered each recommendation with a view to implementing these wherever reasonable. In the table below, we have listed each recommendation, each with a response as at 16 April 2025.

No.	Recommendation	Netstrata's Response
1.	Netstrata should implement firm wide Conflict of Interest and Code of Conduct training to all staff and subsidiaries.	Implemented/ Completed.
2.	Netstrata should require all staff to sign annual Conflict of Interest declarations identifying any potential and actual conflicts of interest.	Implemented/ Completed.
3.	Netstrata should implement version control processes for all policies and procedures.	Implemented/ Completed.
4.	Netstrata should enhance the current Whistleblower Policy to identify the name of the Whistleblower Protection Officer and make the policy readily available to staff.	Implemented/ Completed.
5.	Netstrata should update the Employee Handbook to include additional key policies including the Code of Conduct, Whistleblower and Conflict of Interest Policy.	Implemented/ Completed.
6.	Netstrata should improve the complaints section of the company website to provide customers with a greater understanding of the dispute resolution process and escalation pathways.	Implemented/ Completed.
7.	Netstrata should include customer complaints as a standing agenda item in the monthly executive meetings and quarterly Board meetings so that senior executives have transparency and visibility over the level and nature of the complaints.	Implemented/ Completed.
8.	Netstrata should give responsibility for the ownership of customer complaints to the compliance function to ensure independence.	Partially Implemented/Completed. Contingent on hiring new Risk and Compliance Manager. Target completion by 1 July 2025.
9.	Netstrata should implement a process whereby staff perform an annual attestation of compliance to key policies and procedures so that they are aware of their personal and professional obligations.	Partially Implemented/Completed. Updates to key policies and staff awareness training completed. Attestations for FY2024-2025 are expected to be completed as part of EOFY processes in June 2025. Target completion by 1 July 2025.
10.	Netstrata (and SIS) Risk Management Framework policy and risk matrices should be updated and tailored to the requirements of the organisation with the Risk Management Framework shifting to the responsibility of the compliance function once formed.	Partially Implemented/Completed. Contingent on hiring new Risk and Compliance Manager. Target completion by 1 July 2025.
11.	Netstrata (and SIS) should develop a timetable for the Risk Management Framework and risk register (matrix) to be regularly reviewed as part of the governance oversight function.	Partially Implemented/Completed. Contingent on hiring new Risk and Compliance Manager. Target completion by 1 July 2025.

No.	Recommendation	Netstrata's Response
12.	Netstrata should review the Strata Manager remuneration framework to include and formalise the inclusion of governance and compliance key performance indicators.	Partially Implemented/Completed. Review of remuneration framework has commenced. Target completion by 1 July 2025.
13.	Netstrata should enhance existing disclosures around its fees and disbursements within its Strata Management Agency Agreements to include how Strata Managers are remunerated including the receipt of a percentage of any fees generated from add-on fees charged to customers and generated through new building acquisition commissions.	Implemented/ Completed.
14.	Netstrata should rotate auditors and consider implementing a panel of auditors from which it randomly selects auditors engaged for strata plans.	Implemented/ Completed.
15.	Netstrata should develop improved systems that provide for a complete source of truth for all strata plans under their management containing pertinent key information.	Netstrata has reviewed its information management systems for its managed strata plans and does not consider changes are required.
16.	Netstrata should include additional explanatory material in their meeting agenda that clearly outlines the obligation under Section 102 of the SSMA requiring a Strata Manager to obtain at least two quotes for non-urgent work exceeding \$30,000 and affording the Owners Corporation the option to either approve the engagement of the selected contractor or request Netstrata to undertake further attempts to obtain additional quotes.	Implemented/ Completed.
17.	Netstrata should commence a review into the necessity of Prime undertaking multiple searches of the same entity during the same period.	Implemented/Completed – arrangement with Prime ceased and trade compliance checks are now conducted in-house.
18.	Netstrata should improve transparency when invoicing an external vendor in which they have a Commercial Arrangement via additional disclosures made to Owners Corporations within its annual reporting obligations. For example, an invoice associated with compiling records for a vendor that has been engaged to perform work for a strata plan should be disclosed to the relevant strata plan as it creates the perception that Netstrata has indirectly benefitted.	Implemented/ Completed.
19.	Netstrata should implement additional controls to assist in compliance with Section 102 of the SSMA by contractors who are aware of Netstrata's legislative responsibility in engaging contractors for non-urgent work being incurred in excess of \$30,000. This may include a contractor engagement form that sets out expectations such as accuracy of quotations, provision of ongoing and timely updates and instructions not to exceed designated financial thresholds without approval.	Implemented/ Completed.
20.	Netstrata should undertake a review of all agreements with contractors inherited from arrangements entered into by predecessor Strata Managers or developers to determine the services provided represent fair market value and are in the best interests of respective Owners Corporations.	Partially Implemented/Completed Netstrata will review all contracts at point of renewal/expiry.
21.	Netstrata should improve transparency around Commercial Arrangements, by providing additional disclosures to Owners Corporations as to specific referral commissions it may receive and additional fees that it may indirectly receive from vendors.	Implemented/ Completed.
22.	Netstrata should improve the transparency of the Strata Managers fee structure. Specifically, it should issue an annual fee summary report with tailored remuneration to each respective strata plan under their management over the prior 12-month period.	Netstrata considers that this information is already provided in the financial reports for each Owners Corporation.