

Colonial First State Global Asset Management

Commonwealth Managed Investments Limited

Corporate governance report June 2008

Unlisted funds

Responsible Entity

Commonwealth Managed Investments Limited

ABN 33 084 098 180

AFSL 235384

Chairman's letter

As Chairman of Commonwealth Managed Investments Limited, I am pleased to announce that, from 30 June 2008, we have adopted equivalent corporate governance disclosures for our unlisted registered managed investment schemes to those we currently use for our Australian Securities Exchange (ASX) listed schemes.

As an entity responsible for managing investments, we are furthering our commitment to best practice corporate governance standards and increasing transparency for unitholders in our unlisted property funds.

One of the key improvements we are making is to provide to our investors an annual, stand-alone report on our corporate governance practices, benchmarking the practices of our unlisted registered managed investment schemes with those applicable to ASX listed schemes.

We view this as being a means of assisting our investors in understanding how we:

- achieve good governance
- apply governance standards
- ensure transparent monitoring and reporting
- protect unitholder interests, and
- comply with the law.

Where applicable, we will adhere to the same standards as those outlined in the ASX Corporate Governance Council's Corporate Governance Principles and Recommendations (2nd Edition) released in August 2007.

In doing so, we believe we are setting a benchmark for the broader unlisted funds management industry.

We trust these disclosures will assist you in obtaining a greater understanding of our governance processes.



Sean P Wareing

Chairman

Commonwealth Managed Investments Limited

27 August 2008

Commonwealth Managed Investments Limited

Corporate governance



Left to right: Sean Wareing (Chairman), James Kropp, Grahame Petersen, Joseph Rooney, Michael Venter.

The corporate governance practices of Commonwealth Managed Investments Limited (CMIL) were in place throughout the reporting period (year ended 30 June 2008) and were compliant with the Australian Securities Exchange (ASX) Corporate Governance Council's Principles and Recommendations¹ to the extent applicable to unlisted funds.

Principle 1: Lay solid foundations for management and oversight

Companies should establish and disclose the respective roles and responsibilities of board and management.

The Responsible Entity

CMIL is the Responsible Entity of a number of registered managed investment schemes (Funds). CMIL is a wholly owned subsidiary of Commonwealth Bank of Australia (the Bank).

The role of the Responsible Entity is to manage each Fund in the unitholders' best interests in accordance with the Fund Constitution and the Corporations Act 2001 (Cth) (the Act).

The Board of the Responsible Entity

The Board of the Responsible Entity is appointed by the Bank. Independent Directors are appointed for a fixed term, but are subject to removal by the Bank at any time during that fixed term. The current term of appointment is until 31 December 2008.

Ultimate responsibility for corporate governance matters resides with the Board of Directors of CMIL.

Charter

The Board has adopted a Charter that sets out the role and responsibilities of the Board of Directors. This may be viewed on the website cfsgam.com.au/corporate_governance

The Charter includes, amongst other things, that the Board will:

- monitor the financial and business operations of each Fund against agreed targets
- approve short and medium-term tactical, operational and financial plans of each Fund
- ensure that the interests of unitholders of the schemes for which it is the Responsible Entity are differentiated from those of the company, and manage any potential or actual conflict of interest
- maintain corporate governance standards, and
- review the Board Charter at least annually to ensure it remains current, relevant and effective.

Compliance Committee

The Compliance Committee is appointed by the Board of the Responsible Entity. The Committee has a Charter, approved by the Board, which sets out the Committee's duties, responsibilities and reporting requirements.

The Committee has a statutory obligation to monitor the extent to which the Responsible Entity complies with the Compliance Plans, Constitutions and the Act.

The Committee meets quarterly, or as necessary, and is provided with comprehensive compliance reports. The Committee reports its findings to the Responsible Entity.

The Committee consists of six members, four of whom are independent. The members are:

- *Harley McHutchison* (Chairman) independent non-executive member
- *Graeme Lawless* independent non-executive member
- *Penni James* independent non-executive member

¹ Copies of the Corporate Governance Principles and Recommendations, 2nd Edition, ASX Corporate Governance Council, are available from the Australian Securities Exchange, telephone 131 279 (local call cost anywhere in Australia) or from the website at www.asx.com.au/supervision/governance/index.htm.

**Principle 1
(continued):
Lay solid
foundations for
management and
oversight**

Companies should establish and disclose the respective roles and responsibilities of board and management.

- *David Robinson* independent non-executive member
- *Paul Rayson* internal executive member, and
- *James Evans* internal executive member.

Independence has been assessed using the same criteria as applying to the independent Directors of the CMIL Board.

The Compliance Committee has access to all information relevant to the Responsible Entity's compliance with the Compliance Plans and the Act. Under the Act, the Compliance Committee, in carrying out its functions, may commission independent legal, accounting or other professional advice or assistance, at the reasonable expense of the Responsible Entity.

Compliance monitoring and reporting

Compliance personnel have been appointed. They are responsible for reviewing and monitoring the efficiency of compliance and operational risk management systems on an ongoing basis, and ensuring that appropriate compliance measures are in place.

CMIL's compliance framework is consistent with the Australian Standard for Compliance (AS 3806 Compliance Programs).

The compliance personnel prepare reports for the Board and the Compliance Committee at least quarterly, as well as for the Manager and business areas responsible for the day-to-day delivery of business activities.

Compliance personnel are independent of the business, and may report matters directly to the Board without reference to any other party. This independence is underpinned through the Bank's compliance framework, which has been adopted by CMIL.

The Manager

The Act empowers the Responsible Entity to engage agents to act on its behalf; however, it remains responsible for the actions of those agents.

The Responsible Entity has appointed Colonial First State Property Limited to manage the Funds. Colonial First State Property Limited is a wholly owned subsidiary of the Bank.

The appointment of the Manager is made under a Management Agreement. The Manager provides regular reporting to the Responsible Entity and an annual certification of its ongoing capacity to continue to meet its obligations in accordance with the Agreement.

Performance evaluation

All personnel engaged in the operational activities of the Funds are employees of the Bank. The Bank has in place a performance evaluation system that includes the setting of annual key performance indicators for each employee that are measurable and quantifiable, and are reviewed on a semi-annual basis. Amongst other things, the evaluation incorporates specific performance targets that directly relate to each Fund for the Fund's management team.

An integral part of the performance structure is the requirement for ongoing professional development of personnel. This includes training programs on a wide range of matters including risk management, compliance, market and industry knowledge and Fund obligations.

**Principle 2:
Structure the board
to add value**

Companies should have a board of an effective composition, size and commitment to adequately discharge its responsibilities and duties.

Composition

There are currently five Directors of CMIL, three of whom are independent Directors. Details of their experience, qualifications and committee membership are set out below. All the Directors were in office at the date of this report.

Sean Patrick Wareing – Chairman, Commonwealth Managed Investments Limited

Independent non-executive Director since 22 December 2003

In his executive career, Mr Wareing was the Finance Director of Lend Lease Corporation Limited from 1978 to 1987 and, during this period, was also a director of the manager of General Property Trust. He has had extensive international experience, having held senior executive positions with Sime Darby Group in Malaysia, the UK and Holland.

Mr Wareing is a Fellow of CPA Australia, an Associate of the Institute of Chartered Secretaries and Administrators and a Fellow of the Australian Institute of Company Directors.

Mr Wareing is currently Chairman of Alesco Corporation Limited and Kiwi Income Properties Limited and a director of Colonial First State Capital Management Pty Ltd and Colonial First State Loan Note Issuer Pty Ltd. He is a Director and Vice President of the Royal Institute for Deaf and Blind Children.

James Frederick Kropp – Director, Commonwealth Managed Investments Limited

Independent non-executive Director since 22 December 2003

Mr Kropp was a senior audit and risk management consulting partner in the Sydney office of PricewaterhouseCoopers for over 18 years, retiring from the practice in December 1999. Mr Kropp is a Fellow of CPA Australia and was National President in 1995-96.

Mr Kropp is Chairman of CMIL's Audit Committee. Other positions that Mr Kropp currently holds include: director of AARNET Pty Ltd, the external member and Chairman of the Audit Committee responsible for the Consolidated Financial Statements of the Australian Government, and the external member and Chairman of the Audit Committee of the Department of Finance and Deregulation in Canberra.

Grahame Anthony Petersen – Director, Commonwealth Managed Investments Limited

Executive Director since 22 May 2006

Mr Petersen is the Group Executive for the Wealth Management division of the Bank.

Mr Petersen was appointed to this role in March 2006. As Group Executive Wealth Management, Mr Petersen is responsible for Colonial First State, Colonial First State Global Asset Management and CommInsure and the divisions which support these businesses. Mr Petersen has 28 years experience in the finance industry, having joined the Rural Bank of NSW as a graduate in 1980.

His career in the finance industry is extensive and varied. Mr Petersen has held senior management roles in business banking, corporate banking, business recovery, retail banking, cards and merchant services and funds management. He has also worked in London and New York.

Mr Petersen's experience includes sales management, marketing, product management, strategy and change management. He holds a Bachelor of Arts degree and a Graduate Diploma in Applied Finance.

Joseph Gabriel Rooney – Director, Commonwealth Managed Investments Limited

Independent non-executive Director since 22 December 2003

Mr Rooney was in practice as a solicitor from February 1965 to June 2001 and has been a partner of several law firms.

Mr Rooney's previous directorships included: Mercantile Pacific Finance Limited (1973 to 1978) and Lend Lease Management Limited (General Property Trust) (1977 to 1984).

Mr Rooney holds the degrees of LL.B (Sydney) and LL.M (London) and is also a member of CMIL's Audit Committee.

**Principle 2
(continued):
Structure the board
to add value**

Companies should have a board of an effective composition, size and commitment to adequately discharge its responsibilities and duties.

Michael John Venter – Director, Commonwealth Managed Investments Limited

Non-executive Director since 13 November 2006

Mr Venter is the Executive General Manager of Group Finance for the Bank. In this role, as a member of the Financial and Risk Management Leadership Team, Mr Venter works closely with David Craig, the Bank's Chief Financial Officer, and the Bank's Executive Committee and Board on finance issues, strategy and investment allocation decisions.

Other areas of direct responsibility include the Group's Reporting and Performance Analysis, Group Taxation and leading a team of approximately 365 finance professionals across the Bank.

Mr Venter has been with the Bank since January 2004. Although Mr Venter is a senior executive of the Bank, he is considered to be a non-executive Director, as he is not involved in the management of the Fund.

Mr Venter holds post graduate accounting qualifications and is a member of the Institute of Chartered Accountants.

Paul Alexander Rayson – Alternate Director for Commonwealth Managed Investments Limited (Alternate for Mr G A Petersen)

Executive Director since 20 November 2006

Mr Rayson is the Chief Financial Officer for the Wealth Management division of the Bank. Mr Rayson was appointed to his role in October 2006. Prior to his current role, Mr Rayson was Chief Financial Officer of the retail banking division of the Bank (Retail Bank) for four years. He played a key role in the strong financial management of the Retail Bank and has considerably strengthened the internal control environment. Previously he was Chief Financial Officer of Technology, Operations and Property for the Bank.

Before joining the Bank, Mr Rayson was Head of Business Integration for the Colonial Group. In this role he led the successful acquisition and integration of Trust Bank into the Colonial Group and was responsible for a range of smaller acquisitions in financial services.

Mr Rayson is a Chartered Accountant and holds a Bachelor of Commerce (Hons) in Finance and Accounting.

Board independence

All the current Directors who are not senior executives of the Bank have been assessed as Independent Directors.

In reaching that determination, the Board has taken into account:

- the specific disclosures, made in accordance with the Act, by each such Director in respect of any material contract or relationship
- where applicable, the related party dealings referable to each such Director, noting that those dealings are not material under accounting standards; full details of related party dealings are set out in the notes to the Fund's financial statements, as required by law
- that no such non-executive Director is, or is associated directly with, a substantial unitholder of the Fund or substantial shareholder of the Bank
- that no such non-executive Director has ever been employed by the Bank or any of its subsidiaries
- that no such non-executive Director is, or is associated with, a supplier, professional adviser, consultant to or customer of CMIL or the Bank which is material under accounting standards, and
- that no such non-executive Director personally carries on any other role for CMIL or the Bank which could, or could reasonably be perceived to, materially interfere with the Director's ability to act as a Director of CMIL and in the best interests of unitholders.

Under the accounting standards, a matter is considered to be material if it is equal to or greater than 10% of the appropriate base amount.

Independent professional advice

Procedures, agreed by the Board, are in place, whereby the Directors may seek independent professional advice, at the expense of the Responsible Entity, to assist them in carrying out their duties as Directors.

Appointment

The appointment of Independent Directors to the Board of CMIL is made by the Board Performance and Renewal Committee of the Bank, CMIL's parent entity.

These appointments are made upon the recommendation of the Bank's Chief Executive Officer, having regard to a range of criteria, the skills and experience of the nominee and the business of the company.

A formal letter of appointment is issued to the successful nominee. Remuneration is agreed by the Bank, in consultation with the successful nominee. The Bank pays the remuneration of the independent Directors.

Independent Directors were appointed for an initial period of three years. The current term of their appointment is until 31 December 2008. The renewal of an appointment is considered by the Bank's Board Performance and Renewal Committee.

The senior executives of the Bank serving as CMIL Directors are appointed by the Bank having regard to their level of skill, experience and knowledge. They are not remunerated for their duties as Directors of CMIL.

Board performance

The composition of all major wholly owned subsidiary companies of the Bank, including CMIL, is reviewed annually by the Board Performance and Renewal Committee of the Bank. This Committee is responsible for critically reviewing, at least annually, the composition and effectiveness of the CMIL Board, both individually and as a whole, and seeks to identify where improvement might be made and to assess the quality and effectiveness of information that is provided to the CMIL Directors.

As a wholly owned subsidiary of the Bank, CMIL does not have its own Board Performance and Renewal Committee.

To facilitate optimal performance, the CMIL Board participates in professional development programs, including those facilitated by the Bank and those arranged directly for it. All Directors receive a detailed information pack and training in the requirements of the Act as it pertains to Directors, and the program is updated to capture specific issues of relevance from time to time.

The CMIL Board also undertakes an annual self-assessment, facilitated by the Company Secretary.

Board meetings

Board meetings are held quarterly, with additional meetings held as necessary. The table below is the CMIL Board attendance for the 2007-08 financial year:

Director	No. of meetings held	No. of meetings attended
S P Wareing	12	9
J F Kropp	12	10
J G Rooney	12	12
G A Petersen	12	7
M J Venter	12	9
P A Rayson (alternate for G A Petersen)	4	4

Access to documents

The Board has access to all documents and information necessary to discharge its duties and responsibilities.

Code of conduct

The Directors of CMIL and the management teams of the Funds are required to conduct themselves in accordance with the Bank's Statement of Professional Practice.

This Statement sets out standards of professional behaviour in areas such as conflicts of interest, professional conduct and confidentiality, and applies to all staff employed by the Bank.

The Bank also has comprehensive policies prohibiting insider trading by Directors and executives. Any breach of these guidelines is also a breach of the Statement of Professional Practice.

Principle 3: Promote ethical and responsible decision-making

Companies should actively promote ethical and responsible decision-making.

**Principle 3
(continued):
Promote ethical
and responsible
decision-making**

Companies should actively promote ethical and responsible decision-making.

Insider trading policy

CMIL has no employees and has outsourced all of its functions, excluding those which require the holding of an Australian Financial Services Licence, to agents which include related entities.

The employees of the related entities are all employees of the parent entity, the Bank. The Bank has established an Insider Trading Policy for all employees, and this forms part of the Bank's Statement of Professional Practice.

In addition, the Manager has in place a policy which prohibits the trading of specified securities by key personnel with Fund responsibilities.

**Principle 4:
Safeguard integrity
in financial
reporting**

Companies should have a structure to independently verify and safeguard the integrity of their financial reporting.

Audit Committee

On 22 December 2003, the Board established an Audit Committee comprising three members, of whom two are independent Directors.

The Committee has a Charter, approved by the Board, which sets out the Committee's functions, duties, responsibilities, composition and proceedings.

The Chairman of the Board is not permitted to be Chairman of the Audit Committee.

The members of the Committee are:

- J F Kropp (Chairman)
- J G Rooney, and
- M J Venter.

The Committee meets at least four times per year. Attendance is shown in the table below. Minutes are kept of all meetings and tabled at the following Board meeting.

Audit Committee attendance 2007-08

Director	No. of meetings held	No. of meetings attended
J F Kropp	5	5
J G Rooney	5	5
M J Venter	5	3

At least once a year, the Audit Committee meets the external Auditor and the internal audit executive. It also meets separately with the external Auditor independently of management.

Appointment of Auditor

PricewaterhouseCoopers is the current Auditor for:

- Commonwealth Managed Investments Limited
- the managed investment schemes for which CMIL is the Responsible Entity, and
- the compliance plans of those registered managed investment schemes.

PricewaterhouseCoopers has appointed a separate audit partner for the compliance plans as required by the Act.

The appointment and removal of the external Auditor is regulated by the Act.

**Principle 5:
Make timely and
balanced disclosure**

Companies should promote timely and balanced disclosure of all material matters concerning the company.

Ongoing disclosure policy and procedures

CMIL has ongoing disclosure procedures designed specifically to identify matters requiring disclosure and to allow appropriate announcements to be made in a timely manner. These procedures are consistent with those issued by the Bank and are in place to ensure that unitholders are provided with full and timely information about CMIL's activities.

The ongoing and periodic disclosure requirements are embedded into the Fund Compliance Plans, which are subject to ongoing compliance monitoring and form part of the annual external compliance plan audit.

The Manager has a duty to promptly inform the Board of any matter that can be reasonably expected to have a material impact on the value of the Fund. It operates with a policy and procedures that are consistent with those of CMIL to facilitate CMIL's disclosure of material matters. These requirements also form part of the terms of the Management Agreement between CMIL and the Manager.

Principle 6: Respect the rights of shareholders

Companies should respect the rights of shareholders and facilitate the effective exercise of those rights.

Communication policy

The Directors of CMIL are committed to open and effective communication, ensuring that unitholders are informed of all significant developments concerning the funds for which CMIL is the Responsible Entity.

Communication with unitholders is conducted through a combination of electronic mail and the unitholders' secure website.

The types of communication available on the unitholders' website include annual reports, periodic reports, investor bulletins and presentations by the Funds' management teams, and all notices from the Board Chairman or Fund Manager notifying unitholders of specific developments.

All policies and summaries of charters referred to here can also be accessed on the website cfsgam.com.au/corporate_governance

Principle 7: Recognise and manage risk

Companies should establish a sound system of risk oversight and management and internal controls.

Risk management and internal controls

CMIL is the holder of an Australian Financial Services Licence and accordingly is required to have in place processes including compliance, risk management and internal controls appropriate to the nature, scale and complexity of its business to enable it to meet its obligations under the financial services laws.

As part of its overall process to manage risk, the Directors of CMIL are provided declarations that are required to be made in accordance with section 295A of the Act.

The Board has received assurance from the Chief Financial Officer and Principal Executive Officer of the Funds, through its Audit Committee, that the declarations made in accordance with section 295A are:

1. founded on a sound system of risk management and internal compliance and controls which, in all material respects, implement the policies adopted by the Board, and
2. the risk management and internal compliance and control systems of the Funds are operating effectively and efficiently based on the criteria established in the obligations of an Australian Financial Services Licensee. These include, but are not limited to, matters of compliance, internal controls, reporting, risk identification and management.

In addition, CMIL recognises that effective risk management forms part of its approach to creating unitholder value over the life of the Funds.

CMIL has implemented policies and internal controls to ensure that Fund assets are protected and all material risks are identified and appropriately managed. Risk is managed through the business activities of the Manager, and is independently monitored and reported on by the compliance and risk management personnel, as well as through periodic reporting provided to the Board by the Manager.

CMIL has in place an integrated risk management framework that enables the identification, assessment, management and reporting of risks. The framework is consistent with the Australian/New Zealand Standard for Risk Management (AS/NZS 4360 Risk Management).

CMIL has developed a set of core operational risks that it believes most directly affect the Funds and are inherent in the environment in which it they operate, which include:

- macroeconomic conditions
- market volatility
- property risk
- financial risk (including refinancing and capital expenditure)
- interest rate movements
- liquidity
- insurance
- changes in laws and government policy, and
- environmental and sustainability risks.

This set of risks is not exhaustive; however, it provides investors with an insight into the primary operating risks that CMIL believes can and do influence the operation of the Funds and the market in which the Funds operate.

Details of current risk issues, as they relate to a specific Fund in its immediate market environment, are contained in the periodic reporting provided by the Manager.

**Principle 8:
Remunerate fairly
and responsibly**

Companies should ensure that the level and composition of remuneration is sufficient and reasonable and that its relationship to performance is clear.

Remuneration Committee

The Board has not appointed a Remuneration Committee since no staff are employed by CMIL. All independent Director remuneration is determined and paid by CMIL's parent entity, the Bank, and senior executives of the Bank serving as CMIL Directors are not remunerated for their duties.

Director remuneration is not paid by the Fund.

The Board of Directors of the Bank has a Remuneration Committee, which considers senior executive appointments and associated remuneration.

It is the Bank's policy to set remuneration that is competitive so as to attract, motivate and retain high calibre local and international executive staff.

Details of the Bank's Remuneration Committee can be found at the website of the Bank

<http://shareholders.commbank.com.au/group>.

Compliance Committee remuneration is not paid by the Fund.

Expense reimbursement

Directors and the Compliance Committee members are entitled to be reimbursed for reasonable expenses incurred in the performance of their duties.

Directory

Responsible Entity

Commonwealth Managed
Investments Limited
ABN 33 084 098 180
AFSL 235384

Directors of the Responsible Entity

S P Wareing (Chairman)
J G Rooney
J F Kropp
G A Petersen
M J Venter

Company Secretaries

G R Freeman BComm LLB (UNSW)
J F Greenhalgh FCIS MNIA
W W Lee BA LLB (Syd)

Registered Office

Level 7
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Sydney NSW 2000

Website

cfsгам.com.au/corporate_governance

Further information

If you have any questions about the Commonwealth Managed Investments Limited corporate governance report, please email us at enquiriescfsгам@colonialfirststate.com.au.

Questions and answers about corporate governance can also be found on our website at cfsгам.com.au/corporate_governance.

DISCLAIMER

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The information contained in this Report (the 'Report') is intended to provide general information only and does not take into account your individual objectives, financial situation or needs. You should assess whether the information is appropriate for you before making an investment decision.

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