

Corporate Governance Report
June 2010

Commonwealth Managed Investments Limited
ABN 33 084 098 180 AFSL 235384

Unlisted Property Funds

Chairman's letter

25 August 2010

As Chairman of Commonwealth Managed Investments Limited, I am pleased to provide this Corporate Governance Report for the financial year ended 30 June 2010.

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

This year is the third year that CMIL has provided to our investors this stand alone report on our corporate governance practices, aligning the practices of our unlisted managed investments schemes with those applicable to ASX listed companies and 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, the additional guidance provided from ASX in August 2009 in achieving best practice, and the most recent amendments to the Principles issued in June 2010.

In doing so, we believe we are continuing to set the benchmark for the broader unlisted funds management industry.

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

Richard Haddock
Chairman
Commonwealth Managed Investments Limited

The corporate governance practices of Commonwealth Managed Investments Limited (CMIL) were in place throughout the reporting period (year end 30 June 2010) unless otherwise stated 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 and holds office until removed by the Bank. Ultimate responsibility for corporate governance matters reside 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

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 different 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 Fund Compliance Plans, Fund 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.

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 http://www.asx.com.au/about/corporate_governance/revised_corporate_governance/index.htm

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

- *Harley McHutchison* (Chairman) independent non-executive member
- *Paul Dortkamp* independent non-executive member
- *Penni James* independent non-executive member
- *David Robinson* independent non-executive member
- *Mark Baxter* internal executive member
- *Gregg Johnston* internal executive member (from 17 August 2009)
- *Paul Rayson* internal executive member (until 31 July 2009)

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

There is a dedicated risk management and compliance team in place that is responsible for reviewing and monitoring the efficiency of compliance and operational risk management systems on an ongoing basis, and ensuring that appropriate compliance and risk mitigation measures are in place.

CMIL's compliance framework is consistent with the Australian Standard for Compliance (AS/NZS 3806:2006) and ASIC regulatory guidance for meeting general obligations and licence conditions. The compliance framework is integrated with the risk management framework described under Principle 7.

The compliance personnel provide reports at least quarterly for the Board and the Compliance Committee, as well as 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 its Fund. Colonial First State Property Limited is a wholly owned subsidiary of the Bank.

The appointment of the Manager is made under a Management Agreement. Under the Management Agreement the Manager is

**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.

delegated to undertake all of the operational management duties of the Responsible Entity, except those that require the holding of an Australian Financial Services license.

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 Management Agreement.

Performance evaluation

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 is 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. During the 2010 financial year, senior Fund personnel were reviewed in accordance with this process.

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.

Where external service providers are engaged to provide specified activities for the Fund, the engagement is under contract and includes performance and service delivery requirements that are subject to monitoring, review and reporting to CMIL.

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.

Richard Michael Haddock – Chairman, Commonwealth Managed Investments Limited

Independent non-executive Director since 1 January 2009

Term in office – 19 months

Mr Richard Haddock has had a long career in financial services and was Deputy General Manager, Australia at BNP Paribas, Sydney from 1988-2001. Mr Haddock is a fellow of the Australian Institute of Management, the Financial Services Institute of Australia and the Australian Institute of Company Directors plus a member of the Law Society of NSW and the Commercial Law Association.

Mr Haddock is currently a Director and Chairman of the Audit Committee of Tishman Speyer Australia Ltd, a Director of Retirement Villages Group Fund, the Honorary Treasurer and a National Director of Caritas Australia, the Chairman of Catholic Care and a Director of the Catholic Superannuation and Retirement Fund. Mr Haddock was previously the Chairman of MacarthurCook Ltd.

James Frederick Kropp – Director, Commonwealth Managed Investments Limited

Independent non-executive Director since 22 December 2003

Term in office – 79 months

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: a director of AARNET Pty Ltd, a director of the Royal Institute for Deaf and Blind Children, a director of Colonial First State Capital Management Pty Limited and a director of Colonial First State Loan Note Issuer Pty Limited.

Nancy Jane Milne – Director, Commonwealth Managed Investments Limited

Independent non-executive Director since 1 January 2009

Term in office – 19 months

Ms Nancy Milne is a lawyer with over 20 years experience, with primary areas of legal expertise in insurance and reinsurance, risk management, corporate governance and professional negligence. Ms Milne was a Partner at Clayton Utz until 2003 and is a member of the Australian Institute of Company Directors.

Ms Milne is currently a director of Australand Funds Management Limited; a director of Munich Reinsurance Australasia Limited (and a member of the Audit Committee and Chairman of the Risk & Compliance Committee); a director of The Colonial Mutual Life Assurance Society Limited (and a member of the Board Audit and Risk Committee); and a director of Commonwealth Insurance Limited (and a member of the Board Audit and Risk Committee). Ms Milne is also a consultant with Clayton Utz.

Grahame Anthony Petersen – Director, Commonwealth Managed Investments Limited

Executive Director since 22 May 2006

Term in office – 50 months

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 Commlnsure and the divisions which support these businesses. Mr Petersen has almost 30 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, and strategy and change management. He holds a Bachelor of Arts degree and a Graduate Diploma in Applied Finance.

Michael John Venter – Director, Commonwealth Managed Investments Limited

Non-executive Director since 13 November 2006

Term in office – 45 months

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.

Gregg Johnston – Alternate Director, Commonwealth Managed Investments Limited (Alternate for Mr G A Petersen)

Executive Director since 28 July 2009

Term in office – 12 months

Mr Johnston was appointed as an Alternate Director for Mr G A Petersen on 28 July 2009. Mr Johnston is the Chief Financial Officer of the Commonwealth Bank's Wealth Management business unit and was appointed to the role in June 2009 after heading the Commonwealth Bank's Investment Development team in Financial Services. Prior to joining the Bank, Mr Johnston had over 25 years of business experience including 18 years with J.P. Morgan in private equity, mergers and acquisitions, debt and equity financing and risk management as an investment banker and lawyer as well as leading businesses as a manager.

Mr Johnston is admitted as a solicitor in New South Wales and holds degrees in Law and Commerce from the University of New South Wales.

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

Executive Director from 20 November 2006 until 28 July 2009

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. Details of any related party dealings are set out in the notes to the financial statements of each Fund as required by law
- that no such non-executive Director is, or is associated directly with, a substantial unitholder of any Fund or a 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 Fund 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 Bank's People & Renewal Committee of the Bank, a committee of the Bank Board, CMIL's parent entity.

Details of the Bank's People & Renewal Committee can be found at the Corporate Governance section of the Bank's website at <http://www.commbank.com.au/about-us/shareholders/corporate-profile/corporate-governance/>

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.

The renewal of an appointment is considered by the Bank's People & 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 People & Renewal Committee of the Bank. The Committee operates in accordance with a Charter and comprises three independent Directors 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 People & Renewal Committee.

To facilitate optimal performance, the CMIL Board participates in professional development programs, including those organised 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 of the performance of the Board and individual Directors, facilitated by Secretariat. The review is conducted in-house by questionnaire and includes confidential discussions with individual Directors. The results of these discussions are reviewed by the CMIL Board, and the last assessment undertaken was conducted in accordance with this process during the 2009-10 financial year.

Compliance Committee performance

At least annually, the CMIL Board considers the performance of the Compliance Committee, with a view to identifying areas for improvement and to assess the quality and effectiveness of information it is receiving. The Board undertakes this review at both an individual level and the Committee as a whole.

Board meetings

Board meetings are held quarterly, with additional meetings held as necessary. The table below is the CMIL Board attendance for the 2009-10 financial year:

Director	No. of meetings held	No. of meetings attended
R M Haddock	14	14
J F Kropp	14	13
N J Milne	14	14
G A Petersen	14	11
M J Venter	14	8
G Johnston, alternate for G A Petersen	14	3

Principle 3: Promote ethical and responsible decision-making

Companies should actively promote ethical and responsible decision-making.

(appointed 28 July 2009)

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 Fund management teams are required to conduct themselves in accordance with the Bank's Statement of Professional Practice. This may be viewed at the website of the Bank at <http://www.commbank.com.au/about-us/customer-commitment/practices/Statement-of-Professional-Practice/default.aspx>

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. It is supported by Codes of Conduct, which provide the expected requirements of our people for a range of professional codes that are applied for the broader operations of the business (details can be found at <http://www.commbank.com.au/about-us/customer-commitment/practices/codes-of-conduct/default.aspx>)

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

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.

CMIL does not have a Chief Executive Officer. Mr Darren Steinberg has been appointed by the CMIL Board as the Principal Executive Officer.

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. More information can be found at the website <http://www.commbank.com.au/about-us/customer-commitment/practices/insider-trading-guidelines/default.aspx>

Each Director is subject to the same standards and corporate governance protocols as the Directors of the Bank, including transacting in securities. These standards and governance protocols may be viewed at the Corporate Governance section of the Bank's website

All employees, as well as Directors and officers, are prohibited from trading in securities when in possession of unpublished price sensitive information. In addition, the Manager has in place a policy which prohibits the trading of securities by key personnel with Fund responsibilities.

Each Director has agreed to provide notice to CMIL of any dealings in securities within five business days of such dealings so that CMIL can

comply with its obligation to notify the ASX.

During the year, the Board approved an additional protocol for handling sensitive information prior to transactions being brought to market. The purpose of this is to ensure that all parties, including external providers that are engaged to work on transactions, are governed by the same set of practices that are imposed on internal personnel. It forms part of the suite of protocols operated to protect against improper use of information.

Diversity program

During the year, the Bank announced its intention to broaden its diversity program within the group, with similar arrangements to be adapted, to the extent applicable, into CMIL and the Manager.

The program includes a range of measures to better reflect the communities that services are provided to, and to improve ongoing on our corporate citizenship. The measures announced include:

- increasing the number of women in senior management roles
- workplace flexibility practices being enhanced to improve on work-life balance
- increased focus on mature-age and part-time workers
- focus on the “My Mentor” program for women, and
- Introducing a program specifically targeting how to manage gender diversity in the workplace.

This supplements existing programs focussed on age, cultural diversity and disability support. Further information can be found at <http://www.commbank.com.au/about-us/our-company/our-approach-to-diversity/default.aspx>

APREA Best Practice standards

APREA, the Asia-Pacific Real Estate Association, is a non-profit industry association that represents both the listed and unlisted real estate sector on a regional basis, targeting improved information for investors, the operating environment and representation of the sector to government and regulators.

Its Best Practice Handbook, released in July 2009, sets out similar standards of governance to those of the ASX Corporate Governance Council, specifically to achieve a more harmonised information disclosure within the sector and through the region, whilst recognising local jurisdictional rules.

For 2009-10, all of CMIL’s funds were fully aligned with the APREA Best Practice standards.

Audit Committee

On 22 December 2003, the Board established an Audit Committee. The Committee comprises four members, of whom three are independent Directors, including its Chairman.

The Committee is a committee of the Board, and as such its performance is incorporated into the Board’s performance review.

Principle 4:
Safeguard integrity in financial reporting
Companies should have a structure to independently verify and safeguard the

integrity of their financial reporting.

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

The functions of the Committee are to:

- supervise all aspects of audit and report to the Board
- assist the Board to ensure the adequacy and reliability of financial reporting and their compliance with existing laws and regulations, and
- assist the Board to ensure that a proper system of management and financial controls is in place.

The duties and responsibilities of the Committee are to:

- review and approve the audit plan of the internal and external auditors, and ensure that those plans are properly carried out
- determine that no management restrictions are being placed upon the audit function of either the internal or external auditors
- review and approve all accounting policy changes, and
- oversee the independence of the external auditors.

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
- N J Milne
- M J Venter
- R M Haddock (from 17 August 2009)

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 next Board meeting.

Audit Committee attendance for 2009-10

Director	No. of meetings held	No. of meetings attended
J F Kropp	8	8
N J Milne	8	8
M J Venter	8	6
R M Haddock (from 17.08.2009)	6	6

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 (CMIL)
- the managed investment schemes for which CMIL is the Responsible Entity, and
- the compliance plans of those registered managed investment schemes.

Principle 5: Make timely and balanced disclosure

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

PricewaterhouseCoopers has been the appointed Auditor since the 2007-08 financial year. It has appointed an audit partner for the compliance plan audits who is different to the individual partners responsible for the CMIL and managed investment scheme audits.

The appointment and removal of the external Auditor is regulated by the Act. Currently it is required that the Auditor must be changed after a period of no longer than five years.

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. They form part of the protocols for managing the use and disclosure of information, and correlate with the policies described in Principle 3.

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.

To support this, a Due Diligence review process has been approved by the Directors, and includes verification testing of content and a review and sign-off by subject matter experts prior to the Board formally approving the release of information. This review process is subject to ongoing compliance monitoring and external audit testing.

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 any Fund. It operates policies and procedures that are consistent to 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 listed trusts for which CMIL is the Responsible Entity.

Communication with unitholders is conducted through a combination of electronic mail and the unitholders' secure website, as well as printed materials.

The types of communication available on the unitholders' website include annual reports, periodic reports, investor bulletins and presentations by the Fund's 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

Principle 7:**Recognise and manage risk**

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

accessed on the secure site for each Fund.

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. When receiving the declaration, the CMIL Board is provided with assurance from the Chief Financial Officer and Principal Executive Officer that the declaration is based on a sound system of risk management and internal control, and that the system is operating effectively in all material respects in relation to financial risks. Additional information may be found in the Financial report under the section Directors' declaration for each Fund.

In addition, CMIL recognises that effective risk management forms part of its approach to creating unitholder value over the life of each Fund. CMIL has implemented policies and internal controls to ensure that Fund assets are protected and 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) and ISO 9001:2000.

To support this, during the year CMIL has enhanced its practices through formalising a Risk Appetite Statement that comprises its tolerances for risk at a corporate entity level and a Risk Management Strategy for the individual funds it issues. Combined, these statements provide an enhanced model for ongoing management of risk.

CMIL recognises the strategic risks that need to be managed and undertakes a formal annual review of each Fund's strategy to maintain its delivery of income and capital return to investors. In particular, the Funds take account of:

- Asset risk – the Funds invest in quality domestic assets. The assets are located in geographically significant market space to provide tenancy capacity and development opportunities to enhance the assets over time.
- Gearing – all Funds that operate with gearing arrangements have in place a limit on the gearing capacity, and utilise a target range below that maximum to enable flexibility for acquisition or development opportunities. Gearing range and current levels are

reported for each Fund through the periodic reporting and annual reports to unitholders.

- Hedging – the majority of the borrowings in the Funds are hedged to counteract the potential for loss arising from movement in interest rates over the period of time the borrowing is in place. This is particularly important where a Fund uses longer-term aggregate duration for its gearing arrangements.
- People and safety – the Manager is committed to providing a fair, safe, challenging and rewarding workplace, and recognises the importance of attracting and retaining high quality people. There are a range of policies and systems in place to enable achievement of these goals, including:
 - Equal Employment Opportunity
 - Occupational Health and Safety (OHS)
 - recruitment and selection
 - performance management
 - remuneration and recognition, and
 - supporting professional development.

Additionally, each Fund recognises the responsibility to ensure the safety and wellbeing of the users of the buildings and facilities, and delivers this through the engagement process, including contractual requirements for OHS procedures, appropriate insurance of employees and OHS Committees to oversight policy, implementation and reporting on issues.

The risk profile and mitigation controls of each Fund are formally reviewed on a semi-annual basis. The inputs to this process include the capture of Fund-specific risks that incorporate operational, financial, statutory and internal/external environmental factors applicable to each Fund and the linkage of those risks to the Fund's investment strategy.

The risk management structure is further supported by the Fund Compliance Plans, which identify and manage the statutory risk applicable to the Funds, the control methodologies and the monitoring obligations of the Funds. The Compliance Plan for each Fund is available to all unitholders of that Fund on request or through the Funds' secure access website.

CMIL has developed a set of core risks that it believes most directly impact its Funds, and that are inherent in the environment in which it operates, which include:

- financial risks, specifically:
 - macroeconomic conditions (broader economic and monetary policy conditions)
 - refinancing and capital expenditure (cost of capital to fund development and financing arrangements)
 - market volatility (impacts on valuation of assets, financing arrangements, and the price of the Fund securities)
- property risk (risk to assets, development and building upgrade projects)
- insurance risk (assets, contractors and service providers), and
- environmental and sustainability risks, including those arising from

government policy.

These risks are not exhaustive; however, they provide investors with an insight into the primary risks that CMIL believes can and do influence the operation of the Funds and the market in which the Funds operate.

Operational risks are monitored and managed on an ongoing basis by the Fund management teams, and supported by a number of other functional areas that include finance, research, property management services, legal and audit that provide information, data and reporting.

Mitigation planning and monitoring is achieved through a range of methods. These include:

- the construction of terms of contract where service providers are engaged and the active management of those contracts
- reviews to ensure that changes to statutory, government policy and sustainability risk are communicated to the business in a timely manner to plan for expected operating activity amendments, and
- financial risk is managed through a dedicated finance function (fund finance teams, financial control and reporting, capital strategy management and forecasting and analytics).

Additional information on risks for Funds is provided through the periodic reports to unitholders, and in the annual reports for each Fund.

**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

CMIL does not have a remuneration committee, as it does not employ any personnel directly. The remuneration arrangements for the Directors are set by CMIL's parent entity, through the Bank's People & Remuneration Committee. Only independent directors are remunerated for their duties – it is the practice of the Bank that no senior executives of the Bank are remunerated for director appointments.

During the 2009-10 financial year, the remuneration paid to Directors of CMIL by the Bank was as follows:

Director	Director category	Remuneration
R M Haddock	Independent non-executive director	\$159,222
J F Kropp	Independent non-executive director	\$100,544
N J Milne	Independent non-executive director	\$91,558
G A Petersen	Executive director	Nil
M J Venter	Non-executive director	Nil
G Johnston	Executive director	Nil

Director remuneration is not paid by the Fund. The remuneration paid to independent Directors is for the duties undertaken for CMIL (as a Responsible Entity, AFSL, Manager and company), including all of the funds it issued being its ASX-listed and its unlisted property funds, both wholesale and retail. Remuneration is not linked to the number of funds on issue, rather to the scope and complexity of the business activities of

CMIL.

The Bank's People & Remuneration Committee considers senior executive appointments and associated remuneration. It operates in accordance with a Charter and comprises only independent Directors of the Bank.

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 People & Remuneration Committee can be found in the About Us section of the Bank's website www.commbank.com.au

Expense reimbursement

Independent directors and 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

R M Haddock (Chairman)
J F Kropp
N J Milne
G A Petersen
M J Venter

COMPANY SECRETARIES

G R Freeman
R K Pierro

REGISTERED OFFICE

Ground Floor, Tower 1
201 Sussex Street
Sydney NSW 2000

WEBSITE

cfsgam.com.au

Further information

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

Disclaimer

Neither Commonwealth Bank of Australia ABN 48 123 123 124 nor any of its subsidiaries guarantees or in any way stands behind the performance of the managed investment schemes issued by Commonwealth Managed Investments Limited (CMIL). Investments in CMIL issued managed investment schemes are not deposits or other liabilities of the Commonwealth Bank of Australia or its subsidiaries, and investment-type products are subject to investment risk including possible delays in repayment and loss of income and principal invested.

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.

All reasonable care has been taken in relation to the preparation and collation of the Report. Except for statutory liability which may not be excluded, no person, including Commonwealth Managed Investments Limited ABN 33 084 098 180 or any other member of the Commonwealth Bank of Australia group of companies, accepts responsibility for any loss or damage howsoever occurring resulting from the use of or reliance on the Report by any person. Past performance is not indicative of future performance and no guarantee of future returns is implied or given.

Copyright

The copyright of this document is vested in the Responsible Entity, Commonwealth Managed Investments Limited, and the Commonwealth Bank of Australia group of companies.
