

Corporate Governance Report June 2010

CFS Managed Property Limited
ABN 13 006 464 428 AFSL 240550

Unlisted Funds

Chairman's letter

20 September 2010

As Chairman of CFS Managed Property 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 and infrastructure funds.

This year is the third year that CFSMPL 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.

Walter Edgell
Chairman
CFS Managed Property Limited

The corporate governance practices of CFS Managed Property Limited (CFMPL) 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

CFMPL is the Responsible Entity of a number of registered and unregistered managed investment schemes (Funds). CFMPL 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 resides with the Board of Directors of CFMPL.

Role and Responsibility

The role and responsibilities of the Board of Directors 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 Compliance Committee 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

¹ Copies of the Corporate Governance Principles and Recommendations, 2nd Edition, 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

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.

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 in accordance with Bank standards.

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.

CFSMPL'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 CFSMPL.

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 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. Under the Management Agreement the Manager is 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 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. 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 CFSMPL.

**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 four Directors of CFSMPL. Details of their experience, qualifications and committee membership are set out below.

All the Directors were in office for the period covered by this report.

*Walter Lawrence Cecil Edgell – Chairman, CFS Managed Property Limited***Director since 23 January 2003**

Mr Edgell is the Head of the Business Implementation Group within the Property and Alternative Investments division of Colonial First State Global Asset Management, which incorporates business planning and strategy, and responsibility for product structuring both within Australia and offshore.

He has over 30 years experience in the corporate real estate and property funds management businesses within the Bank. Mr Edgell is currently a director of Colonial First State Property Limited and Colonial First State Property Management Limited, and is a board member of the Bank group's fund management and management companies in New Zealand, Luxembourg and Malta.

*David Lee Young – Director, CFS Managed Property Limited***Director since 14 December 2008**

Mr Lee-Young joined Colonial First State Global Asset Management in May 2008, and is responsible for the operations teams for the Property and Infrastructure businesses, including procurement, business continuity and disaster recovery planning. He has more than 20 years experience in legal and corporate secretariat roles, spanning financial services, insurance, commercial litigation, trade practices and banking (including international requirements) with a focus on credit facilities. His experience covers the Asia Pacific region and the US.

Prior to joining Colonial First State Global Asset Management, Mr Lee-Young held roles including Asia Pacific Director, Legal and Compliance for Jones Lang LaSalle, and was also its General Counsel and Group Secretary. He has also held legal positions DLA Phillips Fox and Blake Dawson Waldron.

Mr Lee-Young holds a Masters of Business Administration (Macquarie), a Bachelor of Laws (Sydney) and a Bachelor of Economics (Sydney).

*Brian John McFadyen – Director, CFS Managed Limited***Director since 23 July 2009**

Mr McFadyen was appointed as a Director to the CFSMPL Board on 23

July 2009. Mr McFadyen is currently the Executive Legal Counsel for Colonial First State Global Asset Management, with responsibility for a team of legal counsel providing in-house expertise in areas including managed investments, superannuation, investment and funds management (private equity, direct property and infrastructure, hedge funds and IDPS), corporate law and regulatory issues including product disclosure, customer dispute resolution, contract law, acquisition programs and corporate governance.

Prior to joining Colonial First State Global Asset Management, Mr McFadyen spent 32 years with Freehills, in a number of roles including senior management and board positions. He was the head of Freehills national real estate practice for a number of years, and also served as the head of the Law Council of Australia Property Law Group.

Mr McFadyen is a member of the Executive Committee, Risk Committee and Global Leadership Group of Colonial First State Global Asset Management, and is the current Chairman of the Bowel Cancer & Digestive Research Institute of Australia, and Chairman of the UTS-Sydney Law Faculty Advisory Council.

Mark David Steinberg – Director, CFS Managed Limited
Director since 08 October 2008

Mr Steinberg is the Chief Financial Officer for Colonial First State Global Asset Management, and is responsible for all financial reporting, management reporting, tax, treasury, transaction advice and fund accounting. He was appointed to the role in January 2008 and assumed responsibility for the Colonial First State Global Asset Management strategy function in February 2009.

Mr Steinberg has over 15 years experience in senior finance positions in Australia and overseas. His previous roles include Chief Financial Officer of Macquarie Capital Alliance Group, an ASX-listed private equity investment fund, and where he was also a Director in the Macquarie Capital Funds business. He has also held roles in New Zealand, Japan and South Africa.

Mr Steinberg holds a Bachelor of Commerce, a Bachelor of Accounting and is a member of the Institute of Chartered Accountants.

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 Directors to the Board of CFSMPL 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/>

The renewal of an appointment is considered by the Bank's People & Renewal Committee.

The senior executives of the Bank serving as CFSMPL Directors are appointed by the Bank upon the recommendation of the Bank's Chief Executive Officer, having regard to their level of skill, experience and knowledge.

They are not remunerated for their duties as Directors of CFSMPL.

Board performance

The composition of all major wholly owned subsidiary companies of the Bank, including CFSMPL, is reviewed annually by the Bank's People & Renewal Committee. This Committee is responsible for critically reviewing, at least annually, the composition and effectiveness of the CFSMPL 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 CFSMPL Directors.

As a wholly owned subsidiary of the Bank, CFSMPL does not have its own People & Renewal Committee.

To facilitate optimal performance, the CFSMPL 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.

Compliance Committee performance

At least annually, the CFSMPL 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.

Principle 3:
Promote ethical and
responsible decision-

making

Companies should actively promote ethical and responsible decision-making.

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 CFSMPL 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

CFSMPL 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. 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.

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

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

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 CFSMPL 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>

Audit

At least once a year, the Board meets the external Auditor and the internal audit executive.

Audit reports are provided to the Board in respect of the Funds.

The Board also meets separately with the external Auditor independently of management.

Appointment of Auditor

PricewaterhouseCoopers is the current Auditor for:

- CFS Managed Property Limited
- the managed investment schemes for which CFSMPL is the Responsible Entity or trustee, and
- the compliance plans of the registered managed investment schemes.

PricewaterhouseCoopers, which has been the appointed Auditor since the 2007-08 financial year, has appointed an audit partner for the compliance plan audits who is separate to the partner responsible for the CFSMPL and managed investment scheme audits.

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.

CFSMPL currently requires that the audit partner of the external Auditor must be changed after a period of no longer than five years.

Ongoing disclosure policy and procedures

CFSMPL 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 CFSMPL's activities.

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

For those schemes not registered, the same disclosure practices are applied as if they were registered schemes.

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 policy and procedure that are consistent with those of CFSMPL to facilitate CFSMPL's disclosure of material matters. These requirements also form part of the terms of the Management Agreement between CFSMPL 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 CFSMPL are committed to open and effective communication, ensuring that unitholders are informed of all significant developments concerning the trusts for which CFSMPL 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.

Principle 7: Recognise and manage risk

Companies should establish a sound system of risk oversight and management

Risk management and internal controls

CFSMPL 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.

and internal controls.

As part of its overall process to manage risk, the Directors of CFSMPL provide declarations that are required to be made in accordance with section 295A of the Act in the financial reports for each scheme. When making that declaration, the CFSMPL Board is provided with assurance from the Chief Financial Officer and relevant Executives that the declaration is:

1. based on a sound system of risk management and internal control, and
2. that the system is operating effectively in all material respects in relation to financial risks.

Additional information may be found in each Fund's Financial Report under the section "Directors' declaration".

In addition, CFSMPL recognises that effective risk management forms part of its approach to creating unitholder value over the life of each Fund. CFSMPL has implemented policies and internal controls to ensure that all 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 that is provided to the Board by the Manager.

CFSMPL 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.

CFSMPL 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 and international assets. The assets are located in geographically significant markets to provide revenue 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. Positions are also taken where offshore assets form part of a portfolio to ensure that movements in foreign exchange rates are managed to protect investor value.

- 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 assets, 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.

Ongoing consideration of risk and control of risk forms part of the overarching management practices of the Funds on a continuous basis as part of the Manager's active management philosophy.

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.

CFSMPL 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)
- asset risk (risk to physical assets, development and asset 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 CFSMPL believes can and do influence the operation of the Funds and the markets 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, asset 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

Remuneration Committee

The Board has not appointed a Remuneration Committee since no staff are employed by CFSMPL. Senior executives of the Bank serving as CFSMPL Directors are not remunerated for their duties.

Director remuneration is not paid by the Funds.

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

relationship to performance is clear.

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 Funds.

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

CFS Managed Property Limited
ABN 13 006 464 428
AFSL 240550

DIRECTORS OF THE RESPONSIBLE ENTITY

W Edgell
D Lee-Young
B J McFadyen
M B Steinberg

COMPANY SECRETARIES

G R Freeman
R K Pierro

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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 CFS Managed Property Limited (CFSMPL). Investments in CFSMPL-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 CFS Managed Property Limited ABN 13 006 464 428 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.

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