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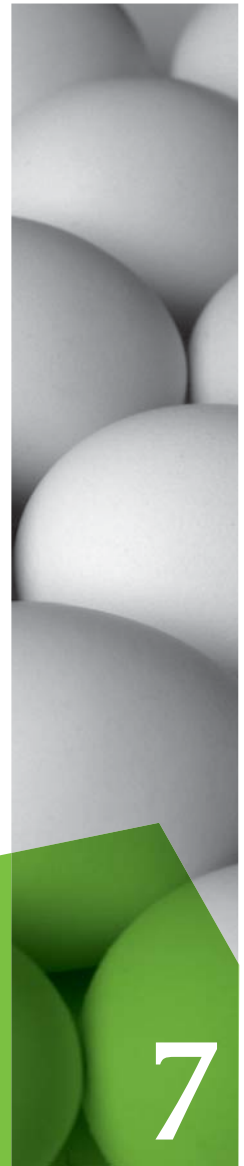
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Investment structure

The assets of the CSS Fund, the PSS Fund and the PSSap Fund are managed in a single trust, the ARIA Investments Trust. This provides economies of scale, thereby reducing the cost of managing the Funds.

The CSS Fund, PSS Fund and the PSSap Fund investment options are divided into asset classes. The funds within each asset class are managed by professional investment managers. Each of the Funds' investment options tap into the same asset class pool, thereby achieving the same asset class performance and having their investments managed by the same investment managers.

Investment arrangements

ARIA's investment team provides investment advice, implements Trustee investment decisions and monitors, reviews and reports on investment performance.

ARIA uses JANA Investment Advisers Pty Ltd as an external investment advisor and retains Macquarie Investment Management Ltd to provide advice on Australian private equity, Altius Associates for advice on international private equity and Franklin Templeton Real Estate Advisers for property advice.

Custodian services

The master custodian for the three Funds is JPMorgan, whose custodial function includes:

- ▶ settling trades
- ▶ physical custody and safekeeping of securities
- ▶ collecting dividends, preparing accounts and disbursing dividends
- ▶ receiving all monies available for investment from the scheme administrator and allocating them on the instruction of the investment team to investment managers in accordance with the mandates set down by ARIA
- ▶ holding (but not owning) the assets that comprise the Funds
- ▶ unit pricing
- ▶ maintaining consolidated accounts and tax records for the Fund
- ▶ reporting to ARIA on individual fund manager and aggregated investment returns.

Investment managers

ARIA appoints investment managers who specialise in investing in particular asset classes. ARIA provides investment guidelines and direction to each of its investment managers.

Investment managers are paid a fee that is generally based on the value of assets that they manage for ARIA. The fee reflects the investment costs applicable to each particular asset class sector and the investment style (for example, passive or active) employed by each manager. In addition, some managers are paid a performance fee for exceeding a pre-determined benchmark or hurdle rate of return, which is generally a share of any excess performance above that agreed benchmark.

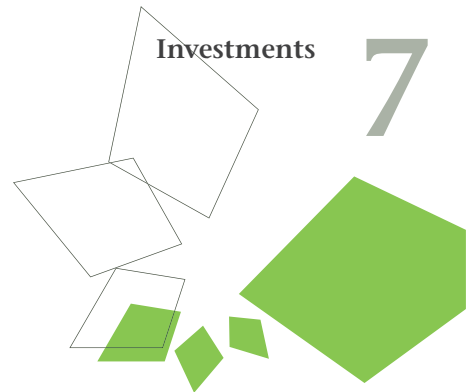


Table 8: Investment managers at 30 June 2008

452 Capital Pty Limited
AMP Capital Investors Limited
AMP Life Limited
Apostle Asset Management Limited
Arcadia Funds Management Limited
AXA Rosenberg Investment Management Ltd
Balanced Equity Management Pty Ltd
Barclays Global Investors Australia Limited
BlackRock Financial Management
Brandywine Asset Management LLC
Bridgewater Associates, Inc
Concord Capital Limited
Eureka Funds Management Company
Fiduciary Trust Company International
GMO Australia Limited
Harris Alternatives LLC
Lend Lease Real Estate Investments Limited
Macquarie Investment Management Limited
Marathon Asset Management Limited
Marvin & Palmer Associates Inc
Mesirow Advanced Strategies Inc
MIR Investment Management Limited
Orbis Investment Management Limited
Perpetual Investments
Platinum Asset Management
Principal Global Investors (Australia) Limited
Rexiter Capital Management Limited
Rogge Global Partners PLC
State Street Global Advisors Limited
Templeton Capital Advisors Ltd
Vanguard Investments Australia Limited
Wallara Asset Management
Wellington International Management Company Pte Limited

Note: These are only the investment managers that hold more than 1% of the Fund.

Investment objectives

CSS Default Fund

With the accumulation component of members' total benefit tied to the investment performance of the Fund, achieving competitive returns over the long-term is vital. This is explicitly recognised in the Fund's objective, which focuses on long-term real returns in an attempt to ensure that the real wealth of members increases over time. However, managing shorter-term volatility is also important, particularly for members who are close to exiting from the CSS.

The Fund's investment objectives specify the target, or acceptable levels of portfolio risk and return. ARIA expects to achieve an average real return of no less than 4.5% after tax and fees over the longer-term.

Consistent with the mid-point of the Reserve Bank's inflation target range of 2% to 3%, this equates to a long-run nominal return of at least 7% per annum.

In developing an investment strategy to achieve the real return objective of at least 4.5% per annum, and recognising that the average person might have a working life of around 30 years, ARIA has adopted the following constraint in order to manage the level of any short-term market volatility:

- ▶ on average, nominal Fund returns are expected to be positive in 24 years out of 30.

This constraint defines the tolerable level of volatility specified in the Fund's investment objective. Furthermore, for prudential reasons, not more than 25% of the Fund's investments are to be invested in illiquid assets, with a minimum cash allocation of 2%.

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PSS Default Fund

The total benefit payable to members is set by the governing legislation and rules of the PSS. It does not depend on the earning rate of the Fund, except for preserved benefit members where investment performance has a more direct impact on the level of final benefits.

The difference between the total benefit payable to a member and the accumulated member and productivity contributions (including Fund earnings) invested in the Fund is paid from Consolidated Revenue. The call on Consolidated Revenue will depend upon the investment performance of the Fund. The better the investment performance of the Fund, the smaller the call on Consolidated Revenue. In these circumstances, it is the employer who bears the investment risk arising from the investment of the Fund.

The Fund has a long-term perspective, but managing shorter-term volatility is also imperative. The Fund's investment objectives specify the target, or acceptable, levels of portfolio risk and return.

They are distilled from the characteristics of the scheme, including benefit design, crediting rate policy and liability position.

ARIA expects to achieve an average real return after tax and fees of no less than 4.5% per annum.

In developing an investment strategy to achieve this objective, and recognising that the average person might have a working life of around 30 years, ARIA has adopted the following constraint in order to manage the level of any short-term market volatility:

- ▶ On average, nominal Fund returns are expected to be positive in 24 years out of 30.

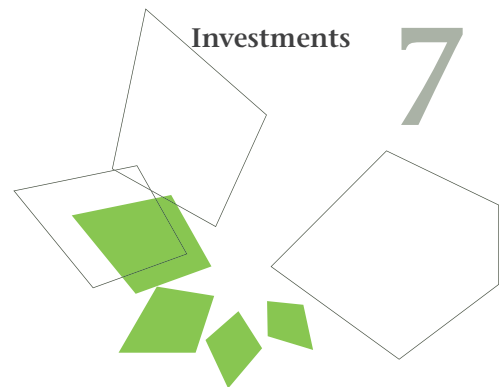
This criteria defines the 'tolerable' level of volatility specified in the Fund's investment objective. Furthermore, for prudential reasons, not more than 25% of the Fund's investments are to be invested in illiquid assets, with a minimum cash allocation of 2%.

PSS and CSS Cash Investment Option

All CSS members and PSS preserved benefit members may choose to have the taxed components of their accounts (that is, their member and productivity components) invested in a Cash Investment Option. The key investment objective of this option is to preserve its capital and earn a return close to that of the UBS Australian Bank Bill Index.

PSSap investment options

PSSap members' total benefits are tied to the investment performance of the investment option(s) within the PSSap Fund. Therefore, achieving a good return over the long-term is vital. This is explicitly recognised in the objectives that ARIA has set for the PSSap investment options, which is to maximise the long-term real return of the options within acceptable risk parameters.



Trustee Choice (default option)

The key investment objective is to outperform the Consumer Price Index (CPI) by 4.5% per annum over the medium to long-term.

Conservative

The key investment objective is to outperform the Consumer Price Index (CPI) by 3% per annum over the medium to long-term.

Balanced (50/50)

The key investment objective is to outperform the Consumer Price Index (CPI) by 4% per annum over the medium to long-term.

Aggressive

The key investment objective is to outperform the Consumer Price Index (CPI) by 5% per annum over the medium to long-term.

Bonds/fixed interest

The key investment objective is, prior to the payment of tax, to at least match the return of a composite index of global and Australian fixed interest securities.

Australian shares

The key investment objective is, prior to the payment of tax, to at least match the performance of the ASX 300, excluding ASX 300 Listed Property Trusts Index.

International shares (unhedged)

The key investment objective is, prior to the payment of tax, to at least match the return of the unhedged MSCI All Country World (ex-Australia) Index.

International shares

The key investment objective is, prior to the payment of tax, to at least match the return of the hedged MSCI All Country World (ex-Australia) Index.

Property

The key investment objective is, prior to the payment of tax, to at least match the return from the Mercer Direct Property Index.

Sustainable

The key investment objective is, prior to the payment of tax, to at least match the performance of the ASX 200 excluding ASX 200 Listed Property Trusts, Index.

Cash

The key investment objective is, prior to the payment of tax, to at least match the return from the UBS Warburg Australian Bank Bill Return Index.

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Asset allocation

The following tables set out the actual asset allocation for the CSS and PSS Default Funds as at 30 June 2008:

Table 9: CSS Default Fund asset allocation

Asset class	Actual Asset Allocation	
	2007	2008
Australian shares	32.2	27.2
International shares	21.7	22.0
Bonds	10.5	9.7
Market neutral strategies	9.3	10.5
Long/short equity funds	4.5	4.6
Property	13.5	14.9
Cash	8.3	11.1
Total Fund	100.0	100.0

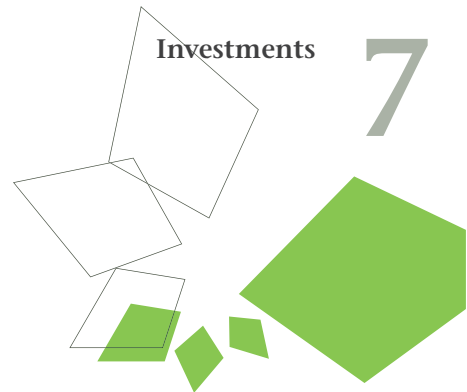
Table 10: PSS Default Fund asset allocation

Asset class	Actual Asset Allocation	
	2007	2008
Australian shares	32.8	27.2
International shares	21.8	22.1
Bonds	10.5	9.7
Market neutral strategies	9.2	10.5
Long/short equity funds	4.5	4.6
Property	12.2	14.9
Cash	9.0	11.0
Total Fund	100.0	100.0

The following table sets out the actual asset allocation for the PSSap diversified, pre-mixed investment options as at 30 June 2008:

Table 11: PSSap pre-mixed investment options asset allocation

Asset class	Trustee Choice		Conservative		Balanced		Aggressive	
	2007	2008	2007	2008	2007	2008	2007	2008
Australian shares	32.9	27.3	15.9	14.8	19.5	16.7	42.5	39.9
International shares	21.9	22.0	9.9	9.7	13.1	12.6	30.1	29.5
Long/short equity funds	4.5	4.6	-	-	5.0	5.0	5.0	5.0
Property	12.5	14.9	4.1	4.8	12.3	15.2	12.4	15.3
Bonds	10.4	9.6	42.2	49.3	34.0	37.9	-	-
Market neutral strategies	9.9	10.5	-	-	10.0	10.2	8.0	8.2
Cash	7.9	11.1	27.9	21.4	6.1	2.4	2.0	2.1
Total Fund	100	100	100	100	100	100	100	100



Events during the year

The following investment related events occurred during the 2007/08 year:

Australian equities

Mandates with two managers were terminated during the year. In both instances, action was taken in response to significant staff departures. The redeemed funds were re-invested with the portfolio's other managers.

International equities

During the year, ARIA increased its exposure to large capitalisation stocks in the international equities portfolio.

Alternative investments

The Funds' exposure to alternative investments increased during the year. A commitment of \$90.0m was made to new Australian private equity funds, \$162.9m to new international opportunistic property funds and \$265.0m to new international private equity funds.

Some of the funds previously committed to private equity, infrastructure and opportunistic property were drawn down during the year, while some investments were realised and the proceeds returned. The net result of these flows was that the investments in these assets rose from \$939.7m at the start of the year (reflecting commitments of \$2 304.9m) to \$1 111.0m (commitment of \$2 822.8m) at 30 June 2008.

Market neutral funds

Our investment in the Apostle Loomis Sayles Senior Loan Fund was increased through the year to take advantage of the higher yields on offer as a result of the liquidity crisis. The Market Neutral sector proved to be a valuable source of diversification during the year, with its positive returns contrasting strongly with the negative returns recorded by listed equity markets.

Fixed interest

The Funds' remained underweight in bonds throughout 2007/08 because of ongoing concerns that government bond yield levels were too low and therefore exposed to a significant risk of capital loss. The mandate with one manager was terminated at the end of the year, with the funds reinvested within the portfolio.

Property

ARIA increased its resources in this asset class by appointing a new portfolio manager within the investment team.

Arcadia Funds Management Limited, one of the Funds' two specialist Australian property managers, continued making acquisitions for the Funds and finalised the purchase of two industrial properties during the year, the Eaglegate Industrial Estate in Pinkenba, Qld and the Riverside Centre in Rosehill, NSW.

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Fund performance

CSS and PSS Default Funds

The CSS Default Fund posted a net return of -1.8% and the PSS Default Fund posted a net return of -1.9%, the first negative year after four consecutive years of double-digit returns.

Default Fund performance was constrained by the negative returns recorded in listed global equity markets. Despite a strong year for resource stocks, Australian equities finished the year with a return of -14.8%. This reflected a very tough year for property trusts, financials and information technology stocks. International equities fell by -10.7% in hedged terms and -16.1% in unhedged terms over the year. Unhedged returns were dragged lower by an increase in the value of the Australian dollar. The Funds' foreign asset returns were largely protected from the negative impact of the rise in the Australian dollar by the strategic decision taken to hedge the Funds' developed markets exposure.

That Default Fund performance was able to avoid large negative returns reflected the Funds' diversification into a wide range of asset classes which achieved positive returns. Leading the way was property, with a return of 13.2%. Solid returns were also achieved by other asset classes, including market neutral hedge funds (up 9.3%) and fixed interest (up 3.5%).

Both Default Funds' longer-term investment performance remains ahead of target.

The CSS Default Fund achieved an average net return (after fees and tax) of 9.0% per annum in the three years to 30 June 2008. This compared with a five year average net return of 11.0% per annum and ten year average net return of 7.8% per annum. These figures are comfortably above the Fund's target net return.

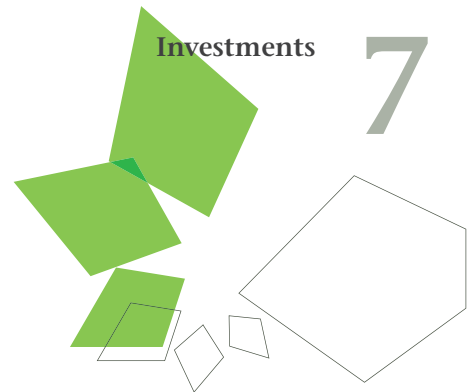
The PSS Default Fund achieved an average net return of 9.3% per annum in the three years to 30 June 2008. This compared with a five year average net return of 11.2% per annum and ten year average net return of 7.7% per annum. These figures are comfortably above the Fund's target net return.

CSS and PSS Cash Investment Options

The CSS and PSS Cash Investment Option both posted a net return of 6.1% for the year ending 30 June 2008, which is in line with their objectives once account is taken of the impact of tax on returns.

PSSap

The PSSap investment choice options achieved mixed performance in 2007/08. This reflected the significant fall in listed global equity markets, while other asset classes performed more strongly, achieving positive absolute returns. In the one year period ending 30 June 2008, the Trustee Choice option achieved a net return of -2.1%. This was below the average net return over the three years to 30 June 2008 of 9.4% per annum.



The three year performance figure compares favourably with the long-term target net return.

The other three pre-mixed, diversified options achieved mixed results in 2007/08. The Aggressive option recorded a net return of -5.5%, with its performance dragged down by its large allocation to listed global equity markets. The Conservative option achieved a net return of 0.7%, while the net return from the Balanced option was 0.5%. Both options benefited from a lower weighting in listed global equity markets.

In the three years ending June 2008, the highest returns were achieved by those options with the largest exposure to listed global equity markets. The Aggressive option achieved a net return of 9.9% per annum, the Balanced option increased by 7.6% per annum and the Conservative option by 5.8% per annum. In all instances, these returns were in excess of each option's target net return.

Single asset class option performance was also mixed in 2007/08. Significant negative returns were recorded by the Australian shares, Sustainable and International shares options, due to the large decline in listed global equity markets. The other non-equity options achieved positive returns, with the largest gain achieved by the Property option with a net return of 12.6%.

In the three years ending June 2008, the highest returns were achieved by the Property option and those options with the largest exposure to listed global equity markets. Other options achieved more modest yet positive returns.

Performance by asset class

Performance figures in the following single asset classes are before tax, but after fees.

Australian equities

After three consecutive years of very strong returns, the Australian equity market fell by 11.2% in 2007/08. The market began the year strongly, but a major repricing of risk associated with the global liquidity crisis saw the market retreat after October 2007. Stocks within the Financial, Property Trusts and Information Technology sectors were the hardest hit, recording declines of more than 20%. In contrast, Materials and Energy stocks achieved double digit positive returns, reflecting the positive impact of a strong increase in commodity prices.

International equities

Global equity markets suffered in the same way as the Australian equity market in 2007/08, but exhibited somewhat less volatility. Global equity markets advanced less quickly than the Australian market in the first part of the year, but also suffered less severe declines after October. For the year as a whole, global equities fell by 12.3% in hedged terms, a decline that was roughly in line with that experienced by the Australian market. For unhedged \$A-based investors, the fall in global equity markets was even greater, due to the decline in the value of foreign currencies, particularly the US dollar, against the Australian dollar. This resulted in global equities in unhedged terms declining by 20.0%. Our Funds were largely insulated from the negative impact of these foreign currency movements, as the international assets exposure within our Funds remained largely fully hedged.

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Australian fixed interest

Continued strength in the Australian economy, coupled with increased inflationary pressures and tight labour market conditions, led to four short-term domestic interest rate rises throughout the year. This produced an increase in official short-term interest rates from 6.25% to 7.25%. The conditions which resulted in an increase in domestic short-term interest rates ensured that Australian government bond yields also increased somewhat, despite the trend for a decline in international government bond yields. The decline in international government bond yields stemmed from an investor flight to quality which emanated from the global liquidity crisis. This crisis, and the associated repricing of risk, resulted in a significant increase in domestic corporate and asset backed (that is, non-government) interest rates. These influences combined to ensure that the Australian bond market recorded a gain of only 4.4%, which was below the 7.3% return from cash. We maintained our view that cash would prove a better investment than Australian bonds in 2007/08. This resulted in our Funds' strategic asset allocation to Australian bonds being kept in cash throughout the year.

International fixed interest

International bond markets in 2007/08 were dominated by events in the US, which was the epicentre of the global liquidity crisis. Events which began with large bank losses from mortgage related investments, culminated in a major repricing of risk and an associated global liquidity crisis, in which the sustainability of the global financial system was brought into question. These events culminated in a significant slowdown in the pace of US economic growth and a major decline in US

short-term interest rates from 5.25% to 2%. This, together with an investor flight to quality into government bonds resulted in a significant decline in global government bond yields, particularly in the US. This occurred at the same time as a major widening in credit spreads on non-government securities. This resulted in a return of 7.9% from international bonds in 2007/08, which exceeded the return from both Australian bonds and cash.

Market neutral funds

The absolute return nature of market neutral funds and their low correlation with equity market returns, resulted in the achievement of modest positive returns in 2007/08. This provided our Funds with a much needed source of diversification away from declining listed global equity markets.

Long/short equity funds

Our Funds have invested in this asset class since October 2004. The objective of the asset class is to match the return from international equities in the long run, but with a lower level of return volatility. In 2007/08, long/short equity funds significantly outperformed international equities, thereby providing our Funds with another significant source of diversification.

Property

The Australian property market, as measured by the Mercer Australian Unlisted Property Index, experienced another strong year, returning 14.5%. This performance helped to underpin the returns from our diversified Funds throughout the year.

Cash

The return from cash was buoyed by a rise in short term interest rates during the year. For the year as a whole, cash returned 7.3%.

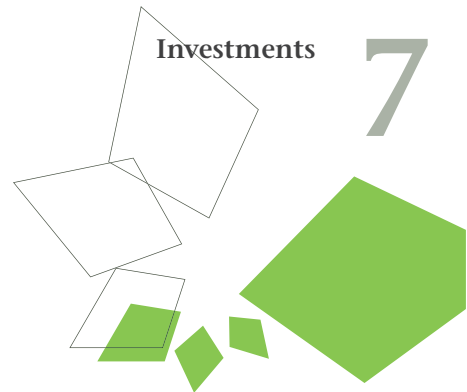


Table 12: CSS Default Fund investments 2007/08

Investment Sector	Holdings at 30 June 2007 \$m	Holdings at 30 June 2008 \$m	Proportion at 30 June 2008 %
Total Fund Investments	6 642.5	5 744.7	100.00

Note: Total Fund investments is after tax and fees

Australian shares	2 196.2	1 579.1	27.2
International shares	1 485.2	1 281.9	22.0
Bonds	720.2	561.3	9.7
Market neutral funds	638.0	609.6	10.5
Long/short equities	308.7	268.5	4.6
Property	924.8	865.9	14.9
Cash	566.4	648.0	11.1

Note: Sectors are before tax and after fees

Table 13: CSS Default Fund performance 2007/08

	One-year performance	Three-year performance	Five-year performance	Seven-year performance
	Portfolio %	Portfolio %	Portfolio %	Portfolio %
Total Fund Performance	-1.8	9.0	11.0	7.4

Note: Total Fund investments is after tax and fees

Australian shares	-14.2	9.9	15.4	10.6
International shares	-6.1	12.1	14.4	6.8
Bonds	3.5	3.3	5.6	5.5
Market neutral funds	9.3	8.5	9.5	-
Long/short equities	-0.2	9.0	-	-
Property	13.2	13.2	13.1	12.0
Cash	7.4	6.1	5.8	5.3

Note: Sectors are before tax and after fees

Table 14: CSS Cash Investment Option performance 2007/08

	Holdings at 30 June 2007 \$m	Holdings at 30 June 2008 \$m	One-year performance %	Three-year performance %
Total Fund	113.2	320.1	6.1	5.5

Note: Holdings and performance are after tax and fees

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Table 15: PSS Default Fund investments 2007/08

Investments Sector	Holdings at 30 June 2007 \$m	Holdings at 30 June 2008 \$m	Proportion at 30 June 2008 %
Total Fund Investments	11 253.2	11 362.6	100.00

Note: Total Fund investments is after tax and fees

Australian shares	3 777.3	3 118.3	27.2
International shares	2 525.0	2 524.0	22.1
Bonds	1 208.4	1 106.2	9.7
Market neutral	1 057.8	1 198.3	10.5
Long/short equities	518.3	530.0	4.6
Property	1 401.2	1 704.7	14.9
Cash	1 042.4	1 264.1	11.0

Note: Sectors are before tax and after fees

Table 16: PSS Default Fund performance 2007/08

Investments	One-year performance	Three-year performance	Five-year performance	Seven-year performance
	Portfolio %	Portfolio %	Portfolio %	Portfolio %
Total Fund Performance	-1.9	9.3	11.2	7.4

Note: Total Fund investments is after tax and fees

Australian shares	-14.2	10.1	15.4	10.4
International shares	-6.1	12.1	14.4	6.8
Bonds	3.5	3.3	5.4	5.5
Market neutral	9.3	8.7	9.6	-
Long/short equities	-0.2	8.9	-	-
Property	13.2	13.4	12.9	11.9
Cash	7.4	6.6	6.1	5.7

Note: Sectors are before tax and after fees

Table 17: PSS Cash Investment Option Fund performance 2007/08

Investments	Holdings at 30 June 2007 \$m	Holdings at 30 June 2008 \$m	One-year performance %	Three-year performance %
Total Fund	7.9	13.3	6.1	5.4

Note: Holdings and performance are after tax and fees

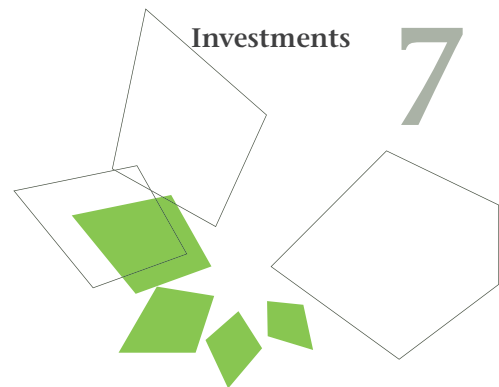


Table 18: PSSap performance 2007/08

Investment option	Holdings June 2007 \$m	Holdings June 2008 \$m	One-year performance %	Three-year performance %
Conservative	2.1	3.7	0.7	5.8
Balanced (50/50)	3.2	6.7	0.5	7.6
Trustee Choice	436.0	829.1	-2.1	9.4
Aggressive	14.8	28.0	-5.5	9.9
Cash	0.7	5.4	5.9	5.2
Bonds/Fixed interest	0.3	2.0	2.8	2.6
Australian shares	4.8	8.3	-14.4	9.6
International shares (unhedged)	0.8	0.8	-14.1	4.1
International shares (hedged)	1.0	1.6	-9.8	8.2
Property	2.3	2.6	12.6	14.2
Sustainable	1.8	3.7	-12.1	9.1

Note: Holdings and performance are after tax and fees

Investment information

Further information on investment performance can be obtained from:

Web www.aria.gov.au
Postal address ARIA
 GPO Box 1907
 Canberra City ACT 2601
Phone 02 6263 6999
Fax 02 6263 6900
Email secretary@aria.gov.au

Allocating earnings

On 13 June 2007, the Trustee adopted a new Earnings Rate Policy which took effect on 28 June 2007. The 2006/07 Annual Report to Parliament outlined this policy, which is summarised below.

CSS and PSS

The applicable Earnings Rate for the last day of a calendar month is used to apply earnings to member accounts for that month, other than for transactions to and from the member accounts recorded for that month:

- ▶ transactions that are processed to a member's account during a month use the relevant Earnings Rate for the date

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of the transaction through to the end of that month, to reflect earnings on such amounts

- ▶ transactions that are processed from a member's account during a month use the relevant Earnings Rate from the beginning of that month to the date of the transaction, to reflect earnings on such amounts.

Processing transactions to member accounts

Transactions will be processed from and to member accounts after validation, in accordance with the scheme rules and the terms of the agreement between the administrator and ARIA.

Preserved and Associate members with account balances in the CSS and PSS Fund greater than \$1 000 may switch the entire balance of their account between the Default Fund and Cash Investment Option twice yearly. The cut-off for these switch transactions is the last Friday of a month with the transaction processed once per month on the following Wednesday.

PSSap

Members' interests in the PSSap are valued in units. Contributions and other amounts transferred to the PSSap are used to buy units which are invested in accordance with members' investment choices. There are 11 investment options to choose from.

The Fund's net earnings are allocated to members' accounts through changes in the unit price which fluctuate in line with investment markets. The unit price for an investment option reflects the total value of

assets in the investment option (net of taxes and expenses) divided by the number of units issued in the investment option.

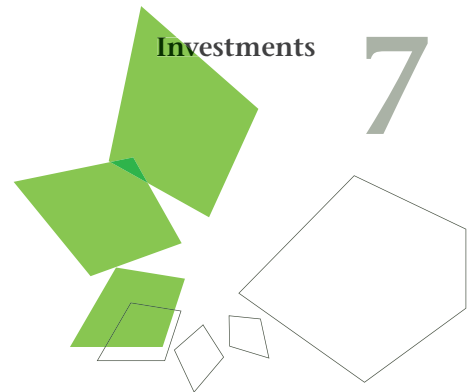
A buy/sell spread is applied to all the investment options to reflect the costs associated with the purchase or sale of assets. Calculation of the value of assets in each investment option is generally based on the latest available market value at the end of each business day and published daily on the Fund's website at www.pssap.gov.au. Where fees are payable directly from a member's account (for example, insurance premiums and switching fees), units are sold to the extent required for payment.

ARIA's approach to corporate governance

ARIA's approach to governance in respect of its investments focuses on managing risk. It is driven by ARIA's primary investment objective to maximise long-term real returns while minimising short-term risks in order to safeguard the long-term interests of members.

ARIA believes it has a responsibility to ensure the Funds are not exposed to undue risk because of poor governance behaviour. Therefore it pursues the principles of good governance in its own operations, in service providers and in the companies in which it invests.

ARIA considers corporate governance to be an important element of risk management. It recognises that poor environmental, social and corporate governance can lead to a decline in investment value as much as financial or other risks.



For ARIA’s investments, it undertakes a number of initiatives and practices, including:

- ▶ the casting of proxy votes in the Australian and international companies in which it invests
- ▶ the Governance Advisory Service, Regnan (see below).

Proxy voting

ARIA values good governance in its own operations, service providers and the companies in which it invests.

In keeping with this principle, ARIA exercises its right to cast proxy votes in the companies in which it invests. This activity underscores ARIA’s commitment to ensure long-term shareholder value for members. It also sends a clear signal to companies that as a shareholder, ARIA will vote on company resolutions in the best interests of its members.

Regnan—the Governance Advisory Service

Regnan was established to protect and enhance shareholder value for members by identifying environmental, social and corporate governance risks in present and future investments and to actively communicate those risks to relevant stakeholders and engage directly with companies as required.

The Governance Advisory Service was established in 2001, as a joint venture between the CSS and PSS Boards and Westpac Investment Management and was subsequently known as BT GAS.

The Boards appointed GAS to actively research governance risk in the Funds’ Australian equities investments and make recommendations on how to diminish or eliminate such risks. BT GAS actively researched and monitored potential environmental, social and corporate governance risks in ARIA’s Australian equity investments, which represent funds under management of a little under \$5 billion.

Having created the foundation for a new approach to risk management, in May 2007 ARIA and seven other major institutional investors founded Regnan, a new company evolving from the former BT GAS.

Regnan is Australia’s only investment risk management service which focuses on an engagement process to meet the oversight needs of institutional investors. It addresses portfolio exposure to environmental, social and governance risks by directly engaging with companies and performing specialist research and analysis. Regnan’s research universe includes all companies in the S&P/ASX200.

The United Nations Principles for Responsible Investment

ARIA became a signatory to the United Nations Principles for Responsible Investment (PRI) in December 2006.