

# NOTICE OF MEETING

## Invitation to CSR's Annual General Meeting

### Dear Shareholder

CSR's Annual General Meeting (AGM) will be held at 10.00am Wednesday 24 June 2020 (AEST) at CSR's head office at Trinita 3, Level 5, 39 Delhi Road, North Ryde NSW 2113.

Due to the continuing developments in relation to coronavirus (COVID-19), we are making some changes to our approach this year, with the health and safety of our shareholders and employees being of paramount importance. In light of continuing restrictions on large gatherings, it is not feasible or advisable for shareholders to physically attend this year's AGM.

Accordingly, we have adopted measures to allow shareholders to participate in the AGM online this year. Specifically, the AGM will be made accessible to shareholders via a live webcast as well as an online platform which will include the facility for shareholders to ask questions in relation to the business of the meeting and to vote in real time at the meeting. These processes are set out in this notice of meeting.

The Directors of CSR encourage shareholders to participate in the meeting via the online platform. Whilst shareholders will be able to vote online during the meeting, shareholders are encouraged to lodge a proxy ahead of the meeting, even if they are participating online. If you are unable to attend, please lodge your vote online at [www.investorvote.com.au](http://www.investorvote.com.au).

As always, we invite shareholders to submit questions in advance of the meeting. Questions may be submitted by completing an online shareholder question form on CSR's website at [www.csr.com.au/AGM2020](http://www.csr.com.au/AGM2020) or submitting an online question when voting online at [www.investorvote.com.au](http://www.investorvote.com.au).

This notice of meeting (which includes the following agenda, eligibility to vote and explanatory notes) details the formal business to be dealt with at the AGM.

Briefly, this will be to:

1. receive and consider the formal reports for the financial year;
2. re-elect directors – to re-elect each of Ms Christine Holman and Mr Mike Ihlein as a non-executive director of the company;
3. ratify the appointment of Ms Julie Coates as an executive director;
4. adopt the 2020 remuneration report;
5. approve the grant of long-term incentives (performance rights) to Ms Julie Coates, the managing director; and
6. consider the conditional spill resolution – only required if 25% or more of validly cast votes are against item 4 (the adoption of the remuneration report).

With the exception of the conditional spill resolution, the directors recommend that shareholders vote in favour of all resolutions.

### Responding to the strike on the 2019 remuneration report

At the 2019 AGM, we received a 34% vote against the 2019 remuneration report and, as a result, received a 'first strike'. In accordance with the Corporations Act 2001, if CSR receives a second strike against our 2020 remuneration report, a separate resolution is required to be put to shareholders at this meeting asking if shareholders wish to hold an extraordinary meeting, referred to as a 'spill meeting'. The details of this process and what this means are further explained in this notice of meeting.

Following feedback received from shareholders last year, we have conducted a review of our remuneration framework, and updated it in a way that we are confident will address shareholder concerns.

Further information on these changes are contained in the 2020 remuneration report and in this notice of meeting.

### How to participate in the AGM online

Shareholders can participate in the AGM and watch the webcast online using one of the following methods:

- (a) from their computer, by entering the URL in their browser: <https://web.lumiagm.com/376871836>;
- (b) from their mobile device by either entering the URL in their browser: <https://web.lumiagm.com>; or
- (c) by using the Lumi AGM app, which is available by downloading the app from the Apple App Store or Google Play Store.

The online platform will allow shareholders to view the meeting, vote and ask questions in real-time.

### How to watch the webcast

The meeting will also be webcast live from [www.csr.com.au/investor-relations-and-news/webcasts](http://www.csr.com.au/investor-relations-and-news/webcasts), however as distinct from the online platform, shareholders will not be able to vote and ask questions in real time on the webcast (the Lumi platform referred to above will be available for this).

If you are planning to watch the webcast, we encourage you to submit a proxy and any questions ahead of the meeting.

### How to submit your vote in advance of the meeting

Proxy votes must be received by 10.00am (AEST) on Monday 22 June 2020 to be valid for the meeting.

Instructions on how to appoint a proxy are on the online voting website, [www.investorvote.com.au](http://www.investorvote.com.au).

Your proxy may be appointed in a variety of ways described on page 2 of the notice of meeting under 'Proxies'.

Please review the CSR website for the following documents:

- a link from the Share Information page to our share registry to register your e-mail address in order to receive all shareholder information electronically and to obtain standard shareholder forms, including a direct dividend advice, a change of address advice and a request to consolidate holdings;
- the CSR Annual Report 2020 (including the CSR Corporate Governance Statement) and Notice of Meeting 2020;
- the CSR Sustainability Report 2019; and
- copies of news releases and financial presentations.

Given the current environment, we strongly encourage that all shareholders plan to vote by proxy and participate in the meeting using our online platform rather than attending in person.

With Government guidance continually being updated, CSR is closely monitoring the developments relating to COVID-19. Shareholders are encouraged to check CSR's website at [www.csr.com.au/AGM2020](http://www.csr.com.au/AGM2020) and the ASX for updates in relation to the AGM.

We look forward to engaging with shareholders in this new way, and I hope that you will participate in the meeting online.

Yours sincerely



JOHN GILLAM, CHAIRMAN

25 May 2020

# AGENDA

## ORDINARY BUSINESS

### 1. Financial reports and directors' and auditor's reports

To receive and consider the financial report, the directors' report and the auditor's report for the financial year ended 31 March 2020.

### 2. Election of directors

To consider and, if thought fit, to pass the following resolutions, as ordinary resolutions:

- 2a.** That Christine Holman, who will retire by rotation at the close of the meeting in accordance with rule 55 of the company's constitution, be re-elected as a director of the company.
- 2b.** That Mike Ihlein, who will retire by rotation at the close of the meeting in accordance with rule 55 of the company's constitution, be re-elected as a director of the company.

### 3. To ratify the appointment of Julie Coates as an executive director

To consider and, if thought fit, to pass the following resolution as an ordinary resolution:

That the appointment of Julie Coates as an executive director in September 2019 be ratified in accordance with rule 59 of the company's constitution.

### 4. Remuneration report

To consider and, if thought fit, to pass the following resolution as a non-binding ordinary resolution:

To adopt the remuneration report for the financial year ended 31 March 2020.

Note: The vote on this item is advisory only and does not bind the directors or the company.

## SPECIAL BUSINESS

### 5. Grant of performance rights to the managing director

To consider and, if thought fit, to pass the following resolution as an ordinary resolution:

That the grant to the managing director of 452,206 performance rights under the terms of the company's Performance Rights Plan (the "PRP") as summarised in the explanatory notes to this notice of meeting be approved.

## CONTINGENT RESOLUTION

### 6. Conditional spill resolution

If required, to consider and, if thought fit, to pass the following resolution as an ordinary resolution:

Subject to and conditional on at least 25% of the votes cast on item 4, being cast against the adoption of the company's remuneration report for the financial year ended 31 March 2020,

- a) an extraordinary general meeting of the Company (Spill Meeting) be held within 90 days of this resolution;
- b) all of the non-executive directors in office when the resolution to approve the directors' report for the financial year ended 31 March 2020 was passed and who remain in office at the time of the Spill Meeting, cease to hold office immediately before the end of the Spill Meeting; and
- c) resolutions to appoint persons to offices that will be vacated immediately before the end of the Spill Meeting are put to the vote at the Spill Meeting.

## ELIGIBILITY TO VOTE

For the purposes of the meeting, shares will be taken to be held by the persons who are registered as shareholders as at 7.00pm (AEST) on Monday 22 June 2020.

Accordingly, transactions registered after that time will be disregarded in determining shareholders entitled to vote at the meeting.

## Proxies

If you are a shareholder entitled to vote, you may appoint a proxy. If you are a shareholder entitled to cast two or more votes, you may appoint two proxies and specify the number or proportion of votes that each may exercise, failing which each may exercise half of the votes.

A proxy need not be a shareholder of the company. Shareholders are encouraged to notify an appointed proxy of their appointment to enable them to participate in the meeting online and to exercise your voting instructions. Appointed proxies will need to contact Computershare Investor Services to obtain a username and password to vote online. Further details are available in the online meeting guide available at [www.csr.com.au/AGM2020](http://www.csr.com.au/AGM2020).

If you do not specify a proxy in your completed proxy vote or if the person you appoint as proxy does not participate in the AGM, the chairman of the meeting will be taken to be your proxy by default. In accordance with the Corporations Act 2001, any directed proxies that are not voted as directed on a poll at the meeting will automatically default to the chairman of the meeting, who is required to vote proxies as directed.

## Voting restrictions apply to the company's key management personnel (KMP) and their closely related parties, which affect proxy voting

Members of CSR's KMP (which includes each of the non-executive directors, the managing director and the chief financial officer) and their closely related parties will not be able to vote your proxy on resolutions 4, 5 and 6 unless you direct them how to vote by marking a voting box for those items, or the chairman of the meeting is your proxy. The term 'closely related party' is defined in the Corporations Act 2001 and includes the KMP's spouse, dependents and certain other close family members, as well as any companies controlled by the KMP, or the KMP's spouse, dependents and certain other close family members.

If you intend to appoint a member of the KMP as your proxy, please ensure that you direct them how to vote on resolutions 4, 5 and 6.

If you appoint the chairman of the meeting as your proxy or he becomes your proxy by default, and you do not provide any voting directions on your proxy vote, by validly submitting your proxy, you will be expressly authorising the chairman of the meeting to cast your vote on resolutions 4, 5 and 6 as he sees fit. This applies even though the resolution is connected with the remuneration of CSR's KMP.

The chairman of the meeting intends to vote all available proxies in favour of resolutions one to five inclusive and against resolution six.

## Voting Exclusions

### Resolution 4

The company will disregard any votes cast on resolution 4:

- by or on behalf of a member of the KMP whose remuneration is disclosed in the remuneration report and their closely related parties regardless of the capacity in which the vote is cast; and
- as a proxy by a member of the KMP at the date of the meeting and any of their closely related parties,

unless the vote is cast as proxy for a person entitled to vote on resolution 4:

- in accordance with a direction on the proxy form; or
- by the chairman of the meeting pursuant to an express authorisation to exercise the proxy as the chairman thinks fit.

### Resolution 5

While ASX listing rule approval of the managing director's Long Term Incentive (LTI) award is not technically required, CSR continues to seek shareholder approval for good governance reasons. Accordingly, the company will disregard any votes cast in favour of resolution 5:

- by or on behalf of the managing director and any of her associates, regardless of the capacity in which the vote is cast; and
- as a proxy by a member of the KMP at the date of the meeting and any of their closely related parties,

unless the vote is cast on resolution 5:

- as proxy or attorney for a person entitled to vote on the resolution in accordance with a direction given to the proxy or attorney to vote on the resolution in that way; or
- as proxy for a person entitled to vote on the resolution by the chairman of the meeting pursuant to an express authorisation to exercise the proxy as the chairman thinks fit; or
- by a holder acting solely in a nominee, trustee, custodial or other fiduciary capacity on behalf of a beneficiary provided the following conditions are met:
  - the beneficiary provides written confirmation to the holder that the beneficiary is not excluded from voting, and is not an associate of a person excluded from voting, on the resolution; and
  - the holder votes on the resolution in accordance with directions given by the beneficiary to the holder to vote in that way.

The chairman of the meeting intends to vote all available proxies in favour of resolution 4 and 5.

### Resolution 6

The company will disregard any votes cast on resolution 6:

- by or on behalf of a member of the KMP whose remuneration is disclosed in the remuneration report and their closely related parties regardless of the capacity in which the vote is cast; and
- as a proxy by a member of the KMP at the date of the meeting and any of their closely related parties,

unless the vote is cast as proxy for a person entitled to vote on resolution 6:

- in accordance with a direction on the proxy form; or
- by the chairman of the meeting pursuant to an express authorisation to exercise the proxy as the chairman thinks fit.

The chairman of the meeting intends to vote all available proxies *against* resolution 6.

## Where to lodge a proxy

**Online:** [www.investorvote.com.au](http://www.investorvote.com.au) (by following the instructions set out on the website). Shareholders who elected to receive their notice of meeting and proxy form electronically or have provided CSR with their email address will have received an e-mail with a link to the Computershare site.

You will need a specific six digit Control Number to vote online. This number is located on the front of your letter.

In order to take effect, the electronic proxy appointment (and the power of attorney or other authority under which it is signed, if any) must be received by Computershare, no later than 10.00am (AEST) on Monday 22 June 2020.

You can arrange to receive shareholder information electronically by contacting Computershare on 1800 676 061 (within Australia) or +61 3 9415 4033 (outside Australia) or at [www.computershare.com.au](http://www.computershare.com.au) (Investor Centre).

**Custodian voting:** for intermediary online subscribers only (Custodians) please submit your voting intentions at [www.intermediaryonline.com](http://www.intermediaryonline.com).

## Questions and comments from shareholders

In accordance with the Corporations Act 2001 and the company's past practice, a reasonable opportunity will be given to shareholders at the meeting to ask questions about, or make comments on, the management of the company and the remuneration report.

Similarly, a reasonable opportunity will also be given to shareholders at the meeting to ask CSR's auditor, Deloitte Touche Tohmatsu, questions relevant to the conduct of the audit, the preparation and content of the auditor's report, the accounting policies adopted by the company in relation to the preparation of the financial statements, and the independence of the auditor in relation to the conduct of the audit.

Written questions may be submitted by shareholders in advance of the meeting, including questions for the company's auditor Deloitte Touche Tohmatsu.

Shareholders can submit their questions in advance of the meeting in a number of ways:

- by completing an online shareholder question form on CSR's website at [www.csr.com.au/AGM2020](http://www.csr.com.au/AGM2020); or
- submitting an online question when voting online prior to the meeting at [investorvote.com.au](http://investorvote.com.au).

To be considered in advance of the meeting, the written questions must be received no later than 5.00pm (AEST), on Wednesday 17 June 2020.

### Participating in the meeting online

Shareholders also can submit questions in relation to the business of the meeting, and vote on the resolutions in real time during the meeting via the Lumi online meeting application.

Shareholders participating in the meeting using the Lumi online platform will be able to vote between the commencement of the meeting and the closure of voting as announced by the chairman during the meeting.

By participating in the meeting online you will be able to:

- hear and view meeting slides;
- submit questions at the appropriate time whilst the meeting is in progress; and
- vote during the meeting.

Instructions on how to log on to ask questions during the meeting are outlined below and available on CSR's website at [www.csr.com.au/AGM2020](http://www.csr.com.au/AGM2020). Please note, only shareholders may ask questions online and only once they have been verified. It may not be possible to respond to all questions raised during the meeting. Shareholders are therefore encouraged to lodge questions prior to the AGM, as outlined on page 3.

If you choose to participate in the meeting online, registration will open at 9.00am (AEST) on Wednesday 24 June 2020.

To participate in the CSR Limited meeting online, you can log in to the meeting in the following ways:

- (a) from your computer, by entering the URL in your browser: [web.lumiagm.com/376871836](http://web.lumiagm.com/376871836);
- (b) from your mobile device by either entering the URL in your browser: <https://web.lumiagm.com>; or
- (c) by using the Lumi AGM app, which is available by downloading the app from the Apple App Store or Google Play Store.

Once you have selected one of the options above, shareholders will need the following information to participate in the AGM in real-time:

1. The meeting ID for the CSR Limited AGM, which is: **376-871-836**;
2. Your username, which is your SRN/HIN; and
3. Your password, which is the postcode registered to your holding if you are an Australian shareholder. Overseas shareholders should refer to the Online Meeting Guide (link below) for their password details.

Further information regarding participating in the AGM online, including browser requirements, is detailed in the AGM Online Meeting Guide available on CSR's website [www.csr.com.au/AGM2020](http://www.csr.com.au/AGM2020).

### Webcast

You can view a live webcast of the meeting on [www.csr.com.au/investor-relations-and-news/webcasts](http://www.csr.com.au/investor-relations-and-news/webcasts).

### All resolutions will be by poll

The chairman intends to call a poll on each of the resolutions set out in this notice of meeting.

### Technical difficulties

Technical difficulties may arise during the course of the AGM. The chairman has discretion as to whether and how the meeting should proceed in the event that a technical difficulty arises. In exercising his discretion, the chairman will have regard to the number of shareholders impacted and the extent to which participation in the business of the meeting is affected.

Where he considers it appropriate, the chairman may continue to hold the meeting and transact business, including conducting a poll and voting in accordance with valid proxy instructions. For this reason, shareholders are encouraged to lodge a proxy by 10.00am (AEST) on Monday 22 June 2020 even if they plan to attend online.

**EXPLANATORY NOTES TO NOTICE OF MEETING**

These explanatory notes form part of the notice of meeting and should be read in conjunction with it. These explanatory notes have been prepared to provide shareholders with important information regarding the items of business proposed for consideration at the AGM.

**1. Financial report and the reports of the directors and of the auditor for the financial year ended 31 March 2020**

The CSR Annual Report 2020 (which includes the financial report, the directors' report and the auditor's report) has previously been distributed. Shareholders can access a copy of the annual report on CSR's website at [www.csr.com.au/investor-relations-and-news/annual-meetings-and-reports](http://www.csr.com.au/investor-relations-and-news/annual-meetings-and-reports). A printed copy of the CSR Annual Report 2020 has been sent only to those shareholders who have elected to receive a printed copy.

Shareholders will be given a reasonable opportunity to ask questions about, and make comments on, the reports and CSR's management, businesses, operations, financial performance and prospects, however there will be no formal resolution put to the meeting. CSR's auditor will also attend the meeting to answer questions in relation to the conduct of the audit (including the independence of the auditor), the preparation and content of the auditor's report and the accounting policies adopted by CSR. Shareholders may also submit questions in advance of the meeting in accordance with the instruction on page 3 of this notice.

**2. Election of directors****a) Re-election of Christine Holman as a non-executive director**

Christine Holman is an independent non-executive director. She was appointed a director of the company in October 2016 and was last elected by shareholders at the 2017 AGM. Christine retires by rotation in accordance with rule 55 of the company's constitution and offers herself for re-election at this meeting.

Information about Christine Holman is set out below:

**Christine Holman**

PGDipBA, MBA, GAICD.

A member of the Risk & Audit Committee and Workplace Health, Safety & Environment Committee.

Christine was formerly Commercial Director at Telstra Broadcast Services until March 2016 and Chief Financial Officer and Commercial Director of Globecast Australia until June 2015. Christine also spent seven years at Capital Investment Group involved in strategy, business development and mergers and acquisitions. Christine has over 20 years' experience across the technology, private equity and digital sectors in a variety of functions including finance, commercial, technology and marketing.

Christine is a non-executive director of the following entities: Blackmores Limited (2019 to current), Collins Foods Limited (2019 to current), The Moorebank Intermodal Company, a Federal Government Business Enterprise (2018 to current), The Bradman Foundation (2016 to current), The State Library of NSW Foundation (2017 to current), The T20 World Cup 2020 Cricket Board (2018 to current). Christine was previously a director of WiseTech Global Limited (until October 2019), a director of HT&E Ltd (until December 2018) and a director of Vocus Limited (until November 2017).

The board considers that Christine continues to make a valuable contribution to the board. Christine brings extensive experience in digital technology and marketing, as well as strategy execution, risk management and business development, which is highly valued by her fellow directors.

*Recommendation*

The directors (excluding Christine Holman) unanimously recommend that shareholders vote in favour of resolution 2a.

**b) Re-election of Mike Ihlein as a non-executive director**

Mike Ihlein is an independent non-executive director. He was appointed a director of the company in July 2011 and was last elected by shareholders at the 2017 AGM. Mike retires by rotation in accordance with rule 55 of the company's constitution and offers himself for re-election at this meeting.

Information about Mike Ihlein is set out below:

**Mike Ihlein**

BBUS (Accounting), FAICD, FCPA, FFIN, MFEI.

Chair of the Risk & Audit Committee and member of the Workplace Health, Safety & Environment Committee.

Mike was formerly chief executive officer and executive director of Brambles Limited until November 2009, prior to which he was Brambles' chief financial officer for four years. Mike has also had a long career with Coca-Cola Amatil Limited including seven years as chief financial officer and executive director and a number of senior operational, finance, business development and treasury roles including managing director of Coca-Cola Amatil Poland.

Mike is a non-executive director of Scentre Group (2014 to current), Inghams Group (2020 to current) and of Kilfinan Australia Limited (2016 to current). Mike was previously a non-executive director of Snowy Hydro Limited (until June 2019).

The board considers that Mike continues to make a valuable contribution to the board. He has a deep knowledge of CSR and brings extensive experience in financial reporting, risk management and internal audit and controls, which the board particularly values in his role as chairman of the Risk & Audit Committee.

*Recommendation*

The directors (excluding Mike Ihlein) unanimously recommend that shareholders vote in favour of resolution 2b.

**3. To ratify the appointment of Julie Coates as an executive director**

Julie Coates, the managing director of CSR, was appointed a director of the company in September 2019. Shareholders are asked to ratify this appointment in accordance with rule 59.2 of the company's constitution.

Information about Julie Coates is set out below:

**Julie Coates**

BA, DipE.

Appointed to the board as an executive director and managing director on 2 September 2019, having joined CSR on the same date.

Julie was formerly the managing director of Goodman Fielder Australia and Goodman Fielder New Zealand. Julie has also held several senior roles at Woolworths Limited, including managing director of Big W, chief logistics officer and human resources director, working closely on business strategy and major transformational change programs. Julie has proven leadership skills, a strong understanding of manufacturing, safety and operational processes and deep experience in supply chain efficiency, optimisation and digitisation.

Julie was previously a non-executive director of Coca-Cola Amatil (until November 2019) and of Spotless Group Holdings Limited (until July 2017).

Appropriate background checks were completed before Julie was appointed. As Julie is the managing director of CSR, she is not considered to be an independent director.

The board strongly supports the appointment of Julie Coates as managing director. In the opinion of the board she brings a wide range of extremely valuable skills and experience to the board and to CSR. In her short time at CSR she has already had a meaningful and positive impact on CSR, and its employees and, in the board's strong opinion, will deliver significant value for shareholders. In addition, as the only executive director, she brings to the board the perspective of the senior management team and gives the non-executive directors access to insights and information regarding the business that goes beyond what is covered in formal board papers and presentations.

*Recommendation*

The directors (excluding Julie Coates) unanimously recommend that shareholders vote in favour of resolution 3.

**4. Remuneration report**

Listed companies, such as CSR, are required to provide detailed disclosures of non-executive director and executive KMP remuneration in their directors' reports. These disclosures are set out in the remuneration report (which forms part of the directors' report) on pages 34 to 55 of the CSR Annual Report 2020.

As a result of last year's vote on the remuneration report, the board conducted a thorough review of published reports on CSR's remuneration report issued by shareholder advisors and met with several major shareholders to discuss how it can improve both remuneration policy and disclosure. Following this, the board has made several changes to the remuneration framework in YEM20 to address the concerns that were raised. These changes include:

- re-introducing relative total shareholder return (TSR) as a performance measure for the YEM21 LTI grant, with a requirement for a positive absolute TSR in order for any rights to vest;
- from YEM21 the amount of deferred short term incentive (STI) will be increased from 20% to 40%;
- from YEM21 a one year holding lock (based on a service condition) will be applied to all LTI shares awarded under the PRP; and
- the minimum shareholding policy for executive KMP has been formalised to be 100% of fixed annual remuneration, to be acquired over a reasonable period of time.

In addition, there is enhanced disclosure in the remuneration report, to provide shareholders with greater clarity on both the remuneration framework and the assessments made by the board in determining remuneration outcomes.

The board strives to ensure that CSR's remuneration framework aligns with shareholder interests by:

- ensuring remuneration is performance driven with a focus on setting challenging targets for both financial and non-financial measures;
- placing substantial emphasis on variable ('at risk' incentive based) remuneration linked to short and long-term performance benchmarks that support CSR's business strategy and future success; and
- implementing share based remuneration on a short and long-term basis.

There will be a reasonable opportunity for shareholders to comment on, and ask questions about, the remuneration report.

The vote on resolution 4 is advisory only and will not bind the directors or the company. However, as it has been demonstrated in the past 12 months, the board will take the outcome of the vote into consideration when reviewing the company's remuneration practices and policies.

For the voting exclusions applicable to resolution 4, please refer to page 3 of this notice of meeting.

*Recommendation*

The directors unanimously recommend that shareholders vote in favour of resolution 4.

**5. Grant of Performance Rights to the managing director**

The board recognises that it is desirable for the managing director and other senior executives to be incentivised and remunerated on a consistent basis and in a manner that focuses their efforts on delivering long-term value for shareholders. The board has developed the performance rights plan ('PRP') to ensure this alignment. The board continually reviews the design of the remuneration framework to ensure it meets its objective of being 'fit for purpose'.

This means that the remuneration framework supports the overall business strategy, is aligned with shareholder interests, is competitive, reflects market practice and is simple for both participants and shareholders to understand.

Approval is sought for Julie Coates, to be granted 452,206 performance rights under the CSR PRP as her YEM21 long-term incentive award. Each performance right entitles Julie Coates to one fully paid ordinary share in the company, subject to the satisfaction of the performance and service conditions below. Any shares allocated to Julie Coates on vesting of the performance rights will be subject to a further 12-month holding restriction.

Shares will be sourced on-market to satisfy the allocation of shares on vesting of performance rights granted to Julie Coates under CSR's PRP. Accordingly, the grant of performance rights and allocation of shares on vesting of those performance rights to the managing director does not require shareholder approval under ASX Listing Rule 10.14 (which, in summary, provides that a listed company must not issue performance rights to a director under an employee incentive scheme unless it obtains approval from its shareholders or the shares granted on vesting of the performance rights are sourced on-market).

However, as in the past, CSR is seeking shareholder approval in the interests of transparency and good corporate governance.

Details of the PRP are contained in the remuneration report. The key terms of the performance rights to be granted to Julie Coates for YEM21 are set out below and on the following page.

**COMPONENTS OF THE YEM21 PRP**

Consistent with the remuneration objectives stated earlier on this page, the board proposes to use relative TSR and Earnings Per Share (EPS) as the two performance conditions over the three year performance period (1 April 2020 – 31 March 2023). Both performance conditions will be weighted equally at 50% of the overall grant.

The impacts of COVID-19 on the Company are unknown. If, during the course of the performance period, the directors form a view that the current measures are no longer appropriate, the board may ask shareholders to approve different targets for the YEM21 PRP at a future meeting.

**1. Total Shareholder Return (TSR)**

50% of Julie Coates’ performance rights (‘Tranche A’) will be subject to a performance condition based on CSR’s relative TSR over the performance period, along with an absolute TSR ‘gate’ for any performance rights to vest.

TSR is the percentage growth in shareholder value, which measures the changes in share price, taking into account dividends and capital returns.

The board believes relative TSR is an appropriate measure for the PRP as it directly aligns with shareholder interests and provides transparency and focus of eligible executives in driving both earnings and share price growth.

In setting the performance hurdles for relative TSR the board has considered historical TSR performance of CSR, its cost of capital and projected earnings through the performance period. The board has set a relative TSR of between the 50<sup>th</sup> and 75<sup>th</sup> percentile, provided that absolute TSR at the end of the period is greater than zero. The comparator group will be those companies ranked ASX51-150 at the start of the performance period. The board may adjust the comparator group to take into account events including, but not limited to, takeovers, mergers or de-mergers that might occur during the performance period.

The board believes these targets are sufficiently demanding and are aligned with shareholder interests.

Assuming the absolute TSR gate is met, the proportion of the Tranche A performance rights that vest will be determined based on CSR’s relative TSR, in accordance with the vesting schedule below:

Relative TSR of CSR	Proportion of Tranche A to vest
Below the 50 <sup>th</sup> percentile	0%
At the 50 <sup>th</sup> percentile	50%
Between the 50 <sup>th</sup> & 75 <sup>th</sup> percentile	Straight-line vesting between 50% and 100%
At or above the 75 <sup>th</sup> percentile	100%

**2. Earnings per share (EPS)**

The remaining 50% of Julie Coates’ performance rights (‘Tranche B’) will be subject to an EPS hurdle, which measures CSR’s annual compound EPS growth over the performance period. The EPS hurdle assesses the success of the business in generating continued growth in earnings and is strongly aligned with shareholder interests.

EPS is defined as net profit after tax per share pre-significant items. The board may adjust EPS to exclude the effects of material business acquisitions or divestments and for certain one-off costs. For the YEM21 PRP the board has taken into account the impairment charge recorded against two business units within building products, after a decision was made to suspend operations. This is consistent with the approach taken for the YEM20 STI, as disclosed in the remuneration report. The impact of this is to move the starting point for EPS from 27.3 cents per share (cps) to 25.8 cps.

EPS is proposed to be measured on an averaged basis over the three-year performance period. Under this approach, the board will assess average EPS over the three-year performance period and this result will then be compared against the hurdles set by the board.

The EPS performance hurdles have been set at 5% and 10% compound growth for target and stretch performance respectively. This is the same as the hurdles that were applied in the past four years.

The target performance hurdle is calculated by taking the total EPS from the performance period using YEM20 EPS from ongoing operations of 25.8 cps compounding 5% per annum for three years (which equates to a total of 85.4cps), and dividing the result by three.

Stretch performance is calculated by taking the total EPS from the performance period using YEM20 EPS from ongoing operations of 25.8 cps compounding 10% per annum for three years (which equates to a total of 93.9 cps) and dividing the result by three.

This is illustrated below:

EPS Performance Hurdle	Average EPS growth (%CAGR)*	YEM20 EPS from ongoing operations (cps)	Cumulative EPS required over next three years (cps)	Average EPS required over next three years (cps)
Target	5%	25.8	85.4	28.5
Stretch	10%	25.8	93.9	31.3

\* Compound annual growth rate

The proportion of the Tranche B performance rights that vest will be determined as follows based on the vesting schedule below:

Average EPS Target Range (compound growth per annum)	Proportion of Tranche B to vest
Below average 5% compound EPS	0%
Equal to average 5% compound EPS	50%
Between 5% and 10% average compound EPS	Straight-line vesting between 50% and 100%
Greater than average 10% compound EPS	100%

### Number of performance rights to be granted to Julie Coates

It is proposed that 452,206 performance rights be granted to Julie Coates.

The value of the award has been determined through an analysis of Julie Coates' total target remuneration referenced against external market benchmarks. Specifically, in accordance with her employment contract, a long-term incentive award to the maximum value of 120% of total fixed remuneration is proposed for Julie Coates' YEM21 PRP grant. The share price used to calculate the number of performance rights to be allocated to Julie Coates was the 5-day Volume Weighted Average Price of CSR shares leading in to the performance period, being the five days up to and including 31 March 2020, which was \$3.0517.

### Testing of performance conditions

The performance conditions will be tested at the end of the performance period. To the extent to which the service and performance conditions are satisfied, the performance rights will vest and shares will be allocated to Julie Coates. These shares will be held in CSR's employee share plan trust for an additional 12 month period and will be subject to a 12-month service condition. During this time, Julie Coates will not be able to deal with these shares.

### Performance period

The performance of each Tranche against the applicable performance hurdle will be measured over the three-year performance period from 1 April 2020 to 31 March 2023. Any shares allocated to Julie Coates on vesting of the performance rights will then be subject to an additional 12 month holding restriction.

To the extent any performance rights under Tranche A or Tranche B remain unvested following testing after the end of the performance period, those performance rights will lapse.

### Rights attaching to performance rights

Performance rights carry no voting or dividend entitlements during the performance period. During the additional 12 months service condition period Julie Coates will be entitled to receive dividends and other distributions and have full voting rights in respect of any shares allocated to her on vesting of the performance rights.

The PRP rules contain provisions in relation to the adjustment of performance rights in certain circumstances, including in the event of a capital reorganisation (such as a subdivision or consolidation), a capital return or a bonus issue of shares to members.

### Change of control

The board has discretion to allow all or a part of unvested performance rights to vest on a change of control of CSR (e.g. a takeover, merger, compromise or arrangement). In exercising this discretion, the board would generally not fully accelerate vesting but, rather, would look at pro-rata assessments for plans on foot. This is consistent with past discretion applied by the board in similar events.

### Treatment of performance rights on cessation of employment

If Julie Coates ceases to be employed prior to the performance conditions being met, generally this will result in Julie Coates forfeiting her interest in the unvested performance rights under the PRP.

However, if Julie Coates ceases employment as a result of retirement, redundancy, total or permanent disablement, death or such other circumstances as determined by the board at its discretion, some or all of the unvested performance rights may stay on foot and remain eligible for vesting in the usual course subject to the satisfaction of the applicable performance conditions. In exercising this discretion, the board would not generally accelerate vesting and would apply pro-rata assessments for all equity on foot.

If Julie Coates ceases to be an employee during the additional 12 months service period, the shares will be forfeited.

### Shares allocated on vesting of performance rights

Shares allocated to Julie Coates upon vesting of the performance rights will rank equally with other ordinary CSR shares on issue.

### Hedging and restrictions on dealing

Consistent with the requirements under the Corporations Act 2001 CSR prohibits participants in the PRP from entering into any arrangement to hedge or otherwise affect their economic exposure to their performance rights or shares which are held subject to a holding restriction (i.e. restricted shares such as those allocated on vesting of performance rights under this award). It is the board's policy that participants will forfeit their interest in the performance rights or restricted shares if they enter into any hedging transaction. Julie Coates may not sell, assign, transfer or otherwise deal with performance rights or restricted shares. Julie Coates will be free to deal with her vested shares, subject to the requirements of CSR's Share Trading Policy.

### Additional disclosure

The following information sets out additional disclosures:

- a) the maximum number of performance rights proposed to be awarded to Julie Coates under this approval is 452,206;
- b) the price payable by Julie Coates on the issue or vesting of each performance right is \$nil;
- c) since approval for performance rights under the PRP was last obtained (at the 2019 AGM), Julie Coates (being the only director to participate in the PRP) received 360,241 performance rights as her pro-rata PRP allocation for YEM20. The acquisition price for these performance rights was \$nil;
- d) in addition, 100,745 performance rights were issued on 2 September 2019 to Julie Coates for nil consideration in consideration for the forfeiture of her former employer's entitlements. The rights are subject to a service condition and will vest if Julie Coates is still employed by CSR on 2 September 2022. The acquisition price for these performance rights was \$nil;
- e) there is no loan proposed in relation to the proposed award of performance rights to Julie Coates;
- f) the performance rights that are the subject of this approval will be granted to Julie Coates on or around 15 November 2020 (and, in any event, within 12 months of the date of this meeting);
- g) Julie Coates' total maximum remuneration package for YEM21 is \$2,300,000, comprising \$1,150,000 as total fixed remuneration (inclusive of superannuation) and \$1,150,000 as the maximum amount she can earn as variable remuneration. Shareholders are referred to the remuneration report for further details of Julie Coates' remuneration; and
- h) CSR uses performance rights under the PRP because they create share price alignment between executives and ordinary shareholders but do not provide executives with the full benefits of share ownership (such as dividend and voting rights) unless and until the performance rights vest.

CSR is seeking shareholder approval in the interests of transparency and good corporate governance. If shareholder approval is not obtained, the board will consider alternative arrangements to appropriately remunerate and incentivise Julie Coates.

For the voting exclusions applicable to resolution 5, please refer to page 3 of this notice of meeting.

### Recommendation

The directors (excluding the current managing director) unanimously recommend that shareholders vote in favour of resolution 5.



## 6. Conditional spill resolution

The Board recommends that shareholders vote **against** this resolution.

This item will only be put forward at the AGM if at least 25% of the votes validly cast on Resolution 4 to adopt the remuneration report are cast against its adoption. If fewer than 25% of the votes are against its adoption, then there will be no 'second strike' and this item will not be put to the AGM.

If the item is put to the AGM, the spill resolution will be considered as an ordinary resolution.

If the spill resolution is put to the AGM and passed, a special meeting of shareholders, known as a 'Spill Meeting' must be held within 90 days. All directors (excluding the managing director) will cease to hold office at the end of the Spill Meeting unless they are re-elected at the Spill Meeting.

Even if Christine Holman and Mike Ihlein are re-elected at the AGM, they will again need to be re-elected at the Spill Meeting to remain in office.

The Board consider the following factors to be relevant to a shareholder's decision on how to vote on this item:

- the steps taken by the board to address concerns expressed by shareholders in relation to remuneration concerns, demonstrated by the changes made to the remuneration framework and enhanced disclosures, details of which are set out in the remuneration report;
- each of the relevant non-executive directors has previously been elected as a director and received strong support from shareholders; and
- the disruption and significant cost involved in convening a Spill Meeting.

If you do not want a Spill Meeting to take place, you should vote against item 6.

For the voting exclusions applicable to resolution 6, please refer to page 3 of this notice of meeting.

### *Recommendation*

The directors unanimously recommend that shareholders vote **against** resolution 6.

### By order of the Board



DEBBIE SCHROEDER, COMPANY SECRETARY

25 May 2020

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### SHAREHOLDER INFORMATION AND ENQUIRIES

All enquiries and correspondence regarding shareholdings should be directed to CSR's share registry:

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