

09

SUSTAINABILITY REPORT



CSR is committed to sustainability

We strive to operate in a sustainable manner across all of our businesses by reducing our operational footprint and by acting in a socially responsible way.

CSR

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Welcome to CSR's Sustainability Report

This is CSR's second stand-alone sustainability report. It provides detailed information on CSR's sustainability record and new opportunities and challenges across our businesses.

TO CREATE THIS REPORT WE:

- Reviewed CSR's core activities and operations to collect data on energy use and emissions and prepared an inventory of greenhouse gas emissions.
- Referenced the Global Reporting Initiative (GRI) G3 Sustainability Reporting Guidelines, United Nations Global Compact and Federal Government policy towards sustainability reporting in Australia.
- Reviewed best practice sustainability reports both in Australia and globally and referenced feedback from CSR's first Sustainability Report in 2008.

SCOPE OF THIS REPORT

This report covers CSR's activities (including waste and water usage) for its financial year ended 31 March 2009 (YEM09). Emissions and energy data covers the financial year from 1 July 2008 to 30 June 2009 (consistent with the National Greenhouse and Energy Reporting – (NGER) – scheme).

Data for water usage and waste produced by the Viridian glass business has been included in this report for the first time. As a result, comparable data for Viridian for YEM08 is not available.

Data for water usage and waste produced for **Building Products** has been categorised into the three operating business units of the division.

- Lightweight Systems' major brands include Bradford™ insulation, Hebel® panels, Edmonds™ ventilation, Gyprock™ plasterboard, Cemintel™ fibre cement.

- Bricks and Roofing's major brands include PGH™ bricks and pavers, Monier™ and Wunderlich™ rooftiles.
- Viridian™ includes the Viridian glass business.

Data for water usage and waste produced for **Sugar** has been categorised into Mills, Ethanol and Refining.

This report covers only activities in which CSR has a majority equity interest. For these activities CSR has reported 100 per cent of emissions. The report does not include activities where CSR is not the majority shareholder. For example, the activities of Tomago Aluminium Company, in which CSR has an effective 25.2 per cent interest, are not included in this report.

Data from these activities is reported directly by other entities.

All physical measurements in this report are in the metric system. All financial figures are in Australian dollars, unless stated otherwise.

VIEW OUR REPORT ONLINE

To view our report online, visit www.csr.com.au/sustainability

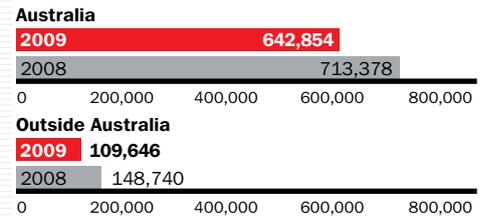


CSR sustainability at a glance

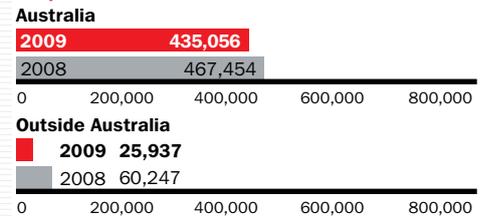
CSR provides an expanded range of products and systems that are sustainable through their energy efficiency and renewable energy properties.



TONNES OF CO₂-e Scope 1 direct emissions



Scope 2 indirect emissions



2009 Australian data has been reported in line with NGER and includes contractor emissions previously not reported.

CSR'S LOST TIME INJURY RATE HAS IMPROVED BY

22%

GREENHOUSE GAS EMISSIONS ACROSS OUR MAJORITY OWNED BUSINESSES REDUCED BY

12.7%

KEY HIGHLIGHTS

- CSR's safety record as measured by lost time injuries per million work hours improved by 22 per cent, however the total number of recordable injuries increased by 2 per cent.
- We conducted 45 external assessments of our key sites to measure the implementation of our Safety, Health and Environment (SH&E) management system.
- Greenhouse gas emissions from CSR's majority owned businesses were 1,213,493 tonnes of CO₂-e during the year – a reduction of 12.7 per cent on the previous year.
- CSR established a new cross-functional carbon working group to better position the company towards a low carbon environment and develop specific responses to the proposed Carbon Pollution Reduction Scheme (CPRS).
- We continued to work with the Federal Government and other key stakeholders on improvements to the proposed CPRS, with a key emphasis on developing a broad based scheme which reduces emissions but not at the expense of local Australian manufacturing.
- CSR continued to strengthen our Governance and Risk management procedures – CSR's governance was recognised as 'best practice' by *Ethical Investor* magazine during the year.
- We added to the sustainability of our building products range with the launch of Gyprock EC08™, made from higher recycled content and increased our capacity to produce more glasswool insulation.
- In Sugar, we launched a new 'Better for you' range of sugars and increased our capacity to produce renewable fuel ethanol.
- We continued to partner with a number of community based organisations, particularly in response to the urgent needs of communities affected by the floods in North Queensland and the bushfires in Victoria, with product donations and financial assistance through the CSR Community Support Program.

Building Products at a glance

CSR is focused on sustainable building by improving our own manufacturing operations and further developing our range of energy efficient products and systems.



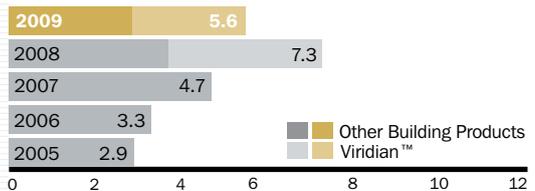
“The safety of our people across our Building Products businesses remains paramount and a major focus of our sustainability agenda. We continue to strive towards our goal of zero injuries in the workplace and while we are making good progress, we recognise we still have significant room for improvement.”

ROB SINDEL

Chief Executive Officer, CSR Building Products

BUILDING PRODUCTS LOST TIME INJURY FREQUENCY RATE (LTIFR)

Year ending 31 March
(lost time injuries per million work hours)



LIGHTWEIGHT SYSTEMS REDUCED ITS LOST TIME INJURY RATE BY

47%

CSR DONATED BUILDING PRODUCTS TO HELP BUILD

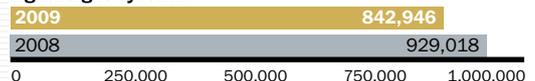
12 NEW HOMES IN THE AREA DEVASTATED BY THE VICTORIAN BUSHFIRES

BUILDING PRODUCTS KEY HIGHLIGHTS

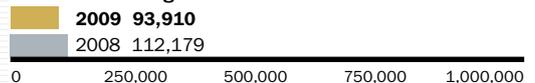
- Continued our focus on improved safety across our manufacturing sites with significant improvement in our Lightweight Systems division which reduced its lost time injury rate by 47 per cent.
- Successfully commissioned our new Bradford Insulation factory in Brendale, north of Brisbane which provides CSR with approximately 12,000 tonnes of increased capacity to make energy saving glasswool insulation for homes and businesses.
- Added to the sustainability of our building products range, including the launch of Gyprock EC08™, Australia's first plasterboard to be certified by Good Environmental Choice Australia (GECA).
- Continued our community association with not for profit group, *Habitat for Humanity*, by donating building products to help build 12 new houses in the area devastated by the Victorian bushfires.
- Completed the rebuild of the furnace and upgrade of the float glass manufacturing facility at Dandenong to make hard coated energy efficient glass and improve the environmental performance of the factory.
- Implemented further water saving strategies across our Bricks and Roofing manufacturing facilities that helped to achieve a 16 per cent reduction in water consumption.

TOTAL WATER CONSUMED¹ (kilolitres)

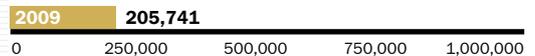
Lightweight Systems²



Bricks and Roofing



Viridian™³



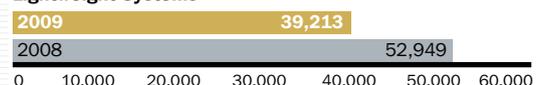
¹ Only metered water data is included.

² Lightweight Systems data re-stated for 2008 for like-for-like comparison.

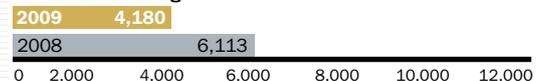
³ Data not available for 2008.

TOTAL SOLID WASTE PRODUCED¹ (tonnes)

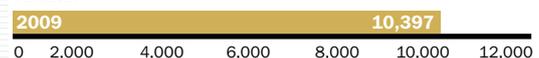
Lightweight Systems²



Bricks and Roofing



Viridian™³



¹ Solid waste does not include waste taken off-site for recycling.

² Lightweight Systems data re-stated for 2008 for like-for-like comparison.

³ Data not available for 2008.

Sugar and Renewable Energy at a glance

Our sugar operations follow a natural, sustainable cycle, creating renewable energy and fuel from sugarcane by-products and producing fertilisers which are re-applied to cane fields.



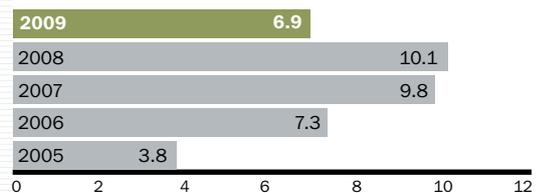
"We continue to leverage our natural, sustainable operations by providing renewable energy solutions from sugar production. More broadly, we continue to work with all our stakeholders to ensure we operate in a sustainable manner right across the complete value chain."

IAN GLASSON
Chief Executive Officer, CSR Sugar



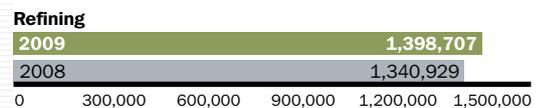
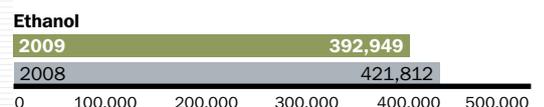
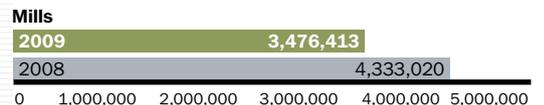
CSR SUGAR LOST TIME INJURY FREQUENCY RATE (LTIFR)

Year ending 31 March
(lost time injuries per million work hours)



TOTAL WATER CONSUMED

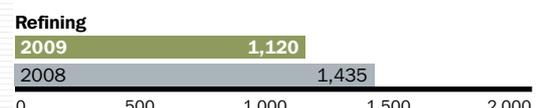
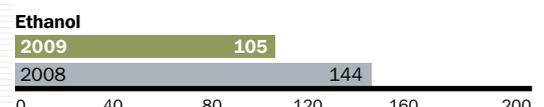
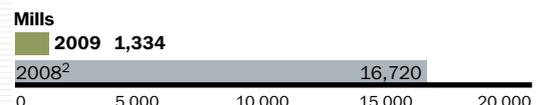
(kilolitres)¹



¹ Metered water and extracted surface water or ground water only included.

TOTAL SOLID WASTE PRODUCED

(tonnes)¹



¹ Solid waste does not include waste taken off-site for recycling.

² Mills includes a one-off disposal of 9,720 tonnes of bagasse in 2008.

0 LOST TIME INJURIES IN SUGAR AUSTRALIA AND NEW ZEALAND SUGAR IN YEM09

GENERATED OVER **282,000** RENEWABLE ENERGY CERTIFICATES, ENOUGH TO POWER 43,000 HOMES FOR A YEAR

SUGAR AND RENEWABLE ENERGY KEY HIGHLIGHTS

- Recorded zero lost time injuries in the refining businesses, Sugar Australia and New Zealand Sugar, for the year.
- Generated over 282,000 Renewable Energy Certificates, the equivalent of taking over 100,000 cars off the road or enough renewable electricity to supply 43,000 homes with power for a year.
- Launched a new 'Better for you' range of sugars which includes a natural low GI cane sugar – which has a lower Glycemic Index – developed in association with Horizon science.
- Successfully commissioned an upgrade to the ethanol distillery at Sarina, North Queensland to increase the capacity of renewable fuel grade ethanol from 38 million litres to 60 million litres per year.
- Became the official fuel supplier to the V8 Supercar series, providing E85 – a blend of 85 per cent ethanol and 15 per cent unleaded petrol – to help them to significantly reduce their CO₂ emissions.

Message from Chairman of Safety, Health and Environment Committee and Managing Director

Our focus continues to be on ensuring CSR progresses in a sustainable manner to the benefit of all our stakeholders.



This is CSR's second Sustainability Report.

In this report, it's our intention to share the progress we have made in advancing our sustainability agenda across our businesses.

That agenda relates to a broad range of activities relating to our operational performance in key areas of energy and water consumption and waste production. But it also includes important areas of health and safety in the workplace, stakeholder engagement, governance and risk management.

For this report we are able to report on the achievements we have made in these key areas and also on the challenges that remain across our businesses.

Over the past year, we have undertaken further specific initiatives as part of our commitment to sustainable operations. For example, we further developed our portfolio of energy efficient building products with the launch of a new energy efficient product range in plasterboard, and increased our renewable fuel ethanol capacity to 60 million litres per year at our distillery at Sarina, North Queensland.

Meanwhile, we have continued the reinvestment program in our manufacturing operations to improve their environmental performance relating to energy and water use and waste produced.

This report will detail some of the specific examples of our efforts to improve our environmental performance at some of our key manufacturing sites across our operations.

One of the major initiatives over the past year has been the establishment of the CSR Carbon Working Group – a cross-functional group of executives from right across our businesses to better position CSR for the move to a low carbon environment.

This group is responsible for overseeing the implementation of CSR's carbon plan to ensure CSR is ready for the introduction of the proposed Carbon Pollution Reduction Scheme. This includes ensuring there are appropriate systems and processes in place such as abatement opportunities.

During the year, CSR also announced its intention to demerge its Sugar and Renewable Energy business from its Building Products and Aluminium businesses. Subject to shareholder and other regulatory approvals, it is expected that the demerger will be complete by March 2010. Both businesses will continue to have a strong focus on sustainability post the demerger.

CSR will continue to be a leading provider of energy efficient building products for residential and commercial construction, while the Sugar business will maintain its leading positions in producing renewable fuel ethanol and renewable electricity.

As a pre-cursor to this demerger we have started the process of separating sustainability data and initiatives for Sugar and Building Products in this report which we trust you will find useful.

Finally, as further evidence of our commitment to sustainable building practices, CSR Sydney is moving to a new building which will be a showcase of our energy efficient building products across our portfolio. It is our intention to 'practice what we preach' by using many of our own products to achieve a high energy rating for this purpose built office space. We trust you find this report informative and encourage you to provide feedback to us.

Handwritten signature of Ray Horsburgh in black ink.

RAY HORSBURGH
Chairman, SH&E Committee (left)

Handwritten signature of Jerry Maycock in black ink.

JERRY MAYCOCK
Managing Director (right)

About CSR

CSR continues to focus on building shareholder value by investing in and growing its businesses while operating in a sustainable manner across the company.

NUMBER OF CSR EMPLOYEES

6,704

TRADING REVENUE

\$3,493_M

EARNINGS BEFORE INTEREST AND TAX (EBIT)*

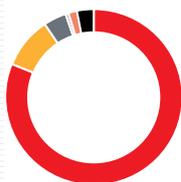
\$320_M

NET PROFIT AFTER TAX*

\$134_M



PEOPLE ACROSS CSR At 31 March 2009



81.2% Australia
9.5% New Zealand
4.1% China
0.5% Malaysia
1.7% Thailand
3.0% Singapore

EBIT BY BUSINESS Year ended 31 March 2009



35% Building Products
33% Aluminium
25% Sugar
7% Property

CSR is one of Australia's leading diversified companies, with operations in Building Products, Sugar, Aluminium and property.

Originally founded in 1855 as a sugar company, CSR is one of Australia's oldest companies, with a proven record of consistent returns and strong cash flow.

Within Building Products, CSR is a leading supplier to the residential and commercial construction industry – supported by a nationwide distribution network. CSR manufactures and supplies a wide range of building products, with a particular focus on energy efficiency in the built environment.

As Australia's largest raw sugar producer, CSR has seven mills located in some of Australia's most productive sugarcane regions. CSR also owns 75 per cent of joint venture interests in sugar refining in Australia and New Zealand and is a major producer of renewable fuel ethanol and renewable electricity. CSR also holds an effective 25.2 per cent interest in the Tomago aluminium smelter, located in NSW.

Demerger

CSR has announced its intention to demerge its Sugar and Renewable Energy business from its Building Products and Aluminium businesses. Subject to shareholder and other regulatory approvals, it is expected that the demerger will be complete by March 2010.

* Before significant items.

Governance and Risk Management

The Company's corporate governance practices and frameworks provide the means by which the Board monitors performance on behalf of shareholders.

The Board of Directors is accountable to shareholders for overseeing CSR's business, which by definition includes sustainability matters. CSR's sustainability agenda therefore is established at Board level, underlining our commitment to ensuring our businesses operate in a sustainable manner.

CSR's Corporate Governance framework has been developed using CSR's long established values and Corporate Governance Principles and Recommendations published by the ASX Corporate Governance Council. Full details of CSR's Corporate Governance framework, including remuneration details, can be found in the CSR 2009 Annual Report, commencing on page 6. This report can be found on the CSR internet site <http://www.csr.com.au/investorcentre/reports.asp>.

Risk Management

CSR has a sound system of risk oversight and management and internal control. There are many risks in the markets in which CSR operates. A range of factors, some of which are beyond CSR's control, can influence performance across CSR's businesses. In many of these businesses, CSR constantly and deliberately assumes certain levels of risk in a calculated and controlled manner. CSR has in place limits and a range of policies and procedures to monitor the risk in its activities and these are periodically reviewed by the Board. CSR's Risk Management Policy, which sets out the framework for risk management, internal compliance and control systems, is available on CSR's internet site.

Values

CSR's values have been developed to ensure CSR acts as a responsible corporate citizen for the benefit of all of its stakeholders. CSR's values are:

- Safety, Health and Environment;
- Working Together;
- Customers;
- Innovation; and
- Results.

These values are referenced across the company through a variety of communication channels. They are also reinforced through annual performance reviews where employees are assessed against specific outcomes based on CSR's values.

CSR Board

CSR's Board of Directors is accountable to shareholders for the operations, profit performance and growth of the company. The Board strives to create shareholder value, while ensuring the company operates in a sustainable manner.

The Board is currently comprised of seven non-executive directors and two executive directors – the managing director and chief financial officer. The non-executive Chairman is appointed by the Board and provides leadership to ensure that a high standard of values, processes and constructive interaction is maintained.

Board Independence

Each of the non-executive directors on the CSR Board including the Chairman is independent of CSR and its management, having no business or other relationships that could compromise his or her autonomy as a director.

Board Committees

To increase its effectiveness, the CSR Board has three committees, each with a charter approved by the Board:

1. The Audit Committee;
2. The Safety, Health and Environment (SH&E) Committee; and
3. The Remuneration Committee.

Major issues of sustainability are managed by a senior-level, cross-functional Sustainability Committee which includes the managing director and functional heads of businesses.

Policies

CSR has a formal Code of Conduct which contains a range of policies and procedures which drive the agenda for governance and ethical issues across CSR. The code is grounded in CSR's fundamental values, which derive from our obligations to give proper regard to the interests of people and organisations that have a stake in CSR's activities. Policies are made available on CSR's internet site.

Communicating with stakeholders

CSR's commitment to high standards of corporate governance includes reporting on the company's activities to its stakeholders. Information is provided to shareholders and other stakeholders through:

- Releases to the ASX in accordance with continuous disclosures obligations;
- CSR's internet site;
- CSR's annual and half-yearly reports; and
- The annual general meeting.

The annual general meeting provides an important opportunity for shareholders to express their views to the CSR Board including issues relating to sustainability and to vote on Board proposals. CSR provides a live webcast of its meeting to shareholders who are unable to attend the AGM.

Safety, Health and Environment (SH&E)

At CSR, it is our firm policy to act responsibly, ensuring that our people follow appropriate procedures to minimise the company's impact on the environment, and where possible contribute to its improvement.



SH&E
THERE WERE

0 LEVEL 3,
4 OR 5 INCIDENTS
DURING THE YEAR

CSR has an active program to reduce its impact on the environment, overseen by the Board and the Safety, Health and Environment Committee.

Each business has an environmental protection plan which commits site management to:

- Comply with government environmental regulations;
- Identify and address key environmental risks;
- Improve environmental awareness of employees and contractors; and
- Reduce our use of resources.

Each business is also required to have environmental performance measures, such as energy usage, air emissions, water consumption and waste generation and to have plans in place for continuous improvement on these measures.

CSR undertakes audits of divisional environmental performance, with reporting directly to the SH&E Board Committee. As part of its sustainability reporting, CSR undertakes independent assurance of energy use and greenhouse gas emissions.

CSR is committed to providing transparent and accurate reporting on our environmental impact. CSR provides environmental information on its operations in a number of ways:

- Annual reporting as part of site licensing activities;
- Emissions data to the National Pollutant Inventory;
- Progress reports to various state Government departments' programs on energy and water savings; and
- Participating in the Carbon Disclosure Project.

Environmental Incidents

CSR reports environmental incidents based on five levels of breaches of compliance with regulatory and CSR requirements. These are 1 minor, 2 significant, 3 serious, 4 severe and 5 extreme/catastrophic. There were 192 level 1 and level 2 environmental incidents recorded during YEM09; 22 higher than the previous year. Level 1 and level 2 incidents are likely to have occurred on-site, with any off-site release having no off-site damage. Level 1 incidents also include process non-compliance, for example where storm water samples cannot be taken as scheduled due to lack of rainfall. There were no level 3 incidents in YEM09 compared to 2 incidents the previous year. As per the previous year, there were no level 4 or level 5 incidents.

CSR has strict policies in place regarding reporting procedures for environmental incidents. We have also improved our data monitoring, collection and training procedures to capture environmental incidents. All site employees are required to report all incidents. This allows improvements to be made to processes and procedures on-site to prevent similar occurrences.

Health and Safety

At CSR, we regard the management of safety, health and the environment as a core value and an integral part of how we do business.



New Sugar Australia program to reduce risk of sugar dust explosion.

Sugar dust explosions have the potential to have devastating consequences on employees, the community and the environment, causing major business interruption. Recognising the seriousness of this potential issue, Sugar Australia and New Zealand Sugar have now completed a five year program to reduce the risk of a sugar dust explosion in its refineries. This project included the installation of explosion prevention and suppression systems across all sites and improving standards and raising awareness of dust explosion risk. As part of the project, all equipment where a dust explosion could occur was identified. This included:

- Bucket elevators;
- Sugar milling machines;
- Dust collection equipment; and
- Pneumatic conveying equipment.

All spark producing equipment was identified in areas where dust is present. Meanwhile, protection systems and compliant electrical equipment have been installed at all facilities.

HEALTH & SAFETY CSR'S LOST TIME INJURY FREQUENCY RATE IMPROVED BY

22%

HIGHLIGHTS

- Continued focus on safety and health within CSR saw a 22 per cent improvement in the lost time injury frequency rate (LTIFR) to 6.1 to the end of the year. This overall result was underpinned by improvements delivered by Sugar (32 per cent) and continued improved performances of Building Products (23 per cent).
- Sugar Australia and New Zealand Sugar employ approximately 500 people. They recorded zero lost time injuries and shifts lost for the year. Significant improvements by the Ethanol business (70 per cent) and the Milling business (28 per cent) contributed to the overall improvement in Sugar.
- The improvement in Building Products was strongly influenced by improvements achieved by the Lightweight Systems business (47 per cent) and Viridian (17 per cent).

HEALTH & SAFETY

0 LOST TIME
INJURIES RECORDED
IN SUGAR AUSTRALIA
AND NEW ZEALAND
SUGAR

HEALTH & SAFETY LIGHTWEIGHT SYSTEMS REDUCED ITS LOST TIME INJURY RATE BY

47%

Managing Safety

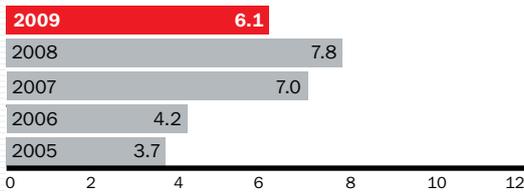
The CSR Safety, Health and Environment (SH&E) Management System is designed to prevent injuries and environmental incidents by ensuring a systematic approach to SH&E management, building a good SH&E culture and level of awareness and meeting legal and self insurance obligations. We place the same emphasis and importance on managing SH&E as any other business imperative.

In line with our core Safety, Health and Environment value – we care for and protect each other, our business and our environment – we have adopted a common approach across the company to managing SH&E. CSR has a formal Health and Safety Policy, which applies across all of CSR's businesses.

CSR's SH&E Management System articulates the minimum requirements to ensure consistent practice across our businesses whilst enabling each division and business unit to develop systems that address their individual requirements. The SH&E Management System embodies the requirements contained within Australian Standards 4801:2001 and 4804:2001. This approach incorporates a framework outlining the company commitments, management system and reporting and auditing, which ensures that CSR and its people are properly discharging their SH&E responsibilities.

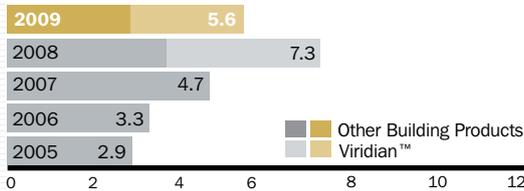
CSR LOST TIME INJURY FREQUENCY RATE (LTIFR)

Year ended 31 March
(lost time injuries per million work hours)



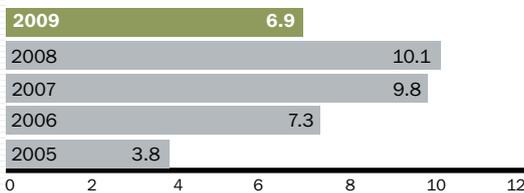
BUILDING PRODUCTS LOST TIME INJURY FREQUENCY RATE (LTIFR)

Year ending 31 March
(lost time injuries per million work hours)



CSR SUGAR LOST TIME INJURY FREQUENCY RATE (LTIFR)

Year ending 31 March
(lost time injuries per million work hours)



Our goal is zero injuries, as is minimising the impact of our activities on the environment and the communities in which we operate. We believe that all injuries, occupational illnesses and environmental incidents can be prevented.

Management is accountable for safety performance and all employees are expected to take personal responsibility and be involved in setting and complying to our standards and instigating improvement initiatives.

Managers are responsible for leading safety in the workplace and actively demonstrating commitment as safety role models, by undertaking management safety walks and supervisory observations in the workplace on a regular basis, as part of the CSR behavioural safety program.

Continuous Improvement

CSR constantly reviews health and safety performance to ensure continuous improvement is achieved throughout the business, including performance against leading and lagging indicators, as well as review of Management System audit outcomes to ensure compliance standards are maintained.

This ensures we continually improve our processes in respect to:

- Communication and consultation – to allow effective dissemination of safety information, as well as allowing mechanisms for feedback from our people at all levels. Having in place regular SH&E management and committee meetings to review and consult on all matters relating to health and safety.

Holding effective Occupational Health and Safety (OH&S) Committee and team meetings to ensure all members of our workforce are able to raise issues, see these reviewed and receive feedback on status on a regular basis;

- Management of risk at all levels of the business by ensuring our people understand the need for identification of hazards and putting in place the mechanisms to assess and control (to an acceptable level) the risk these hazards present.

This also includes ensuring that minimum performance expectations are in place for managing those activities that are high consequence and low frequency and are not negotiable.

These include but are not limited to: entry into confined spaces; machine guarding; working at heights and electrical safety;

- Incident Management, ensuring incidents are reported and investigated with a desired outcome of reoccurrences being eliminated. Identifying root causes and implementing corrective actions, including assigning responsibility for addressing these actions and having realistic timeframes for implementation; and
- Behavioural based Safety to increase the engagement with our people and the visibility of our management and supervision in the workplace. Implementation of those safety behaviours that display our commitment to safety and provide the example to our workforce of those behaviours we expect to be our business norms.

Performance Measurement and Monitoring

Monthly reviews of business performance are conducted, with actual performance measured against annual targets. Reports are reviewed monthly by the senior leadership team of the business, as well as by the divisional, business unit and site leadership teams.

Performance is measured in line with both lead and lag indicators and monthly data is then consolidated quarterly to form the basis of reporting to the SH&E Committee of the Board.

Remedial actions are instigated to ensure targets are kept on track when performance to target falls below the expected requirement.

Compliance Review and Reporting

An audit program is conducted annually by external auditors to assess the implementation of the SH&E Management System, comprising:

- A process of three yearly cyclical audits of major sites, in line with and submitted annually as part of our self insurance requirements in each state jurisdiction;
- Assessment of all major sites; distribution and trade centres, using the CSR SH&E Accreditation process, to benchmark sites and put in place corrective actions to meet our requirements as a self insurer and prepare these sites for auditing as part of the three yearly cyclical program; and
- Auditing of sites to ensure ongoing environmental compliance.

All audits are conducted by external auditors and reports are prepared, outlining findings identified and the recommendations to meet the required standard. Audit outcomes are reviewed by site management to ensure the findings are understood and corrective action plans are developed to address identified deficiencies.

In total, 45 external assessments were conducted in the year, as well as numerous internal assessments using the CSR SH&E Accreditation process for consistency of approach. A status report is completed by the external body overseeing the audit program and tabled as part of the SH&E Board Committee's quarterly review.

Our People

As one of Australia and New Zealand's major employers, CSR understands that people are central to the success of our businesses.



OUR PEOPLE

6,704

PEOPLE EMPLOYED
ACROSS AUSTRALIA,
NEW ZEALAND
AND ASIA

OUR PEOPLE

49%

OF CSR EMPLOYEES
OWN CSR SHARES

We are committed to providing a safe, rewarding and challenging environment for our employees to help them reach their potential, which in turn facilitates CSR in reaching its goals.

As at 31 March 2009, CSR had 6,704 full-time equivalent (FTE) employees working across our operations. This compared to 7,282 for the previous year with the reduction primarily as a result of slower economic conditions in key building product markets in Australia and New Zealand. As a result of these conditions CSR had to make the necessary, though difficult, decision to temporarily shutdown or suspend some operations.

The majority of CSR's people are located in Australia, working across our sites in Building Products and Sugar.

Remuneration

CSR's remuneration practice aims to be market-competitive so we can attract and retain the best people to our businesses. Our remuneration approach for executive remuneration is based on the following principles:

Performance driven – remuneration should reward executives for achieving or exceeding the business plan and increasing shareholder value.

Alignment with shareholder interests – incentive plans and performance measures are aligned with CSR's short and long term success.

Market competitive remuneration

opportunities – remuneration opportunities are set at competitive levels to attract, motivate and retain high quality people.

During the year, CSR undertook a review of the executive remuneration strategy and remuneration framework to ensure the approach meets the company's business needs, shareholder expectations and contemporary market practice.

This review was undertaken before the proposed Federal Budget changes relating to the tax treatment on grants of shares provided under employee share schemes and will not be implemented until the effect of those changes is known.

The following outcomes of the review are proposed to be implemented from YEM10 onwards:

- Long Term Incentive (LTI) participation eligibility will be restricted to the managing director and his/her direct reports and for other senior managers, the Short Term Incentive (STI) opportunity will be increased to provide these executives with increased line of sight over the performance-reward linkage;



- The weightings and measures in the STI plan have been reviewed in order to drive participants to deliver their business unit objectives and to increase shareholder value; and
- A key outcome of the review was the proposed replacement of the 'Cash Award Share Plan' (CASP) with a simplified LTI plan designed to align more closely with shareholder interests.

However, the introduction of the amended LTI scheme has been placed on hold pending finalisation of legislation associated with proposed Federal Budget changes. CSR's remuneration policy is included in the Remuneration Report of the 2009 Annual Report.

Employee Share Plan

Our employee share plan encourages our people to own a stake in the company, aligning employees' interests with those of shareholders. During YEM09, 3,372 employees took part in the plan, 59.24 per cent of those eligible. Over 49 per cent of CSR employees currently own CSR shares.

Performance and Development Review (PDR) system

The Performance and Development Review system is a framework for supporting constructive performance and development, goal setting and feedback between people leaders and team members in CSR.

The system helps to ensure CSR can develop its people to achieve higher levels of performance and a strong continuous improvement culture across CSR. It is also designed to support a continuous feedback loop throughout the year so leaders are regularly providing assistance in resolving performance and development matters.

CSR conducts annual performance reviews where individuals are assessed against key performance goals which are based on CSR's values and key metrics which also include safety and sustainability.

Flexible Working Arrangements

CSR recognises that there are a number of situations and times where employees would benefit from having a flexible approach to work arrangements. Full time employees at CSR have the ability to:

- Purchase an additional 8 weeks leave;
- Work from home (approved on a case by case basis);

- Work part time while taking annual and/or long service leave; and
- Transfer to part time from full time work.

Diversity in the Workplace

CSR's policy on Fairness, Respect and Diversity of Employment in CSR guides our people on the importance of maintaining a work environment that is inclusive and offers opportunities to all people based on merit.

CSR takes this commitment seriously and each year, every CSR employee is asked to participate in a Code of Business Conduct Certification process to support good governance of CSR's Fairness, Respect and Diversity policy, together with other important policies.

Employee Engagement

CSR conducts employee satisfaction surveys on a quarterly basis. The surveys provide CSR with relevant information to identify key areas of concern which may require further management action to assist in improving engagement across our businesses.

Employee Turnover

Employee turnover in Australia for YEM09 was 19 per cent, up slightly from 18 per cent the previous year. CSR continues to conduct exit interviews with employees leaving the company in order to understand their reasons for leaving and to identify areas where we can make CSR a better place for our employees.



Environment

Protecting the environment and mitigating the impacts of our operations are key priorities for CSR. We are working to reduce our environmental impacts.



79%
OF WATER USE AT
THE DARRA ROOFTILE
PLANT HAS BEEN
MET BY STORM
WATER RUN-OFF

Water

CSR recognises the importance of managing water resources and has specific environmental performance measures for water consumption and plans in place for continuous improvement on water use.

Across its manufacturing operations CSR uses water from a variety of sources including potable water, surface water, ground water and increasingly recycled water from some manufacturing plants.

WATER – BUILDING PRODUCTS

A total of 1,142,597 kilolitres of potable water was consumed by Building Products in YEM09. This consisted of 74 per cent from Lightweight Systems, 8 per cent from Bricks and Roofing and 18 per cent from Viridian.

Throughout its Building Products businesses, CSR has implemented a range of activities to reduce reliance on potable water and extractable water where possible.

In Bricks and Roofing, CSR is implementing a number of initiatives to save water as part of its goal to make its sites self sufficient. These initiatives have helped Bricks and Roofing to save 16 per cent of its water consumption in the past year.

Specific initiatives have included:

- Capturing waste water from wash down areas for re-use in the production of bricks and rooftiles;
- Re-using waste water created by the sites' manufacturing processes and returning it to factory dams;
- Harvesting and re-using storm water in manufacturing operations;
- At the Darra concrete rooftile manufacturing plant, 79 per cent of annual water use has been met by storm water run-off;
- The brick plant at Oxley has a storm water pit which catches 6 million litres of water per year – equating to approximately 40 per cent of its consumption;
- In the past year, the Schofields site has drawn approximately 1,300-1,400 kilolitres each month from storm water reserves, while the Horsley Park site has saved approximately 18 million litres of potable water through the use of captured storm water; and
- Cecil Park is targeting 50 per cent level of storm water use through plans to use storm water in production and recycling waste water to potentially save up to 15,000 kilolitres of potable water per year.

WATER – BUILDING PRODUCTS (CONTINUED)

TOTAL WATER CONSUMED¹ (kilolitres)

Lightweight Systems²

2009	842,946
2008	929,018

Bricks and Roofing

2009	93,910
2008	112,179

Viridian™³

2009	205,741
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1 Only metered water data is included.

2 Lightweight Systems data re-stated for 2008 for like-for-like comparison.

3 Data not available for 2008.

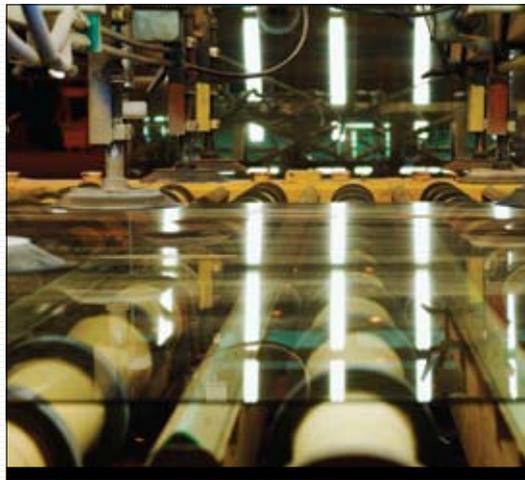
The reduction in water use in Lightweight Systems and Bricks and Roofing was due in part to lower production levels, however both businesses continue to implement water saving measures across manufacturing sites.



Gyprock has significantly upgraded its manufacturing facility at Yarraville to a larger capacity, more sustainable plant.

The new facility will significantly reduce its demand on mains water supply in the order of 30 per cent by:

- Harvesting rain water from all new buildings and using it for process water;
- Re-using liquid waste which is currently going to sewer as “trade waste”. The design includes multiple stage settling ponds to remove the bulk of the solids from the waste water;
- Re-using the water from the dryer heat exchange. Water is currently dried out of the board and vented to the atmosphere. With the new design this is being condensed in the heat exchanger and recycled into the process; and
- Eliminating the use of water to suppress gypsum dust by building a 50,000 tonne enclosed gypsum storage facility.



SINCE 2002, VIRIDIAN HAS REDUCED ITS WATER CONSUMPTION AT DANDENONG BY

18%
PER YEAR

Viridian has implemented a number of initiatives at its Dandenong site to reduce water consumption and has reduced usage by an average of 18 per cent per year since 2002.

Some of the projects that have contributed to this result include:

- Water recycling for the laminating washing machine;
- Closed loop cooling systems for the toughened door panel furnace;
- Redesigning of mirror line ferric chloride washing machine; and
- Ceramic welding cooling water recycling system.

Viridian also replaced the cold end washing machine with a surface sulphate removal machine as part of the Dandenong rebuild. This will significantly reduce the amount of water required for the washing process by approximately 80 per cent – a saving of 9.6 million litres per year.

Cemintel's fibre cement factory at Wetherill Park has more than halved its daily consumption of water from approximately 600 kilolitres in 2005 to around 300 kilolitres in 2009 through a variety of water saving techniques.

Cemintel has reduced potable water use by installing a recycling water storage tank and recycling vacuum pump seal water back into macerators, refiners and gland pump seals.

It has also redesigned the vacuum pump drop out system to eliminate using water seal gland pumps.

Water (continued)

WATER – SUGAR

A total of 5,268,069 kilolitres of potable water and extracted surface or ground water was consumed by Sugar in YEM09. This is a reduction of 13.6 per cent from the previous year.

The decrease in water consumption in the mills was in part a result of the lower crop size which was down 3 per cent on the previous year and other seasonal fluctuations.

The predominant use of water was in the seven sugar mills; where 66 per cent of water was consumed.

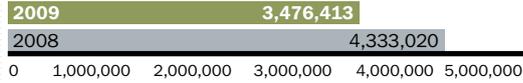
Over 90 per cent of water consumed in the sugar mills is raw bore (extracted ground) water. In Ethanol, the bulk of water consumed is recycled through Biodunder™, a fertiliser product which is used on local cane farms and crops.

The increase in water used by Refining was largely due to the presence of trace sugar concentrations in returned condensate at the Yarraville refinery which was discarded rather than being re-used for boiler feed water with potable fresh water used to supplement feed water supply. Some stoppages at the Yarraville refinery also resulted in further water consumption.

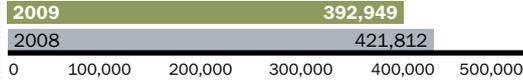
TOTAL WATER CONSUMED

(kilolitres)¹

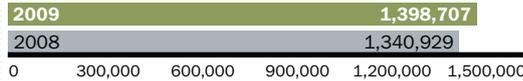
Mills



Ethanol



Refining

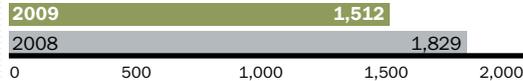


¹ Metered water and extracted surface water or ground water only included.

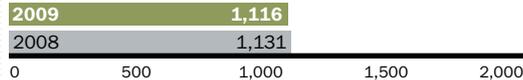
WATER USED

(litre/tonne of saleable product)

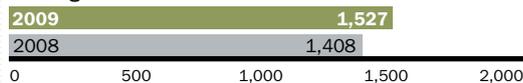
Mills



Ethanol



Refining



**ENVIRONMENT
RECYCLING
PROJECT AT SUGAR
AUSTRALIA TO SAVE**

33 MILLION
LITRES OF WATER
PER YEAR



New recycling project at the Sugar Australia Refinery at Yarraville reduces water use.

During the refining process, sugar is passed through activated carbon in columns to reduce colour. The columns are then flushed with water to recover the residual sugar after which the carbon is regenerated through a kiln and re-used. The reduction of the water consumed during the flushing and regeneration of the carbon was the focus of a project at the Sugar Australia Refinery at Yarraville.

Sugar Australia has developed a three stage recycling project designed to save approximately 33 million litres of water in the carbon plant. The first two stages have resulted in combined savings of 13 million litres per year. The implementation of the third stage is expected to result in further savings of 20 million litres per year.



Driving change in production of ethanol saves more water.

CSR Ethanol implemented a procedure to re-direct the effluent from distillation columns into the main process cooling towers for use as make-up water to compensate for loss of water through evaporation. New cooling towers were then commissioned to replace old units to achieve larger water savings.

As a result, the Yarraville site saves approximately 18 million litres of potable water per year with further savings expected as production increases.

Waste

Each of CSR's businesses has specific environmental performance measures for waste and has plans in place to reduce waste and resource use.

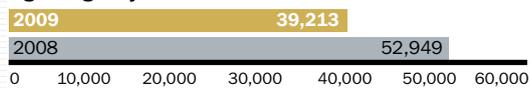
WASTE – BUILDING PRODUCTS

A total of 53,790 tonnes of solid waste was produced within Building Products in YEM09. This comprised 73 per cent by Lightweight Systems; 8 per cent by Bricks and Roofing and 19 per cent by Viridian.

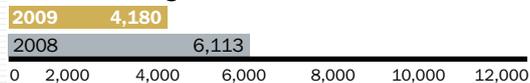
The reduction in waste in Lightweight Systems and Bricks and Roofing was due mostly to lower levels of production and the closure of a manufacturing facility in Asia but also as a result of further initiatives to reduce waste across the business.

TOTAL SOLID WASTE PRODUCED¹ (tonnes)

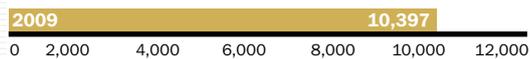
Lightweight Systems²



Bricks and Roofing



Viridian^{TM 3}



1 Solid waste does not include waste taken off-site for recycling.
2 Lightweight Systems data re-stated for 2008 for like-for-like comparison.
3 Data not available for 2008.



Gyprock's new recycling initiative to reduce waste.

At Gyprock's Wetherill Park plant, a new waste recycling initiative aims to significantly reduce waste. The business has commenced a new project to recycle Gyprock waste produced in the factory and remove clean builders' Gyprock off-cuts from construction sites.

The plant is also replacing the current soil reconditioning disposal method with recycling back into the production process. These initiatives will recycle back into the product stream approximately 10,000 tonnes per annum of waste Gyprock that currently is transported off-site to soil reconditioning. This will significantly reduce the use of transport of waste products and reduce the use of fresh gypsum by approximately 10,000 tonnes per annum.

WASTE – SUGAR

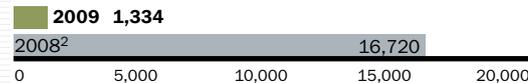
A total of 2,559 tonnes of solid waste was produced by Sugar during YEM09. This compares to 18,299 tonnes for the previous year.

This reduction is primarily derived from two aberrations arising within the Mills. As previously reported, the 2008 solid waste figures were abnormally increased by the one-off disposal of 9,720 tonnes of bagasse surplus to operational needs. A review of the formula applied for converting waste volume to tonnes, has identified an inconsistency. Further research has confirmed this resulted in overstating the waste tonnes produced in YEM08 significantly.

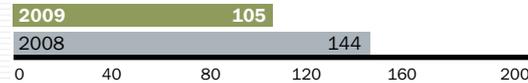
The Refining business continues to focus on waste reduction, introducing further recycling initiatives which is contributing to overall waste reduction.

TOTAL SOLID WASTE PRODUCED (tonnes)¹

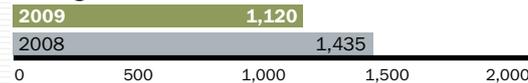
Mills



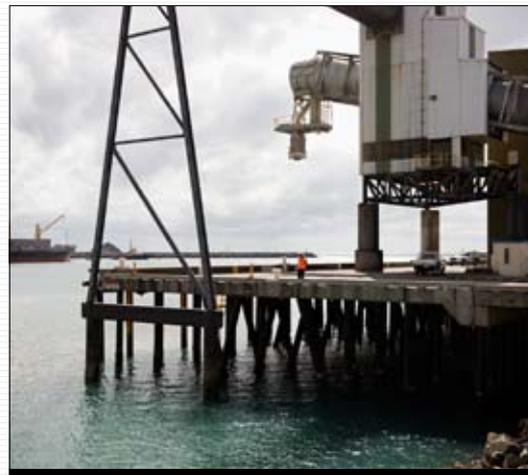
Ethanol



Refining



1 Solid waste does not include waste taken off-site for recycling.
2 Mills includes a one-off disposal of 9,720 tonnes of bagasse in 2008.



Waste collection and segregation facilities have been upgraded to reduce waste at Mackay Port and Racecourse refinery sites within Sugar Australia.

Sugar Australia has implemented a new service contract which provides additional waste segregation options and waste reports to track both waste quantities and the proportion of waste recycled against individual site targets. Building on these initiatives, Sugar Australia is planning to implement further waste projects at its Yarraville site to increase recycling of on-site recyclables from 87 per cent to 90 per cent by improving waste segregation across all sites. Sugar Australia has reviewed its transport logistics to help reduce waste while finished goods are now delivered in containers, significantly reducing packaging and damage to finished products.

Environment (continued)

WASTE – SUGAR (CONTINUED)

WASTE

(kg/tonne of saleable product)

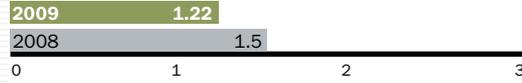
Mills



Ethanol



Refining



¹ Mills includes a one-off disposal of 9,720 tonnes of bagasse in 2008.

ENVIRONMENT
CSR'S ABSOLUTE
EMISSIONS HAVE
DECREASED BY

12.7%

Energy

Greenhouse Gas Emissions

CSR's operations, in common with the industries in which we operate, consume significant amounts of energy, with some businesses being particularly energy intensive. For the period 1 July 2008 to 30 June 2009, greenhouse gas emissions from CSR's majority owned businesses were 1,213,493 tonnes of CO₂-e.

CSR's absolute emissions decreased by 12.7 per cent from the previous year, which primarily reflects lower production levels as a result of slower market conditions in residential and commercial construction and the closure of a manufacturing facility in Asia. CSR continues to implement a number of energy efficiency improvements which are starting to impact on emissions levels and should assist CSR in future years in reducing emissions.

The Scope 1 (direct) tonnes of CO₂-e in Australia was 642,854 tonnes. For the same period, the Scope 1 (direct) greenhouse gas emissions of CSR's majority-owned businesses operating outside Australia was 109,646 tonnes. Direct or Scope 1 emissions are emitted from sources within the plant or factory boundary.

The Scope 2 (indirect) tonnes of CO₂-e emitted in Australia was 435,056 tonnes. For the same period, the Scope 2 (indirect) greenhouse gas emissions of CSR's majority-owned businesses operating outside Australia was 25,937 tonnes. Indirect or Scope 2 emissions are associated with the consumption of imported electricity, heat or steam.

CSR asked Ernst & Young to provide limited assurance that its greenhouse gas data was fairly presented in all material respects with the stated criteria. Ernst & Young's limited assurance statement on CSR's total Scope 1 and 2 greenhouse gas emissions reported as 752,500 and 460,993 tonnes of CO₂-e respectively is provided in the Limited Assurance statement included in this report.

Energy Efficiency Opportunities

CSR continues to be a participant in the Federal Government's Energy Efficiency Opportunities Program and is required to report on assessments undertaken under the program. In CSR's case, 2 assessments were undertaken within the 08-09 reporting period.



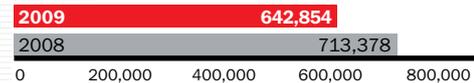
Gyprock has significantly upgraded its manufacturing facility at Yarraville to a larger capacity, more sustainable plant.

The new plasterboard line dryer re-uses the exhaust from each of the zones by passing it through a heat exchanger before exhausting it through a single stack outlet. The heat exchanger is then used to pre-heat the air which is supplied to the dryer entry zone to elevate the board temperature before the main dryer and is also used as the combustion air back into each of the dryer zones.

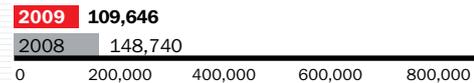
This results in a saving of approximately 30 to 40 per cent of the previous boardline dryer's gas usage. The new plant will also use new high efficiency motors consistent with Australian Standards which will have provision for power factor correction.

TONNES OF CO₂-e Scope 1 direct emissions

Australia



Outside Australia

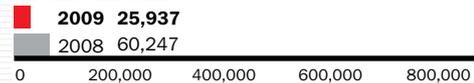


Scope 2 indirect emissions

Australia



Outside Australia



2009 Australian data has been reported in line with NGER and includes contractor emissions previously not reported.

Community

CSR maintains a policy of acting responsibly, ensuring that our people deal appropriately with the communities in which we operate, to encourage and gain their support.



**COMMUNITY
CSR'S COMMUNITY
SUPPORT PROGRAM
HAS DONATED**

\$1.6 MILLION
IN ITS SIX YEARS
OF OPERATION

**COMMUNITY
CSR AND ITS
EMPLOYEES HAVE
DONATED NEARLY**

\$445,000
OVER THE YEAR

During the past year, the communities of North Queensland, where CSR's sugar operations are concentrated and Victoria, where CSR has major manufacturing facilities, were severely impacted by natural disasters.

As part of our Community Support Program, CSR employees responded to the urgent needs of these communities by donating over \$90,000 to the North Queensland appeal and \$225,000 to the Victorian appeal, including matched dollar for dollar donations by CSR.

The CSR Community Support Program has now donated over \$1.6 million in its six years of operation. Currently, the program makes donations to 15 charities which have been selected by CSR employees.

During YEM09, CSR and its employees donated a total of \$444,852 through the Community Support Program.

In addition, CSR partners with a number of community based organisations to provide product and service assistance to worthwhile causes.

Following the tragic Victorian bushfires, CSR worked with its long-time community partner, 'Habitat for Humanity', to help rebuild homes in affected areas. CSR committed enough building materials to help rebuild 12 houses in Victoria.

As one of Australia's major employers, CSR is focused on promoting training and development opportunities across its businesses and in the wider industry in which it operates.

In Building Products, the PGH business in NSW works actively with the Australian Brick and Block Foundation industry body by sponsoring its 'Step Out' program. This program's primary goal is to promote training and development of young bricklayers through an intensive course for secondary school students. PGH provides products to these courses, which is an important part of developing skills of young bricklayers and the future of the industry.

Despite slower economic conditions, CSR's sugar mills employed an extra 33 apprentices during the year, continuing CSR Sugar's commitment to providing skilled opportunities in North Queensland.

The apprentices have opportunities to become electricians, diesel fitters, fitters and turners and boilermakers and are employed across each of CSR Sugar's seven sugar mills. The Burdekin mills have 19 new apprentices, Herbert region has seven and Plane Creek Mill also employed seven apprentices.

Seven of the apprentices are employed as cadets and will complete an associate diploma in either electrical or mechanical engineering while they undertake their trade qualifications.

Sugar Australia continues to work with Foodbank, Australia's largest hunger-relief charity. During YEM09 Sugar Australia donated approximately 120 tonnes of product, with staff also volunteering to assist with packing of food hampers at Foodbank Victoria.

CSR continues to work with local community groups relating to re-development of former industrial sites for housing or industrial buildings. At Narangba, north of Brisbane, CSR is working closely with the Ecological Services Unit of the Australia Zoo Wildlife Warriors to develop ecologically sustainable outcomes for the 'Eco-librium' residential development. As part of this program, CSR teamed up with students (pictured) from the local primary school, Jinibara State School, to plant 1,000 native trees and shrubs on the site.

Government Donations

In YEM09, CSR contributed \$30,028 in direct and indirect donations to political parties in support of the democratic process. All political contributions are disclosed in accordance with our obligations to the Australian Electoral Commission.

Image above: Jinibara State School children help plant 1,000 trees and bushes on the ground surrounding CSR's development site at Narangba, Queensland.

Climate Change

CSR is mindful of the challenge that climate change poses to our own business and in particular our manufacturing operations.



CLIMATE CHANGE
282,863
RENEWABLE
ENERGY
CERTIFICATES
PRODUCED
DURING THE YEAR

CSR is helping its customers address the challenges of climate change in two main areas:

- By developing a portfolio of energy efficient building products and lightweight systems in residential and commercial construction; and
- Providing energy (fuel and electricity) from renewable sources based on our sustainable sugar operations.

However, CSR is also mindful of the challenge that climate change poses to our own business and in particular our manufacturing operations. As a result, over the past year CSR has further integrated these issues into our business planning processes, including scenario analysis modelling relating to both the impact and opportunities of climate change on our underlying businesses.

Opportunities BUILDING PRODUCTS

In its Building Products portfolio, CSR produces a range of energy efficient building products and lightweight systems, targeting the reduction in heating and cooling requirements of homes and buildings, reducing energy demand with the consequential reduction of greenhouse gas emissions.

In the past year, CSR has further developed this portfolio with the following examples:

- Gyprock launched Gyprock EC08™, the first plasterboard in Australia to be certified by Good Environmental Choice Australia (GECA) for its sustainable properties. The plasterboard is made from a high level of recyclable content and can also be recycled rather than adding to waste. Gyprock EC08™ has since been extended into three boards to give designers of green buildings the flexibility to specify different grade boards for different applications;
- Bradford Insulation commissioned its new glasswool facility at Brendale, north of Brisbane, providing the business with an additional 12,000 tonnes of capacity to provide energy saving insulation to homes and buildings. Bradford Gold glasswool insulation is made from at least 50 per cent and up to 80 per cent recycled glass;
- CSR Roofing launched its new SOLARtile from Monier which uses photovoltaic technology to convert sunlight into electricity. The tile was developed specifically to provide an energy efficient solution to work seamlessly with flat profiled concrete tiles; and
- PGH Bricks is developing a new range of lightweight bricks, which are up to 20 per cent lighter than traditional bricks. The products are a first of their kind in the brick industry – they are lightweight and suitable for load bearing applications.



SUGAR

CSR completed the successful upgrade of its Sarina distillery to increase its production of fuel grade ethanol from 38 million litres to 60 million litres per year.

CSR Ethanol is the third largest producer of fuel grade ethanol in Australia, producing ethanol from molasses, a by-product of sugar production which is not a food staple.

Sugar based ethanol has significantly lower CO₂ emissions than grain based ethanol. According to CSR's independently reviewed Life Cycle analysis every litre of CSR E85 Ethanol produces about half the CO₂ emissions as one litre of petrol when measured on a full life-cycle analysis.

CSR Ethanol is now the official fuel supplier to the V8 Supercar championship series, helping the sport to reduce their CO₂ emissions by about 50 per cent.

Renewable Electricity

CSR is Australia's largest renewable energy producer from biomass. We currently generate enough renewable electricity, which, together with a small amount of external fuel, is sufficient to operate each of our seven sugar mills in North Queensland.

During YEM09 CSR Sugar generated sufficient renewable electricity for the creation of 282,863 Renewable Energy Certificates (RECs). This is equivalent to taking 103,000 cars off the road, or enough renewable electricity to supply approximately 43,000 homes with power for a year.

Challenges

CARBON POLLUTION REDUCTION SCHEME (CPRS)

CSR is a major manufacturing organisation and as such will be impacted by the proposed introduction of the Carbon Pollution Reduction Scheme.

In the lead up to the introduction of the proposed legislation, CSR has undertaken significant modeling to assess the likely impact on its manufacturing operations but also the potential benefits an increased price on carbon should have for potential increased demand for energy efficient building products and renewable energy.

During the drafting of the current proposed scheme, the Government has acknowledged aluminum smelting and float glass manufacturing as being Energy Intensive Trade Exposed industries which will qualify for the maximum permit allocation under the scheme.

CSR Ethanol has completed an assessment and awaits Ministerial approval and draft regulations.

CSR has consistently supported an emissions trading scheme to reduce greenhouse gas emissions. However, we have consistently argued that this must not come at the expense of local manufacturing and jobs in Australia being lost to those competing economies who do not introduce a similar price on carbon.

Value-add methodology

CSR has argued consistently that those energy intensive trade exposed facilities which need to use value add methodology in determining their eligibility for transitional assistance under CPRS must not be disadvantaged with those entities using a revenue basis. We have urged the Federal Government to adopt the Australian Bureau of Statistics Methodology for Industry Value Add in the determination of transitional assistance for those industries who need to use this definition in pre-assessment and assessment processes. The current policy appears to be skewed against those entities that need to use this method of assessment for transitional assistance.

Permit Decay

CSR also believes the permit decay factor will also reduce international competitiveness and is a tax on Australian industry's productivity, until such time as our trading competitors see a similar carbon price.

The decay factor of 1.3 per cent reduces the transitional assistance over time. Energy Intensive Trade Exposed entities have every incentive to reduce emissions under a CPRS regime to reduce costs or create surplus permits which can be sold on the market. The permit decay factor is essentially a further penalty to force cost reductions by applying what is a tax on productivity. The 1.3 per cent reduction also penalises those facilities which have taken early action to reduce emissions.

CSR further believes that assistance for trade exposed industries should remain in place until 80 per cent of global trade is covered by a comparable emissions price for Australian exporters or 80 per cent of importers to Australia to have a comparable emissions price for those Australian companies who are trade exposed in the domestic market on an activity by activity basis.

The CPRS legislation is profound and the regulation is complex. It is vital that Australian industry has certainty with respect to future investment under this scheme so CSR continues to discuss improvements with the Federal Government to take a pragmatic approach to improve upon the existing legislation and produce a more workable and balanced emissions trading scheme.



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Limited Assurance Report to the Management and Directors of CSR Limited in relation to its greenhouse gas emissions data as reported in its 2009 Sustainability Report

We have carried out a limited assurance engagement in order to provide a conclusion as to whether the Subject Matter detailed below has been presented and calculated in accordance with the criteria set out below.

Subject Matter

The Subject Matter, as reported in CSR Limited's ('CSR') 2009 Sustainability Report (the 'report') for the year ended 30 June 2009, comprises all applicable greenhouse gas emissions, limited to:

- i) Total direct emissions of greenhouse gases (scope 1); and
- ii) Total indirect emissions of greenhouse gases (scope 2).

Criteria

Management of CSR has determined methods considered appropriate for reporting greenhouse gas emissions data. There are no prescribed methods for public reporting. CSR Management has determined the total greenhouse gas emissions taking an operational control approach using the World Business Council for Sustainable Development and the World Resources Institute's *The Greenhouse Gas Protocol: A Corporate Accounting and Reporting Standard, Revised Edition*. Sources for emissions factors were also drawn from the Australian Government's *National Greenhouse and Energy Reporting (Measurement) Determination 2008*, and New Zealand's Department for the Environment: *Guidance for voluntary, corporate greenhouse gas reporting*.

The Responsibility of Management for the Report

The management of CSR are responsible for the preparation and presentation of the report in accordance with the criteria described above. This responsibility includes establishing and maintaining internal controls relevant to the preparation and presentation of the data that is free from material misstatement, whether due to fraud or error; selecting and applying specific principles, methodologies, policies and data sources used to prepare and present the data attributable to the reporting entity; and making estimates that are reasonable, when appropriate.

Assurance Practitioner's Responsibility

Our responsibility is to express a conclusion on the Subject Matter based on our limited assurance engagement. We conducted our limited assurance engagement in accordance with the International Standard for Assurance Engagements: *ISAE 3000 Assurance Engagements Other than Audits or Reviews of Historical Financial Information*. This Auditing Standard requires that we comply with relevant ethical requirements and plan and perform the assurance engagement to obtain limited assurance whether the specific activity data is free from material misstatement.

Our procedures included but were not limited to the following:

- ▶ Gaining an understanding of the greenhouse gas reporting processes supporting the business activities
- ▶ Conducting site visits to understand the basis management measure and identify sources of greenhouse gas emissions
- ▶ Conducting interviews and collation of evidence to understand the process and controls supporting the data
- ▶ Undertaking analytical review procedures to support the reasonableness of the data
- ▶ Reviewing assumptions supporting the calculations of incidental emissions for reasonableness
- ▶ Reviewing the appropriateness of the presentation of information

Liability limited by a scheme approved
under Professional Standards Legislation



Our procedures were designed to obtain a limited level of assurance on which to base our conclusion. These procedures are more limited than for a reasonable assurance engagement, and therefore less assurance is obtained than in a reasonable engagement. The procedures performed depend on the assurance practitioner's judgement including the risk of material misstatement of the Subject Matter, whether due to fraud or error. While we considered the effectiveness of management's internal controls when determining the nature and extent of our procedures, our limited assurance engagement was not designed to provide assurance on internal controls. We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our conclusion.

Use of Report

Our assurance report has been prepared for distribution to management and directors of CSR only. We disclaim any assumption of responsibility for any reliance on this assurance statement or on the specific data to which it relates to any person other than management of CSR, or for any purpose other than that for which it was prepared.

Independence, Competence and Experience

In conducting our assurance engagement we have met the independence requirements of the APES 110 Code of Ethics for Professional Accountants. We have the required competencies and experience to conduct this assurance engagement.

Conclusion

Based on our work described in this report, nothing has come to our attention that causes us to believe that the Subject Matter, as presented in CSR's report for the year ended 30 June 2009, was not presented fairly in all material respects, and calculated in accordance with the criteria detailed above.

A handwritten signature in black ink that reads 'Ernst + Young'.

Ernst & Young

A handwritten signature in black ink, appearing to be 'Trent van Veen'.

Trent van Veen
Partner

Sydney, Australia
14 December 2009

PUBLIC REPORT TEMPLATE

Controlling Corporation

CSR Limited

Period to which this report relates

Start 1st July 2008

End

30th June 2009

Part 1 – Information on assessments completed to date

Table 1.1 – Description of the way in which the Corporate Group (or part of it) has carried out its assessments

CSR Limited has continued to undertake planned assessments over the reporting period. The assessments were carried out in line with the approved Assessment and Reporting schedule, the assessment framework and relevant regulations. Assessments for the Victoria and Macknade Sugar Mills were completed and the results are reported in Part 2A of this report. The sites assessed were sites which used greater than 0.5 petajoules of energy. The period of energy use to which the assessments relate is 1st July 2008 to 30th June 2009 with the total energy use of these two sites of 15,083,980GJ, or 26% of CSR's total energy use. The assessment process continued to be streamlined in the light of learnings of previous assessments.

Building Products, Sugar and Sugar Australia have also progressed the assessment of opportunities identified in the previous reporting period and the outcomes are reported in Part 2B of this report. Reviewing and monitoring of outcomes have been and are being integrated into site decision making processes.

The outcomes of the new assessments and updates to the previous assessments have been reported to the CSR Board Committee on Safety, Health and Environment.

Overall energy use for CSR Building Products has declined over 10% since the last reporting period as the world economic downturn led to reduced demand and a reduction in production levels. In addition a major factory upgrade resulted in the Viridian Dandenong plant being non-operational for a number of months.

CSR believes the intent and key requirements of the Energy Efficiency Opportunities legislation have been met.

Table 1.2 – Energy use assessed

Group member and/or business unit and/or key activity and/or site that has had an assessment completed by the end of this reporting period.	Period over which assessment was undertaken	Energy use per annum in GJ ² in the current reporting year
Sugar - Victoria Sugar Mill	September 2008 to March 2009	9,920,936 ¹ GJ
Sugar - Macknade Sugar Mill	September 2008 to March 2009	5,163,045 ² GJ
Building Products - Cecil Park	October 2007 to June 2008	505,762 GJ
Sugar – Kalamia Sugar Mill	September 2007 to June 2008	4,997,773 GJ
Sugar Australia – Yarraville Sugar Refinery	November 2008 to August 2008	1,324,526GJ
Sugar Australia – Mackay Sugar Refinery	January 2008 to August 2008	1,352,848 GJ
Total energy assessed		23,264,890 ³ GJ
Total energy use of the group in the current reporting year		57,925,141⁴ GJ
Total energy assessed expressed as a percentage of total current energy use		40%

¹ Does not include energy produced on-site or electricity produced and consumed on-site.

² Ibid.

³ Energy assessed in the 2008-09 reporting year is Victoria and Macknade Mills only.

⁴ The total energy consumed for CSR using the NGER operational control approach. Numbers have been rounded.

Part 1 – Information on assessments completed to date (continued)

Table 1.3 – Accuracy of energy use data

Entity	% achieved	Reasons for not achieving data accuracy to within ±5%
Sugar – Victoria, Macknade and Kalamia Sugar Mills	±20%	In the Sugar Mills the accuracy of data reflects two aspects. The first is that the heating value per tonne of cane varies due to the natural variation in the cane. The second related to the percentage of fibre in the cane. It is not possible to sample every tonne of cane, therefore a representative sample is taken, which leads to a representative analysis of the % of fibre in the cane. Both of these aspects increase the error in data accuracy.
Building Products – Cecil Park	±5%	
Sugar Australia – Yarraville and Mackay Racecourse Refineries	±5%	

Part 2 - Energy Efficiency Opportunities that have been identified and evaluated

Part 2A - New Assessments completed during the reporting period

Name of Group member or business unit or key activity or site: Sugar - Victoria Mill

Energy use of the entity during the current reporting period

9,920,936	GJ
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Table 2.1 – Opportunities assessed to an accuracy of ±30% or better

Status of opportunities identified	Number of opportunities	Estimated energy savings per annum by payback period (GJ)			Total estimated energy savings per annum (GJ)
		0 – < 2 years	2 – ≤ 4 years	> 4 years	
Outcomes of assessment*	60	4613	4563	520	9,696
Business Response*	5	NA ⁽²⁾	NA	NA	NA
Under Investigation	0	nil	nil	nil	nil
To be Implemented ⁽¹⁾	1	nil	503	nil	503
Implementation Commenced	10	4,613	4,060	520	9,193
Implemented	44	nil	nil	nil	nil
Not to be Implemented ⁽³⁾					

(1) Subject to normal capital expenditure approval process.

(2) NA = investigations not yet complete.

(3) Opportunities were identified and then ranked on the basis of likely feasibility. Those with the highest rank were selected for more detailed analysis. Those with the lowest rank were not to be implemented. Opportunities are not implemented for a number of reasons generally due to lack of feasibility but also because those identified may have been addressed through other opportunities or due to operational/process constraints.

Name of Group member or business unit or key activity or site: Sugar - Macknade Mill

Energy use of the entity during the current reporting period

5,163,045	GJ
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Table 2.2 - Opportunities assessed to an accuracy of ±30% or better

Status of opportunities identified	Number of opportunities	Estimated energy savings per annum by payback period (GJ)			Total estimated energy savings per annum (GJ)
		0 – < 2 years	2 – ≤ 4 years	> 4 years	
Outcomes of assessment					
Total Identified	63	1,669	4,342	25,899	31,910
Business Response					
Under Investigation ⁽¹⁾	3	nil	nil	nil	nil
To be Implemented ⁽²⁾	1	nil	540	nil	540
Implementation Commenced	nil	nil	nil	nil	nil
Implemented	7	1,669	3,802	nil	5,471
Not to be Implemented ⁽³⁾	52	nil	nil	nil	nil

(1) Three opportunities are currently under investigation with preliminary savings identified. Further work is required before the estimates are considered of a robust nature and therefore have not been quantified above.

(2) Subject to normal capital expenditure approval process.

(3) Opportunities were identified and then ranked on the basis of likely feasibility. Those with the highest rank were selected for more detailed analysis. Those with the lowest rank were not to be implemented. Opportunities are not implemented for a number of reasons generally due to lack of feasibility but also because those identified may have been addressed through other opportunities or due to operational/process constraints.

Part 2 - Energy Efficiency Opportunities that have been identified and evaluated

Part 2B - Update of assessments originally reported in previous reporting periods

Name of Group member or business unit or key activity or site: _____ Building Products - Cecil Park _____

Energy use of the entity during the current reporting period	505,762	GJ
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Table 2.3 - Opportunities assessed to an accuracy of $\pm 30\%$ or better

Outcomes of assessment*	Status of opportunities identified	Number of opportunities	Estimated energy savings per annum by payback period (GJ)			Total estimated energy savings per annum (GJ)
			0 – < 2 years	2 – ≤ 4 years	> 4 years	
	Total Identified	50 ⁽¹⁾	102,437	3,875	nil	106,312
Business Response*	Under Investigation	10	3,184	nil	nil	3,184
	To be Implemented ⁽²⁾	7	64,990	nil	nil	64,990
	Implementation Commenced	3	32,571	nil	nil	32,572
	Implemented	19	1,692	3,875	nil	5,567
	Not to be Implemented ⁽³⁾	11	nil	nil	nil	nil

- (1) As part of the review of opportunities, 4 more opportunities were identified.
- (2) Subject to normal capital expenditure approval process.
- (3) Opportunities are not implemented for a number of reasons including those identified may have been addressed through other opportunities, operational/process constraints or payback greater than life of the plant.

Name of Group member or business unit or key activity or site: Sugar - Kalamia Sugar Mill

Energy use of the entity during the current reporting period

4,997,773	GJ
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Table 2.4 - Opportunities assessed to an accuracy of ±30% or better

Status of opportunities identified	Number of opportunities	Estimated energy savings per annum by payback period (GJ)			Total estimated energy savings per annum (GJ)
		0 – < 2 years	2 – ≤ 4 years	> 4 years	
Outcomes of assessment*	34	61,000	2,984	1,320	65,304
Business Response*	2	nil	2,894	nil	2,984
To be Implemented ⁽¹⁾	nil	nil	nil	nil	nil
Implementation Commenced	nil	nil	nil	nil	nil
Implemented	2	61,000	nil	1,320	62,320
Not to be Implemented ⁽²⁾	30	nil	nil	nil	nil

(1) Subject to normal capital expenditure approval process.

(2) Opportunities are not implemented for a number of reasons including those identified may have been addressed through other opportunities or operational/process constraints.

Name of Group member or business unit or key activity or site: Sugar Australia

Energy use of the entity during the current reporting period

2,977,688	GJ
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Table 2.5 - Opportunities assessed to an accuracy of ±30% or better

Status of opportunities identified	Number of opportunities	Estimated energy savings per annum by payback period (GJ)			Total estimated energy savings per annum (GJ)
		0 – < 2 years	2 – ≤ 4 years	> 4 years	
Outcomes of assessment*	101	108,169	51,489	83,776	243,434
Business Response*	49	15,871	20,668	58,660	95,199
To be implemented ⁽²⁾	9	49	798	0	847
Implementation Commenced	13	65,897	7,859	0	73,756
Implemented	5	2,110	1,009	0	3,119
Not to be implemented ⁽³⁾	25	24,243	21,156	25,116	70,515

(1) Yarraville Refinery and Mackay Racecourse Refinery make up approximately 90% of Sugar Australia's total energy use. It should be noted that the number of opportunities identified has been reduced by 51 since the 2007/8 reporting period. This is due to a number of reasons including further investigation identifying duplicate opportunities; or a number of different opportunities rolled into one project (now reported as one opportunity). In addition some opportunities previously reported as having an accuracy of greater than 30% are not reported this time as they require more detailed scoping before determining their feasibility.

(2) Subject to normal capital expenditure approval process.

(3) Opportunities are not implemented for a number of reasons including those identified may have been addressed through other opportunities or operational/process constraints.



Part 2 - Energy Efficiency Opportunities that have been identified and evaluated

Part 2C - Details of at least three significant opportunities found through EEO assessments

Table 2.6 – Description of 3 significant opportunities

Opportunity 1	
	Victoria Mill: The duties of an existing security personnel were modified to include turning off unnecessary lighting and equipment after the workforce finished for the day. This is estimated to save approximately 4300GJ of electricity per annum.
Opportunity 2	
	Macknade Mill: Power factor correction enabled an additional electricity export of some 0.3MW of electricity, over a crushing season of approximately 1000MWh. Payback is approximately 3 years.
Opportunity 3	
	Kalamia Mill: Rescheduling the sequencing of vacuum pans has reduced steam venting and saved an estimated 61,000GJ per year at no capital cost.
Opportunity 4	
	Sugar Mills: Continued implementation of the conversion of the diesel engines in the cane locomotives with more fuel efficient engines. Some 4 engines were converted during the 08/09 reporting period, with an estimated saving of some 5490GJ of energy.

Part 3 - Voluntary Contextual Information

Table 3.1 – Contextual Information

CSR has reported additional information in its sustainability report which is available at www.csl.com.au

Table 3.2 – Energy use expressed in Greenhouse Gas emissions and as an energy use indicator

Period of energy use _____ to _____		Energy use pa (GJ)	Energy use pa (GGE)	Energy use as an indicator*
Name of group member/ business unit/ key activity/site				
Total				

Table 3.3 - Opportunities assessed to an accuracy of ±30% or better (\$ value)

Status of opportunities identified	Number of opportunities	Estimated energy savings per annum by payback period (\$)			Total estimated energy savings per annum (\$)
		0 – < 2 years	2 – ≤ 4 years	> 4 years	
Outcomes of assessment*	Total Identified				
Business Response*	Under Investigation				
	To be Implemented				
	Implementation Commenced				
	Implemented				
	Not to be Implemented				

Part 3 - Voluntary Contextual Information (continued)

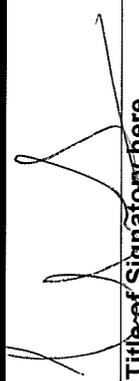
Table 3.4 – Changes in energy use as an indicator

Name of group member/ business unit/ key activity/site	Current energy use as an indicator	Previous energy use as an indicator	Reasons for change
Total			

Part 4 - Declaration

Table 4.1 - Declaration of accuracy and compliance (mandatory information)

The information included in this report has been reviewed and noted by the board of directors and is to the best of my knowledge, correct and in accordance with the *Energy Efficiency Opportunities Act 2006* and *Energy Efficiency Opportunities Regulations 2006*.


Insert Title of Signatory here
 MANAGING DIRECTOR

Glossary

AS/NZS 4801	Occupational health and safety management systems – specification with guidance for use
ASX	Australian Securities Exchange
Bricks and Roofing	Bricks and Roofing – includes CSR's building product brands – PGH™ bricks and pavers Monier™ and Wunderlich™ rooftiles
Carbon dioxide equivalent (CO₂-e)	Unit for comparing the radiative forcing of a greenhouse gas to carbon dioxide. It is calculated using the mass of a given greenhouse gas multiplied by its global warming potential
CASP	Cash Award Share Plan
CPRS	Carbon Pollution Reduction Scheme
DSE	Victorian Department of Sustainability and Environment
EAP	Employee Assistance Program
FTE	Full Time Equivalent
GAF	Gove Aluminium Finance
GECA	Good Environmental Choice Australia
GRI	Global Reporting Initiative – guidelines for sustainability reporting
ISO 9000	International Organisation for Standardisation. ISO 9000 family of standards that address quality management systems
ISO 14001	International Organisation for Standardisation. Standard which outlines Environment Management Systems requirements with guidance for use
Lightweight Systems	Lightweight Systems' – includes CSR's building product brands – Bradford™ insulation, Hebel® panels, Edmonds™ ventilation, Gyprock™ plasterboard, Cemintel™ fibre cement
LTI	Long Term Incentive
LTIFR	Lost Time Injury Frequency Rate – per million hours worked
NGER	National Greenhouse and Energy Reporting scheme
OH&S	Occupational Health and Safety
PDR	Performance and Development Review
SH&E	Safety, Health and Environment
STI	Short Term Incentive
United Nations Global Compact	is a strategic policy initiative for businesses that are committed to aligning their operations and strategies with ten universally accepted principles in the areas of human rights, labour, environment and anti-corruption
Viridian™	Viridian glass business
YEM08	Year ending 31 March 2008
YEM09	Year ending 31 March 2009

Feedback form

We would appreciate your feedback so we can continue to improve the CSR Sustainability Report.

Please fill out the form by placing an in the appropriate box below. Post, fax or email us your feedback to:

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I am interested in CSR's performance as a:

- Shareholder Employee/Contractor Local Resident Customer Industry Financial Analyst
 Journalist Educator/Student Special Interest Group Regulatory Body Supplier Other

Rating our CSR Sustainability Report 2009

Does the report meet your information requirements? Excellent Good Average Poor

Is the report open and transparent? Excellent Good Average Poor

Do you find the report easy to understand? Excellent Good Average Poor

Does the report have useful information? Excellent Good Average Poor

How would you rate our environmental performance? Excellent Good Average Poor

How would you rate our health and safety performance? Excellent Good Average Poor

How would you rate our community involvement? Excellent Good Average Poor

Which section(s) did you find most useful?

- CSR Sustainability at a glance Building Products at a glance Sugar and Renewable Energy at a glance
 Safety, Health and Environment Climate Change Environment Our People Community
 Other (please specify)

Which section(s) did you find least useful?

- CSR Sustainability at a glance Building Products at a glance Sugar and Renewable Energy at a glance
 Safety, Health and Environment Climate Change Environment Our People Community
 Other (please specify)

Please provide any general comments about this CSR Sustainability Report.

In what form would you prefer to receive this report? Paper Internet

Would you like us to respond to your comments? If so, please write your details below:

Name

Address

Email

