

# CORPORATE GOVERNANCE STATEMENT

Corporate governance is the system by which CSR is directed and managed. It is the framework of rules, relationships, systems and processes that underpin the company's long established values and behaviours, the way it does business and within which:

- the CSR board of directors is accountable to shareholders for the operations, financial performance and growth of the company; and
- the business risks are identified and managed.

CSR actively reviews Australian and international developments in corporate governance and considers the views of shareholders, regulators and other stakeholders. The CSR board adopts those arrangements which it considers are in the best interests of CSR and its shareholders.

The directors of CSR are committed to ensuring that the company maintains an effective system of corporate governance and that good corporate governance is an integral part of the culture and business practices of the CSR group.

Throughout the reporting period, being the year ended 31 March 2018, CSR complied with the recommendations contained in the ASX Corporate Governance Council's Corporate Governance Principles and Recommendations (3rd edition) (ASX CGC Principles).

Charters and policies referred to in this corporate governance statement are available on CSR's website in the 'Investor Relations & News' section under 'Corporate Governance' at [www.csr.com.au/investor-relations-and-news/corporate-governance](http://www.csr.com.au/investor-relations-and-news/corporate-governance).

## THE BOARD

The board strives to build sustainable value for shareholders whilst protecting the assets and reputation of the company.

CSR's constitution, available on CSR's website at [www.csr.com.au/investor-relations-and-news/corporate-governance](http://www.csr.com.au/investor-relations-and-news/corporate-governance), which sets out the provisions that govern the management of the company, can only be amended by special resolution of shareholders. Under the constitution, shareholders elect directors, whose function is to represent shareholders and to act in the best interests of the company.

### Role of the board

The board has adopted a formal board charter, available on CSR's website at [www.csr.com.au/investor-relations-and-news/corporate-governance](http://www.csr.com.au/investor-relations-and-news/corporate-governance), which establishes those matters reserved for the board and authority delegated to management. The board's functions, as summarised in the board charter, include:

- approving CSR strategies, budgets, plans and policies;
- assessing performance against business plans to monitor both the performance of management as well as the continuing suitability of business strategies;
- reviewing operating information to understand the current status of the company;
- considering management recommendations on proposed acquisitions, divestments and significant capital expenditure;
- considering management recommendations on capital management, the issue or allotment of equity, borrowings and other financing proposals, guarantees of non-group liabilities, and restructures;
- ensuring that the company operates an appropriate corporate governance structure and culture, in particular ensuring that CSR acts legally and responsibly on all matters and that the highest ethical standards are maintained;
- approving CSR's risk tolerance, as well as CSR's risk management strategy and frameworks and monitoring their effectiveness;
- considering the social, ethical and environmental impact of CSR's activities and monitoring compliance with CSR's sustainability policies and practices;
- maintaining a constructive and ongoing relationship with the Australian Securities Exchange and regulators, and approving policies regarding disclosure and communications with the market and shareholders; and
- monitoring internal governance including delegated authorities, and monitoring resources available to senior executives.

### Appointment and election of directors

CSR undertakes a rigorous process when selecting new directors.

The company aims to have a board which, as a whole, has the range of skills, knowledge, background and experience to govern CSR, made up of individuals of high integrity, with sound commercial judgement, inquiring minds and the ability to work cohesively with other directors. When considering director candidates, CSR seeks a combination of former chief executives and individuals experienced in manufacturing, finance, the law and, ideally, the industries in which CSR participates as well as the areas in which it hopes to grow. CSR undertakes background checks on prospective candidates, covering the candidate's character, experience, education, criminal record and bankruptcy history.

External consultants are engaged, where appropriate, to advise on potential appointees. The potential appointees must have a strong reputation and high ethical standards. Prospective directors are required to confirm that they will have sufficient time to meet their obligations and that they will keep the company informed of their other commitments.

Non-executive directors are subject to re-election by rotation at least every three years. Newly appointed directors must seek election at the first general meeting of shareholders following their appointment. The relevant notice of meeting contains all material information for shareholders in relation to the election or re-election of a director.

### Directors' independence

At all times throughout YEM18, the board comprised of a majority of independent directors. Each of the non-executive directors, including the chairman, has been determined by the board to be independent of CSR and its management, having no business or other relationships that could compromise his or her autonomy as a director.

The board's framework for determining director independence is included in the board charter and operates in accordance with the considerations set out in the ASX CGC Principles. Any past or present relationship with the company is examined carefully to assess the likely impact on a director's ability to be objective and exercise independent judgement.

The length of tenure of each director is set out below.

Director	Date appointed	Date last (re)elected
Jeremy Sutcliffe (chairman)	December 2008	2015 Annual Meeting
Rob Sindel (managing director)	December 2010	2011 Annual Meeting
John Gillam	December 2017	Not previously elected
Christine Holman	October 2016	2017 Annual Meeting
Michael Ihlein	July 2011	2017 Annual Meeting
Matthew Quinn	August 2013	2016 Annual Meeting
Penny Winn	November 2015	2016 Annual Meeting

The board charter states that non-executive directors shall not seek re-election after serving for ten years.

### Director letters of appointment

Letters of appointment are prepared for non-executive directors covering duties, time commitments, induction, company policies and corporate governance.

The managing director's responsibilities and terms of employment, including termination entitlements, are set out in a formal executive services agreement. A summary of the main elements and terms of the managing director services agreement is set out in the remuneration report.

### Directors' induction, education and access to information

The board strives to ensure that directors and key executives have the knowledge and information needed to operate effectively.

The chairman briefs new directors on their roles and responsibilities. New directors receive a comprehensive information pack as part of this induction, as well as special briefings from management and visits to key operating sites to assist them to rapidly understand CSR's businesses and associated risks.

Time is allocated at board and committee meetings for continuing education on significant issues facing the company and changes to the regulatory environment.

To help directors maintain their understanding of the businesses and to assess the people managing them, directors are briefed regularly by members of the senior management team. Directors also have access to a wide range of employees at all levels during inspections of operations and in other meetings.

Directors receive a comprehensive monthly performance report from the managing director regardless of whether a board meeting is scheduled. Directors have unrestricted access to company records and information.

Directors may obtain independent professional advice, at CSR's expense, on matters arising in the course of their board and committee duties, after obtaining the chairman's approval. The board charter requires that all directors be provided with a copy of such advice and be notified if the chairman's approval is withheld.

The board appoints and removes the company secretary. All directors have direct access to the company secretary who is accountable to the managing director and, through the chairman, to the board, on all governance matters.

### The work of directors

In addition to attending board and committee meetings, non-executive directors allocate time for, amongst other things, strategy and budget sessions, preparing for meetings and inspecting operations.

The chairman commits additional time and meets regularly with the managing director to review business and strategic issues and to agree board meeting agendas. The directors usually meet with no management present at the commencement of board meetings and on other occasions as required. Non-executive directors also meet without Rob Sindel present where it is appropriate to do so.

Except where the directors need to meet privately, the company secretary attends all board meetings. Other members of management, such as the chief financial officer and business unit general managers also attend board meetings by invitation, where appropriate.

The directors regularly visit the company's operations to better understand the issues facing each of the businesses and their people. These visits are conducted either as a full board or with one or two directors.

Every meeting of the Workplace Health, Safety & Environment Committee is held at a CSR site.

In addition, directors may meet customers, business partners, suppliers and other stakeholders of the company as requested by management.

### Size, composition and skills of the board

The board comprises directors with an appropriate mix of skills, experience and personal attributes that allow the directors individually, and the board collectively, to:

- discharge their responsibilities and duties under the law effectively and efficiently;
- understand the suite of CSR businesses and the external environment in which CSR operates so as to be able to agree with management the objectives, goals and strategic direction to maximise shareholder value; and
- assess the performance of management in meeting those objectives and goals.

The board currently comprises six non-executive directors and one executive director. Information about directors, including their skills, experience, expertise and their period in office is set out in the annual report and is available on CSR's website at [www.csr.com.au/investor-relations-and-news/corporate-governance/csr-board-and-management](http://www.csr.com.au/investor-relations-and-news/corporate-governance/csr-board-and-management).

The chairman is appointed by the board and provides leadership to ensure that a high standard of values, processes and constructive interaction is maintained by the board. The chairman represents the views of the board to shareholders and canvasses the views of stakeholders, including through the annual general meeting.

In YEM18, changes to the board were as follows:

- John Gillam joined the board as an independent non-executive director on 14 December 2017. In March 2018, Mr Gillam was elected Chairman effective 31 May 2018.



CSR has developed a matrix of required skills and experience of the board. This matrix is developed by taking into account CSR’s desire to ensure a diverse range of gender, background and experience is maintained on the board at all times, and also ensuring directors are appropriately qualified.

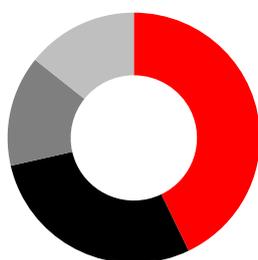
The table on this page sets out the skills and experience the board considers essential for effective governance and the current representation of those skills and experience on the board.

**Summary of board skills and experience**

Skills	Relevant experience	Number of directors (out of 7)
<b>Leadership and Governance</b>		
Executive leadership	Sustainable success in business at a senior executive level.	7
Governance	Experience with a major organisation that is subject to rigorous governance standards, and an ability to assess the effectiveness of senior management.	7
<b>Finance and Risk</b>		
Financial acumen	Experience as a senior executive or equivalent experience in financial accounting and reporting, corporate finance and internal financial controls, including an ability to probe the adequacies of financial and risk controls.	7
Strategy & risk	Track record of developing and implementing a successful strategy, including appropriately questioning and challenging management on the delivery of agreed strategic planning objectives. Track record in developing a business portfolio over the long term that remains resilient to systemic risk.	7
Capital projects	Experience working in an industry with projects involving large-scale capital outlays and long-term investment horizons.	7
<b>Operations and Technology</b>		
Health, safety & environment	Experience related to workplace health and safety, environmental and social responsibility, climate change and community concerns.	6
Innovation & digital platforms	Proven success creating more effective processes, products and ideas, leading to new growth platforms. For example, experience using digital platforms to improve the service offering, performance and customer experience, or understanding how to align existing digital touch points to improve performance and customer interfaces.	4
<b>People</b>		
Human Resources & Remuneration	Board remuneration committee membership or management experience in relation to remuneration, including incentive programs and relevant legislation and contractual framework governing remuneration.	6
Marketing	Senior executive experience in marketing.	4

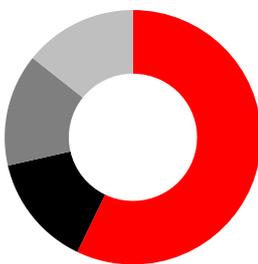
The board keeps the balance of skills and experience of its members, as well as their independence, under review. The board strives to achieve diversity in its composition.

**Tertiary qualifications**



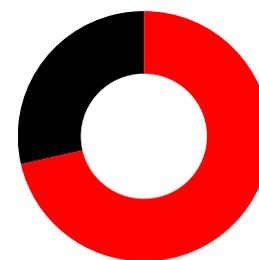
- Commerce/Accounting 43%
- Engineering/Science 29%
- Law 14%
- Business Administration & Management 14%

**Industry sector experience**



- Manufacturing operations 58%
- Supply chain management 14%
- Property development 14%
- Technology & Digital 14%

**Gender diversity**



- Men 71%
- Women 29%



## Dealing with conflicts of interest

The board has a process in place to ensure that conflicts of interest are managed appropriately. If a potential conflict of interest arises, the director concerned is excluded from all discussion and decision making on the matter. At all times, directors are required to keep the company secretary informed of all relevant interests and directors must advise the board immediately of any interests that could potentially conflict with those of CSR.

## Performance evaluation of the board, its committees and individual directors

The performance of the board is reviewed regularly. The board undertakes a self-assessment of its collective performance and that of individual directors and its committees and seeks specific feedback from the senior management team on particular aspects of its performance.

The board establishes procedures and oversees this performance assessment program. The process may be assisted by an independent third party facilitator. The results and any action plans flowing from this assessment are documented, together with specific performance goals that are agreed for the coming year.

The performance of the managing director is reviewed, at least annually, through a formal performance appraisal process conducted by the board.

In YEM18, the board Remuneration & Human Resources Committee was reviewed. The Risk & Audit Committee is scheduled to be reviewed in YEM19.

## Board Committees

To increase its effectiveness, the board has three committees consisting of the Risk & Audit Committee, Workplace Health, Safety & Environment Committee and Remuneration & Human Resources Committee. It is the policy of the board that a majority of the members of each committee be independent directors, that all Risk & Audit Committee members be independent directors and that the Remuneration & Human Resources Committee and the Workplace Health, Safety & Environment Committee be chaired by an independent director.

Each committee has a charter which includes a more detailed description of its duties, responsibilities and specific composition requirements. The charters are available on CSR's website at [www.csr.com.au/investor-relations-and-news/corporate-governance](http://www.csr.com.au/investor-relations-and-news/corporate-governance). The Risk & Audit Committee, the Remuneration & Human Resources Committee and the Workplace Health, Safety & Environment Committee each comprise at least three non-executive directors and are chaired by a director who is not the chairman of the board. All committees meet at least four times per year.

Rob Sindel, the managing director, attends meetings of board committees by invitation. Other members of management also attend committee meetings by invitation. All directors are welcome to attend committee meetings even though they may not be a member.

Committee papers are copied to all directors before the meetings. Minutes of committee meetings are included in the papers for the next board meeting and the chair of each committee reports to the board on matters addressed by the committee.

The specific responsibilities allocated to each committee are set out below:

### Risk & Audit Committee

The Risk & Audit Committee is chaired by Mike Ihlein. Until 13 December 2017 the other members of the committee were Matthew Quinn and Penny Winn. From 14 December 2017 the other members of the committee were John Gillam, Matthew Quinn and Penny Winn. Each of these directors is deemed to be independent and their qualifications and experience are set out in the annual report available on CSR's website at [www.csr.com.au/investor-relations-and-news/annual-meetings-and-reports](http://www.csr.com.au/investor-relations-and-news/annual-meetings-and-reports).

The external audit firm partner in charge of the CSR audit attends Risk & Audit Committee meetings by invitation, together with the internal audit and risk manager and relevant senior managers (also by invitation).

The committee advises the board on all aspects of internal and external audit, the adequacy of accounting and risk management procedures, systems, controls and financial reporting. A summary of CSR's material environmental, social and economic sustainability risks is set out on pages 9 and 10 of this statement.

The committee's specific responsibilities are set out in its charter, available on CSR's website at [www.csr.com.au/investor-relations-and-news/corporate-governance](http://www.csr.com.au/investor-relations-and-news/corporate-governance), and include:

- reviewing the scope of the annual audit plans of the external auditor and internal auditor and oversight of the work performed by the auditors throughout the year;
- considering and recommending to the board significant accounting policies and material estimates and judgements in financial reports;
- reviewing and monitoring internal controls and risk management across the group;
- reviewing and recommending to the board the adoption of the company's full-year and half-year financial statements; and
- reviewing the performance and effectiveness of the internal and external auditors.

The committee is a direct link for providing the views of internal and external auditors to the board, when necessary, independently of management influence. Time is allocated for detailed questioning of the material presented and for separate sessions with each of the external auditor, internal auditor and chief financial officer.

### Remuneration & Human Resources Committee

The Remuneration & Human Resources Committee is chaired by Matthew Quinn. Until 13 December 2017 the other members of the committee were Jeremy Sutcliffe and Christine Holman. From 14 December 2017 the other members of the committee were Jeremy Sutcliffe, John Gillam and Christine Holman. Each of these directors is considered to be independent.

The committee's specific responsibilities are set out in its charter, available on CSR's website at [www.csr.com.au/investor-relations-and-news/corporate-governance](http://www.csr.com.au/investor-relations-and-news/corporate-governance), and include:

- advising the board on remuneration policies and practices;
- evaluating the performance of the managing director against pre-agreed goals;
- making recommendations to the board on remuneration for the managing director and senior managers reporting to him; and
- overseeing CSR's human resources strategy, particularly succession and development planning for senior managers.

The committee considers independent advice on policies and practices to attract, motivate, reward and retain strong performers.

### Workplace Health, Safety and Environment Committee

An important part of CSR's governance commitments includes protection of its people's workplace health and safety, and protection of the environment (WHS&E). The board endorsed WHS&E policy, available on CSR's website at [www.csr.com.au/about-us/workplace-health-safety-environment/managing-health-and-safety](http://www.csr.com.au/about-us/workplace-health-safety-environment/managing-health-and-safety), details the company's and individuals' obligations in respect of WHS&E.

The board's Workplace Health, Safety & Environment Committee oversees and reports to the board on the management of the company's WHS&E responsibilities. The Workplace Health, Safety & Environment Committee is chaired by Penny Winn. The other members of the committee are Christine Holman and Mike Ihlein. Rob Sindel and other members of management attend meetings of the Workplace Health, Safety & Environment Committee by invitation.

The committee’s specific responsibilities are set out in its charter, available on CSR’s website at [www.csr.com.au/investor-relations-and-news/corporate-governance](http://www.csr.com.au/investor-relations-and-news/corporate-governance) and include:

- receiving regular performance reports from management;
- reviewing the adequacy and effectiveness of CSR’s WHS&E management systems and ensuring appropriate improvement objectives and targets are set and monitored; and
- monitoring potential liabilities, changes in legislation, community expectations, research findings and technological changes.

The committee conducts every meeting at a CSR site and such meetings include a presentation from local management and a site tour.

**Nominations Committee**

The company’s size is not considered sufficient to warrant a separate nominations committee.

The board takes on the role of the nominations committee, which includes the following functions:

- determining the appropriate size and composition of the board (in accordance with the company’s constitution);
- determining the appropriate criteria (necessary and desirable skills and experience) for the appointment of directors;
- recommending the appointment and removal of directors;
- defining the terms and conditions of appointment to and retirement from the board;
- overseeing induction and continuing education programs for non-executive directors; and
- evaluating the board’s performance.

**Attendance at board and committee meetings during YEM18**

The membership of these committees, the number of meetings held and each director’s attendance record in YEM18 are shown below.

Year ended 31 March 2018	CSR Board		Risk & Audit Committee		Workplace Health, Safety & Environment Committee		Remuneration & Human Resources Committee	
	Held <sup>1</sup>	Attended <sup>2</sup>	Held <sup>1</sup>	Attended <sup>2</sup>	Held <sup>1</sup>	Attended <sup>2</sup>	Held <sup>1</sup>	Attended <sup>2</sup>
Jeremy Sutcliffe <sup>3, 4</sup>	10	10	n/a	2	n/a	-	4	4
John Gillam <sup>6</sup>	3	3	1	1	n/a	1	1	1
Christine Holman <sup>3</sup>	10	10	n/a	2	4	4	4	3
Michael Ihlein <sup>5</sup>	10	10	4	4	4	4	n/a	2
Matthew Quinn <sup>4</sup>	10	10	4	3	n/a	-	4	4
Penny Winn <sup>5</sup>	10	10	4	4	4	4	n/a	3
Rob Sindel	10	10	4	4	4	4	4	4

1 Meetings held while a member.  
 2 Meetings attended.  
 3 Director is not a member of the Risk & Audit Committee.  
 4 Director is not a member of the Workplace Health, Safety & Environment Committee.  
 5 Director is not a member of the Remuneration & Human Resources Committee.  
 6 Appointed 14 December 2017 and attended the March 2018 Workplace Health, Safety & Environment Committee meeting as part of CSR induction.



## SENIOR MANAGEMENT

### Delegations to management

Day-to-day management of the company's affairs and the implementation of strategy and policy initiatives are formally delegated by the board to the managing director and senior executives.

The company has an executive team, comprised of the managing director, the chief financial officer, the executive general manager of human resources and the executive general managers of the building products business units. The executive team meets monthly and is responsible for:

- implementing the strategic objectives as set by the board;
- operating within the risk framework as approved by the board;
- all other aspects of the day-to-day management of the company; and
- ensuring timely and accurate reporting to the board and board committees.

### Senior executives service agreements

Senior executives' responsibilities and terms of employment, including termination entitlements, are set out in a formal executive service agreement. A summary of the main elements and terms of the managing director and chief financial officer's services agreements is set out in the remuneration report.

### Induction of senior executives

New executives undertake a structured induction program when they join the company. This includes comprehensive briefings and information on the company's businesses, and its policies and procedures. Additionally, the program includes site visits and meetings with people in key internal and external roles in order to build the relationships necessary to meet the requirements of their roles.

As discussed further below, and in the remuneration report, key performance indicators are agreed with each executive to ensure goals and performance measures are fully and accurately understood and disclosed.

### Performance evaluation of senior executives

CSR's performance management framework requires that a balanced scorecard of annual key performance indicators (including financial and non-financial measures) is set for each senior executive. Every half year, each senior executive discusses their performance with their manager. At the end of the year, as part of a formal review process, each senior executive's performance is reviewed against the performance indicators. Also, each individual's performance and behaviour are compared and measured against the performance of their peers, and measures are reviewed and adjusted if required. CSR conducted evaluations of its senior executives in accordance with this process in October 2017, as well as in March and April 2018.

Further details of the process for evaluating the performance of key management personnel and the remuneration policy for key management personnel are provided in the remuneration report.

### Diversity at CSR

CSR has policies and practices designed to improve diversity within the organisation. The company's fairness, respect and diversity policy is available on CSR's website at

[www.csr.com.au/careers/our-people/fairness-respect-and-diversity-policy](http://www.csr.com.au/careers/our-people/fairness-respect-and-diversity-policy).

CSR believes that a diverse workforce improves business decision making as well as increasing workforce participation, leading to better organisational relationships and ultimately better solutions for our customers. Each of these helps to improve the financial results at CSR. The initial focus is on gender diversity given the current proportion of women within the workforce.

### CSR workplace profile

20% of employees in senior management positions are women including the executive general manager of lightweight systems, company secretary, general manager treasury and strategic capital, group financial controller, internal risk & audit manager, general manager investor relations & corporate communications and a number of business unit leadership roles. CSR defines "senior management" as any role with a job grade higher than 13. CSR uses the Korn Ferry Hay job grading system to set job grades/levels. Job grades range from 1 to 19.

At the end of YEM18, the percentage of women in the CSR workforce remained steady at 18%. Improvements in female participation rates from the previous years were affected by stronger demand for operational and warehousing roles more traditionally filled by males during YEM18.

### Measurable objectives

Improving diversity requires cultural change driven by the leadership and commitment of the board and senior management. CSR has structured its measurable objectives around this commitment.

The achievements for YEM18 and the objectives for YEM19, as approved by the Remuneration & Human Resources Committee, are set out below:

Measurable objective	YEM18 achievements	Overview of YEM19 initiatives
<b>Leadership and culture</b>	<ul style="list-style-type: none"> <li>27% of attendees at CSR leadership programs were women</li> <li>Over 2,500 on-line training modules focusing on Fairness, Respect and Diversity were completed</li> <li>Achieved gender pay equity through established bi-annual processes and detailed pay reporting by job grade</li> <li>Diversity reporting within the organisation was maintained to drive more informed recruitment decisions</li> <li>The CEO led diversity council meetings throughout the year to implement and review diversity initiatives</li> <li>Diversity initiatives were promoted, shared and leveraged throughout the organization through targeted communication</li> </ul>	<ul style="list-style-type: none"> <li>Continue to provide opportunities for women to develop and enhance their careers through the rollout of the ACHIEVE@CSR performance management system</li> <li>Maintain gender pay equity through established bi-annual processes including reviews by the executive team and CSR board</li> <li>Continue to promote, share and leverage diversity initiatives and achievements through targeted and regular communication</li> </ul>
<b>Career Management</b>	<ul style="list-style-type: none"> <li>Insights from the female talent review were leveraged to further support female talent within the business units</li> <li>Career opportunities and development of women were promoted (in YEM18, 41% of internal promotions were women, compared with 34% in YEM17)</li> <li>Completed a review of workplace flexibility policies and parental support arrangements. Improvements include a dedicated support service for parents and increasing paid parental leave from 10 to 12 weeks for eligible employees</li> <li>Promoted and sponsored the Women in Industry Awards with 10 finalists nominated from CSR</li> </ul>	<ul style="list-style-type: none"> <li>Continue to leverage learnings from the detailed review of female talent, and maintain focus on pay equity, development and career aspirations</li> <li>Complete a comprehensive rollout of the improved CSR policies and practices as they relate to workplace flexibility and parental support</li> </ul>
<b>Recruitment and retention</b>	<ul style="list-style-type: none"> <li>Female applications and appointments fell marginally during YEM18 driven by stronger demand for operational roles more often applied for and filled by male candidates</li> <li>Promoted CSR as a more diverse and inclusive organisation</li> <li>Voluntary turnover of women held steady</li> <li>Completed two workshops with senior leaders in CSR covering any bias that might affect recruitment decisions</li> </ul>	<ul style="list-style-type: none"> <li>Complete a strategic review of talent management with a focus on workforce planning, recruitment and induction, career development and succession planning. Part of this scope is to ensure that CSR's processes and value propositions attract and retain female talent</li> <li>Continue to report and track operational diversity metrics such as female applications, appointments and turnover</li> <li>Develop deeper partnering relationships with universities and labour hire providers to attract more female talent.</li> </ul>

## RISK MANAGEMENT

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 a range of policies and procedures to monitor the risk in its activities as well as defined limits of authority for all levels of management 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 website at [www.csr.com.au/investor-relations-and-news/corporate-governance](http://www.csr.com.au/investor-relations-and-news/corporate-governance).

There are several layers that assist the board in ensuring the appropriate focus is placed on the risk management framework:

- Risk & Audit Committee – reviews and reports to the board in relation to the company's financial reporting, internal control structure, risk management systems and the internal and external audit functions;
- Workplace Health, Safety & Environment Committee – reviews and reports to the board on the management of the company's safety, health and environment liabilities and legal responsibilities as well as the company's involvement in the communities in which it operates; and
- Senior management team – manages and reports to the board on business and financial risks and overall compliance.

Risk management is sponsored by the board and is a priority for senior managers, starting with the managing director. The board oversees the risk profile of CSR and ensures that business developments are consistent with the goals of CSR. The board receives periodic assurances that significant risks are managed appropriately.

A risk management framework is in place covering business risk, financial risk, financial integrity and legal compliance. The risk management framework requires risks across the businesses to be identified, evaluated, monitored and controlled. Risks are classified as either strategic, operational, financial compliance. The framework also includes evaluation of mitigation strategies. The board, through the Risk & Audit Committee, receives recommendations in relation to the risk profile of CSR, breaches of the policy framework and external developments which may impact on the effectiveness of the risk management framework. It also approves significant changes to the risk management framework and related policies.

The Risk & Audit Committee has responsibility for monitoring compliance with the risk management framework approved by the board for internal control and compliance matters. In this role, the Risk & Audit Committee monitors and reviews the effectiveness of the internal audit and compliance functions. CSR's Corporate Governance and Disclosure Committee has responsibility for any governance matters. Committees exist at the executive management level to ensure the necessary elements of expertise are focused on specific risk areas. Beneath this level, other committees exist where senior specialists focus on specific risks as appropriate.

## Risk management accountability

As part of the process of approving the financial statements, at each reporting date, the managing director and other responsible senior executives provide statements in writing to the board on the quality and effectiveness of the company's risk management and internal compliance and control systems. The Risk & Audit Committee reviews the compliance framework annually. In YEM18 this took place in February 2018.

The board has also received statements from the managing director and the chief financial officer certifying that, having made all reasonable enquiries and to the best of their knowledge and belief:

- the statements made in relation to the financial integrity of the CSR group financial reports are founded on a sound system of effective and efficient risk management and internal compliance and control;
- the system of risk management in operation over YEM18 was operating effectively; and
- the systems relating to financial reporting were operating effectively in all material respects.

In YEM18 the board received the relevant declarations required under section 295A of the Corporations Act 2001 from the managing director and chief financial officer as well as the relevant reports and assurances that their opinions were formed on the basis of a sound system of risk management and internal controls which are operating effectively.

## Financial report accountability

CSR's managing director and chief financial officer, who are present for board discussion of financial matters, declare to the board, in writing, that the company's financial statements are in accordance with relevant accounting standards, give a true and fair view in all material respects of the company's and the group's financial condition and operational results and comply with the Corporations Act 2001 and associated regulations.

The chief financial officer oversees a robust internal process, where business unit financial managers regularly meet with representatives from the corporate finance team to discuss the financial aspects of each business. This includes a review of the business unit profit and loss statement, balance sheet and all other relevant matters.

## Environmental, social and economic sustainability risks

CSR's approach to manage and mitigate material risks is outlined in the 2017 Sustainability Report which is available on CSR's website at [www.csr.com.au/about-us/sustainability](http://www.csr.com.au/about-us/sustainability). The Sustainability Report is published in December each year.

The matters below reflect CSR's material economic, environmental and social sustainability risks.

Key areas of materiality	Risks	Monitor and manage risk
<b>Aluminium, currency and debt markets</b>	<ul style="list-style-type: none"> <li>CSR's results are impacted by movements in the global US dollar price for aluminium and currency fluctuations.</li> <li>Some risks related to the aluminium operation cannot be hedged including regional price premiums, global relativity of price of electricity and inputs such as petroleum coke as well as changes to the joint venture structure.</li> </ul>	<ul style="list-style-type: none"> <li>CSR has a policy to hedge both US dollar sales and foreign currency exposure when specific targets are met, with the primary objective of reducing short-to-medium term earnings volatility. This policy is monitored regularly by CSR's Finance Committee which includes CSR's CEO, CFO, Group Treasurer and the General Manager of Gove Aluminium Finance.</li> <li>CSR regularly monitors cash flow and the group financial position as part of the Finance committee's function.</li> </ul>
<b>Australian construction markets and competitor activity</b>	<ul style="list-style-type: none"> <li>Approximately 50% of CSR's total revenue is generated from product and service supplied into the new residential construction sector of Australia and New Zealand which is impacted by several macro-economic factors.</li> <li>As a supplier to the construction market, CSR is subject to a number of competitive forces including other domestic and international suppliers and new technologies which could replace existing building methods.</li> </ul>	<ul style="list-style-type: none"> <li>Reviews of market activity are factored into CSR's monthly reporting, quarterly forecasting and annual budget and planning cycles, which in turn drive capacity and capital planning. Furthermore, the nature of CSR's building products is that they are typically sold late in the construction process, giving CSR some visibility of changes in market conditions before specifically impacting demand.</li> <li>CSR is actively developing and acquiring new products that increase CSR's exposure to the multi-residential segments.</li> <li>The release of future land supply for residential development relies on the coordination of government and regulatory bodies with builders and developers to deliver infrastructure and services for new projects.</li> </ul>
<b>Digital and cyber security</b>	<ul style="list-style-type: none"> <li>Digital services are increasingly used by the construction sector. CSR's digital development program is critical to achieving growth in its key markets.</li> <li>CSR faces network and data risks due to cyber security breaches.</li> </ul>	<ul style="list-style-type: none"> <li>CSR has developed its CSR Connect digital platform which provides 24/7 access to all customer account pricing, ordering, delivery and invoicing data.</li> <li>A cyber security improvement plan and alignment to ISO standard is underway.</li> </ul>
<b>Employee and community engagement</b>	<ul style="list-style-type: none"> <li>An engaged and diverse workforce is critical to CSR's long-term success – to help develop new ideas and build a workforce more representative of our society.</li> <li>This includes managing its aging workforce, transferring technical skills and sales relationships as well as promoting trade apprenticeships across the building sector.</li> <li>CSR recognises that it plays an important role in the success and prosperity of local communities as an employer, operator of major manufacturing sites and developer of its legacy property assets.</li> </ul>	<ul style="list-style-type: none"> <li>CSR has developed a suite of leadership and training programs to provide our people with the knowledge, skills and support to enable them to perform at their best.</li> <li>Community relations site planning underway at key sites.</li> </ul>
<b>Energy and climate change</b>	<ul style="list-style-type: none"> <li>CSR's manufacturing operations use significant amounts of energy including electricity and gas.</li> <li>These energy costs are increasing, particularly for Tomago aluminium which impacts its cost competitiveness compared to global smelters.</li> <li>The transition to a low carbon economy and mitigating the potential impacts of climate change as well as government regulations and planning may impact the availability and nature of supply, as well as how we manage our land assets and business processes.</li> </ul>	<ul style="list-style-type: none"> <li>CSR has committed to a 20% per tonne reduction of greenhouse gas emissions, potable water consumption and solid waste production to landfill per tonne of saleable product by 2020 using 2009/10 as the base year.</li> <li>Where possible, CSR enters into long-term contracts to provide greater security of energy supply for its factories.</li> <li>CSR's Energy and Carbon Management Committee oversees risks related to electricity pricing and management.</li> <li>Alternative energy sources including solar power are also under review in addition to site specific energy reduction initiatives.</li> <li>The potential climate change impact on key physical assets is under review.</li> </ul>

Key areas of materiality	Risks	Monitor and manage risk
Energy and climate change (continued)		<ul style="list-style-type: none"> <li>Established a \$20 million CSR Energy Improvement Fund to deliver energy saving projects across its manufacturing sites.</li> </ul>
Product liability	<ul style="list-style-type: none"> <li>Previous involvement in asbestos in Australia and exporting asbestos to the United States.</li> <li>CSR ceased asbestos mining in 1966 and divested remaining interests in 1977.</li> </ul>	<ul style="list-style-type: none"> <li>CSR meets all valid claims in both Australia and the United States on an equitable basis.</li> <li>The asbestos provision is impacted by movements in claim numbers, settlement rates and values and movements in AUD/US\$ exchange rate.</li> </ul>
Supply Chain and product compliance	<ul style="list-style-type: none"> <li>CSR relies on an extensive supply chain to manufacture and distribute its products and services.</li> <li>This supply chain can be impacted by natural, political or technological disruptions which the company reviews to develop alternative supply options and minimise the risk of potential supply issues.</li> </ul>	<ul style="list-style-type: none"> <li>CSR has a quality management system to ensure that all products manufactured or supplied consistently meet the requirements and specifications of international and national quality standards and customer expectations.</li> </ul>
Workplace health and safety	<ul style="list-style-type: none"> <li>CSR has a stated long-term objective of achieving zero harm to CSR people across all operations.</li> </ul>	<ul style="list-style-type: none"> <li>The board WHSE committee regularly reviews initiatives targeting improved safety performance across our businesses.</li> </ul>

Note: Material Risks are listed alphabetically

### Role of the external auditor

The Risk & Audit Committee seeks to ensure the independence of the external auditor. The policy on auditor independence applies to services supplied by the external auditor and their related firms to CSR. Under the policy on auditor independence:

- the external auditor is not to provide non-audit services under which the auditor assumes the role of management, becomes an advocate for the group, or audits its own professional expertise;
- significant permissible non-audit assignments awarded to the external auditor must be approved in advance by the committee or, between committee meetings by the chairman of the committee;
- the external audit engagement partner and review partner must be rotated every five years;
- procedures for selection and appointment of the external auditor, and for the rotation of external audit engagement partners, are set out in the committee charter; and
- the external auditor confirms its independence within the meaning of applicable legislation and professional standards at each half-year and full-year.

The external auditor attends the company's annual general meeting so shareholders are given the opportunity to ask questions relevant to:

- the conduct of the audit;
- the preparation and content of the auditor's report;
- the accounting policies adopted by the company in relation to the preparation of the financial statements; and
- the independence of the auditor in relation to the conduct of the audit.

### Role of the internal auditor

The Risk & Audit Committee recommends to the board the appointment or dismissal of the internal auditor, who is independent of the external auditor.

The internal audit function is led by the risk and audit manager, and provides independent and objective assurance to Management and the board on the effectiveness of CSR's internal control, risk management and governance systems and processes. The function oversees the execution of the internal audit plan, as approved by the Risk and Audit Committee. The risk and audit manager has a

reporting line to the chief financial officer as well as to the Risk and Audit Committee.

The function comprises a mix of qualified in-house professionals and support from relevant external expertise. The internal audit function is independent of management and has full access to all CSR businesses, records and personnel. The internal audit plan is formulated using a risk-based approach to align assurance with CSR's key risks. Internal audit activity and outcomes are reported to the Risk and Audit Committee at least bi-annually.

The role of the internal auditor is to:

- report to the board through the Risk & Audit Committee on CSR's compliance against its governance framework and policies, including investigating, and advising on, any potential or actual breaches;
- oversee the implementation of CSR's risk framework across the organisation; and
- recommend improvements to the company's risk management framework.

### REMUNERATION

CSR's policy is to reward executives with a combination of fixed remuneration and short and long-term incentives structured to drive improvements in shareholder value. Non-executive directors receive no incentive payments and there are no retirement benefit schemes in place. Executives and directors may forgo part of their cash salary or, for non-executive directors, their directors' fees, to acquire shares in CSR. Employees cannot approve their own remuneration, nor can they review that of their direct subordinates without their manager's approval.

The remuneration report, available on CSR's website at [www.csr.com.au/investor-relations-and-news/annual-meetings-and-reports](http://www.csr.com.au/investor-relations-and-news/annual-meetings-and-reports) includes further details on CSR's remuneration policy and its relationship to the company's performance. It also includes details of the remuneration of directors and key management personnel for YEM18 and clearly distinguishes between the structure of non-executive director remuneration from that of the executive director and other key management personnel. Shareholders are invited to vote on the adoption of the remuneration report at the company's annual general meeting.



## ENGAGEMENT WITH INVESTORS

### Continuous disclosure

CSR believes that shareholders, regulators, ratings agencies and the investment community generally, should be informed of all major business events and risks that influence CSR, in a factual, timely and widely available manner. CSR has a long established practice of providing relevant and timely information to stakeholders, supported by its share market disclosure policy available on CSR's website at [www.csr.com.au/investor-relations-and-news/corporate-governance](http://www.csr.com.au/investor-relations-and-news/corporate-governance) which details comprehensive procedures to ensure compliance with all legal obligations. Under this policy, any price sensitive material for public announcement, including full-year and half-year results announcements, release of financial reports, presentations to investors and analysts and other prepared investor briefings for CSR, will be:

- lodged with the ASX as soon as practical and before external disclosure elsewhere; and
- posted on CSR's website.

The policy limits external briefings in the periods between the end of a full-year and half-year and the release to the ASX of the relevant results. CSR's Corporate Governance and Disclosure Committee meets as required, and often on very short notice, to ensure compliance with disclosure requirements. Members of this committee are the managing director, chief financial officer, company secretary and general manager investor relations and corporate communications. The managing director approves all disclosures before they are released. The board approves all disclosures that are significant.

The share market disclosure policy is reviewed regularly to ensure compliance with the ASX listing rules and guidance on continuous disclosure.

The company secretary is responsible for communications with the ASX.

### Commentary on financial results

CSR provides a review of operations and financial performance in the full-year and half-year results, which also includes the company's financial report. Results announcements to the ASX, analyst presentations and the full text of the chairman's and managing director's addresses at the company's annual general meeting are made available on CSR's website at [www.csr.com.au/investor-relations-and-news](http://www.csr.com.au/investor-relations-and-news).

### Shareholders

CSR strives to communicate effectively with shareholders about the company's performance, presenting the annual report and other corporate information in clear language, supported by descriptive graphics and tables. The company's shareholder communication policy is available on CSR's website at [www.csr.com.au/investor-relations-and-news/corporate-governance](http://www.csr.com.au/investor-relations-and-news/corporate-governance).

Where practicable, the company uses the latest widely available electronic technology to communicate openly and continuously with shareholders, and the share market in general. Announcements to the ASX, significant briefings, presentations, notices of meetings and speeches at annual general meetings are promptly posted on the Investor Relations and News section of CSR's website.

Shareholders and other interested parties can register to receive emails with links to major announcements and can lodge proxies electronically for the annual general meeting. The annual general meeting and results announcement briefings are available via a live webcast from CSR's website, for access by all interested parties.

Shareholders are encouraged to submit questions ahead of the company's annual general meeting. Members of senior management are present at the annual general meeting, along with directors, to answer questions about the company's operations.

### Role of the investor relations function

CSR's investor relations function is designed to ensure that the market is kept informed of all aspects relevant to the company and also to provide an opportunity for investors and other stakeholders to express views on the company. The program includes investor roadshows, conferences and other briefings with all materials lodged with ASX prior to distribution. CSR utilises the following activities to promote effective communication with the market:

- investor briefings, presentations, conferences and other events;
- encouraging questions via the company's website and ahead of the AGM via the Notice of Meeting; and
- webcasting important company events.

## CODE OF BUSINESS CONDUCT AND ETHICS

CSR has a Code of Business Conduct & Ethics (code) which underpins its goals and values. The code sets the standards for dealing with external stakeholders.

The underlying principle of CSR's code of business conduct and ethics is that ethical behaviour is required of directors, executives and all other employees, as well as advisers, consultants and contractors.

The board has endorsed the code which is available on CSR's website at [www.csr.com.au/investor-relations-and-news/corporate-governance](http://www.csr.com.au/investor-relations-and-news/corporate-governance)

The code formalises the longstanding obligation of all CSR's employees (including directors) and contractors, to behave ethically, act within the law, avoid conflicts of interest and act honestly in all business activities.

The code reinforces the company's commitment to giving proper regard to the interests of people and organisations dealing with the company. Each CSR employee and contractor is required to respect and abide by the company's obligations to employees, shareholders, customers, suppliers and the communities in which it operates.

CSR employees, directors and major contractors are required to sign a certificate of compliance each year signifying that they have read and complied with the code and are not aware of any breaches of that policy.

Further, CSR employees are encouraged to report potential breaches in a number of ways including via a confidential telephone service. The CSR policy on the reporting of misconduct within the organisation provides that an employee will not be subject to retaliation by CSR for reporting in good faith a possible violation of the code of business conduct and ethics.

## SHARE TRADING POLICY

Under the company's share trading policy available on CSR's website at [www.csr.com.au/investor-relations-and-news/corporate-governance](http://www.csr.com.au/investor-relations-and-news/corporate-governance), directors and senior managers may only buy or sell CSR shares, or give instructions to the trustee of CSR's employee share acquisition plan (ESAP), during one month periods commencing 24 hours after the date of the full-year and half-year results announcements and the annual general meeting. Also, they are prohibited from dealing in any financial products relating to CSR securities or entering into hedging arrangements in respect of CSR securities they hold, or which are held on their behalf. Under the policy, and as required by law, all directors and employees are prohibited from buying or selling CSR shares at any time if they are aware of any price sensitive information that has not been made public. All CSR share dealings by directors are notified to the ASX within the required time.

Additional trading restrictions apply to key management personnel.

## OTHER IMPORTANT POLICIES

In addition, the board has adopted specific internal policies in key areas, including trade practices; workplace health, safety and the environment; fairness, respect and diversity in employment; capital investment; dealing with price sensitive and other confidential information; privacy; indemnification of employees; and requirements for authorising and entering into business transactions on behalf of CSR.

## DISCLOSURE

CSR considers that the above corporate governance practices comply with the ASX CGC Principles and Recommendations (as applied during the relevant reporting period).

The company's corporate governance framework is kept under review, with a report provided to the board by the company secretary at least annually, recommending any improvements necessary to respond to changes to the company's business or applicable legislation and standards.

Statement approved by the board as at 9 May 2018.