



The building boom may be over but CSR is not

Company/ASX Code	CSR Ltd/CSR
AGM date	Wednesday 26 June
Time and location	9.00 am Northside Conference Centre cnr Oxley St & Pole Lane Crows Nest NSW
Registry	Computershare
Webcast	Yes www.csr.com.au/investor-relations-and-news/webcasts .
Poll or show of hands	Poll on all items
Monitor	Richard McDonald assisted by Tina Wu
Pre AGM Meeting?	Yes with Chair John Gillam on 11 June

Item 1	Consideration of accounts and reports
ASA Vote	No vote required

Summary of ASA Position

Governance and culture

CSR's governance appears good and their attitude to their responsibilities to workers claims from asbestos sees them meet all valid claims in both Australia and the United States on an equitable basis.

Financial performance

Dividend has been maintained although the underlying profit has fallen. The share price has gone down due to the "collapse" in the housing market, consequently total shareholder return (TSR) is negative this year. Although the building industry has been in decline, CSR is well positioned to weather it. Already, since the election, the building products orders have increased. The property sector of CSR's business has a great potential with some industrial properties in outer Sydney ripe for development either for commercial or residential purpose.

Key events

During the year Viridian, CSR's glass business, was sold for \$222m, an after tax loss of \$60.9m. Viridian had been a drain on CSR for many years. In discussions with the Chair it was said that the costs were too high and it was not worth continuing with the business.

Due to increased electricity costs, the aluminium smelter at Tomago (25% CSR) produced a lower earnings before interest and tax (EBIT) as well as higher alumina costs due to lower A\$. Operational efficiencies at the plant improved. We discussed Tomago extensively with the Chair and the opinion was it is a necessary part of the business and essential to keep it going. The difficulties with electricity cost was discussed and hopefully the new government will rationalise electricity generation.

CSR continued with their \$100m on-market buyback from March 2019.

During the year, CSR dropped out of the top 100 and now sits in the top ranks of the 100-200 stocks.

Key Board or senior management changes

CEO Rob Sindel has tendered his resignation after 9 years and Ms Julie Coates has been selected as the new CEO to commence in September 2019. She is presently MD of Goldman Fielder and has extensive experience in senior management at Woolworths. Her base salary is \$1.15m. Ms Coates will be granted \$400,000 in CSR shares, vesting in 2022, as compensation for forfeiting her previous employer's incentive entitlements, an amount not considered excessive.

Detailed descriptions of senior executive remuneration as all remuneration other than CEO and CFO are lumped into the one amount, rather than individual disclosure as Key Management Personnel (KMP). The definition of KMP applies to those persons having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly. We discussed this aggregation and understand the Board's reasons for doing so, such as potential for unproductive jealousy and dilution of team spirit among the senior employees as well as an opportunity for talent poaching by competitors.

The short-term incentive (STI) is 20% shares, 80% cash - ASA would prefer 50/50, and the long-term incentive (LTI) is for 3 years, we would prefer 4 or more years. In discussions with the Chair it was said that these metrics are under review.

Summary

(As at FYE)	2019	2018	2017	2016	2015
NPAT (\$m)	78.0	188.8	177.9	142.3	125.5
UPAT (\$m)	181.7	210.6	183.8	166.0	146.5
Share price (\$)	3.32	5.18	4.51	3.30	4.03
Dividend (cents)	26.0	27.0	26.0	23.5	20.0
TSR (%)	(32.9)	25.3	45.7	(10.9)	17.3
EPS (cents)	36.1	41.9	36.5	32.9	29.1
CEO total remuneration, actual (\$m)	4.208	3.793	4.627	4.815	3.533

For 2019, the CEO's total actual remuneration was **48.6 times** the Australian Full time Adult Average Weekly Total Earnings (based on November 2018 data from the Australian Bureau of Statistics).

Note - For November 2018, the Full-time adult average weekly total earnings (annualised) was \$86,642 (<http://www.abs.gov.au/ausstats/abs@.nsf/mf/6302.0>, "Full-time adult average weekly total earnings", Trend(a)).

Item 2	Re-election of Mathew Quinn as a Director
ASA Vote	For

Summary of ASA Position

Mr Quinn was appointed to the Board in 2013 and chairs the remuneration committee. He chairs Class Super and TSA Management Group Holdings Pty Ltd and is a non-executive director (NED) of Regis Healthcare. Mr Quinn has extensive experience in property investment and development.

We will vote for Mr Quinn.

Item 3	Adoption of Remuneration Report
ASA Vote	For

Summary of ASA Position

Table showing the target remuneration and maximum opportunity for CEO under the current framework using statutory figures.

	Target \$m	% of Total	Max. Opportunity \$m	% of Total
Fixed Remuneration (FR)	1.30	45%	1.30	31%
STI - Cash	0.73	26%	1.04	25%
STI - Equity	0.18	6%	0.26	6%
LTI	0.65*	23%	1.56	38%
Total	2.86	100.0%	4.16	100%

*See P43-44 Assumed target is median TSR and 5% EPS growth rate resulting in LTI = 50% FR

The CEO and all executives have sufficient skin in the game, as do NEDs. NED fees increased by 0.8% in 2019 and there will be no increase in 2020 financial year.

The STI has 20% equity component and deferred for 2 years. The allocation of LTI rights is based on face value. There are no changes for STI or LTI for 2019, and for 2020 the LTI hurdles change to absolute TSR from relative TSR, which is more aligned with shareholders' interests. From 2020 vesting for the TSR tranche will commence at annualised compound TSR of 14% for the three-year performance period.

The report is easy to understand and the executive remuneration of the CEO and CFO is clearly displayed, with both actual and statutory figures.

Item 4	Approval of LTI grant to incoming Managing Director Ms Julie Coates of 360,241 performance rights
ASA Vote	For

Summary of ASA Position

Ms Coates will be granted 360,241 performance rights valued at \$3.2925, for her commencement date of 2 September 2019 for her year ended March 2020 LTI and will vest in 2022. The amount is not considered excessive.

The individual(s) (or their associates) involved in the preparation of this voting intention has a shareholding in this company.

ASA Disclaimer

This document has been prepared by the Australian Shareholders Association Limited ABN 40 000 625 669 ("ASA"). It is not a disclosure document, it does not constitute investment or legal advice and it does not take into account any person's particular investment objectives. The statements and information contained in this document are not intended to represent recommendations of a particular course of action to any particular person. Readers should obtain their own independent investment and legal advice in relation to the matters contemplated by this document. To the fullest extent permitted by law, neither ASA nor any of its officers, directors, employees, contractors, agents or related bodies corporate:

- *makes any representations, warranties or guarantees (express or implied) as to the accuracy, reliability, completeness or fitness for purpose of any statements or information contained in this document; or*
- *shall have any liability (whether in contract, by reason of negligence or negligent misstatement or otherwise) for any statements or information contained in, or omissions from this document; nor for any person's acts or omissions undertaken or made in reliance on any such statements, information or omissions.*

This document may contain forward looking statements. Such statements are predictions only and are subject to uncertainties. Given these uncertainties, readers are cautioned not to place reliance on any such statements. Any such statements speak only to the date of issue of this document and ASA disclaims any obligation to disseminate any updates or revisions to any such statements to reflect changed expectations or circumstances.