



**Downturn in building to add to COVID-19**

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|------------------------------|---|
| <b>Company/ASX Code</b>      | <b>CSR Limited/ CSR</b>                         |
| <b>AGM date</b>              | Wed 24 <sup>th</sup> June                       |
| <b>Time and location</b>     | Online 10am                                     |
| <b>Registry</b>              | Computershare                                   |
| <b>Webcast</b>               | Yes   |
| <b>Poll or show of hands</b> | Poll on all items                               |
| <b>Monitor</b>               | Richard McDonald assisted by Sue Howes          |
| <b>Pre AGM Meeting?</b>      | Yes with Chair John Gillam and CEO Julie Coates |

Please note any potential conflict as follows: The individual(s) (or their associates) involved in the preparation of this voting intention have a shareholding in this company.

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| <b>Item 1</b>   | <b>Consideration of accounts and reports</b> |
| <b>ASA Vote</b> | No vote required                             |

**Summary of ASA Position**

CSR had a good year with profit after tax \$125m (up from last years \$75m) but EBIT was \$216m down from \$265m last year. The forecast decline in building is not expected to be felt until this coming year 2021. Because of COVID-19 the next half dividend has been cancelled so the dividend for 2020 was 14cps. The share buyback has been discontinued to preserve cash following the advent of COVID-19. We view this as a good decision regardless of the intervention of COVID given the relatively high price of shares repurchased in the market compared with net asset value (NAV). While we are aware that there are some items at historical or depreciated cost in the accounts that depress the NAV, we also note that there are significant assets held as inventory and intangibles, the value of which has been written down in recent years and may be likely to be written down further given current economic conditions. While many people regard buy-backs as good things, this is only actually the case when the equity is purchased at a price that does not erode continuing shareholder value.

Safety improved in 2019 with lost time to injuries down 8%.

The managing director and CEO Julie Coates joined in September 2019. We applaud the company for its diversity at Board level by both gender and background.

## Summary

| (As at FYE)                          | 2020   | 2019   | 2018  | 2017  | 2016   |
|--------------------------------------|--------|--------|-------|-------|--------|
| NPAT (\$m)                           | 125.3  | 78.8   | 188.8 | 177.9 | 142.3  |
| UPAT (\$m)                           | 134.8  | 181.7  | 210.6 | 183.8 | 166.0  |
| Share price (\$)                     | 3.17   | 3.32   | 5.18  | 4.51  | 3.30   |
| Dividend (cents)                     | 14.0   | 26.0   | 27.0  | 26.0  | 23.5   |
| TSR (%)                              | 1.50   | (32.9) | 25.3  | 45.7  | (10.9) |
| EPS (cents)                          | 27.3   | 36.1   | 41.9  | 36.5  | 32.9   |
| CEO total remuneration, actual (\$m) | 1.010* | 4.208  | 3.793 | 4.627 | 4.815  |

- 2020 figures relate to period of commencement 2 Sept 2019 to end of FY and includes a sign on fee of \$400,000, issued as rights that vest September 2022.
- As the CEO commenced part way through the year the relevant comparison should be to target remuneration for 2021, which at \$2.818m is expected to be **32 times** the Australian Full time Adult Average Weekly Total Earnings (based on May 2019 data from the Australian Bureau of Statistics).

Note: Previous CEO left on 1 Sep 2019. His total REM for first half of the year was \$1.883m, .522m STI and .683m LTI

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| Item 2a  | Re-election of Christine Holman as a Director |
| ASA Vote | For   |

## Summary of ASA Position

Ms Holman PGDipBA, MBA, GAICD, was appointed in October 2016 and has 20 years experience in technology, private equity and digital sectors in a variety of functions including finance, commercial technology and marketing. Ms Holman is a NED of Blackmores Ltd, Collins Foods Ltd as well as a federal government business enterprise and charitable organisations. Ms Holman was previously a director of Wisetech Global Ltd, HT & E Ltd and Vocus Ltd. Ms Holman as an independent non executive director brings a wealth of experience to the board as well as assisting with diversity. We will be voting for Ms Holman.

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| <b>Item 2b</b>  | <b>Re-election of Mike Ihlein as a Director</b> |
| <b>ASA Vote</b> | <b>For</b>                                      |

### **Summary of ASA Position**

Mr Ihlein BBUS (accounting), FAICD, FCPA, FFIN, MFEI, has been an independent non-executive director since July 2011. He Chairs the Risk & Audit Committee. He was formerly CEO and director of Brambles Ltd as well as a long career with Coca Cola Amatil in senior positions.

Mr Ihlein is a NED of Scentre Group and Kilfinan Australia Ltd and was until June 2019 a director of Snowy Hydro Limited. As at June 1 has been appointed to Ampol Ltd.

Mr Ihlein has made a valuable contribution to CSR and although approaching 10 years on the Board as an independent director, ASA will vote for his re-election.

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| <b>Item 3</b>   | <b>To ratify the appointment of Julie Coates as an executive Director</b> |
| <b>ASA Vote</b> | <b>For</b>  |

### **Summary of ASA Position**

Ms Coates BA DipE, was appointed on 2 September 2019.

Ms Coates was formerly the Managing Director of Goodman Fielder Australia and New Zealand. Ms Coates has had several senior roles at Woolworths with proven leadership skills with a strong understanding of manufacturing, safety and operational processes and deep experience in supply chain efficiency, optimisation and digitisation.

Ms Coates was previously NED of Coca Cola Amatil and Spotless Group Holdings.

Ms Coates is very well qualified and ASA will be voting for the motion.

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| <b>Item 4</b>   | <b>Adoption of Remuneration Report</b> |
| <b>ASA Vote</b> | <b>For</b>                             |

### Summary of ASA Position

After a strike last year we were pleased with the changes to this year's REM.

| CEO rem. framework | Target \$m | % of Total | Max. Opportunity \$m | % of Total |
|--------------------|------------|------------|----------------------|------------|
| Fixed Remuneration | 1.150      | 41%        | 1.150                | 31%        |
| STI - Cash         | 0.644      | 23%        | 0.920                | 25%        |
| STI - Equity       | 0.161      | 6%         | 0.230                | 6%         |
| LTI                | 0.863      | 30%        | 1.380                | 38%        |
| Total              | 2.818      | 100.0%     | 3.680                | 100%       |

Because of the uncertainty arising from COVID-19 all executives have forfeited any entitlement to STI for YEM20.

STI deferral in the form of shares is increased from 20% to 40% for YEM21.

Relative TSR introduced in YEM21 with absolute TSR as a qualifying performance hurdle.

The CEO was granted 100,745 rights valued at \$400,000 vesting in 2022.

NED's fees were not increased in YEM20 and do not propose an increase for YEM21

LTI shares are issued at VWAP. The minimum shareholding for a KMP is 100% of FAR to be acquired over a reasonable period of time.

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| <b>Item 5</b>   | <b>Grant of performance Rights to the managing director</b> |
| <b>ASA Vote</b> | <b>For</b>  |

### Summary of ASA Position

It is proposed to issue the Managing Director 452,206 performance rights (5 day VWAP price set at \$3.0517 at 30 March 2020) as her 2021 LTI award. These shares will be sourced on market and this does not require shareholder approval. CSR is however seeking shareholder approval in the interests of good governance. Relative TSR and EPS will be used as the two performance conditions over the 3 year performance period. Relative TSR set between the comparator group of companies ranked ASX50-150 and adjusted as necessary for takeovers, mergers etc. EPS hurdles

are set at 5% and 10% compound growth as previously set. Ms Coates total maximum REM package for 2021 will be \$3,680,000 of which \$1,150,000 as fixed remuneration.

Whilst the performance period is 3 years, ASA would prefer 4 years. There is a further holding restriction of 12 months.

ASA voted for the REM report last year.

ASA will vote for the Grant.

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| <b>Item 6</b>   | <b>Spill motion (contingent resolution)</b> |
| <b>ASA Vote</b> | <b>Against</b>                              |

## Summary of ASA Position

ASA will be voting against the spill motion as we support the remuneration report and election of directors.

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