

A good year not reflected in the share price

Company/ASX Code	CSR Limited/CSR
AGM date	Tuesday 27 June 2023
Time and location	10am AEST CSR Head Office, Triniti 3, Level 6, 39 Delhi Road, North Ryde NSW
Registry	Computershare
Type of meeting	Hybrid
Poll or show of hands	Poll on all items
Monitor	Roger Ashley
Pre AGM Meeting?	Yes with John Gillam (Chair) & Jill Hardiman (Company Secretary)

Monitor Shareholding: The individual involved in the preparation of this voting intention has an indirect shareholding in this company.

Summary of issues for meeting

The company has performed well in the year to 31 March 2023, although this has not been reflected in its share price. It would seem the publicity surrounding financial casualties in the building industry has had a negative impact. The company's management remains sanguine on the industry's prospects based on the feedback from its customers and other industry participants.

Proposed Voting Summary

No.	Resolution description	
2a	Election of Christina Boyce as a Director	For
2b	Election of Adam Tindall as a Director	For
3	Adopt the 2023 Remuneration Report	For
4	Approve the grant of Performance Rights to Julie Coates the Managing Director	For
5	Insert the proportional takeover provisions in the Constitution	For

Consideration of accounts and reports - No vote required

Governance and culture

Following the retirement of Matthew Quinn in accordance with the Board's renewal policy, the composition of the Board is fifty percent female (including the Managing Director, Julie Coates). At year end, 21% of the CSR workforce were women with 28% of new hires in the year female (including 56% of hired leaders).

Financial performance

The 2023 result has been driven by the Building Products business segment, which accounts for 78% of the company's earnings before interest and tax (EBIT) (before significant items). Significantly the statutory Net Profit After Tax (NPAT) was \$52m below the prior year primarily due to the benefit of

carry-forward capital tax losses of \$86m that positively impacted the 2022 results and were treated as a significant item. After adjusting for this and other minor significant items the Underlying Profit After Tax (UPAT) increased by 17% year on year.

All the Building Products businesses (Interior Systems, Masonry & Insulation, and Construction Systems) showed an increase in revenue.

CSR has an effective 25.2% interest in the Tomago Aluminium Smelter near Newcastle NSW. In 2023, the EBIT from Aluminium operations was down by \$31.7m (80%) on the prior year. Currency and price hedging in place, however, indicates future growth¹. The operations receive RERT income (Reliability & Energy Reserve Trader) payments when operations are scaled back to contribute to network demand.

The company is also involved in property remediation and development for sale principally utilising its own property, which is surplus to requirements. The financing of these projects is from internally generated funds and the company has minimal external debt and finance costs and is currently some one-third of the way into a \$100million share buyback commenced during the year.

At year end, the company had a provision of \$193m against future claims from the sale of asbestos products in Australia and the United States, which ceased in 1977. While independent expert advice to the company is said to support the adequacy of this provision, there is no guarantee around the final liability. The company is of the opinion that based on current claims management experience ongoing litigation will not materially impact the group's financial position.

ASA focus issues

Climate change related projects included the commencement of a \$23m investment involving gyprock manufacturing lowering gas and electricity input and reducing paper waste by 80%, the use of recycled glass in insulation, and significant water usage savings. A plan is under development to power the Tomago aluminium smelter with renewable energy by 2028. Overall, energy, emissions, and water usage are targeted to reduce by 30% and solid waste by 75% by 2030 from 2020 levels.

Summary

(As at FYE)	2023	2022	2021	2020	2019
NPAT (\$m)	218.5	270.6	146.1	125.3	78.8
UPAT (\$m)	225.0	192.6	160.4	134.8	181.7
Share price (\$)	4.75	6.15	5.78	3.17	3.32
Dividend (cents)	36.5	31.5	36.5	14.0	26.0
Simple TSR (%)	(17.2)	11.9	93.8	(0.3)	(30.9)
EPS (cents)	45.5	55.8	30.1	25.4	15.5
CEO total remuneration, actual (\$m)	3.485	2.245	2.254	1.010*	4.208

**2020 CEO remuneration relates to the current CEO who commenced on 2 September 2019*

¹ [CSR Media Release full year ended 31 March 2023](#)

For 2023, the CEO's total actual remuneration was **35.7 times** the Australian Full time Adult Average Weekly Total Earnings (based on November 2022 data from the Australian Bureau of Statistics).

Election or re-election of directors

There are three male non-executive directors (NEDs) and two female NEDs (following the retirement of Matthew Quinn). All conform to ASA guidelines in terms of length of service and value of shares held (determined on a multiple of base fees).

We note that the Board Skills Matrix is contained within the Corporate Governance Report but does not attribute skills to directors specifically as recommended by ASA guidelines, which would enable investors to assess the skills of individual directors as categorised by the company.

The Directors seeking election at this AGM are:

Christina Boyce

Ms. Boyce is seeking election to the Board. She currently holds no public company directorships but has been a NED for listed companies previously. She has had 25 years of strategy advisory experience, including as a partner of McKinsey & Co.

Adam Tindall

Mr. Tindall is seeking election to the Board. He has had 35 years of industry experience in investment management, real estate, and infrastructure with AMP, Macquarie Capital, and Lendlease. Subject to election, he will assume the role of Chair of the Remuneration & Human Resources Committee effective 1 June 2023. He is also a NED for Stockland.

Adoption of Remuneration Report and approval of equity grants to Managing Director

Issues with the remuneration report are a 3-year period for the long-term incentive, rather than 4 years. We note, too, that the Board reserves the right to adjust the short-term incentive (STI) award but there was no adjustment for the year. Refer to Appendix 1 for more detail on the incentive scheme.

The CEO's long-term incentive (LTI) grant for 2024-26 is 360,508 shares at maximum opportunity. This represents a target award of \$1.72 million (taking into account a 3.75% increase in fixed remuneration in 2024) based on a volume weighted average price (VWAP) of \$4.7727 per share for 5 trading days to 31 March 2023. There is no entitlement to dividends during the performance period.

The LTI hurdles comprise equal components of a Relative Shareholder Return and Earnings per Share.

Insert the proportional takeover provisions in the Constitution

We prefer acquirers to make full takeover offers rather than allowing a predator to only bid for a proportion of a shareholders' interest.

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Appendix 1

Remuneration framework detail

Year to March 2023	Target \$m	% of Total	Max. Opportunity \$m	% of Total
Fixed Remuneration	1.185*	42%	1.185*	29%
STI - Cash	0.497	17%	0.711	17%
STI - Equity	0.332	12%	0.474	12%
LTI	0.829	29%	1.658	41%
Total	2.843	100.0%	4.028	100%

Notes: * CEO remuneration increased to \$1,184,500 on 1 July 2022

Table is based on the 2023 incentives applied to fixed remuneration of \$1185m

Target LTI is calculated at 50% of maximum LTI

CEO remuneration to increase by 3.75% in 2024 and the maximum STI opportunity increasing from 100% of fixed annual remuneration to 110%

No changes are proposed to the LTI for the year ending 31 March 2024

The Short-term incentive (STI) is based 60% on undisclosed financial measures, which is reduced by 50% if 95% of the EBIT budget is not achieved. The maximum award is 143% of target opportunity (100% of fixed remuneration) and is 60% paid in cash at end of period with the balance in equity equally over a holding period of 1 and 2 years.

The long-term incentive hurdles comprise equal components of a Relative Shareholder Return (with a gateway of a positive Absolute TSR) and Earnings per Share over a 3-year period with a 1 year holding lock. Maximum LTI is 140% of fixed remuneration and there is no entitlement to dividends during the performance period.

Key Management Personnel are expected to hold shares equal to 50% of their remuneration “within a reasonable time frame”.